Insurance Corporation of British Columbia

2014
ANNUAL SERVICE PLAN REPORT

For more information on the ***Insurance Corporation of British Columbia*** contact:

In the Lower Mainland
604-661-2800

Elsewhere in B.C., Canada, or the U.S.
1-800-663-3051

Head Office

151 West Esplanade
North Vancouver, British Columbia, V7M 3H9
icbc.com

Email address: icbc.com/contact-us

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

Board Chair's Message and Accountability Statement

The 2014 Annual Service Plan Report of the Insurance Corporation of British Columbia (ICBC) was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles.

The information presented reflects the actual performance of ICBC for the 12 months ended December 31, 2014 in relation to Service Plan 2014 – 2016. The measures presented are consistent with ICBC's mandate and corporate strategy, and focus on aspects critical to the organization's performance. ICBC adheres to Taxpayer Accountability Principles and embedded in its corporate strategy are the values of cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity.

In 2014, as ICBC marked its 40th year of selling auto insurance to British Columbians, the fundamentals of our business were strong and we had many significant achievements. ICBC remained committed to its Transformation Program, a multi-year business renewal initative to improve services and options for customers. ICBC achieved a significant milestone in 2014 with the completion of a new claims system that will help streamline work processes, provide better customer service, settle claims faster and lower operating costs.

ICBC also made great progress on the work that is underway to replace its legacy insurance policy administration system which will further significantly improve value and services for customers. This is a significant, complex project that will remain a key priority going forward.

One of ICBC's key priorities in 2014 was to keep rates as low as possible for customers by managing the increases in bodily injury (BI) claims costs, which is the biggest single factor driving rates for all auto insurers across North America and beyond.

ICBC's commitment to operating in a low-cost, operationally excellent manner resulted in total operating costs being within plan. ICBC's 2014 net income was better than plan, due to higher investment income and benefits from claims initiatives, partially offset by higher claims costs resulting from the amendment to the statutory discount rates for future care and future wage loss claims by the Office of the Chief Justice of the B.C. Supreme Court.

As the Chair of ICBC's Board of Directors, I am accountable for the contents of the report and for ensuring internal controls are in place to ensure information is measured and reported accurately and in a timely fashion.

On behalf of the Board of Directors and all ICBC employees, it is my pleasure to submit ICBC's Annual Service Plan Report for the year ended December 31, 2014.

Sincerely,

Walter Gray

Walter Gray
Chair of the Board of Directors

Table of Contents

Purpose of the Organization

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown corporation mandated by the *Insurance Corporation Act*, *Insurance (Vehicle) Act* and the *Motor Vehicle Act* to provide universal compulsory auto insurance (Basic insurance) to drivers in British Columbia (B.C.), with rates regulated by the British Columbia Utilities Commission (BCUC).

Similar to other vehicle owners across Canada, motorists in B.C. are required by law to purchase a minimum level of Basic auto insurance. This provides private passenger and certain commercial vehicle owners with $200,000 in third-party liability protection, $150,000 for medical and rehabilitation costs and $1 million of underinsured motorist protection. Buses, taxis, limousines, and inter-provincial trucking and transport vehicles have higher mandatory levels. B.C.'s coverage is among the most comprehensive in the country.

In addition to providing Basic auto insurance, we also offer various Optional auto insurance coverages, including extended third-party liability, collision, comprehensive and vehicle storage.

We are one of B.C.'s largest corporations and one of Canada's largest property and casualty (P&C) insurers. Our insurance products and services are available through a province-wide network of approximately 900 independent brokers, government agents and appointed agents. We process approximately 900,000 claims each year through our 24-hour, seven-days-a-week telephone claims handling facility, 38 claim centres, icbc.com and nearly 900 partner-owned glass and collision repair shops.

In addition to our insurance products and services and investments in road safety, we also provide a number of services on behalf of the provincial government, including vehicle registration and licensing, driver licensing and fines collection. We refer to these as our non-insurance services.

We operate as an integrated company for the benefit of our customers and partner with businesses and organizations in communities across B.C. to deliver our services and programs. Autoplan brokers are key business partners, distributing our insurance products and providing other services such as vehicle registration and licensing. We deliver our services in partnership with a broad base of suppliers in the automotive industry. Law enforcement agencies, health services providers, lawyers and community organizations are among our other key partners.

Strategic Direction and Context

Strategic Direction

ICBC's mandate is to build trust with British Columbians by providing consistent, quality auto insurance services when they need them. In 2014, ICBC's corporate strategy focused on delivering value and services that are important to our customers while maintaining financial stability. This included improving the quality, consistency and timeliness of claims handling, increasing online and mobility services, while helping to reduce injury and death on B.C. roads and keeping rates as low as possible.

In 2014, ICBC complied with the performance expectations outlined in our 2014/15 Government's Letter of Expectations and its addendum, which describes the Taxpayer Accountability Principles to which ICBC must adhere.

Strategic Context

In 2014, ICBC successfully implemented a new claims system that will help streamline work processes, provide better customer service, settle claims faster and lower operating costs. ICBC also updated its operating model and organizational structure in order to better align the company to further its corporate strategy under the leadership of a smaller, renewed senior team. This will further our ability to manage the strategic issues and risks that arise in a more efficient manner.

Rising bodily injury (BI) claims costs continue to be a key risk for auto insurers, putting pressure on rates for customers. As a result, ICBC applied to the BCUC in 2014 for an increase of 5.2 per cent to Basic rates, in addition to a deferred 0.3 per cent increase directed by the BCUC in its 2013 rate decision. ICBC's rate application was approved on an interim basis, effective November 1, 2014.

ICBC has a multi-year strategy to deal with the complexities and challenges associated with BI cost increases. In 2014, initiatives included implementing a new claims model, changing processes to manage legal representation trends and working with the B.C. government to support its new penalties for distracted driving.

In 2014, ICBC's claim costs were also impacted by the amendment to B.C.'s statutory discount rates by the Office of the Chief Justice of the B.C. Supreme Court. The change has substantially increased the amount ICBC has to pay on settlements which include compensation for future care and future wage after someone is injured in crash.These impacts were mitigated by ICBC's investment income and claims initiatives and as a result ICBC's 2014 net income was better than plan.

Strengthening our information security system controls to protect against cybersecurity attacks and inappropriate disclosure of personal information will continue to remain a focus. The renewal of our core operational systems are part of our evolving business model, which will also continue to remain a key focus. Typical of other P&C insurance companies, ICBC faces other financial and non-financial risks such as natural catastrophes, volatility in investment markets, historically low interest rates and global economic uncertainty, all of which we continue to monitor.

Report on Performance

ICBC fulfilled the expectations outlined in our 2014/15 Government's Letter of Expectations and its addendum, which describes the Taxpayer Accountability Principles to which ICBC must adhere.

ICBC is continually working in aligning the corporation with government goals and objectives. As set out in the 2014/15 Government's Letter of Expectations, ICBC is complying with government direction regarding the capital management frameworks for Basic and Optional insurance and continues to work with the Ministry of Transportation and Infrastructure (Ministry) to ensure all financial targets and reporting requirements are met.

ICBC continued with its multi-year Transformation Program, which includes multiple projects that will help improve services and options for customers and provide employees with the tools they need to be successful and better meet customers' expectations. As part of this Transformation Program, in 2014 ICBC successfully implemented a new claims system and new customer and broker portals. In addition, ICBC made continued progress in replacing its insurance legacy system with a new policy administration system for brokers to sell Autoplan insurance.

In collaboration with government, a new framework and work plan for delivering on priority non-insurance projects that are essential to government's mandate was established. ICBC worked in collaboration with government in implementing the Off-Road Recreational Vehicle Strategy, continued to assist with the B.C. Services Card initiative and partnered on various road safety campaigns and initiatives.

ICBC provides enhanced enforcement funding and works with government and stakeholders to implement road safety initiatives through public awareness campaigns. In 2014, distracted driving was a priority focus for ICBC and initiatives included two month-long awareness campaigns that coincided with enhanced enforcement.

ICBC continues to focus on achieving high customer satisfaction levels for Insurance Services, Claims Services and Driver Licensing. In 2014, we implemented a new claims system and changes to business processes to improve services for customers.

ICBC has fully implemented 19 of 24 recommendations from the 2012 crown review and in 2014 continued to make progress on the few remaining items which are longer term by their very nature. ICBC provided government with a formal update in 2014 and moving forward will monitor progress with government through existing governance processes.

We are commited to providing customers with the best insurance coverage at the lowest possible cost. To support this, our corporate strategy focuses on four key objectives: improve value and service for customers, maintain financial stability, focused operational excellence and aligned people and business capabilities. In alignment with government direction, ICBC has embedded the Taxpayer Accountability Principles (TAP) into our corporate strategy. Our policies, processes and values align with the principles of cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity.

ICBC continues to be fully engaged in adopting the TAP and in 2014 the Board adopted a revised Code of Conduct, met regularly with government, and streamlined and simplified our Service Plan and process, resulting in stronger accountabilities, efficiency measures and clarified roles. Going forward, ICBC will work with the Ministry on developing and implementing a Strategic Engagement Plan and an Evaluation Plan of its performance against the TAP.

Objectives, Strategies, Measures and Targets

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

Our data used in the calculation of performance results are derived from the company's financial and operating systems. Controls over our financial systems are periodically reviewed by our internal and external auditors.

Objective 1: Improve Value and Service for Customers

Improving the value and service we provide our customers at all points of interaction was a key strategic focus for us in 2014. We worked to achieve this by improving the quality, consistency and timeliness of claims handling, increasing online and mobility services, while keeping rates as low as possible and moderating rate fluctuations.

A key priority for ICBC is to help reduce injury and death on B.C. roads, which is why we invest in road safety initiatives and partner with the B.C. government and police on various awareness and enforcement campaigns each year.

Strategies

- Keep rates as low as possible while moderating rate fluctuations.
- Improve quality, consistency, and timeliness of claims handling.
- Increase online and mobility services.
- Reduce injury and death on B.C. roads.

We measure customer service performance based on the percentage of satisfied customers for each major transaction type — insurance product purchase, claims service and driver licensing. The design of our measures and targets reflects the inherent differences of these key transactions. Two independent research firms conduct customer survey interviews throughout the year to monitor transactional satisfaction.

Performance Measure 1.1: Insurance Services Satisfaction

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Plan	2014 Actual	2015 Target	2016 Target
Insurance Services Satisfaction (higher is better)	97%	97%	96%	≥ 95%	96%	≥ 95%	≥ 95%

Data Source: Survey research conducted by independent firm

Discussion

- Our network of independent insurance brokers process more than three million policies each year. This measure represents the percentage of customers satisfied with their recent ICBC insurance transaction, and is based on a survey of approximately 100,000 customers throughout the year.
- This score is high and indicative of the positive relationship that we and our brokers enjoy with customers. The 2014 result was 96%, which achieved the plan (95%) and reflects our aim to maintain a high level of customer satisfaction. The 2015 and 2016 target has been set to reflect our aim of maintaining customer satisfaction at 95% or higher through the implementation of our new insurance policy administration system.

Performance Measure 1.2: Claims Services Satisfaction

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Plan	2014 Actual	2015 Target	2016 Target
Claims Services Satisfaction (higher is better)	89%	90%	89%	≥ 85%	87%	≥ 90%	≥ 91%

Data Source: Survey research conducted by independent firm

Discussion

- In 2014, ICBC processed approximately 900,000 claims. This measure represents the percentage of customers satisfied with their recent ICBC claim transaction and is typically drawn from a sample of over 12,000 customers surveyed throughout the year. However, in 2014 as a result of data constraints the survey sample was just over 7,000 customers. Surveying is expected to return to historical levels in 2016.
- The implementation of our new claims system resulted in temporary atypical call service levels in Dial-a-Claim. The Claims division continued to focus on providing quality service to customers, and as a result exceeded its 2014 target with a score of 87%. The target for 2015 is set at 90% or above, and at 91% or above for 2016, to reflect the anticipated benefits of our new claims system.

Performance Measure 1.3: Driver Licensing Satisfaction

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Plan	2014 Actual	2015 Target	2016 Target
Driver Licensing Satisfaction (higher is better)	94%	95%	94%	≥ 95%	94%	≥ 95%	≥ 95%

Data Source: Survey research conducted by independent firm

Discussion

- We conduct approximately 1.5 million driver licence related transactions each year. This measure is based on a sample of over 3,000 customers surveyed throughout the year and represents the percentage of customers satisfied with a recent driver licensing transaction.

- The 2014 result (94%) is close to the target and is consistent with prior years' results, thanks to continued service improvements based on customer feedback. The target for 2015 and 2016 has again been set at 95% or higher.

Objective 2: Maintain Financial Stability

ICBC has a responsibility to provide customers with the best insurance coverage for the lowest possible price. To do this, we must adapt to the challenges that face all P&C insurance companies, including increased claims costs as well as a low interest rate environment.

Claims costs are the majority of our costs – accounting for approximately 94 cents of every premium dollar collected. The most significant pressure on Basic rates continues to be the rising cost of BI claims. In 2014, we continued to closely monitor the frequency and severity of BI claims and implemented a number of initiatives that helped to mitigate the impact of higher claims costs.

In April, the Office of the Chief Justice of the B.C. Supreme Court amended the statutory discount rates for future care and future wage loss claims in accordance with the *Law and Equity Act.* This change had a negative impact on ICBC net income and was reflected in the combined ratio, loss ratio and minimum capital test for 2014. Excluding the impact of this change, these financial measures would otherwise have been better than plan.

In 2014, overall operating costs were within plan for the year due to our continued focus on controlling operating expenses, thus the operating expense ratio was slightly better than plan.

Investments continued to perform better than plan, which helps offset costs of the insurance product. However, the ongoing decline in interest rates will limit the yield on new investments into ICBC's fixed income portfolio which ultimately puts pressure on insurance rates. In addition, lower interest rates put downward pressure on the discount rate used to discount ICBC claims, which leads to higher claims costs.

Strategies

- Manage increasing bodily injury claims costs.

Performance Measure 2.1: Loss Ratio

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2013 Benchmark	2014 Plan	2014 Actual
Loss Ratio (lower is better)	**86.8%**	**86.0%**	**87.4%**	**68.2%**	**89.8%**	**94.3%**
Excluding impact of stat. discount rates amendment	86.8%	86.0%	87.4%	68.2%	89.8%	89.2%
Impact of statutory discount rates amendment	n/a	n/a	n/a	n/a	n/a	5.1%

Loss ratio is no longer a performance measure, effective with the 2015-2017 Service Plan.
Data Source: ICBC financial systems

Discussion

- The loss ratio is a key industry measure that demonstrates the insurance product's profitability. It is the ratio of the total of claims and claims-related costs (claims services, road safety and loss management costs) to insurance premium dollars earned. From a customer perspective, the higher loss ratio means more of each premium dollar is used for claims costs to help customers get well and to pay for vehicles and property repairs.

- Our loss ratio is typically higher than the P&C industry, which was 68.2%[1] for 2013. This is because our premiums are only set to recover costs and to achieve and maintain capital targets and do not build in as large a profit margin as the P&C industry. We use our investment income to offset costs, thereby allowing our rates to be lower than they would be if we had to generate an underwriting profit as private insurers do. In addition, we are mandated to provide Basic insurance to all drivers in B.C., including high-risk drivers whose claims costs are proportionately higher. This also results in a higher loss ratio relative to those insurers who may limit their exposure to such business.
- The 2014 plan of 89.8% was higher than 2013 reflecting expectations of continuing higher BI claims costs trends and claims-related costs. In 2014, our loss ratio of 94.3% was higher than plan primarily due to the impact of the amendment to the statutory discount rates, which was 5.1 percentage points on the loss ratio.

Performance Measure 2.2: Combined Ratio

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2013 Benchmark	2014 Plan	2014 Actual	2015 Target	2016 Target
Combined Ratio (lower is better)	**109.6%**	**107.0%**	**109.2%**	**98.7%**	**110.1%**	**113.3%**	**107.1%**	**106.5%**
Claims, claims-related and insurance expenses	106.5%	103.8%	106.2%	98.7%	107.1%	105.3%	102.9%	102.4%
Impact of statutory discount rates amendment *	n/a	n/a	n/a	n/a	n/a	5.1%	1.1%	1.1%
Non-insurance expense	3.1%	3.2%	3.0%	0.0%	3.0%	2.9%	3.1%	3.0%

* Estimates for the impact of the statutory discount rates amendment for 2015 and 2016 targets continue to be refined as the actual experience develops.
Data Source: ICBC financial systems

Discussion

- The combined ratio is a key industry measure for overall profitability and is the ratio of all costs to premium dollars earned. A ratio below 100% indicates an underwriting profit (i.e., premiums are sufficient to cover costs) while a ratio above 100% indicates an underwriting loss (i.e., premiums are not sufficient and investment income is needed to help cover costs). Costs included in the combined ratio are claims-related, operating and acquisition costs.
- Our ratio is higher than typical for the P&C industry and reflects the unique nature of our business model. The P&C 2013 industry benchmark was 98.7%.[1] Our premiums are not set to generate large underwriting profits, but together with investment income are set to recover all costs and achieve and maintain capital targets. We deliver non-insurance services on behalf of government and in 2014 non-insurance costs represented approximately three percentage points of the combined ratio.
- The 2014 result was worse than plan mainly due to higher claims costs resulting from the amendment to the statutory discount rates.
- The combined ratio target for 2015 and 2016 reflects expected claims cost trends as a result of mitigation initiatives as well as relatively unchanged operating costs. Premiums earned also assumes the interim Basic rate increase effective November 1, 2014.

[1] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2014. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund). 2014 data not currently available.*

Performance Measure 2.3: Expense Ratio

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2013 Benchmark	2014 Plan	2014 Actual
Expense Ratio (lower is better)	**21.2%**	**21.4%**	**20.4%**	**30.6%**	**20.4%**	**19.8%**
Insurance expense ratio	17.3%	16.9%	16.7%	30.6%	16.4%	16.3%
TP expense ratio	0.8%	0.6%	0.7%	-	1.0%	0.6%
Non-insurance expense ratio	3.1%	3.2%	3.0%	-	3.0%	2.9%
Restructuring costs ratio	-	0.7%	-	-	-	-

Expense ratio is no longer a performance measure, effective with the 2015-2017 Service Plan.
Data Source: ICBC financial systems

Discussion

- The expense ratio is a standard industry measure for assessing the operational efficiency of an organization and is the ratio of non-claims costs to insurance premium dollars earned. It includes operating costs such as general administration, broker commissions and fees, taxes paid to government on premiums, product design (underwriting) and non-insurance costs.
- Our expense ratio consists of three key components: the insurance expense ratio, the Transformation Program expense ratio and the non-insurance expense ratio. We incur costs for non-insurance expenses such as driver licensing, vehicle registration and licensing and government fines collection that other insurance companies do not incur.
- Our expense ratio of 19.8% for 2014 was lower than plan as we continued to successfully manage operating costs while the premiums we earned increased.
- The ratio was considerably lower than the 2013 P&C industry benchmark of 30.6%.[2] For insurers who predominantly write auto insurance, the ratio is 29.4%.[3] Our expense ratio is lower than industry due to our ability to achieve economies of scale, the benefits of integrated operations and lower marketing, underwriting, acquisition and general administration costs.

Performance Measure 2.4: Minimum Capital Test

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Target *	2014 Actual	2015 Target	2016 Target
Minimum Capital Test (Corporate) (higher is better)	**189%**	**200%**	**204%**	**185%**	**193%**	**185%**	**187%**

* 2014 minimum target changed due to approval of the Basic Capital Management plan by the BCUC in 2014.
Data Source: ICBC financial systems

[2] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2014. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan (SAF) Auto Fund). 2014 data not currently available.*
[3] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2014. Total Canadian Auto Writers Industry (excluding ICBC and SAF). 2014 data not currently available.*

Discussion

- Minimum capital test (MCT) is an industry measure set by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies across Canada. The Corporate MCT is the ratio of capital available to capital required, and is used to assess whether a company has sufficient capital to protect policyholders from financial risk and provide long-term financial stability. Appropriate levels of capital can help protect customers in the event of significant, externally-driven negative impacts to the business.
- Our 2014 Corporate MCT was 193% (see note 19 in the accompanying consolidated financial statements) and is higher than the revised minimum management target of 185% primarily due to the reserve to fund the Transformation Program. The estimated impact of the amendment to the statutory discount rates on the 2014 MCT is 3%.

Performance Measure 2.5: Investment Return

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Investment Return (four year annualized)					Policy Market Benchmark Return	Policy Market Benchmark Return
ICBC Portfolio	**4.27%**	**5.16%**	**5.00%**	**4.85%**		
Policy benchmark	**3.75%**	**4.95%**	**4.66%**	**4.64%**		
Excess	**0.52%**	**0.21%**	**0.34%**	**0.21%**		

Investment return is measured gross of management fees.

Data Source: ICBC financial systems

Discussion

- ICBC manages an investment portfolio with a carrying value of $14.1 billion at the end of 2014. The portfolio is conservatively invested with the majority of assets held in investment grade bonds, primarily to provide for future claims payments, unearned premiums and total equity. The income earned on these investments also helps to reduce the amount of premiums paid by policyholders. Equities, mortgages, real estate and high yield bonds are held in the investment portfolio to generate an added return over bonds.
- Investment returns, which incorporate both changes in market value of assets and income generated, are closely monitored. Individual asset class returns are measured relative to the performance of standard market benchmarks. In addition, the return of the overall portfolio is measured against a policy market benchmark calculated as the average of individual asset class market benchmark returns weighted according to the portfolio's strategic asset mix.
- Investment returns over the last four years have benefited from strong equity market returns, as equity assets have outperformed ICBC's fixed income investments.
- ICBC's investment returns continue to compare favourably to market returns. The 2015 – 2017 investment portfolio performance targets are set at the policy market benchmark four year annualized return. For performance measurement purposes, ICBC does not forecast the policy market benchmark return as it is the result of market forces beyond the company's control.

- For 2014, ICBC's four year annualized return at 4.85% was 0.21 percentage points higher than the comparable policy market benchmark of 4.64%[4]. Based on average portfolio values over this period, the estimated impact of this is about $27 million annually or about $108 million over the 4 years. In comparison, for 2013, our four year annualized return was 5.00%, or 0.34 percentage points higher than the policy market benchmark.

Objective 3: Focused Operational Excellence

ICBC is committed to providing consistent quality service to customers and ensuring its business approach focuses on making ongoing cost-efficient improvements that add value to customers. To accomplish this, we are leveraging our Transformation Program investments to identify opportunities that can streamline business processes while improving value and services for our customers.

Strategies

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

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

Performance Measure	2011 Actual	2012 Actual	2013 Actual	2013 Benchmark	2014 Plan	2014 Actual	2015 Target	2016 Target
Gross Expense per Policy (lower is better)	n/a *	$ 343	$ 339	$ 391	$ 348	$ 344	$ 354	n/a

* Measure was introduced in the Service Plan 2014-2016 and 2011 was therefore not reported.
Data Source: ICBC financial systems

Discussion

- This measure provides the average cost per policy to run ICBC's insurance business. It is calculated as the insurance costs divided by number of Basic policies. Gross expenses include costs to service claims (staffing and external costs), administrative costs, broker commission and fees, premium taxes, our investment in new systems and investment management fees. It excludes costs incurred to deliver non-insurance services.
- Our 2014 result of $344 was lower than the industry benchmark of $391[5] due to our ability to achieve economies of scale, the benefits of integrated operations and lower marketing, underwriting, acquisition and general administration costs.
- The 2014 result increased from 2013 due to higher acquisition costs, which are the result of an increase in average premium per policy. The 2014 result was slightly better than plan.

[4] *Sources: DEX Debt Market Indices; S&P TSX Composite Capped Index; Morgan Stanley Capital International (MSCI) EAFE Index; S&P 500; Customized REAL/pac IPD Canadian Property Index; (REAL/pac IPD = Real Property Association of Canada Investment Property Databank).*

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

Objective 4: Aligned people and business capabilities

Developing and sustaining accountable, aligned, enabled and motivated leaders and employees and leveraging business value from technology investments are critical to the achievement of our strategic objectives. To accomplish this, we must leverage business value from technology improvements and improve workforce planning and sustainment in key business areas, ensuring the capabilities and commitments of people are aligned to the core business and the corporate strategy.

Strategies

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

Performance Measure 4.1: Employee Engagement

<table>
<tr><th>Performance Measures</th><th>2011
Actual</th><th>2012
Actual</th><th>2013
Actual</th><th>2014
Actual</th><th>2015
Target</th><th>2016
Target</th></tr>
<tr><td>Employee Engagement</td><td>54%</td><td>33%</td><td>34%</td><td>n/a</td><td>n/a</td><td>n/a</td></tr>
<tr><td>Employee Opinion Indices</td><td></td><td></td><td></td><td></td><td rowspan="3">Indices ≤79 to increase a minimum of 3 points</td><td rowspan="3">Indices ≤79 to increase a minimum of 3 points</td></tr>
<tr><td>Aligned</td><td>· n/a</td><td>· n/a</td><td>· n/a</td><td>· 77</td></tr>
<tr><td>Enabled</td><td>· n/a</td><td>· n/a</td><td>· n/a</td><td>· 63</td></tr>
<tr><td>Motivated</td><td>· n/a</td><td>· n/a</td><td>· n/a</td><td>· 60</td><td rowspan="3">Indices ≥80 to maintain ≥80 or increase</td><td rowspan="3">Indices ≥80 to maintain ≥80 or increase</td></tr>
<tr><td>Accountable</td><td>· n/a</td><td>· n/a</td><td>· n/a</td><td>· 87</td></tr>
<tr><td>Leadership</td><td>· n/a</td><td>· n/a</td><td>· n/a</td><td>· 67</td></tr>
</table>

Discussion

- In 2014, ICBC adopted a new customized employee opinion survey framework aligned with our corporate objectives. Overall, the 2014 results were good, with all dimensions scoring in the "moderately positive" to "extremely positive" range.
- The survey gathered employees’ opinions on how their work environment supports the delivery of our corporate strategy and replaced the single “engagement” score used previously.
- The 2014 employee opinion survey results showed that customers and service are central to our employees. They take ownership of their own actions and decisions and have strong accountability for delivering value and service to customers.
- The new employee survey format helped us establish a new benchmark. We have set our 2015 target to increase, by a minimum of 3 points, employee opinion indices that scored less than or equal to 79. For indices that are greater than or equal to 80, we will aim to maintain or increase that score.

Financial Report

Management Discussion and Analysis

Financial Resource Summary Table

This report contains forward-looking statements, including statements regarding the business and anticipated financial performance of the company. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements.The table below provides an overview of ICBC's 2014 financial performance relative to its 2014 – 2016 Service Plan and a forecast of financial results for the next three years as set out in ICBC's 2015 – 2017 Service Plan. These results and forecasts form the basis upon which key performance targets are set.

($ millions)	2013 Actual	Prior Year Variance Better (Worse)	2014 Actual	Plan Variance Better (Worse)	2014 Plan	2015 Budget	2016 Budget	2017 Budget
Premiums earned [1, 2]	3,928	200	4,128	24	4,104	4,371	4,532	4,671
Service fees and other [2]	56	3	59	2	57	91	91	94
Total earned revenues	**3,984**	203	**4,187**	26	**4,161**	**4,462**	**4,623**	**4,765**
Provision for claims occurring in the current year	3,167	(212)	3,379	(35)	3,344	3,454	3,559	3,685
Change in estimates for losses occurring in prior years	(54)	(235)	181	(172)	9	(8)	(9)	(11)
Net claims incurred	**3,113**	(447)	**3,560**	(207)	**3,353**	**3,446**	**3,550**	**3,674**
Claims service and loss management [3]	321	(13)	334	(3)	331	337	331	324
Insurance operations expenses [2, 3]	167	(3)	170	(1)	169	226	232	238
Transformation Program [3]	29	5	24	17	41	29	29	27
Premium taxes and commissions [3, 4]	541	73	468	31	499	508	546	575
Total expenses	**4,171**	(385)	**4,556**	(163)	**4,393**	**4,546**	**4,688**	**4,838**
Underwriting loss	**(187)**	(182)	**(369)**	(137)	**(232)**	**(84)**	**(65)**	**(73)**
Investment income	671	191	862	254	608	425	428	443
Restructuring [3]	(3)	(3)	-	-	-	-	-	-
Income - insurance operations	**487**	6	**493**	117	**376**	**341**	**363**	**370**
Non-insurance operations expenses [2, 3]	92	(1)	93	4	97	106	106	107
Non-insurance commissions [3]	27	(1)	28	(1)	27	30	31	32
Non-insurance - other income [2]	-	-	-	-	-	(5)	(5)	(6)
Net income	**368**	4	**372**	120	**252**	**210**	**231**	**237**
Excess Optional capital transfer to the Province of British Columbia	237		139		200	160	160	160
Long-term debt	Nil		Nil		Nil	Nil	Nil	Nil
Total liabilities	11,507		12,267		12,038	12,850	13,345	13,868
Capital Expenditures								
Transformation Program	62		50		71	55	-	-
Non-Transformation Program [5]	17		31		31	60	50	40
Total Capital Expenditures	79		81		102	115	50	40

[1] Premiums earned are net of mid-term changes and cancellation refunds.

[2] For the financial statements in 2015 and beyond, miscellaneous revenues and recoveries previously netted in operating costs and costs previously netted in revenues have been reclassified to the appropriate revenue and expense categories respectively, in conformance with IFRS presentation. This reclassification resulted in an increase to both revenues and expenses and has no impact on net income.

[3] See Note 16 of the consolidated financial statements for details of Operating Costs by Nature.

[4] Premium taxes and commissions include deferred premium acquisition cost adjustments.

[5] The Board approved an increase of $11 million to 2014 non-Transformation Program capital plan.

Our 2014 net income of $372 million was $4 million higher than the 2013 net income of $368 million. This increase is primarily due to higher premiums earned, higher investment income and the benefits from claims initiatives. These were offset by higher claims costs resulting from the amendment to the statutory discount rates for future care and future wage loss claims. Net income in 2014 was $120 million higher than plan due to higher investment income and the benefits of the claims initiatives offset by higher claims costs as previously explained.

Premiums

Total premiums earned increased to $4,128 million in 2014 from $3,928 million in 2013. This is due to vehicle growth and premiums written at a higher average rate as the result of the Basic rate increase of 4.9% partially offset by the average Optional rate decrease of 4.0%, effective November 1, 2013; and the 5.2% interim Basic rate increase in addition to a deferred 0.3% rate increase, effective November 1, 2014. In addition, 2013 premiums earned were lower as it included a provision to refund customers that overpaid premiums on their ICBC Optional insurance as a result of incorrect vehicle descriptions.

Premiums earned in 2014 were slightly higher than plan.

Service fees

Service fees are primarily comprised of interest and other fees received from policyholders who have chosen to finance their insurance premiums over the policy period. In 2014, service fees increased by $3 million from 2013 mainly due to higher premiums written. Service fees in 2014 were consistent with plan.

Claims costs

Cost of claims incurred account for approximately three-quarters of our total expenditures. They comprise the expected costs to settle claims for all crashes that have occurred during the calendar year, regardless of when the crash is reported to us, and the change in estimates for losses occurring in prior years.

Claims incurred costs include payments made to settle claims, case adjusters' reserves, actuarial estimates of the additional costs that will be paid out on known claims and claims not yet reported.

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

Overall 2014 net claims incurred costs of $3,560 million were higher by $447 million compared to 2013. This was driven by current year claims costs increasing by $212 million, and an unfavourable adjustment of $235 million to the estimation of prior years' claims costs compared to 2013. These are primarily due to the amendment to the statutory discount rates and inflationary pressures on the average cost of claims.

Net claims incurred costs in 2014 were $207 million higher than plan. This was primarily due to the amendment to the statutory discount rates, which increased claims costs by $211 million.

We implemented a number of initiatives to help reduce these costs and for the first time in several years, the BI claims frequency appeared to be on a moderately downward trend. The effect of these initiatives helped to mitigate the impact of higher claims costs resulting from the impact of the amendment to the statutory discount rates.

The overall average cost of current year claims that occurred in 2014 increased by approximately 7% over 2013 primarily resulting from an increase in the average cost of injury claims. In 2014, the frequency of injury claims decreased slightly by 1% and the frequency of material damage claims decreased by 2% compared to 2013.

($ millions)	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
Net Claims Incurred Costs	**2,752**	**2,866**	**2,953**	**3,113**	**3,560**
Injury	1,728	1,823	1,944	2,039	2,438
Material Damage and Other	1,024	1,043	1,009	1,074	1,122

Data Source: ICBC financial systems

Injury claims

Current year injury claims account for over 65% of claims incurred costs in 2014, and include BI claims, and accident and death benefit claims. Injury claims include amounts for pain and suffering, future care, past and future wage loss, medical expenses and external claims handling expenses.

Overall, the total cost of current year injury claims increased by 8% in 2014 compared to 2013. This reflects the growth in the average cost of injury claims, including the increase due to the amendment to the statutory discount rates, as well as growth in policies.

BI claims costs accounted for 93% of all injury claims costs and increased by $200 million to $2,130 million in 2014 compared to 2013.

($ millions)	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
Current Year Injury Claims Incurred (major categories)	**1,678**	**1,817**	**2,001**	**2,089**	**2,295**
Bodily Injury	1,561	1,692	1,857	1,930	2,130
Accident & Death Benefits	117	125	144	159	165

Data Source: ICBC financial systems

Material damage (non-injury) claims

The main categories of material damage claims are property damage, collision, comprehensive and windshield claims. Overall, the total cost of current year material damage claims increased approximately 5% in 2014 compared to 2013. An increase of 5% in the average cost of material damage claims due to general inflationary trends and an increase in the frequency of comprehensive claims (mainly theft and vandalism claims) was partially offset by a decrease in the frequency of collision and property damage coverages.

($ millions)	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
Current Year Material Damage Claims Incurred (major categories)	**965**	**972**	**967**	**980**	**1,038**
Property damage	380	381	370	382	401
Collision	397	406	403	416	427
Comprehensive	146	133	138	126	150
Windshield	42	52	56	56	60

Data Source: ICBC financial systems

Change in estimates for losses occurring in prior years

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

In 2014, the change in estimates for losses occurring in prior years was unfavourable as compared to 2013 due to the amendment to the statutory discount rates.

Provision for unpaid claims

The provision for unpaid claims is the largest liability on our consolidated statement of financial position and is money set aside in anticipation of future claims payments relating to claims that have already occurred. The adequacy of this unpaid claims liability is reviewed and adjusted periodically throughout the year based on revised actuarial estimates which include a provision for adverse deviation (see note 2d of the consolidated financial statements).

The provision for unpaid claims at the end of 2014 was $8,205 million; however, estimates for future payments can change significantly due to the time frame in which certain types of claims are settled, which can be over a number of years. The provision for unpaid BI claims accounts for approximately 90% of total unpaid claims costs. As illustrated in the following table, only a small percentage of BI claims costs are paid and known in the first year of the claim's occurrence with a greater portion of the costs being an estimate of claims costs payable in future years.

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6
Breakdown of Bodily Injury Costs (%) (typical accident year)	**100**	**100**	**100**	**100**	**100**	**100**
Paid	4	14	29	45	67	82
Unpaid	96	86	71	55	33	18

Data Source: ICBC financial systems

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

We earn investment income on funds set aside for unpaid claims out of the premiums that are collected for the related policies. Investment income is earned until the claims are ultimately paid. In accordance with accepted actuarial practice in Canada, we report our provision for unpaid claims on a discounted basis to reflect the time value of money. The discounted amount takes into account the expected timing of future payments related to unpaid claims. The discount rate is based on the expected return of our current investment portfolio. An increase in the discount rate applied to claims costs will reduce the unpaid claims balance while a decrease in the discount rate will increase the unpaid claims balance. In 2014, the discount rate decreased by 38 basis points, which increased the unpaid claims balance.

Road safety and loss management

ICBC invests in road safety initiatives and loss management programs, which include auto crime and fraud prevention, investigation and detection to help reduce claims costs, giving customers the best coverage at the lowest possible price. We work with a network of partners across the province to deliver road safety programs that help protect customers from risks on the road by reducing the frequency and impact of crashes and crime.

In 2014, we invested $44 million in road safety and $7 million in loss management programs. Using a safe systems approach, we target our road safety investments on the major risks that impact customers and costs in our business, including distractions, high-risk driving, vulnerable road users and commercial vehicle safety. In alignment with our current corporate priorities, initiatives were further refined to focus on the leading contributors of bodily injury claims.

Coinciding with an increase in the adoption of smartphones, distracted driving is one of the leading causes of car crash fatalities in B.C. We developed a coordinated strategy to address this issue, including support for police enforcement campaigns and the provincial government's introduction of stronger penalties for drivers caught using electronic devices behind the wheel.

We also partnered with the provincial government and police across the province on enhanced traffic enforcement and the Intersection Safety Camera program, with 140 dedicated digital cameras in 26 communities to deter drivers from running red lights. We continued our successful partnership with road authorities to reduce crashes at high-risk locations by contributing to over 400 road safety engineering projects and studies.

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

Through identification, investigation and deterrence, we are committed to reducing the incidences of fraudulent claims to protect our customers. A Special Investigation Unit manages programs that prevent, detect and investigate fraud in all aspects of our business.

Operating costs

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

We continued to focus on managing operating costs prudently. Insurance operating costs of $504 million were higher than 2013, primarily due to increases in professional services and computer costs through project operationalization and costs related to changes in our organizational structure. These were partially offset by lower compensation costs from the continued effort to manage workload and resources. Operating costs in 2014 were within plan.

The Transformation Program is a multi-year initiative where 2014 project operating expenses totaled $24 million including operational costs and depreciation expenses. This was $17 million lower than plan and includes $2 million in lower depreciation costs. The lower spending levels in 2014 are due to the timing of certain costs and project activities.

Included in total operating costs are non-insurance costs of $93 million, which consist of costs for administering driver licensing, vehicle registration and licensing and government fines collection. Non-insurance costs are funded from Basic insurance premiums and increased by 1% over 2013.

($ millions)	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
Operating Costs	**625**	**616**	**635**	**606**	**621**
Insurance	506	497	492	488	504
Transformation Program	35	32	25	29	24
Non-Insurance	84	87	93	92	93
Restructuring costs	-	-	25	(3)	-

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

Operating Costs by Nature ($ millions)	**2013**	**2014**
Employee benefit expense	$ 434	$ 433
Professional, administrative and other	114	119
Road improvements and other traffic safety programs	32	32
Depreciation & amortization	29	37
Restructuring	(3)	-
	$ 606	$ 621

Acquisition costs

Acquisition costs represent the amounts paid to brokers for the sale of our insurance products, as well as administering driver and vehicle licensing transactions. Acquisition costs also include premium taxes (4.4% of premiums) collected and paid to the provincial government. Premium acquisition costs relate specifically to the commissions for the sale of our insurance products and premium taxes.

Consistent with the recognition of premium revenue earned over the duration of the policy, premium acquisition costs are expensed on a similar basis. At year-end, the unexpended portion of these costs are deferred and reflected as deferred premium acquisition costs (DPAC) in the amount of $152 million (see note 17 of the accompanying consolidated financial statements). DPAC is written down and recognized as a premium deficiency when future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums. This was the case in 2014 for the Basic business although to a lesser degree than 2013. 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.

Acquisition costs (including non-insurance commissions) were $72 million lower than 2013. This was mainly due to a lower expected loss in the Basic business as a result of the Basic rate increases (4.9% effective November 1, 2013, 5.2% effective November 1, 2014 as well as the rate adjustment of 0.3% for the 2013 rate differential), which allowed for an increase in the amount of acquisition costs deferred. This was partially offset by higher broker commissions of $10 million and higher premium taxes of $7 million due to higher premiums earned.

Premium taxes and commissions of $496 million were $30 million lower than plan due to a more favourable DPAC adjustment due to the lower expected loss of the Basic business as a result of lower anticipated injury claims costs, which allows for an increase in the deferral of acquisition costs.

Investments

We have an investment portfolio with a carrying value of $14.1 billion which represents 89% of the company's total assets at the end of 2014.

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

At December 31, 2014, 73% of the carrying value of the portfolio took the form of high-grade corporate and government bonds, money market securities and mortgage instruments, while 22% of the portfolio was invested in equity and real estate investments. A further 5% of the portfolio has been allocated to high yield bonds.

Investment income

In 2014, our investment income was $862 million. The increase of $191 million from 2013 reflects the impacts of strong equity markets, declining interest rates and a stronger US dollar. Equity gains were realized when equities were sold to establish a small US high yield bond portfolio and from rebalancing of the portfolio to comply with our investment policy. Also, the value of bond investments increased with the decline in interest rates resulting in bond gains when bond investments were sold in regular rebalancing activity. Finally, income benefited from a small US dollar exposure within the bond portfolio as the US dollar appreciated. Overall, these results equate to an accounting investment return of 6.5% in 2014 compared to 5.3% in 2013, based on the average investment balance during the year on a cost basis. The higher accounting return is reflective of strong investment income in 2014.

($ millions)	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
Investment Income	**530**	**441**	**443**	**671**	**862**
Interest, dividends & other income	323	249	309	338	428
Gains	207	192	134	333	434

Investment income was $254 higher than plan due to higher bond gains from unplanned bond sales and unrealized foreign exchange gains on US bonds recognized in income, higher equity gains from the sale of securities due to a change in the management structure and from rebalancing in the equity portfolio, and higher dividend income.

Equity

Our equity includes retained earnings of $3,379 million and other components of equity (OCE) of $236 million as at December 31, 2014. Retained earnings help to absorb significant unexpected increases in claims costs and volatility in the financial markets. We have a strong capital base enabling us to withstand adverse claims experience and unfavourable financial market situations which have been volatile in recent years, protect our policyholders and continue to provide our customers with the best coverage at the lowest possible price.

Bonds and equities are measured at fair value on the consolidated statement of financial position, with changes in fair value (unrealized gains and losses) included in OCE, which decreased to $417 million at December 31, 2014. This decrease primarily reflected the recognition of gains from the sale of equity and bond investments to net income and the decrease in the fair market values of our equity portfolio due to the weakening performance of the equity markets at the end of the year.

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

The common industry method used to measure financial stability is the MCT ratio, a risk-based capital adequacy framework which assesses assets, policy liabilities and other potential liabilities to determine appropriate capital levels. OSFI requires its regulated P&C insurers to meet MCT targets.

Although not regulated by OSFI, we have established management targets for MCT in excess of ICBC's regulatory targets to take into consideration relevant factors such as business risks and requirements, and the volatility inherent in the insurance business such as changes to claims costs and in the investment markets. The 2014 internal management target level for Corporate MCT was a minimum of 185%. This was increased from 175% with the approval of the revised Basic Capital Management Plan by the BCUC in May 2014. At December 31, 2014, our total Corporate MCT level of 193% exceeded the management target. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 19 and 21 of the accompanying consolidated financial statements.

Excess Optional capital transfer

The excess Optional capital transfer to the Province of B.C. of $139 million is $61 million lower than plan, primarily due to higher claims costs as a result of the amendment to the statutory discount rates.

Basic and Optional operations

We operate as an integrated company providing Basic and Optional insurance products and services. Integrated operations provide benefits to our customers such as ease of service and savings achieved through economies of scale.

The majority of premium revenues and claims costs are specifically identifiable as Basic or Optional; however, certain costs are not tracked separately. For those costs that are not specifically identified as Basic or Optional, a financial allocation methodology, as approved by the BCUC, is used to allocate costs between these two lines of business. We operate and manage the company on an integrated basis as well as report our financial and performance results in the annual report on an integrated basis. Detailed financial information on our Basic and Optional lines of business is included in note 21 of the accompanying consolidated financial statements. The following paragraph provides a high-level summary of impacts for both the Basic and Optional lines of business, while the balance of the annual report discusses results based on integrated operations.

The Basic insurance business generated net income of $87 million, which was $84 million better than 2013 net income of $3 million. The Basic net income increased from the prior year due to higher investment income from bond and equity gains and higher premium revenue resulting from the Basic rate increase of 4.9% effective November 1, 2013. As well, there was a higher deferral of acquisition costs due to a lower expected loss in the Basic business as a result of a higher amount of projected unearned premiums related to the Basic rate increase of 5.2% effective November 1, 2014. These were partially offset by higher claims costs due to inflationary pressures on claim severity and the impact of the amendment to the statutory discount rates.

The Optional insurance business generated net income of $285 million in 2014. Optional net income decreased $80 million from 2013 mainly due to higher claims costs noted above, partially offset by higher revenues due to increased vehicle growth and higher investment income.

Operating subsidiaries

ICBC's investment policy, which is established by the Investment Committee and approved by the Board of Directors, follows a long-term conservative strategy and diversifies its investment holdings amongst money market securities, high-grade corporate and government bonds, mortgages, high-yield bonds, equities and investment properties. Income from these investments helps to reduce the amount of premiums that would otherwise have to be paid by customers.

The Corporation holds all but one of its investment properties in fully-owned nominee holding companies. In accordance with the Taxpayer Accountability Principles, ICBC has disclosed a listing of all nominee holding companies that it currently holds (see Appendix A).

All of the nominee holding companies are consolidated and the financial information is included in our financial statements. The basis of consolidation is explained in note 2b in the accompanying consolidated financial statements. A consolidated summary of the income from investment properties can be found in note 9 of the accompanying consolidated financial statements.

The Corporation does not have any active operating subsidiary companies.

Financial forecasts

Our financial forecasts take into consideration the business risks and risk mitigation strategies currently in place. The net income forecast for 2015 – 2017 reflects expected growth in premiums, current expectations for longer-term claims cost trends and investment income based on current investment market conditions. Capital expenditures are composed of Transformation Program costs and the ongoing renewal of information technology and facilities. The forecast also takes into account the estimates of the excess Optional capital transfer to the Province of B.C. More detailed information on ICBC's forecasts is provided in ICBC's 2015 – 2017 Service Plan.

Key Financial Data for the Past Five Years

Five year comparison [1] for the years ended December 31	2014	2013	2012 [2]	2011	2010
For the year ($000):					
Premiums earned	4,128,020	3,927,694	3,811,386	3,673,210	3,667,324
Service fees	59,310	56,640	53,797	50,352	54,628
Provision for claims occurring in the current year	3,378,576	3,167,560	3,022,699	2,880,130	2,754,077
Change in estimates for losses occurring in prior years [3]	181,426	(54,390)	(69,234)	(14,392)	(2,039)
Claims services, road safety and insurance operating costs	504,206	488,577	492,536	497,465	505,923
Transformation Program (TP) expenses	23,961	28,578	24,441	31,645	34,775
Insurance premium taxes and commissions	504,324	487,742	474,392	457,437	446,015
Deferred premium acquisition cost (DPAC) adjustments [3]	(36,445)	52,946	(11,351)	59,924	31,180
Non-insurance expenses	121,223	118,827	120,693	112,692	110,139
Investment income	862,426	670,931	443,126	441,480	530,319
Restructuring [3]	-	(2,686)	24,968	-	-
Net income	372,485	368,111	229,165	140,141	372,201
At year end ($000):					
Cash and investments [4]	14,133,958	13,528,149	12,305,412	11,476,238	11,577,928
Total assets	15,882,702	15,149,965	13,855,282	12,928,133	12,957,995
Total liabilities	12,267,025	11,507,189	10,607,965	10,001,659	9,758,908
Equity:					
- Retained earnings	3,379,301	3,145,597	3,014,486	2,654,079	2,683,364
- Other components of equity	236,376	497,179	232,831	272,395	515,723
Total equity	3,615,677	3,642,776	3,247,317	2,926,474	3,199,087
Autoplan policies earned [5]	3,493,000	3,429,000	3,372,000	3,321,000	3,281,000
Average premium ($) [6]	1,153	1,130	1,100	1,079	1,092
Claims reported during the year [7]	900,000	917,000	915,000	900,000	895,000
Loss ratio (%) [8]:					
- Current year (%)	89.9	88.8	87.8	87.2	84.1
- Prior years' claims adjustments (%) [3]	4.4	(1.4)	(1.8)	(0.4)	(0.1)
Loss ratio (%)	94.3	87.4	86.0	86.8	84.0
Expense ratio (%) :					
- Insurance expense ratio (%) [9]	16.3	16.7	16.9	17.3	17.0
- Transformation Program expense ratio (%)	0.6	0.7	0.6	0.8	0.9
- Non-insurance expense ratio (%)	2.9	3.0	3.2	3.1	3.0
Expense ratio (%) (excluding restructuring costs)	19.8	20.4	20.7	21.2	20.9
Restructuring expense ratio (%)	-	-	0.7	-	-
Expense ratio (%)	19.8	20.4	21.4	21.2	20.9

1. Financial information for all years is prepared based on International Financial Reporting Standards (IFRS).
2. 2012 was restated for comparative purposes to reflect the adoption of IAS 19 (Amendment) Employee Benefits and other adjustments, in 2013. 2010 and 2011 were not restated.
3. ( ) denotes a favourable adjustment, i.e., a reduction in expense.
4. Includes investment properties.
5. Annualized values have been used for policies with a term of less than 12 months.
6. Average premium is based on premiums earned.
7. Claims reported represent the number of claims reported against purchased insurance coverages.
8. Loss ratio is based on current year claims and related costs and prior years' claims adjustments as a percentage of premiums earned.
9. Insurance expense ratio is based on insurance operating costs as a percentage of premiums earned (excludes the DPAC adjustment).

Capital Expenditures

In 2014, we incurred $81 million in capital expenditures relating to technology enhancements and facilities upgrades. Of these enhancements, $50 million were related to the Transformation Program (TP). This program includes the renewal of our claims and insurance core systems which will help to improve and streamline our business processes, and provide our employees with the tools they need to be successful in better meeting customer expectations. TP capital costs incurred to date are $216 million.

Major Capital Projects ($ millions)	2012 Actual	2013 Actual	2014 Actual	2014 Plan [1]	2014 Plan Variance Better	2015 Target	2016 Target
Transformation Program[2]	56	62	50	71	21	55	-
Non-Transformation Program	18	17	31	31	-	60	50
Total Capital Expenditures	74	79	81	102	21	115	50

[1] The Board approved an increase of $11 million to 2014 non-Transformation Program capital plan.

[2] TP capital expenditures in 2010 were $13 million; in 2011 $35 million; total expenditures incurred to 2014 are $216 million.

Management's Responsibility for Financial Statements

Scope of Responsibility

Management prepares the accompanying consolidated financial statements and related information and is responsible for their integrity and objectivity. The statements are prepared in conformity with International Financial Reporting Standards. These consolidated financial statements include amounts that are based on management's estimates and judgments, particularly our reserves for unpaid claims. We believe that these statements present fairly ICBC's financial position, results of operations and cash flows, and that the other information contained in the annual report is consistent with the consolidated financial statements.

Internal Controls

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors, who independently review and evaluate these controls. There is a quarterly risk assessment process, the results of which influence the development of the internal audit program. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. Policies that require employees to maintain the highest ethical standards have also been instituted. We recognize the inherent limitations in all control systems and believe our systems provide an appropriate balance between costs and benefits desired. We believe our systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee

The Audit Committee, composed of members of the Board of Directors, oversees management's discharge of its financial reporting responsibilities. The Committee recommends for approval to the Board of Directors the appointment of the external auditors and the external actuaries. The Committee meets no less than quarterly with management, our internal auditors and representatives of our external auditors to discuss auditing, financial reporting and internal control matters. The Audit Committee receives regular reports on the internal audit results and evaluation of internal control systems and it reviews and approves major accounting policies including alternatives and potential key management estimates or judgments. Both internal and external auditors and the appointed actuary have access to the Audit Committee without management's presence. The Audit Committee has reviewed these financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

Independent Auditor and Actuary

Our independent auditor, PricewaterhouseCoopers LLP, have audited the financial statements. Their audit was conducted in accordance with Canadian generally accepted auditing standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

Eckler Ltd. is engaged as the appointed actuary and is responsible for carrying out an annual valuation of ICBC's policy liabilities which include a provision for claims and claims expenses, unearned premiums and deferred premium acquisition costs. The valuation is carried out in accordance with accepted actuarial practice and regulatory requirements. In performing the evaluation, the 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 actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor.

Eckler Ltd. meets every year with PricewaterhouseCoopers' valuation actuaries and ICBC's management to discuss business developments, changes in claims processing and claims trends. These discussions assist the independent parties in developing expectations around and assessing management's estimate of the claims provision.

Mark Blucher
President and Chief Executive Officer

May 15, 2015

Geri Prior
Chief Financial Officer

May 15, 2015

Actuary's Report

I have valued the policy liabilities, including reinsurance recoverables, in the consolidated statement of financial position of the Insurance Corporation of British Columbia as at December 31, 2014 and their changes in its consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities, including reinsurance recoverables, makes appropriate provision for all policy obligations, and the consolidated financial statements fairly present the results of the valuation.

W.T. Weiland

William T. Weiland

Fellow, Canadian Institute of Actuaries
Eckler Ltd.

Vancouver, British Columbia
May 15, 2015

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Insurance Corporation of British Columbia and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries as at December 31, 2014 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia

May 15, 2015

Consolidated Financial Statements

Consolidated Statement of Financial Position

As at December 31

($ THOUSANDS)	2014	2013
Assets		
Cash and cash equivalents	$ 56,435	$ 28,198
Accrued interest	52,377	40,913
Asset held for sale	5,800	-
Financial investments (note 5)	13,458,702	12,899,176
Premiums and other receivables (note 8)	1,182,468	1,129,521
Reinsurance assets (notes 8 and 14)	8,766	8,835
Investment properties (note 5)	618,821	600,775
Property and equipment (note 10)	105,581	120,731
Intangible assets (note 11)	222,302	164,514
Deferred premium acquisition costs and prepaids (note 17)	171,450	157,302
	$ 15,882,702	$ 15,149,965
Liabilities and Equity		
Liabilities		
Cheques outstanding	$ 54,152	$ 45,342
Accounts payable and accrued charges	288,377	299,318
Excess Optional capital payable to Province of BC (notes 18 and 19)	138,781	237,000
Bond repurchase agreements and other liabilities (note 7)	1,096,903	1,080,557
Premium deficiency (note 17)	15,794	56,662
Premiums and fees received in advance	37,927	40,288
Unearned premiums (note 13)	2,021,458	1,927,918
Pension and post-retirement benefits (note 15)	408,201	307,372
Provision for unpaid claims (note 12)	8,205,432	7,512,732
	12,267,025	11,507,189
Equity		
Retained earnings	3,379,301	3,145,597
Other components of equity	236,376	497,179
	3,615,677	3,642,776
	$ 15,882,702	$ 15,149,965
Contingent liabilities and commitments (note 20)		

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

Approved by the Board

Walter Gray
Chair of the Board of Directors

William Davidson
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31

($ THOUSANDS)		2014		2013
Premiums written				
Premium revenue – vehicle	$	4,211,207	$	4,027,323
Premiums ceded to reinsurers – vehicle		(9,233)		(9,220)
Net premium revenue – vehicle		4,201,974		4,018,103
Premium revenue – driver		21,500		23,092
	$	4,223,474	$	4,041,195
Revenues				
Premiums earned				
Premium revenue – vehicle	$	4,114,972	$	3,913,010
Premiums ceded to reinsurers – vehicle		(9,233)		(9,220)
Net premium revenue – vehicle		4,105,739		3,903,790
Premium revenue – driver		22,281		23,904
		4,128,020		3,927,694
Service fees		59,310		56,640
Total earned revenues		4,187,330		3,984,334
Claims and operating costs				
Provision for claims occurring in the current year (note 12)		3,378,576		3,167,560
Change in estimates for losses occurring in prior years (note 12)		181,426		(54,390)
Net claims incurred (note 12)		3,560,002		3,113,170
Claims services (note 16)		283,160		270,148
Road safety and loss management services (note 16)		51,304		51,342
		3,894,466		3,434,660
Operating costs – insurance (note 16)		193,703		195,665
Premium taxes and commissions – insurance (notes 16 and 17)		467,879		540,688
		4,556,048		4,171,013
Underwriting loss		(368,718)		(186,679)
Investment income (note 9)		862,426		670,931
Restructuring (note 16)		-		(2,686)
Income – insurance operations		493,708		486,938
Non-insurance operations				
Provincial licences and fines revenue (note 18)		566,508		561,066
Licences and fines transferable to the Province of BC (note 18)		566,508		561,066
Operating costs – non-insurance (note 16)		92,863		91,202
Commissions – non-insurance (notes 16 and 17)		28,360		27,625
		687,731		679,893
Loss – non-insurance operations		(121,223)		(118,827)
Net income	$	372,485	$	368,111
Other comprehensive income				
Items that will not be reclassified to net income				
Pension and post-retirement benefits remeasurements (note 15)	$	(81,336)	$	21,787
Items that will be reclassified to net income				
Net change in available for sale financial assets		(179,467)		242,561
		(260,803)		264,348
Total comprehensive income	$	111,682	$	632,459

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

Consolidated Statement of Changes in Equity

For the year ended December 31

2014					
		Other Components of Equity			
($ THOUSANDS)	**Retained Earnings**	Net change in available for sale financial assets	Pension and post-retirement benefits remeasurements	**Total Other Components of Equity**	**Total Equity**
Balance, beginning of year	$ 3,145,597	$ 596,579	$ (99,400)	$ 497,179	$ 3,642,776
Comprehensive income					
Net income	372,485	-	-	-	372,485
Other comprehensive income					
Net gains reclassified to investment income	-	(388,629)	-	(388,629)	(388,629)
Net gains arising on available for sale financial assets in the year	-	209,162	-	209,162	209,162
Pension and post-retirement benefits remeasurements (note 15)	-	-	(81,336)	(81,336)	(81,336)
Total other comprehensive income	-	(179,467)	(81,336)	(260,803)	(260,803)
Total comprehensive income	372,485	(179,467)	(81,336)	(260,803)	111,682
Excess Optional capital transfer to Province of BC (notes 18 and 19)	(138,781)	-	-	-	(138,781)
Balance, end of year	$ 3,379,301	$ 417,112	$ (180,736)	$ 236,376	$ 3,615,677

2013					
		Other Components of Equity			
($ THOUSANDS)	**Retained Earnings**	Net change in available for sale financial assets	Pension and post-retirement benefits remeasurements	**Total Other Components of Equity**	**Total Equity**
Balance, beginning of year	$ 3,014,486	$ 354,018	$ (121,187)	$ 232,831	$ 3,247,317
Comprehensive income					
Net income	368,111	-	-	-	368,111
Other comprehensive income					
Net gains reclassified to investment income	-	(332,830)	-	(332,830)	(332,830)
Net gains arising on available for sale financial assets in the year	-	575,391	-	575,391	575,391
Pension and post-retirement benefits remeasurements (note 15)	-	-	21,787	21,787	21,787
Total other comprehensive income	-	242,561	21,787	264,348	264,348
Total comprehensive income	368,111	242,561	21,787	264,348	632,459
Excess Optional capital transfer to Province of BC (notes 18 and 19)	(237,000)	-	-	-	(237,000)
Balance, end of year	$ 3,145,597	$ 596,579	$ (99,400)	$ 497,179	$ 3,642,776

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

Consolidated Statement of Cash Flows

For the year ended December 31

($ THOUSANDS)	2014	2013
Cash flow from operating activities		
Cash received for:		
Vehicle premiums and others	$ 4,196,941	$ 4,054,153
Licence fees (note 18)	543,881	533,394
Taxes on vehicle sales and rebates	164,467	173,531
	4,905,289	4,761,078
Collection for receivables, subrogation, and driver penalty point premiums	165,912	168,960
Reinsurance recoveries	4,031	1,066
Salvage sales	62,668	59,655
Interest	244,211	239,765
Dividends and other investment income	43,797	59,717
Other	128	18
	5,426,036	5,290,259
Cash paid to:		
Claimants or third parties on behalf of claimants	(3,002,550)	(2,735,794)
Federal Government and the Province of BC for licence fees, fines, and taxes collected (note 18)	(762,723)	(732,031)
Reinsurers for reinsurance premiums	(9,478)	(9,061)
Suppliers of goods and services	(184,742)	(181,405)
Employees for salaries and benefits	(424,901)	(438,005)
Agents for commissions	(354,204)	(346,119)
Province of BC for premium taxes	(184,200)	(181,184)
	(4,922,798)	(4,623,599)
Cash flow from operating activities	503,238	666,660
Cash flow used in investing activities		
Purchase of financial investments and investment properties	(9,710,562)	(10,058,995)
Proceeds from sales of financial investments and investment properties	9,480,311	9,406,837
Net securities sold under repurchase agreements	55,633	43,986
Purchase of property, equipment and intangibles	(75,680)	(64,928)
Proceeds from sales of property, equipment and intangibles	3,487	76
Cash flow used in investing activities	(246,811)	(673,024)
Cash flow used in financing activities		
Excess Optional capital transfer to Province of BC (notes 18 and 19)	(237,000)	-
Cash flow used in financing activities	(237,000)	-
Increase (Decrease) in cash and cash equivalents during the year	19,427	(6,364)
Cash and cash equivalents, beginning of year	(17,144)	(10,780)
Cash and cash equivalents, end of year	$ 2,283	$ (17,144)
Represented by:		
Cash and cash equivalents (note 6)	$ 56,435	$ 28,198
Cheques outstanding	(54,152)	(45,342)
Cash and cash equivalents, net	$ 2,283	$ (17,144)

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2014

1. Corporate Information

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation, not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act*, R.S.B.C. 1996 Chapter 228. The head office of the Corporation is 151 West Esplanade, North Vancouver, British Columbia. The Corporation operates and administers plans of universal compulsory automobile insurance and Optional automobile insurance as set out under the *Insurance (Vehicle) Act*, and is also responsible for non-insurance services under the *Insurance Corporation Act* and the *Motor Vehicle Act*. Non-insurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection. As a result of amendments to the *Insurance Corporation Act* in 2003, the Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to universal compulsory automobile insurance rates and services (note 21).

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

These consolidated financial statements have been authorized for issue by the Board of Directors on May 15, 2015.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in preparation of these consolidated financial statements are set out below. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of reporting

The consolidated financial statements of the Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and required by the *Budget Transparency and Accountability Act*. The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary companies. The Corporation's reporting currency and functional currency of all of its operations is the Canadian dollar, unless otherwise stated. The Corporation reports revenues and expenses attributable to Basic insurance separately from the other operations of the Corporation (note 21). The Corporation presents investment income separately from underwriting results as this reflects how the business operations are managed and provides more relevant, reliable, comparable and understandable information of these consolidated financial statements and reflects the Corporation's results from underwriting activities and investment activities. The Corporation also provides a number of non-insurance services on behalf of the Province of 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 disclosed separately in the consolidated statement of comprehensive income under non-insurance operations for greater transparency (note 18).

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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

b) Basis of consolidation

Control

The Corporation consolidates the financial statements of all subsidiary companies over which it has control. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. All but one of the Corporation's investment properties are held individually in fully-owned nominee holding companies. The Corporation does not have any active operating subsidiary companies. All inter-company transactions and balances are eliminated.

Significant influence

Associates are entities over which the Corporation has significant influence, which means it has the power to participate in the financial and operating decisions of the investee but does not have control or joint control over the financial or operating policies. Associates generally involve a shareholding of 20% to 50% of the voting rights. In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee. In such cases, judgment is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Corporation is exposed and the degree to which the Corporation can use its power or significant influence to affect its returns from investees. Associates are accounted for using the equity method. The Corporation has determined that it does not have significant influence in an investment in a limited partnership for real estate (note 3d), thus the investment is not classified as an associate.

Joint operation

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

c) Service fees

Service fees on the Corporation's Payment Plan are recognized monthly over the term of the policy. For six or twelve month term Autoplan policies, the Corporation's Payment Plan enables customers to make monthly or quarterly payments. The related interest bearing receivables are carried at amortized cost as determined using the effective interest rate.

d) Insurance contracts

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

Premiums earned
The Corporation recognizes vehicle premiums on a straight-line basis over the term of each vehicle policy written. The driver premiums are earned over 12 months. Unearned premiums are the portion of premiums relating to the unexpired term, net of any premium refunds.

Deferred premium acquisition costs
To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies. An actuarial evaluation is performed to determine the amount allowable for deferral. The method followed in determining the deferred costs limits the amount of the deferral to the amount recoverable from unearned premiums derived from each of the Basic and Optional coverages, after giving consideration to the investment income, claims costs, and adjustment expenses expected to be incurred as the premiums are earned. A premium deficiency exists when future claims and related expenses are expected to exceed unearned premiums. When this occurs, the premium deficiency is recognized as a liability and any deferred premium acquisition costs are written down.

Provision for unpaid claims
The provision for unpaid claims represents the estimated amounts required to settle all unpaid claims. It includes amounts for claims that are incurred but not reported (IBNR) plus development on known case reserves and loss adjustment expenses, and is gross of the recovery from reinsurance. The provision for unpaid claims is established according to accepted actuarial practice in Canada. It is carried on a discounted basis and therefore reflects the time value of money, and includes a provision for adverse deviations (PFAD).

As with any insurance company, the provision for unpaid claims is an estimate subject to volatility, which could be material in the near term. The estimation of claims development involves assessing the future behaviour of claims, taking into consideration the consistency of the Corporation's claims handling procedures, the amount of information available, and historical delays in reporting claims. In general, the more time required for the settlement of a group of claims, the more variable the estimates will be. Variability can be caused by receipt of additional information, significant changes in the average cost or frequency of claims over time, significant changes in the Corporation's claims operations, the timing of claims payments, and future rates of investment return.

The ultimate cost of long settlement term claims is particularly challenging to predict for several reasons, which include some claims not being reported until many years after a policy term, or changes in the legal environment, case law or legislative amendments. The Corporation is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the provision for unpaid claims and other liabilities. Provisions for such liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate for ultimate loss expectations based upon historical experience patterns, current socio-economic trends and structured settlements provided in the form of consistent periodic payments as opposed to lump-sum payments.

To recognize the uncertainty in establishing best estimates, as set out in the Standards of Practice of the Canadian Institute of Actuaries, the Corporation includes a PFAD, consisting of three elements: an interest rate margin, a reinsurance margin, and a claims development margin. The interest rate margin reduces the expected investment rate of return used for discounting to make allowance for i) asset liability mismatch risk, ii) uncertainty in the timing of claims settlement, and iii) credit risk within the investment portfolio. The reinsurance margin makes allowance for the collectability of recoverable amounts from reinsurers and is a reduction in the expected amount of reinsurance recoverable. The claims development margin makes allowance for the various factors that can create greater uncertainty in the estimates of ultimate claims costs, including i) changes in the Corporation's operations (e.g. claims practices), ii) the underlying data upon which the unpaid claims estimates are based, and iii) the nature of the lines of business written. The claims development margin is a percentage of the unpaid claims, gross of reinsurance, and is larger for injury lines that generally require more time for claims to settle and close.

The Corporation also assesses the adequacy of its insurance liabilities at the end of each reporting period to ensure that they are sufficient to cover expected future cash flows. All changes to the estimate since the end of the last reporting period are recorded in the current period as a 'Change in estimates for losses occurring in prior years'. Methods of estimation have been used which the Corporation believes produce reasonable results given current information.

Reinsurance

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

The amount of reinsurance recoverable from reinsurers is recorded as an asset on the consolidated statement of financial position. A PFAD is included in the discounted amount recoverable from reinsurers. The PFAD is applied on a consistent basis with the underlying provision for unpaid claims and includes a reinsurance recovery portion that reflects considerations relating to potential collectability issues with reinsurers.

e) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are subject to insignificant changes in fair value, including cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and money market securities with a term less than 90 days from the date of acquisition.

f) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, and the sale is considered to be highly probable, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Corporation's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; these gains are not recognized in excess of any cumulative impairment loss. Once classified as held for sale, non-current assets are no longer amortized or depreciated.

g) Financial assets

The Corporation designates its financial instruments as fair value through profit or loss (FVTPL), available for sale (AFS), or loans and receivables (Loans), depending upon the purpose for which the financial assets were acquired. Monetary assets are assets that are to be received in a fixed or determinable number of units of currency. Monetary financial assets include bonds and non-monetary financial assets include equities. The Corporation's financial assets are accounted for based on their classification as follows:

Fair value through profit or loss

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

FVTPL financial assets are recorded at fair value on initial recognition and for subsequent measurement. Transaction costs and changes in the fair value are recognized in investment income.

Loans and receivables
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation has designated its mortgage portfolio and premiums and other receivables as Loans. The mortgage portfolio consists of mortgages and mortgage bonds.

Loans are recorded at fair value on initial recognition and subsequently measured at amortized cost using the effective interest rate method. Transaction costs are included in the initial carrying amount of the assets. Impairment losses on loans are recognized in the consolidated statement of comprehensive income.

Available for sale
Non-derivative financial assets that are not classified as Loans or FVTPL are accounted for as AFS. The Corporation has designated its money market securities with a term greater than 90 days from the date of acquisition, and its bond and equity portfolios as AFS. The Corporation does not currently hold any derivative financial assets.

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

Changes in the fair value, other than due to foreign exchange, of an AFS financial asset are recorded in other comprehensive income (OCI), until the financial asset is disposed of or becomes impaired, at which time the gain or loss will be recognized in investment income. Changes in the fair value due to foreign exchange on a non-monetary AFS financial asset are recorded in OCI. Changes in fair value due to foreign exchange on a monetary AFS financial asset are recorded in investment income. Interest calculated using the effective interest rate method is accrued daily and recognized in investment income. Dividends are recognized in investment income when the right to receive payments is established on the ex-dividend date.

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

h) Translation of foreign currencies
Foreign currency transactions are translated at exchange rates at the date of the sale or purchase. Foreign currency assets and liabilities considered as monetary items are translated at exchange rates in effect at the year-end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in investment income.

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

i) Fair value of financial assets
In accordance with IFRS 13 *Fair Value Measurement*, the Corporation defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is classified as Level 1, 2 or 3 based on the degree to which fair value is observable:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs to the valuation methodology include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs to the valuation methodology are not based on observable market data.

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

The estimated fair value of money market securities greater than 90 days, which are not considered cash and cash equivalents, is cost. The estimated fair value for bonds and equities is based on quoted prices or on other observable market information, where available. The estimated fair value for mortgages is determined by referencing the yield curve of Government of Canada bonds to the corresponding maturity dates of the underlying mortgages, plus an estimated risk premium. The risk premium is determined by factors such as the location of the property, tenant profile, and degree of leverage of the property.

These valuations are reviewed each reporting date by management.

j) Investment properties

Properties held for rental income or capital appreciation that are not occupied by the Corporation are classified as investment properties.

The estimated fair value of the Corporation's investment properties is based on independent appraisals by professionally qualified external valuators made during the year or on a combination of discounted cash flows using current market capitalization rates and the direct capitalization method. The estimated fair value as calculated using the direct capitalization method is determined by dividing the net operating income by the capitalization rate.

The Corporation has certain properties that serve dual purposes, investment and own-use portions. If the investment and own-use portions can be sold separately or leased out separately under a finance lease, the portions are accounted for separately. If the portions cannot be sold separately, the property is investment property only if an insignificant portion is held for own-use in the supply of services or for administrative purposes. Where the portion held for own-use is significant then it would be treated as property and equipment. The Corporation has two properties that serve dual purposes, both of which are classified as investment properties.

Investment properties comprise of land and buildings and are initially recognized at the fair value of the purchase consideration plus directly attributable costs. Subsequent to initial recognition, the investment properties are carried at cost less accumulated depreciation for the building portion and impairment, if any.

Depreciation is provided on a straight-line basis at 2.5% to 5.0% annually over the investment properties' useful life.

k) Investment-related liabilities

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

l) Bond repurchase agreements

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

m) Accounts payable and accrued charges

Accounts payable and accrued charges are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accruals are recognized initially at fair value and subsequently measured at cost.

n) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These costs are included in the accounts payable and accrued charges presented on the consolidated statement of financial position. Future operating losses are not recognized.

Where these amounts are due more than 12 months after the reporting date, they are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

o) Pension and post-retirement benefits

The amounts recognized in net income in respect of defined benefit pension plans and post-retirement benefits are as follows:

- The Corporation’s portion of the current service costs;
- Non-investment costs;
- Interest costs;
- Past service costs; and
- Impact of any curtailment or settlements during the period.

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

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

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

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

The changes in the defined benefit obligation and the changes in the fair value of plan assets that result from a curtailment or settlement of plan liabilities during the period are recognized in net income.

A plan’s surplus is equal to the excess, if any, of the plan’s assets over its obligation. For plans in surplus, an asset is recognized on the consolidated statement of financial position to the extent that the Corporation can realize an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the plan or when the plan liabilities are settled. For plans in deficit, the resulting net liability is recognized on the consolidated statement of financial position.

The value recognized on the consolidated statement of financial position for each defined benefit pension plan and for post-retirement benefits is calculated at the end of the reporting period as follows:

- The defined benefit obligation of the plan;
- Less the fair value of the plan assets out of which the obligations are to be settled directly; and
- Less the impact of any surplus derecognized.

The Corporation recognizes all actuarial remeasurements in OCI in the year in which they arise, through 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 B.C. Public Service Pension Plan. This is a multi-employer defined benefit plan for which the Corporation applies defined contribution accounting. Since the B.C. Public Service Pension Plan pools risks amongst the current and former members of many employers, there is no consistent or reliable basis for allocating the Corporation's portion of the obligation, assets, and costs. As a result, the Corporation expenses the contributions made. Contributions are subject to change in the future depending on the funded status of the plan.

p) Property and equipment

Property and equipment are initially recorded at fair value and subsequently measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the items including retirement costs. Subsequent costs such as betterments are included in the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation. All other subsequent expenditures are recognized as repairs and maintenance. Capitalized software that is an integral part of the equipment is accounted for as equipment.

Property and equipment is depreciated when it is available for use on a straight-line basis over the estimated useful life of each asset, taking into account the residual value, at the following annual rates:

- Buildings 5% to 10%
- Furniture and equipment 10% to 33%
- Leasehold improvements Term of the lease

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

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

q) Intangible assets

Capitalized software that is not an integral part of the equipment is accounted for as an intangible asset. Software development costs, which are comprised of labour and material costs for design, construction, testing, and other costs directly attributable to bringing the asset to a condition where it can be applied in its intended use, are capitalized for infrastructure projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable.

Finite life intangible assets are initially recorded at fair value and subsequently carried at cost less accumulated amortization and impairment losses. Intangible assets with finite useful lives are amortized over their estimated useful lives when they are available for use on a straight-line basis at 10% to 33%, taking into account the residual value.

Indefinite life and not available for use intangible assets are not subject to amortization, but are assessed for indicators of impairment at each reporting date.

r) Impairment of assets

Impairment of financial assets

Financial assets not carried at FVTPL are assessed at each reporting date to determine if there is objective evidence of impairment such as deterioration in the financial health of the investee, industry and sector performance, changes in technology, financing and operational cash flows, and the significance of deterioration in the fair value of the asset below cost. In addition, for equity investments, a prolonged decline is also considered objective evidence of impairment. Where objective evidence of impairment exists and where material, an impairment loss will be recognized as follows:

- For AFS financial assets, the related unrealized loss charged to OCI is reclassified to investment income.
- For Loans, the related difference between the amortized cost carrying amount and the fair value, calculated as the present value of the estimated future cash flows, directly from the loan or the sale of collateral, discounted at the asset's original effective interest rate, is recognized in investment income.

If the fair value of a previously impaired monetary AFS financial asset 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 non-monetary AFS financial assets such as equity securities are not reversed.

Impairment of non-financial assets

The Corporation's non-financial assets consist primarily of investment properties, property and equipment, and intangible assets. An impairment review is carried out at the end of each reporting period to determine if there are any indicators of impairment. When indicators of impairment exist, the Corporation assesses the asset for impairment. Investment properties are assessed for impairment as separate and identifiable cash-generating units, distinct from the other operations of the Corporation. All other assets are assessed as a group as their cash flows are generated from the operations of the Corporation. If an asset is impaired, the Corporation's carrying amount is written down to its estimated recoverable amount when material. Recoverable amount is the higher of fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. If there is a change in estimate of the recoverable amount, an impairment loss is reversed to net income only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognized.

s) Leases

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

t) Current and non-current

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

3. Critical Accounting Estimates and Judgments

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

Significant accounting estimates and judgments include:

a) Actuarial methods and assumptions

The Corporation typically employs three standard actuarial methods to analyze the ultimate claims costs, augmented by more in-depth analyses as needed:

- The incurred development method;
- The paid development method; and
- The Bornhuetter-Ferguson method.

The standard methods call for a review of historical loss and count development patterns. As part of this review, the Corporation calculates loss and count development factors, which represent the year-to-year changes in a given accident year's incurred loss amount. Based on an examination of the loss development factors, the Corporation's Chief Actuary selects a best estimate of development factors that forecast future loss development.

The loss and count development factors rely on a selected baseline. The baseline for the majority of the coverages is the average of the most recent four accident years. The use of a baseline helps maintain consistency in the loss and count development factors from one reserve review to another. Circumstances may arise when the standard methods are no longer appropriate to use. In these cases, and in accordance with accepted actuarial practice, modifications to the methods are made or alternative methods are employed that are specific and appropriate to the circumstances. Circumstances may include a change in the claims settlement environment, a change in the handling or reserving of claims, or an emerging trend in the statistical data used in the analysis.

In 2014, an additional method was employed to address the increasingly complex bodily injury claims environment, which includes acceleration in the legal representation rate, a growing frequency of minor soft tissue injury claims, and a slowdown in the settlement of claims. This additional method used legal status and severity of injury to separate bodily injury claims data into segments of similar complexity and is based on the Adler-Kline claim closure model. It has allowed the Corporation's Chief Actuary to capture changes in the claim settlement rates within each segment, and changes in the mix of claims by segment, which impacts the bodily injury severity trend rate.

The timing of when the unpaid ultimate claims costs will be paid depends on both the line of business and historical data. Bodily injury lines of business generally take longer to settle than the material damage claims and exhibit greater variability as to the timing and amount ultimately paid to settle a claim. Historical patterns of claims payment data are used to estimate the future claims payment pattern. Expected future paid amounts are then discounted, using the discounted cash flow method, to determine a present value as of the reporting date. The discount rate is based on the Corporation's current portfolio yields for fixed income investments and investment properties and a long-term yield assumption for equity investments. These estimates are based on current market returns as well as expectations about future economic and financial developments.

A PFAD is then added to the estimate to recognize sources of uncertainty in the assumptions behind the provision for unpaid claims (note 2d). The PFAD is calculated according to accepted actuarial practice in Canada (note 12).

b) Impairment of financial assets

Judgment is required to determine if there is objective evidence of impairment for financial assets. The Corporation evaluates, among other factors, the financial health of the investee, industry and sector performance, changes in technology, financing and operational cash flows, and the significance of deterioration in the fair value of the asset below cost. In addition, for equity investments a prolonged decline is also considered objective evidence of impairment (note 9).

c) Pension and post-retirement benefits

The cost of pension and post-retirement benefits earned by employees is actuarially determined using the Projected Unit Credit Method and management's best estimate of compensation levels and healthcare costs.

The key assumptions used in calculating the cost of pension and post-retirement benefits are the discount rate, rate of compensation increase, inflation rate, life expectancies, Medical Service Plan trends, and extended healthcare cost trends. Together with plan member data, these and other assumptions are used to estimate future benefit eligibility, amount and duration of payments. The rate determined for each of the key assumptions is disclosed in note 15.

The discount rate is used to calculate the present value of the expected future benefit payments and to credit interest on the net liability. The discount rate is based on high-grade corporate bond yields at the measurement date.

The rate of compensation increase reflects individual job progression, general price level increases, productivity, seniority, promotion, and other factors.

The inflation rate assumption is based on an assessment of the Bank of Canada target inflation range and the inflation expectations implied by the Government of Canada nominal and real return long-term bond yields.

Life expectancies are based on Canadian life expectancies, and contain a provision for future longevity improvements.

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

The extended healthcare trend rate is based on an analysis of plan experience, assumptions about the trend in total healthcare costs, and the proportion that will be covered by private plans.

With the exception of the discount rate, which is based on market conditions at the financial statement date, all other assumptions are management's best estimate (note 15).

d) Significant influence

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

- Each limited partner does not have control or power over the operations of this investment;

- The Investment Committee of this investment is responsible for overseeing the investing activities; and
- The Corporation has a right to have one seat on the Governance Committee, which consists of five members, but has limited influence as a majority vote is needed. The role of the Governance Committee is to ensure this investment is compliant with the Statement of Investment Policy.

4. New Accounting Pronouncements

a) Standards and interpretations effective in 2014

The Corporation has adopted the standards and interpretations that are relevant to the operations of the Corporation and effective on December 31, 2014. There were no material impacts from the adoption of 2014 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 7 (Amendment) *Financial Instruments: Disclosures*. Effective January 1, 2013, the Corporation adopted the amended disclosures that focused on quantitative information about recognized financial instruments that are offset in the consolidated statement of financial position, as well as those recognized financial instruments that are subject to master netting, where the legal right of offset is only enforceable on the occurrence of some future event, or similar arrangements irrespective of whether they offset. In addition, effective January 1, 2015, the amendment requires additional transitional disclosures when prior periods are not restated depending upon the earlier application of IFRS 9 prior to January 1, 2015. These disclosures focus on the impact that the adoption of IFRS 9 has on the classification of financial assets and liabilities. The adoption of this amendment is not expected to have a material impact to the Corporation’s consolidated financial statements.

- IFRS 9 *Financial Instruments*. Effective for annual periods beginning on or after January 1, 2018; early adoption is permitted. All changes in fair value of financial assets that are measured at fair value are either recognized in net income or OCI. The standard only permits the recognition of fair value gains and losses in OCI for equity investments that are not held for trading. For financial liabilities designated under the fair value option, other than loan commitments and financial guarantee contracts, the amount of change in fair value related to changes in the credit risk of these liabilities is typically presented in OCI. The remaining amount of the total gain or loss is included in net income. The Corporation will be evaluating the impact of this standard on its consolidated financial statements.

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

- IFRS 15 *Revenue Recognition*. Effective for annual periods beginning on or after January 1, 2017; early adoption is permitted. The standard establishes a comprehensive framework for determining how much and when revenue is recognized. It replaces existing revenue recognition guidance. The scope of this standard excludes insurance premium and only applies to other miscellaneous revenue. The Corporation will be evaluating the impact of this standard on its consolidated financial statements.
- IAS 19 (Amendment) *Employee Benefits.* Effective for annual periods beginning on or after July 1, 2014; earlier adoption is permitted. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. Such contributions are eligible for the amendment if they are: 1) set out in the formal terms of the plan, 2) linked to service, and 3) independent of the number of years of service. When contributions are eligible for this amendment, the entity is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The adoption of this amendment is not expected to have a material impact to the Corporation's consolidated financial statements.
- IAS 16 and 38 (Amendment) *Property, Plant and Equipment and Intangible Assets*. Effective for annual periods beginning on or after January 1, 2016; early adoption is permitted. The amendments to IAS 16 explicitly state revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are highly correlated, or when the intangible asset is expressed as a measure of revenue. The adoption of these amendments is not expected to have a material impact to the Corporation's consolidated financial statements.

The Corporation has not early adopted these standards.

5. Investments

a) Financial investments

($ THOUSANDS)		2014	2013
	Classification	Carrying Value	Carrying Value
Financial investments			
Money market securities	AFS	$ 103,203	$ 95,506
Bonds			
Canadian			
Federal	AFS	4,160,930	4,198,899
Provincial	AFS	1,114,982	889,766
Municipal	AFS	56,480	30,622
Corporate	AFS	3,230,425	3,104,304
Total Canadian bonds		8,562,817	8,223,591
United States			
High yield corporate	AFS	714,719	-
Total bonds		9,277,536	8,223,591
Mortgages	Loans	1,548,613	1,304,994
Equities			
Canadian	AFS	1,810,444	1,871,121
United States	AFS	363,117	698,328
Europe, Australia, Far East	AFS	355,789	705,636
Total equities		2,529,350	3,275,085
Total financial investments		$ 13,458,702	$ 12,899,176
Non-current portion		$ 12,853,113	$ 12,293,052

Money market securities, bonds, and equities are carried at their fair value. Mortgages are measured at amortized cost and have an estimated fair value of $1.58 billion (2013 – $1.32 billion). Mortgages have been classified as a Level 3 investment based on the inputs to the valuation technique used (note 2i). The fair value of the mortgages is determined by applying a discount rate ranging from 2.5% to 4.3% (2013 – 2.6% to 4.8%).

Pooled funds

The Corporation invests in six pooled funds whose investment strategies do not include the use of leverage. As at December 31, 2014, the Corporation's interests range from 0.2% to 25.6% (2013 – 0.9% to 30.0%) of the net assets of the respective funds. The funds are managed by unrelated asset managers and are susceptible to the same risk and uncertainties as all equity securities. The Corporation holds redeemable units in each of its pooled funds that entitle the holder to a proportional share in the respective fund's net assets. The carrying value of the Corporation's investments in the pooled funds as at December 31, 2014 is $2.22 billion (2013 – $2.84 billion).

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

The Corporation's maximum loss exposure from its interests in the pooled funds is equal to the total fair value of its investments.

Asset-backed securities

The Corporation purchases bonds that are secured by various assets as part of its investment strategy. The majority of the bonds is issued by Canadian bank sponsored securitization trusts and is secured by credit card receivables. The remaining bonds are issued by other Canadian corporate entities and are secured by credit card, auto, or equipment receivables. The Corporation invests only in AAA rated securitization trusts that have a first lien on assets and have no exposure to junior or subordinate tranches. The weighted-average duration of the asset-backed securities in the Corporation's portfolio is 2.6 years (2013 – 2.8 years) and the coupon interest rates range from 1.4% to 3.5% (2013 – 1.4% to 5.0%).

As at December 31, 2014, the carrying value of asset-backed securities included in financial investments in the consolidated statement of financial position is $425.8 million (2013 – $442.3 million). This amount also represents the maximum exposure to losses at that date.

The Corporation also has mortgage backed securities with a carrying value of $75.8 million (2013 – $118.5 million) with an estimated fair value of $79.7 million (2013 – $119.8 million). These mortgage bonds are included in financial investments as mortgages on the consolidated statement of financial position and each bond is secured by a first priority mortgage charge on a high-quality real estate asset. The fixed interest rates on the mortgage backed securities range from 3.0% to 4.9% (2013 – 3.0% to 5.4%) and will mature between three to nine years.

b) Investment properties

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

($ THOUSANDS)	2014	2013
Cost		
Balance, beginning of year	$ 669,152	$ 654,123
Additions	36,534	18,460
Capital improvements	4,883	2,054
Reclassification	(6,000)	-
Impairment	(783)	(5,485)
Balance, end of year	703,786	669,152
Accumulated depreciation		
Balance, beginning of year	68,377	52,411
Depreciation	16,588	15,966
Balance, end of year	84,965	68,377
Carrying value, end of year	$ 618,821	$ 600,775

The fair value of investment properties is $840.8 million (2013 – $802.6 million) and has been categorized as a Level 3 investment based on the inputs to the valuation technique used.

In 2013, where the estimated fair value was determined by internal valuations, the valuations were determined using a combination of discount rates ranging from 6.0% to 8.0% to discount the expected future cash flows, up to a term of 10 years, and also by applying a market capitalization rate ranging from 5.3% to 7.3%. In 2014, the estimated fair value is based on independent appraisals by professionally qualified external valuators.

c) Lease income

The Corporation leases out its investment properties. As of December 31, 2014, the future minimum lease income under non-cancellable leases over the next five years and beyond is as follows:

($ THOUSANDS)	2014		2013	
	Lease Income	Net Present Value	Lease Income	Net Present Value
Up to 1 year	$ 48,506	$ 47,052	$ 44,626	$ 43,129
Greater than 1 year, up to 5 years	142,154	129,016	131,453	117,655
Greater than 5 years	70,386	56,817	46,931	35,865
	$ 261,046	$ 232,885	$ 223,010	$ 196,649

6. 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 2014 and 2013, there were no transfers between Level 1, Level 2 and Level 3. The Corporation's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

($ THOUSANDS)	Fair Value Measurements at Reporting Date			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2014				
Cash	$ 56,435	$ -	$ 56,435	$ -
Money market securities	103,203	-	103,203	-
Bonds	9,277,536	-	9,275,898	1,638
Equities	2,529,350	656,632	1,856,618	16,100
Total financial assets	$ 11,966,524	$ 656,632	$ 11,292,154	$ 17,738
December 31, 2013				
Cash	$ 28,198	$ -	$ 28,198	$ -
Money market securities	95,506	-	95,506	-
Bonds	8,223,591	-	8,221,938	1,653
Equities	3,275,085	1,135,713	2,139,372	-
Total financial assets	$ 11,622,380	$ 1,135,713	$ 10,485,014	$ 1,653

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

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

($ THOUSANDS)	Fair Value Measurements using Level 3 Inputs	
	Bonds	**Equities**
December 31, 2014		
Balance, beginning of year	$ 1,653	$ -
Additions	-	16,100
Principle repayments	(15)	-
Balance, end of year	$ 1,638	$ 16,100
December 31, 2013		
Balance, beginning of year	$ 1,653	$ 607
Total losses in net income	-	(607)
Balance, end of year	$ 1,653	$ -

b) Other financial assets

Other financial assets include accrued interest, premiums and other receivables, and reinsurance assets. The non-current portion of these other financial assets is $31.5 million (2013 – $29.0 million), the fair values of other financial assets approximate their carrying values due to their short-term nature.

c) Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, bond repurchase agreements, other liabilities, and amounts payable to the Province of B.C. All financial liabilities are carried at cost or amortized cost. Except for other liabilities, the fair values of the remaining financial liabilities approximate their carrying values, due to their short-term nature. The assumptions used in estimating the fair value of other liabilities are discussed in note 7.

7. Bond Repurchase Agreements and Other Liabilities

($ THOUSANDS)	2014		2013	
	Carrying Value		Carrying Value	
Bond repurchase agreements	$	1,058,668	$	1,003,035
Other liabilities		38,235		77,522
Total bond repurchase agreements and other liabilities	$	1,096,903	$	1,080,557
Non-current portion	$	23,161	$	39,595

Other liabilities consist of investment-related liabilities and a finance lease obligation. Investment-related liabilities are comprised of mortgages payable of $30.6 million (2013 – $69.1 million) with repayment terms ranging from one to eight years and interest rates ranging from 5.2% to 6.6% (2013 – 5.2% to 6.6%). These liabilities are classified as a Level 2 investment.

The Corporation entered into a 12-year finance lease in 2013 for computer software, with an obligation of $8.4 million. The discount rate applied to estimate the fair value of the obligation was 4.0% (note 11).

Estimated principal repayments for other liabilities are as follows:

($ THOUSANDS)	2014		2013	
Up to 1 year	$	15,074	$	37,927
Greater than 1 year, up to 5 years		15,402		27,749
Greater than 5 years		7,759		11,846
	$	38,235	$	77,522

8. Management of Insurance and Financial Risk

As a provider of automobile insurance products, effective risk management is fundamental in protecting earnings, cash flow, and ultimately the financial stability of the Corporation. The Corporation is exposed to various types of insurance and financial risks.

a) Insurance risk

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

The principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events have an element of randomness and the actual number and amount of claims and benefits will vary each year from the level established using statistical techniques.

Frequency and severity of claims

There are a number of factors that influence the frequency and severity of claims, some of which the Corporation has some control over. Frequency is the average number of claims per policy, calculated by dividing the total number of claims by the total number of policies. Severity is the average cost of a claim calculated by dividing the total cost of claims by the total number of claims. A number of strategies are used to control cost pressures created by these factors, including claims operational changes, road safety programs, programs to influence driver behaviour such as impaired driving and distracted driving programs, public awareness campaigns, auto crime reduction initiatives, and fraud detection and investigation.

Factors outside of the Corporation's control include weather, demographics, settlement awards, legal fees, and economic changes, including vehicle parts/repair inflation and medical expense inflation that influence the cost of claims.

Sources of uncertainty in the estimation of the provision for unpaid claims

To manage the uncertainty associated with estimating the provision for unpaid claims, the Corporation's Chief Actuary employs standard actuarial methods. The Corporation's provision for unpaid claims estimate is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied (note 3a).

There is inherent uncertainty regarding the assumptions to estimate the amount and timing of future claims payments that make up the provision for unpaid claims. The Corporation is liable for all insured events that occurred during the term of the contract, even if the loss is reported after the end of the contract term. In addition, injury claims may take a long period of time to settle.

Injury claims include bodily injury, accident benefits, and death benefits, which account for approximately 66% (2013 – 67%) of total claims costs. The timing of injury claims can be extended due to delayed reporting, and the timing and amount of injury payments can exhibit considerable uncertainty because of the complex bodily injury claims environment, the subjective nature of pain and suffering damages, internal claims operational changes, the judicial environment, and settlement awards.

The provision for unpaid claims also includes having to estimate direct expenses to be incurred in settling claims net of the expected salvage and subrogation recoveries. The Corporation takes all reasonable steps to ensure that it has appropriate information regarding its individual claims.

However, given the uncertainty during the early stages of a claim, it is likely that the final outcome will be different from the original estimate. The provision for unpaid claims includes a provision for reported claims not yet paid and an amount estimated for IBNR claims (note 2d).

The Corporation's provision for unpaid claims can be affected by the frequency and severity of claims, the discount rate, and actuarial methods and assumptions. The frequency and severity of claims are discussed above, while the discount rate and the actuarial methods and assumptions are discussed in note 3.

A one percentage point increase in the discount rate will have a favourable impact on the provision for unpaid claims, net income, and equity of $190.2 million (2013 – $169.3 million), and a one percentage point decrease in the discount rate will have an unfavourable impact on the provision for unpaid claims, net income, and equity of $200.4 million (2013 – $178.5 million). A one per cent change in the cost of unpaid claims, with all other variables held constant, would result in an estimated change to the provision for unpaid claims of $82.0 million (2013 – $75.0 million). The changes in selected loss and count development factors and actuarial assumptions in 2014 had an estimated 4.0% favourable impact (2013 – 6.5% unfavourable) on the 2014 provision for unpaid claims. This impact includes an actuarial assumption change on the unallocated loss adjustment expense (ULAE) reserve (note 12).

Concentration of insurance risk

The Corporation has a diverse customer base as the sole provider of Basic insurance to all drivers in British Columbia. The Corporation operates in one jurisdiction and provides automobile insurance only, so there is a concentration of insurance risk with respect to geography, jurisdiction, demographics, and product type.

The impact of the concentration of insurance risk is quantified through CAT (catastrophe) modeling that the Corporation's reinsurance broker updates annually. This testing allows the Corporation to assess and manage these risks effectively. The concentration of insurance risk is also managed through a CAT reinsurance treaty, a casualty reinsurance treaty, and road safety programs such as road improvement strategies, the graduated licensing program, and the distracted driving campaign because as the sole provider of Basic insurance, the Corporation invests in and benefits the most from these programs.

Premium pricing risk

The Corporation is the sole provider of Basic insurance and is not subject to competition risk for its Basic insurance product. However, the Basic insurance rate level is sensitive to investment market conditions and claims experience, which can result in premiums being insufficient to cover costs. The Corporation is subject to regulations over its Basic insurance and applies to BCUC for approval to change its Basic insurance rate level. The Corporation is required to make Basic rate applications on an annual basis, and BCUC is required to set rates according to accepted actuarial practice. These aspects of regulation mitigate the underwriting risk associated with pricing for the Basic insurance product (note 21).

The Corporation's underwriting risk associated with pricing for its Basic insurance product is subject to new regulation that allows for the use of capital to promote more stable and predictable rates to remove adverse rate volatility. Stable and more predictable rates occur when rate changes are in a range similar to the previous rate change where significant upward or downward changes, as compared to the previous rate change, are smoothed out. As a result, BCUC may deliberately set rates below cost for a time in order to bring rate levels up gradually over a period of a couple years, to the level necessary to cover costs. Under this new rate smoothing framework, the Corporation's capital faces added risk (note 21).

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

b) Financial risk

Concentration of financial risk
The Corporation establishes investment portfolio level targets and limits with the objective of ensuring that portfolios are diversified across asset classes and individual investment risks. The Corporation monitors actual investment positions and risk exposures for concentration risk.

As at December 31, 2014, the equity portfolio was 30.4% (2013 – 28.3%) invested in the financial sector, 16.2% (2013 – 17.0%) in the energy sector, 8.8% (2013 – 9.1%) in the materials sector, and 11.2% (2013 – 10.5%) in the industrial sector; the bond portfolio was 57.5% (2013 – 62.3%) invested in the government sector and 20.2% (2013 – 20.9%) invested in the financial sector. See credit risk for a discussion of the government bonds.

Price risk
General economic conditions, political conditions, and other factors affect the equity markets, thereby also affecting the fair value of the securities and the pooled funds held by the Corporation. Fluctuations in the value of these securities impact the recognition of unrealized gains and losses on equity securities and on the units of funds held. As at December 31, 2014, the impact of a 10 per cent change in prices, with all other variables held constant, would result in an estimated corresponding change to OCI of approximately $252.9 million (2013 – $327.5 million).

The Corporation manages a widely diversified portfolio, diversified geographically, by sector, and by company, and has policies in place to limit and monitor total equity exposure and individual issuer exposure.

Interest rate risk
When interest rates increase or decrease, the market value of fixed income securities will decrease or increase respectively with a larger market value impact on instruments with a long duration compared to instruments with a short duration. Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income portfolio. A natural hedge exists between the Corporation's fixed income portfolio and the provision for unpaid claims, as the Corporation's investment yields are used to derive the discount rate for the provision for unpaid claims.

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

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

In 2014 and 2013, the Corporation did not use derivative financial instruments to hedge interest rate risk on its investment portfolio.

	2014		2013	
	Average Yield (%)	Duration (Years)	Average Yield (%)	Duration (Years)
Bonds				
Canadian				
Federal	1.4	2.2	1.5	2.2
Provincial	2.0	3.1	2.1	3.1
Municipal	2.0	3.5	2.2	4.0
Corporate	2.3	2.4	2.6	2.4
United States				
High yield corporate	6.3	4.1	-	-
Total bonds	2.2	2.5	2.0	2.4
Mortgages	4.0	3.1	4.3	3.3
Total bonds and mortgages	2.4	2.6	2.3	2.5

As at December 31, 2014, a 100 basis point change in interest rates would result in a change of approximately $280.0 million (2013 – $238.0 million) in fair value of the Corporation's fixed income portfolio and a corresponding impact of approximately $280.0 million (2013 – $238.0 million) to OCI. Interest rate changes would also result in an inverse change to the provision for unpaid claims and the corresponding claims costs (note 8a).

Credit risk

Credit risk is the potential for financial loss to the Corporation if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents, fixed income securities, accounts receivable, reinsurance receivables and recoverables, and structured settlements (note 20a). The total credit risk exposure is $8.00 billion (2013 – $6.52 billion).

Fixed income securities

Fixed income securities are comprised of Canadian investment grade bonds, US high yield corporate bonds, and mortgages. The Corporation mitigates its overall exposure to credit risk in its fixed income securities by holding the majority of its fixed income portfolio in investment grade bonds, and by limiting its exposure to US high yield bonds to 6% of total investment assets and mortgages to 14% of total investment assets. The Corporation further limits the risk in its high yield corporate bonds by holding bonds that are rated B or better for at least 95% of the high yield bond portfolio. All high yield bonds are analyzed by external investment professionals who manage the portfolio for the Corporation. Credit risk in mortgages is mitigated as it is secured by the underlying property. Mortgages are subject to an independent review annually. The risk is also addressed through a stringent underwriting process that incorporates an internal credit scoring mechanism.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

The Corporation considers Canadian government bonds to be risk-free. Therefore the maximum credit risk exposure for fixed income securities pertain to all other bond investments and to mortgage investments, totaling their carrying amount of $6.67 billion (2013 – $5.33 billion). There is minimal credit risk exposure to cash.

The counterparty risk associated with repurchase agreements for 2014 and 2013 is not material.

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

($ THOUSANDS)		2014		2013
Money market securities				
AAA	$	103,203	$	95,506
Bonds				
AAA	$	4,834,738	$	4,853,310
AA		1,366,170		1,166,909
A		1,874,589		1,773,645
BBB		498,968		429,727
Below BBB		703,071		-
	$	9,277,536	$	8,223,591

Premiums and other receivables

The Corporation has a diverse customer base as it provides Basic insurance to all drivers in British Columbia. While there is no significant individual concentration of credit risk, the Corporation's premiums and other receivables are comprised of customers with varying financial conditions. Subrogation and other recoveries from customers are fully provided for due to the uncertainty of collection.

The credit risk for premiums receivables is mitigated as a customer's policy may be cancelled if the customer is in default of a payment. The maximum credit risk for all other receivables equals their carrying amount. As at December 31, 2014, the Corporation considered $64.5 million (2013 – $64.5 million) of its premiums and other receivables to be uncollectible and has provided for them. The allowance was determined by applying a percentage derived from four to five years of collection experience by receivable type to the total of current and prior years' gross billings.

The following table outlines the aging of premiums and other receivables as at December 31, 2014:

($ THOUSANDS)	Current	Past Due 1 – 30 days	Past Due 31 – 60 days	Over 60 days	Total
December 31, 2014					
Premiums and other receivables	$ 1,162,915	$ 2,596	$ 2,302	$ 79,161	$ 1,246,974
Provision	(1,358)	(1,295)	(1,360)	(60,493)	(64,506)
Total premiums and other receivables	$ 1,161,557	$ 1,301	$ 942	$ 18,668	$ 1,182,468
December 31, 2013					
Premiums and other receivables	$ 1,110,247	$ 3,441	$ 2,450	$ 77,851	$ 1,193,989
Provision	(1,330)	(1,276)	(1,279)	(60,583)	(64,468)
Total premiums and other receivables	$ 1,108,917	$ 2,165	$ 1,171	$ 17,268	$ 1,129,521

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

($ THOUSANDS)	2014	2013
Balance, beginning of year	$ (64,468)	$ (68,780)
Charges for the year	(19,664)	(19,746)
Recoveries	5,129	5,411
Amounts written off	14,497	18,647
Balance, end of year	$ (64,506)	$ (64,468)

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 $8.8 million (2013 – $8.8 million). The Corporation has policies which require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 15% of the total reinsurers' share of the provision for unpaid claims and adjusting expenses in a contract year. Both these items mitigate the Corporation's exposure to credit risk. No amount owing from the reinsurers has been considered impaired as at December 31, 2014.

($ THOUSANDS)	2014	2013
Reinsurance recoverable (note 12)	$ 8,655	$ 8,763
Reinsurance receivable	111	72
Reinsurance assets	$ 8,766	$ 8,835

Liquidity risk

A significant business risk of the insurance industry is the ability to match the cash inflows from premiums and the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The timing of most policy liability payments is not known, and may take considerable time to determine precisely, and may be paid in partial payments.

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, except for the provision for unpaid claims, pension and post-retirement benefits, and other liabilities, are short-term in nature and due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities. Where overall cash flows are negative, the Corporation maintains sufficient liquid assets (money market) to cover any shortfall from operations. In addition, the Corporation has a netting arrangement with its bank 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 financial assets by contractual maturity or expected cash flow dates:

($ THOUSANDS)

	Within One Year	One Year to Five Years	After Five Years	Total
December 31, 2014				
Bonds				
Canadian				
Federal	$ 15,008	$ 3,973,863	$ 172,059	$ 4,160,930
Provincial	45,723	1,069,259	-	1,114,982
Municipal	-	56,480	-	56,480
Corporate	270,150	2,932,111	28,164	3,230,425
United States				
High yield corporate	-	150,354	564,365	714,719
Total bonds	330,881	8,182,067	764,588	9,277,536
Mortgages	138,735	1,190,053	219,825	1,548,613
	$ 469,616	$ 9,372,120	$ 984,413	$ 10,826,149
December 31, 2013				
Bonds				
Federal	$ -	$ 4,155,940	$ 42,959	$ 4,198,899
Provincial	-	889,766	-	889,766
Municipal	-	30,622	-	30,622
Corporate	396,487	2,675,408	32,409	3,104,304
Total bonds	396,487	7,751,736	75,368	8,223,591
Mortgages	114,132	967,952	222,910	1,304,994
	$ 510,619	$ 8,719,688	$ 298,278	$ 9,528,585

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to foreign exchange risk on its international, US equity, and US fixed income portfolios.

A 10% change in the US exchange rate as at December 31, 2014 would change the fair value of these investments and result in a change to net income of approximately $71.5 million (2013 – nil) related to the monetary AFS financial assets and a change to OCI of approximately $36.3 million (2013 – $72.3 million) related to the non-monetary AFS financial assets. As all other foreign currency investments individually comprise five per cent or less of the total investment portfolio in both 2014 and 2013, the impact of a change in the exchange rate of these currencies is not expected to have a material impact on the portfolio.

The Corporation has policies in place to limit and monitor its exposure to currency risks.

9. Investment Income

($ THOUSANDS)	Classification	2014	2013
Interest			
Money market	AFS	$ 2,403	$ 1,814
Bonds	AFS	182,196	159,086
Mortgages	Loans	59,893	51,267
Equities	AFS	94	-
		244,586	212,167
Gains on investments			
Equities	AFS	339,874	321,225
Bonds	AFS	48,344	11,595
Unrealized fair value changes [1]	AFS	46,217	10
		434,435	332,830
Dividends and other income (expenses)			
Equities	AFS	173,788	119,189
Income from investment properties	Other	29,283	26,711
Investment management fees [2]	Other	(9,811)	(6,278)
Impairment loss	AFS	(6,539)	(9,355)
Other	Other	(3,316)	(4,333)
		183,405	125,934
Total investment income		$ 862,426	$ 670,931

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

[2] *includes internal and external fees*

($ THOUSANDS)	2014	2013
Amounts recognized in investment income for investment properties		
Rental income	$ 74,329	$ 76,309
Direct operating expenses that generated rental income	(43,421)	(47,861)
Direct operating expenses that did not generate rental income	(1,625)	(1,737)
Total Income from investment properties	$ 29,283	$ 26,711

The Corporation participates in a securities lending program managed by a federally regulated financial institution whereby it lends securities it owns to other financial institutions. The Corporation receives securities of equal or superior credit quality as collateral for securities loaned and records commission on transactions as earned. As at December 31, 2014 and December 31, 2013, there were no securities loaned or received as collateral.

As at December 31, 2014, the ‘Net change in available for sale financial assets’ portion of other components of equity (OCE) is comprised of $460.7 million (2013 – $608.2 million) in unrealized gains and $43.6 million (2013 – $11.6 million) in unrealized losses.

10. Property and Equipment

($ THOUSANDS)	Land	Buildings	Furniture & Equipment	Leasehold Improvements	Total
December 31, 2014					
Cost					
Balance, beginning of year	$ 31,709	$ 164,494	$ 103,760	$ 7,890	$ 307,853
Additions	26	1,387	2,153	1,556	5,122
Disposals	(850)	(908)	(6,191)	(459)	(8,408)
Balance, end of year	30,885	164,973	99,722	8,987	304,567
Accumulated depreciation					
Balance, beginning of year	-	133,425	51,006	2,691	187,122
Disposals	-	(1)	(5,592)	(458)	(6,051)
Depreciation charge for the year	-	3,203	13,406	1,306	17,915
Balance, end of year	-	136,627	58,820	3,539	198,986
Net book value, end of year	$ 30,885	$ 28,346	$ 40,902	$ 5,448	$ 105,581
December 31, 2013					
Cost					
Balance, beginning of year	$ 31,685	$ 162,124	$ 113,088	$ 7,227	$ 314,124
Additions	24	2,370	6,315	2,127	10,836
Disposals	-	-	(15,643)	(1,464)	(17,107)
Balance, end of year	31,709	164,494	103,760	7,890	307,853
Accumulated depreciation					
Balance, beginning of year	-	130,055	51,346	2,439	183,840
Disposals	-	-	(15,144)	(881)	(16,025)
Depreciation charge for the year	-	3,370	14,804	1,133	19,307
Balance, end of year	-	133,425	51,006	2,691	187,122
Net book value, end of year	$ 31,709	$ 31,069	$ 52,754	$ 5,199	$ 120,731

The balances in property and equipment include $2.7 million (2013 – $6.7 million) in assets under development.

Property and equipment includes a disposal of $0.4 million (2013 – additions of $0.3 million) related to the Transformation Program (note 19).

11. Intangible Assets

($ THOUSANDS)		2014		2013
Cost				
Balance, beginning of year	$	208,059	$	148,334
Additions		76,515		68,459
Disposals		(4,341)		(8,734)
Balance, end of year		280,233		208,059
Accumulated amortization				
Balance, beginning of year		43,545		41,826
Disposals		(4,631)		(8,246)
Amortization charge for the year		19,017		9,965
Balance, end of year		57,931		43,545
Net book value, end of year	$	222,302	$	164,514

The Corporation's intangible assets consist of externally purchased software and any directly attributable costs required to bring the software to a condition where it is available for use.

The balance in intangible assets include $97.2 million (2013 – $35.9 million) in assets under development.

The additions in intangible assets include $50.5 million (2013 – $59.9 million) related to the Transformation Program (note 19) and $0.2 million (2013 – $9.7 million) for leased computer software (note 7). There were no indefinite life intangible assets as at December 31, 2014 and December 31, 2013.

12. Provision for Unpaid Claims

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

($ THOUSANDS)	2014			2013		
	Gross	Reinsurance Recoverable	Net	Gross (restated)	Reinsurance Recoverable (restated)	Net (restated)
Notified claims	$ 3,951,549	$ (8,763)	$ 3,942,786	$ 3,912,994	$ (6,699)	$ 3,906,295
Incurred but not reported	3,561,183	-	3,561,183	3,088,945	-	3,088,945
Balance, beginning of year	7,512,732	(8,763)	7,503,969	7,001,939	(6,699)	6,995,240
Change in liabilities (assets):						
Provision for claims occurring in the current year	3,384,614	(6,038)	3,378,576	3,167,560	-	3,167,560
Change in estimates for losses occurring in prior years:						
Prior years' claims adjustments	133,728	2,167	135,895	(48,999)	(2,292)	(51,291)
Prior years' changes in discounting provision	45,617	(86)	45,531	(2,967)	(132)	(3,099)
	179,345	2,081	181,426	(51,966)	(2,424)	(54,390)
Net claims incurred per consolidated statement of comprehensive income	3,563,959	(3,957)	3,560,002	3,115,594	(2,424)	3,113,170
Cash (paid) recovered for claims settled in the year for:						
Claims incurred in current year	(1,077,073)	-	(1,077,073)	(1,029,268)	-	(1,029,268)
Recoveries received on current year claims	66,950	-	66,950	67,682	-	67,682
	(1,010,123)	-	(1,010,123)	(961,586)	-	(961,586)
Claims incurred in prior years	(1,916,836)	-	(1,916,836)	(1,701,412)	-	(1,701,412)
Recoveries received on prior years' claims	55,700	4,065	59,765	58,197	360	58,557
	(1,861,136)	4,065	(1,857,071)	(1,643,215)	360	(1,642,855)
Total net payments	(2,871,259)	4,065	(2,867,194)	(2,604,801)	360	(2,604,441)
Balance, end of year	$ 8,205,432	$ (8,655)	$ 8,196,777	$ 7,512,732	$ (8,763)	$ 7,503,969
Notified claims	$ 4,661,581	$ (8,655)	$ 4,652,926	$ 3,951,549	$ (8,763)	$ 3,942,786
Incurred but not reported	3,543,851	-	3,543,851	3,561,183	-	3,561,183
Balance, end of year	$ 8,205,432	$ (8,655)	$ 8,196,777	$ 7,512,732	$ (8,763)	$ 7,503,969

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

The Corporation discounts its provision for unpaid claims using a discount rate of 3.1% (2013 – 3.5%). The Corporation determines the discount rate based upon the expected return on its investment portfolio, the expected asset default risk of its investment portfolio, and uses assumptions for interest rates relating to reinvestment of maturing investments. As a result of the slight decrease in the discount rate, there was an unfavourable adjustment to both current and prior years' provision of $57.7 million (2013 – $5.2 million favourable).

The prior year comparatives for ‘Notified claims’ and ‘Incurred but not reported’ have been restated to include development with IBNR to reflect how management reviews the claims data and to provide more relevant and comparable information. The prior year comparative opening and closing balances for ‘Notified claims’ have been reduced by $2.80 billion and $3.19 billion respectively, and ‘Incurred but not reported’ have been increased by $2.80 billion and $3.19 billion respectively.

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

($ THOUSANDS)	Undiscounted	Effect of Present Value	PFADs	Discounted
December 31, 2014				
Provision for unpaid claims, net	$ 7,926,596	$ (581,299)	$ 851,480	$ 8,196,777
Reinsurance recoverable	8,644	(969)	980	8,655
Provision for unpaid claims, gross	$ 7,935,240	$ (582,268)	$ 852,460	$ 8,205,432
December 31, 2013				
Provision for unpaid claims, net	$ 7,329,668	$ (586,185)	$ 760,486	$ 7,503,969
Reinsurance recoverable	8,769	(960)	954	8,763
Provision for unpaid claims, gross	$ 7,338,437	$ (587,145)	$ 761,440	$ 7,512,732

Claims development table

A review of the historical development of the Corporation's insurance estimates provides a measure of the Corporation's ability to estimate the ultimate value of claims. The top half of the following table illustrates how the Corporation's estimate of total undiscounted claims costs for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

($ THOUSANDS)	Insurance Claims - Gross of Reinsurance										
Accident Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Estimate of undiscounted ultimate claims costs:											
- At end of accident year	$ 2,457,495	$ 2,578,431	$ 2,709,658	$ 2,676,918	$ 2,657,831	$ 2,743,503	$ 2,866,833	$ 3,030,779	$ 3,146,388	$ 3,372,304	
- One year later	2,503,285	2,598,087	2,647,830	2,682,830	2,640,001	2,732,070	2,863,942	3,065,562	3,194,080		
- Two years later	2,465,521	2,517,961	2,651,655	2,692,277	2,626,760	2,730,183	2,830,063	2,985,690			
- Three years later	2,439,326	2,513,261	2,632,885	2,654,416	2,587,367	2,699,473	2,815,440				
- Four years later	2,419,725	2,508,005	2,633,582	2,621,457	2,594,054	2,779,267					
- Five years later	2,420,056	2,498,790	2,623,784	2,641,489	2,656,694						
- Six years later	2,430,329	2,496,837	2,612,371	2,676,603							
- Seven years later	2,421,466	2,491,614	2,614,214								
- Eight years later	2,418,345	2,499,350									
- Nine years later	2,416,437										
Current estimate of cumulative claims	2,416,437	2,499,350	2,614,214	2,676,603	2,656,694	2,779,267	2,815,440	2,985,690	3,194,080	3,372,304	28,010,079
Cumulative payments to date	(2,384,148)	(2,456,432)	(2,550,429)	(2,539,710)	(2,369,273)	(2,212,404)	(1,865,149)	(1,653,674)	(1,399,216)	(1,010,123)	(20,440,558)
Undiscounted provision for unpaid claims	$ 32,289	$ 42,918	$ 63,785	$ 136,893	$ 287,421	$ 566,863	$ 950,291	$ 1,332,016	$ 1,794,864	$ 2,362,181	$ 7,569,521
Undiscounted provision for unpaid claims in respect of 2004 and prior years											128,325
Undiscounted unallocated loss adjustment expense reserve											237,394
Total undiscounted provision for unpaid claims											**$ 7,935,240**
Discounting adjustment											270,192
Total discounted provision for unpaid claims (gross)											**$ 8,205,432**

The table above reflects the total discounted provision for unpaid claims of $8.21 billion (2013 – $7.51 billion) before the amount for reinsurance recoverable. The total discounted provision for unpaid claims after the amount for reinsurance recoverable of $0.01 billion (2013 – $0.01 billion) would be $8.20 billion (2013 – $7.50 billion).

The expected maturity of the provision for unpaid claims is analyzed below (undiscounted and gross of reinsurance):

($ THOUSANDS)	Less than One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	Over Five Years	Total
December 31, 2014	$ 2,150,582	$ 1,756,923	$ 1,473,784	$ 1,109,456	$ 644,143	$ 800,352	$ 7,935,240
December 31, 2013	$ 2,029,741	$ 1,669,781	$ 1,399,958	$ 985,924	$ 536,711	$ 716,322	$ 7,338,437

The non-current portion of the undiscounted provision for unpaid claims is $5.78 billion (2013 – $5.31 billion).

The weighted-average term to settlement of the discounted provision for unpaid claims as at December 31, 2014 is 2.4 years (2013 – 2.4 years).

13. 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)	2014	2013
Balance, beginning of year	$ 1,927,918	$ 1,861,317
Premiums written during the year	4,223,474	4,041,195
Premiums earned in the year	(4,128,020)	(3,927,694)
Premium adjustment	(1,914)	(46,900)
Balance, end of year	$ 2,021,458	$ 1,927,918

14. 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, 2014 and 2013 as follows:

a) For catastrophic occurrences, portions of losses up to $225.0 million (2013 – $225.0 million) in excess of $25.0 million (2013 – $25.0 million); and
b) For individual casualty loss occurrences, portions of losses up to $45.0 million (2013 – $45.0 million) in excess of $5.0 million (2013 – $5.0 million).

These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer. The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant loss from reinsurer insolvency.

15. Pension and Post-Retirement Benefits

Plan information

The Corporation sponsors a defined benefit registered pension plan for its current and former management and confidential employees (the Management and Confidential Plan). In addition, it sponsors two supplemental pension plans for certain employees. The Corporation is the legal administrator of the Management and Confidential Plan and the two supplemental pension plans. These plans provide benefits to members based on their length of service and salary in the final years leading up to retirement. Subject to the terms of the plans, pensions are indexed in line with increases in the Consumer Price Index (CPI). Employees are required to contribute to the Management and Confidential Plan. Effective September 1, 2013, new hires to management and confidential positions will not have holdback/short-term incentive payments included in pensionable earnings.

The Corporation also contributes to two other defined benefit pension plans for which it is not the sole sponsor. Current and former employees of the Corporation who are or were members of the Canadian Office & Professional Employees Union (COPE) Local 378 are members of the COPE 378/ICBC Pension Plan (COPE Plan). Half of the Trustees of the COPE Plan are appointed by the Corporation and the other half by COPE Local 378. The Board of Trustees of the COPE Plan is the legal plan administrator. The COPE Plan provides benefits to members based on their length of service and salary in the final years leading up to retirement. Subject to the terms of the plan, pensions are indexed in line with increases in the CPI. The Corporation's former Motor Vehicle Branch employees participate in the B.C. Public Service Pension Plan. The Corporation has no fiduciary responsibility for, or role in the governance of, the COPE Plan or the B.C. Public Service Pension Plan.

The Management and Confidential Plan, COPE Plan, and the B.C. Public Service Pension Plan are subject to the statutory requirements (including minimum funding requirements) of the British Columbia *Pension Benefits Standards Act* and the *Income Tax Act (Canada)*. Each plan's pace of funding is set out in their respective funding policies.

The Corporation pays Medical Services Plan premiums, life insurance premiums, extended healthcare, and dental costs as post-retirement benefits for its qualifying retirees. The benefits are not prefunded. New management and confidential employees of the Corporation hired September 1, 2013 or later are not eligible for these benefits. Benefit entitlements differ for management and confidential and bargaining unit employees.

The Corporation measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. Defined benefit obligations are extrapolated from the most recent actuarial valuation date for each of the plans. The Management and Confidential Plan and the post-retirement benefits actuarial valuations are as of December 31, 2012 and the COPE Plan is as of December 31, 2011. Updated actuarial valuations for each plan will be as of no later than three years from their most recent actuarial valuation date.

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

An additional liability may be recognized in respect of future surplus created by minimum funding requirements. For this purpose, these minimum funding requirements include going concern current service costs and minimum payments toward going concern unfunded liabilities. Payments toward solvency funding are not included because the British Columbia *Pension Benefits Standards Act* permits the Corporation to secure these payments with a letter of credit in lieu of cash solvency payments. As a result, the Corporation has determined that no additional liability is required to be recognized on the consolidated statement of financial position.

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	
	2014	2013	2014	2013
Weighted-average duration	20 years	17 years	18 years	17 years
Proportion of obligation in respect of:				
- Active members	69.0%	68.0%	68.0%	67.0%
- Deferred members	4.0%	3.0%	0.0%	0.0%
- Retired members	27.0%	29.0%	32.0%	33.0%

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.

COPE Plan accounting treatment

The results of the December 31, 2011 COPE Plan actuarial funding valuation resulted in a significant solvency deficiency for the COPE Plan which resulted in a contribution increase. The Trustees of the COPE Plan were unable to reach an agreement on how this increased contribution should be allocated between Plan members and the Corporation. On June 13, 2012, the Corporation filed a petition to the Supreme Court of British Columbia (Court) to seek a declaration that the Trustees of the COPE Plan have a duty to take all steps necessary to cause Plan members and the Corporation to equally share the costs of the COPE Plan in all circumstances. The Court hearing took place in March 2013 and a judgment was issued on March 27, 2013. The Court dismissed the petition. The Corporation appealed and on December 20, 2013 the B.C. Court of Appeal dismissed the Corporation's appeal. As a result, the Corporation was required to potentially fund significantly more than half of the required contributions. The Corporation prospectively changed its accounting treatment to reflect the Corporation's increased financial responsibility. Prior to 2013, the Corporation recognized its 50% share of the COPE Plan pension expense, defined benefit obligation and actuarial remeasurements in its consolidated financial statements. In 2013, the accounting recognition changed from recognizing 50% of the COPE Plan's financial impact to 100%.

The impact of the prospective change to the COPE Plan accounting treatment is presented as the 'COPE Plan accounting change' in the Financial information table.

Contributions to all pension and post-retirement benefit plans

Total contributions for employee future benefits for 2014, consisting of cash contributed by the Corporation to all of the funded pension plans and in respect of its unfunded pension and post-retirement benefits, were $39.1 million (2013 – $43.1 million). Estimated employer contributions for the year ending December 31, 2015 are $40.9 million. The estimate is based on the plans' most recent actuarial funding valuations.

As permitted by legislation, the Corporation secured certain solvency funding requirements using unsecured letters of credit. As at December 31, 2014, the Corporation had two letters of credit: one secured for the Management and Confidential Plan for $31.4 million (2013 – $80.7 million) with step increases to $52.6 million by October 2015; and one secured on behalf of the COPE Plan for $9.2 million (2013 – nil) with step increases to $22.9 million by October 2015. The use of the letters of credit led to the decrease in the Corporation's actual 2014 contribution. In addition, the Corporation can continue to secure certain solvency funding requirements using letters of credit.

Financial information

The net total liability for all pension plans and post-retirement benefits as at December 31, 2014 is $408.2 million (2013 – $307.4 million), which is reflected in the consolidated statement of financial position. Information regarding the pension plans and post-retirement benefits are as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2014	2013	2014	2013
Plan assets				
Fair value, beginning of year	$ 1,600,083	$ 996,330	$ -	$ -
COPE Plan accounting change	-	461,587	-	-
Interest on plan assets	77,745	66,763	-	-
Actuarial gain on assets	122,480	62,207	-	-
Employer contributions	32,526	37,278	5,716	4,881
Employee contributions	24,267	24,415	-	-
Benefits paid	(57,076)	(47,597)	(5,716)	(4,881)
Non-investment expenses	(650)	(900)	-	-
Fair value, end of year	$ 1,799,375	$ 1,600,083	$ -	$ -
Defined benefit obligation				
Balance, beginning of year	$ 1,554,435	$ 1,018,061	$ 269,226	$ 265,794
COPE Plan accounting change	-	441,308	-	-
Current service cost	56,512	61,448	9,112	10,781
Interest cost	76,227	67,408	13,224	12,330
Remeasurements on obligation				
- due to changes in financial assumptions	247,066	(81,319)	36,861	(11,795)
- due to changes in demographic assumptions	(810)	91,726	(2,541)	16,103
- due to participant experience	(106)	3,400	-	(19,106)
Benefits paid	(57,076)	(47,597)	(5,716)	(4,881)
Balance, end of year	$ 1,876,248	$ 1,554,435	$ 320,166	$ 269,226
Funded status – plan surplus (deficit)	$ (76,873)	$ 45,648	$ (320,166)	$ (269,226)
Impact of surplus derecognition	(11,162)	(83,794)	-	-
Net liability recognized in the consolidated statement of financial position	$ (88,035)	$ (38,146)	$ (320,166)	$ (269,226)
Impact of surplus derecognition				
Impact, beginning of year	$ (83,794)	$ (20,279)	$ -	$ -
COPE Plan accounting change	-	(20,279)	-	-
Interest on surplus derecognition	(4,022)	(1,825)	-	-
Remeasurements on surplus derecognition	76,654	(41,411)	-	-
Impact, end of year	$ (11,162)	$ (83,794)	$ -	$ -

The net total pension expense for the pension plans and post-retirement is $57.7 million (2013 – $63.6 million). In addition, the Corporation contributed $0.9 million in 2014 (2013 – $0.9 million) to the B.C. Public Service Pension Plan.

Assets

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2014	2013
Cash and accrued interest	0.6%	1.1%
Equities		
Canadian	28.1%	29.2%
Foreign	27.6%	28.3%
Fixed income		
Government	29.7%	27.6%
Corporate	12.6%	13.8%
Mortgages	1.4%	0.0%
	100.0%	100.0%

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

Pension plan assets generated a return of 12.6% for the year ended December 31, 2014 (2013 – 8.8%).

For the Management and Confidential Plan, the administrator compares the investment performance of the fund against the median investment performance of a peer group of comparable pension funds at least quarterly. In addition, there are monthly and quarterly asset allocation reviews performed to ensure compliance with investment policies. For the COPE Plan, the long-term objective is to obtain an investment return that will exceed the investment return assumption used in the actuarial valuation and to provide positive real growth. The Trustees review the fund managers' performance on a quarterly basis.

As at December 31, 2014 and December 31, 2013, 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	
	2014	2013	2014	2013
Discount rate	4.0%	4.8%	4.0%	4.8%
Rate of compensation increase	3.1%	3.1%	n/a	n/a
Pension increase rate	2.0%	2.0%	n/a	n/a

Mortality assumptions are significant in measuring the obligations under the defined benefit plans. Future longevity improvements have been considered and included where appropriate. The following table summarizes the life expectancy for members, in years, based on the mortality assumption used:

December 31, 2014				December 31, 2013			
Life expectancy at 65 for a member currently				Life expectancy at 65 for a member currently			
Age 65		Age 45		Age 65		Age 45	
Male	Female	Male	Female	Male	Female	Male	Female
21.2	24.2	22.4	25.2	21.3	24.0	22.3	24.7

As at December 31, 2014, the Medical Services Plan trend rate is assumed to be six per cent per annum for five years, decreasing to three per cent per annum thereafter. At December 31, 2013, the Medical Services Plan trend rate was assumed to be six per cent per annum for the first six years, decreasing to three per cent per annum thereafter.

As at December 31, 2014, the extended healthcare trend rate is assumed to be seven per cent per annum for the first year, decreasing linearly over five years to five per cent per annum thereafter. At December 31, 2013, the extended healthcare trend rate was assumed to be seven per cent per annum for the first year, decreasing linearly over six years to five per cent per annum thereafter.

The Plans' sensitivity to significant assumptions is shown below:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2014	2013	2014	2013
Estimated increase in defined benefit obligation - end of year due to:				
1% decrease in discount rate	$ 367,764	$ 261,930	$ 56,667	$ 45,243
1% increase in salary increase rate	$ 91,166	$ 72,481	n/a	n/a
1% increase in pension increase rate	$ 289,383	$ 208,421	n/a	n/a
1% increase in healthcare trend rate	n/a	n/a	$ 8,719	$ 7,090
1% increase in medical services premium increase rate	n/a	n/a	$ 27,700	$ 20,956
1 year increase in life expectancy	$ 51,559	$ 42,454	$ 6,086	$ 4,682

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.

16. Operating Costs by Nature

($ THOUSANDS)	2014	2013
Operating costs – by nature		
Premium taxes and commission expense	$ 532,684	$ 515,367
Premium deficiency adjustments	(36,445)	52,946
Employee benefit expense:		
Compensation and other employee benefits	374,548	369,702
Pension and post-retirement benefits (note 15)	58,588	64,450
Professional and other services	44,726	39,330
Road improvements and other traffic safety programs	32,283	31,605
Building operating expenses	30,178	32,227
Office supplies and postage	19,956	19,048
Computer costs	30,752	23,923
Depreciation and amortization	36,932	29,272
Restructuring	-	(2,686)
Other income	(6,933)	(1,200)
	$ 1,117,269	$ 1,173,984
Operating costs – consolidated statement of comprehensive income		
Premium taxes and commissions – insurance	$ 467,879	$ 540,688
Claims services	283,160	270,148
Operating costs – insurance	193,703	195,665
Operating costs – non-insurance	92,863	91,202
Road safety and loss management services	51,304	51,342
Commissions – non-insurance	28,360	27,625
Restructuring	-	(2,686)
	$ 1,117,269	$ 1,173,984

17. Deferred Premium Acquisition Costs and Prepaids and Premium Deficiency

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

($ THOUSANDS)		2014		2013
Deferred premium acquisition costs, beginning of year	$	147,300	$	140,580
Acquisition costs related to future periods		151,996		147,300
Amortization of prior year acquisition costs		(147,300)		(140,580)
Deferred premium acquisition costs, end of year	$	151,996	$	147,300
Deferred premium acquisition costs	$	151,996	$	147,300
Prepaid expenses		19,454		10,002
Deferred premium acquisition costs and prepaids	$	171,450	$	157,302

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

($ THOUSANDS)		2014		2013
Premium deficiency, beginning of year	$	(56,662)	$	(5,550)
Acquisition costs related to future periods		89,061		84,638
Amortization of prior year deficiency		56,662		5,550
Actuarial valuation adjustment		(104,855)		(141,300)
Premium deficiency, end of year	$	(15,794)	$	(56,662)

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

($ THOUSANDS)	Commissions	Premium Taxes	Total
December 31, 2014			
Amount payable	$ 353,874	$ 187,929	$ 541,803
Amortization of prior year deferred premium acquisition costs	88,370	2,268	90,638
Deferred premium acquisition costs	(115,892)	(36,104)	(151,996)
Premium deficiency	6,423	9,371	15,794
Premium taxes, commission expense and deferred premium acquisition costs	$ 332,775	$ 163,464	$ 496,239
Represented as:			
Insurance	$ 304,415	$ 163,464	$ 467,879
Non-insurance	28,360	-	28,360
	$ 332,775	$ 163,464	$ 496,239
December 31, 2013			
Amount payable	$ 344,108	$ 179,813	$ 523,921
Amortization of prior year deferred premium acquisition costs	85,525	49,505	135,030
Deferred premium acquisition costs	(111,925)	(35,375)	(147,300)
Premium deficiency	23,555	33,107	56,662
Premium taxes, commission expense and deferred premium acquisition costs	$ 341,263	$ 227,050	$ 568,313
Represented as:			
Insurance	$ 313,638	$ 227,050	$ 540,688
Non-insurance	27,625	-	27,625
	$ 341,263	$ 227,050	$ 568,313

18. Related Party Transactions

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

All transactions with the Province of B.C. ministries, agencies, and Crown corporations occurred in the normal course of providing insurance, registration, and licensing for motor vehicles and are at arm’s length, which is representative of fair value unless otherwise disclosed in these notes. The Corporation has elected to apply the exemption for government-related entities under IAS 24 *Related Party Disclosures*.

All transactions with the Corporation’s wholly-owned subsidiary companies occurred in the normal course of investing in investment properties (note 2).

The Corporation acts as an agent for the Ministry of Finance regarding the collection of provincial taxes on imported and privately sold used vehicles and motor vehicle-related debts. The Corporation is the sole provider of Basic automobile insurance (note 1) in the province 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 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.

Excess Optional capital to be transferred to the Province of B.C. (note 19) as at December 31, 2014 totaled $138.8 million, which has been accrued as a payable. As at December 31, 2013, the government directed the Corporation to transfer excess Optional capital of $237.0 million to the Province of B.C. and $113.2 million to Basic insurance.

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

($ THOUSANDS)		2014		2013
Key management compensation				
Compensation and other employee benefits including restructuring costs	$	7,161	$	5,802
Pension and post-retirement benefits		643		726
	$	7,804	$	6,528

As at December 31, 2014, $2.3 million (2013 – $1.4 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 15. During the year ended December 31, 2014, the Corporation incurred $3.3 million (2013 – $3.0 million) in administrative expenses and investment management fees on behalf of these plans interest-free. In addition, the Corporation provides certain administrative, investment management, and office services to the plans at no charge. As at December 31, 2014, $1.0 million (2013 – $0.6 million) was payable to these plans for employer contributions.

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

19. 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 protect its ability to meet the obligations owed to policyholders and others.

The Corporation is guided by the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI), adopting OSFI's minimum capital test (MCT) as a means to measure and monitor the Corporation's capital levels. The MCT utilizes a risk-based formula to assess the solvency of an insurance company by defining the capital available that is required to meet the minimum standards. The Corporation has set for itself an internal corporate management target MCT ratio of a minimum of 185%. The Corporation was in compliance with this internal management target throughout 2014. As at December 31, 2014, the Corporation's MCT was 193.0% (2013 – 204.4%), which includes the Transformation Program reserve as discussed below.

The corporate management target for MCT is comprised of two components being the Basic and Optional insurance business MCT targets. For the Basic insurance business, the British Columbia Government's *Special Direction IC2* requires the Corporation, through BCUC oversight, to maintain capital available equal to at least 100% of MCT. BCUC has approved a Basic management target MCT ratio at a higher level, sufficient to prevent capital falling below the 100% minimum threshold in most years (note 21).

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

Excess Optional capital at year-end, less any other deductions as approved by the Treasury Board, is to be transferred to the Province of B.C. by July 1 of the following year. For 2014, the government directed the Corporation to transfer excess Optional capital of $138.8 million to the Province of B.C. For 2013, the government directed the Corporation to transfer excess Optional capital of $237.0 million to the Province of B.C. and $113.2 million to Basic insurance (note 21).

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

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

($ THOUSANDS)	2014	2013
Transformation Program Reserve		
Balance, beginning of year	$ 280,161	$ 309,139
Reserve reduction	-	(400)
Costs including depreciation expensed during the year	(23,961)	(28,578)
Balance, end of year	$ 256,200	$ 280,161

During 2014, there were $50.1 million (2013 – $60.2 million) of Transformation Program costs capitalized in property, equipment and intangible assets (notes 10 and 11).

20. Contingent Liabilities and Commitments

a) Structured settlements

Certain injury claims are settled through the use of various structured settlements which require the Corporation to provide the claimant with periodic payments. The Corporation's injury claims are primarily settled through the use of structured settlements.

The Corporation purchases an annuity from an approved life insurance company to make these payments. In the event the life insurance company fails in its obligation, the risk to the Corporation is mitigated as the claimant will continue to receive payments, up to certain limits, from a not-for-profit organization that is funded by the insurance industry and endorsed by the Federal Government. The Corporation is only responsible for making payments for the excess, if any, between the claimant's annuity payments and the payment from the not-for-profit organization. At present, three federally licensed life insurance companies are approved for use by the Corporation. An insurance company is approved based on an ongoing analysis of total assets, credit rating analysis, and past service history. The present value of these structured settlements as at December 31, 2014 is approximately $1.14 billion (2013 – $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 December 31, 2014, as all approved life insurance companies are rated investment-grade and outstanding balances are backed by the not-for-profit organization. The not-for-profit organization provides guarantees of up to $2,000 a month or 85% of the promised monthly income benefit, whichever is higher. The Corporation's exposure to credit risk beyond the guarantee is insignificant. To date, the Corporation has not experienced any losses resulting from these arrangements.

b) Lease payments

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

($ THOUSANDS)	2014		2013	
	Lease Payments	Net Present Value	Lease Payments	Net Present Value
Up to 1 year	$ 9,957	$ 9,659	$ 11,930	$ 11,530
Greater than 1 year, up to 5 years	17,707	16,197	22,740	20,590
Greater than 5 years	3,675	3,062	4,961	4,043
	$ 31,339	$ 28,918	$ 39,631	$ 36,163

The operating lease payments recognized as an expense during the year were $16.5 million (2013 – $17.1 million).

c) Other

As at December 31, 2014, the Corporation committed to five (2013 – seven) mortgage funding agreements totaling $22.7 million (2013 – $71.7 million).

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

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

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

21. Regulation over Basic Insurance

As discussed in note 1, the Corporation is subject to regulation by BCUC. BCUC has jurisdiction over the Corporation's rates and services for Basic insurance, and responsibility for ensuring that the Basic insurance business does not subsidize the Corporation's Optional insurance business.

In addition, BCUC sets rates for Basic insurance that allow it to achieve the regulated capital targets. Effective November 2012, in any case where the estimates or outlook for the quarterly and/or year-end Basic MCT level is below 100%, BCUC has directed the Corporation to file a plan, within 60 days, for the restoration of MCT to or above the 100% minimum.

For the regulation of the Corporation's Basic insurance rates, BCUC is also required to ensure that the rates are just, reasonable, not unduly discriminatory, and not unduly preferential. BCUC is required to fix rates on the basis of accepted actuarial practice, to pay for certain specified costs, to ensure the Corporation maintains the required Basic capital, to ensure rates are not based on age, gender or marital status, and to ensure increases or decreases in rates are phased in, in a stable and predictable manner.

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

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

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

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

Allocation of Basic and Optional amounts

The Corporation operates its business using an integrated business model. Although the majority of premium revenues and costs are specifically identifiable as Basic or Optional (note 1), certain costs are not tracked separately. For those revenues and costs that are not specifically identified as Basic or Optional, a pro-rata method of allocation has been used to allocate the revenues and costs between the two lines of business. This method allocates revenues and costs to each line of business based on the drivers of those revenues and costs, the degree of causality, and any BCUC directives. BCUC directives have been applied on a prospective basis.

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

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2014	2013	2014	2013	2014	2013
Net premiums written	$2,514,046	$2,360,718	$1,709,428	$1,680,477	$4,223,474	$4,041,195
Revenues						
Net premiums earned	$2,439,651	$2,324,865	$1,688,369	$1,602,829	$4,128,020	$3,927,694
Service fees	34,459	32,228	24,851	24,412	59,310	56,640
Total earned revenues	2,474,110	2,357,093	1,713,220	1,627,241	4,187,330	3,984,334
Claims and operating costs						
Provision for claims occurring in the current year (note 12)	2,297,675	2,175,833	1,080,901	991,727	3,378,576	3,167,560
Change in estimates for losses occurring in prior years (note 12)	97,238	(11,257)	84,188	(43,133)	181,426	(54,390)
Claim services, road safety and loss management services	221,514	212,061	112,950	109,429	334,464	321,490
	2,616,427	2,376,637	1,278,039	1,058,023	3,894,466	3,434,660
Operating costs – insurance (note 16)	87,180	86,014	106,523	109,651	193,703	195,665
Premium taxes and commissions – insurance (note 17)	126,825	211,312	341,054	329,376	467,879	540,688
	2,830,432	2,673,963	1,725,616	1,497,050	4,556,048	4,171,013
Underwriting (loss) income	(356,322)	(316,870)	(12,396)	130,191	(368,718)	(186,679)
Investment income (note 9)	564,656	437,393	297,770	233,538	862,426	670,931
Restructuring	-	(1,650)	-	(1,036)	-	(2,686)
Income – insurance operations	208,334	122,173	285,374	364,765	493,708	486,938
Loss – non-insurance operations	(121,223)	(118,827)	-	-	(121,223)	(118,827)
Net income for the year	$ 87,111	$ 3,346	$ 285,374	$ 364,765	$ 372,485	$ 368,111
Equity						
Retained earnings, beginning of year	$1,388,353	$1,271,775	$1,757,244	$1,742,711	$3,145,597	$3,014,486
Net income for the year	87,111	3,346	285,374	364,765	372,485	368,111
Excess Optional Capital Transfer to Basic business (notes 18 and 19)	-	113,232	-	(113,232)	-	-
Excess Optional Capital Transfer to Province of BC (notes 18 and 19)	-	-	(138,781)	(237,000)	(138,781)	(237,000)
Retained earnings, end of year	1,475,464	1,388,353	1,903,837	1,757,244	3,379,301	3,145,597
Other components of equity, beginning of year	327,783	155,535	169,396	77,296	497,179	232,831
Net change in available for sale assets	(117,502)	158,130	(61,965)	84,431	(179,467)	242,561
Pension and post-retirement benefits remeasurements (note 15)	(53,031)	14,118	(28,305)	7,669	(81,336)	21,787
Other components of equity, end of year	157,250	327,783	79,126	169,396	236,376	497,179
Total equity	$1,632,714	$1,716,136	$1,982,963	$1,926,640	$3,615,677	$3,642,776

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2014	2013	2014	2013	2014	2013
Liabilities						
Unearned premiums	$1,196,252	$1,121,858	$ 825,206	$ 806,060	$2,021,458	$1,927,918
Provision for unpaid claims (note 12)	$6,245,421	$5,722,123	$1,960,011	$1,790,609	$8,205,432	$7,512,732

22. Role of the Actuary and Auditor

The responsibility of the Board appointed external actuary is to report whether the annual valuation of the Corporation's policy liabilities which include provisions for claims and claims expenses, unearned premiums, and deferred premium acquisition costs has been carried out in accordance with accepted actuarial practice and regulatory requirements. This involves reviewing the annual valuation work of the Corporation's Chief Actuary to ascertain i) whether it is in accordance with accepted actuarial practice, ii) the adequacy of procedures, systems, and the work of others relied upon, and iii) the appropriateness of assumptions made and methods employed. The external actuary, in verifying the underlying data used in the valuation, also makes use of the work of the independent auditor. The external actuary's report outlines the scope of his work and opinion.

The independent auditor has been appointed by the Board of Directors. The auditor's responsibility is to conduct an independent and objective audit of the consolidated financial statements in accordance with generally accepted auditing standards and report thereon. In carrying out the audit, the auditor considers the work of both the external actuary and the Corporation's Chief Actuary when considering the provision for claims and claims expenses, unearned premiums, and deferred premium acquisition costs. The auditor's report outlines the scope of the audit and related opinion.

23. Subsequent Events

On April 13, 2015, the Corporation purchased a real estate investment for $17.2 million.

On April 29, 2015, the Corporation's Investment Committee had approved the Corporation to acquire a 90% interest of a partnership agreement in a real estate investment for $109.9 million and another real estate investment for $53.6 million.

Between January 1, 2015 to May 15, 2015, the Corporation had entered into thirteen agreements to provide mortgage funding totaling $138.0 million.

Appendix A: Subsidiaries and Operating Segments

Active/Inactive Sudsidiaries

In accordance with the Taxpayer Accountability Principles, ICBC has disclosed a listing below of all nominee holding companies that it currently holds:

2014 Nominee Holding Companies	Notes
596961 B.C. Ltd	
2050376 Ontario Ltd.	
1141268 Alberta Ltd.	
2091053 Ontario Ltd.	
1263146 Alberta Ltd.	
2134529 Ontario Ltd.	
2140940 Ontario Ltd.	
2154855 Ontario Ltd.	
2159355 Ontario Ltd.	
2091979 Ontario Ltd.	Company dissolved on September 11, 2014
2166025 Ontario Ltd.	
1394626 Alberta Ltd.	
2176758 Ontario Ltd.	
1467288 Alberta Ltd.	
2209079 Ontario Ltd.	
1476459 Alberta Ltd.	
2210344 Ontario Ltd.	
1486186 Alberta Ltd.	
0866691 B.C. Ltd.	
2225888 Ontario Ltd.	
2232027 Ontario Ltd.	
0869391 B.C. Ltd.	
1535992 Alberta Ltd.	
0879948 B.C. Ltd.	
2228366 Ontario Ltd.	
0881157 B.C. Ltd.	
1575160 Alberta Ltd.	
2272811 Ontario Ltd.	
2272807 Ontario Ltd.	
2277479 Ontario Ltd.	
1611527 Alberta Ltd.	
2306519 Ontario Ltd.	
1648020 Alberta Ltd.	
2309092 Ontario Ltd.	
1662170 Alberta Ltd.	
1672904 Alberta Ltd.	
2329075 Ontario Ltd.	
1688141 Alberta Ltd.	

1685611 Alberta Ltd.	
2353777 Ontario Ltd.	
Surrey City Centre Mall Ltd.	Company dissolved on September 11, 2014
1746615 Alberta Ltd.	
1796824 Alberta Ltd.	Company purchased on February 25, 2014

The Corporation does not have any active operating subsidiary companies.

Appendix B: Additional Information

Organizational Overview

ICBC is governed by a Board of Directors, CEO and management team. They are guided by the public sector guidelines for corporate governance, and must act in accordance with the provisions of the *Insurance Corporation Act*, the *Insurance (Vehicle) Act* and *Insurance (Vehicle) Act Regulation*, and other legislation applicable to ICBC.

Board of directors's mandate: To foster the Corporation's short and long-term success consistent with the Board's responsibilities to the people of British Columbia as represented by the Government of British Columbia.

- **Chair**: Walter Gray. **Members:** Catherine Aczel Boivie, William Davidson, James Furney, Maureen Howe, Jessica McDonald, Ronald Olynyk, Sheila Orr, Inderjeet Sumal

Executive team's mandate: The primary role of the Executive team is to lead the management of ICBC's business and affairs, and to lead the implementation of the plans and policies approved by the Board of Directors of ICBC.

- **President and CEO**: Mark Blucher. **Members:** Steve Crombie, Vice-President, Corporate and Stakeholder Governance; Brian Jarvis, Vice-President, Claims; Barbara Meens Thistle, Vice-President, Corporate Services; Andy Platten, Chief Information Officer; Geri Prior, Chief Financial Officer; Steve Yendall, Vice-President, Insurance and Driver Licensing

Corporate Governance

ICBC is a Crown corporation continued under the *Insurance Corporation Act*, and it is subject to the *Budget Transparency and Accountability Act* (BTAA) and the *Freedom of Information and Protection of Privacy Act*. ICBC must adhere to a number of acts, including:

- the *Insurance Corporation Act*
- the *Insurance (Vehicle) Act*
- the *Motor Vehicle Act*
- the *Off-Road Vehicle Act*

In 2003, the *Insurance Corporation Act* was amended to establish the BCUC as the independent regulator for Basic insurance rates. As ICBC is the sole provider of Basic insurance in B.C., this regulatory environment is important, providing customers with an independent and transparent review of our Basic insurance operations and an opportunity to be involved in the review. ICBC operates its Optional insurance in competition with the private sector. The non-insurance services we provide on behalf of the provincial government are set out in a Service Agreement between ICBC and the Province and are funded by Basic insurance premiums. ICBC is also governed by the Government's Letter of Expectations, which is an agreement on the respective roles and responsibilities of the provincial government and ICBC. It outlines high-level performance and reporting expectations, public policy issues and strategic priorities, as well as providing direction specific to ICBC in several key areas.

Contact Information

Additional information is available on our website at icbc.com.