Insurance Corporation of British Columbia

2020/21
Annual Service Plan Report

BRITISH
COLUMBIA

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Published by the Insurance Corporation of British Columbia

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

Board Chair's Accountability Statement

The *Insurance Corporation of British Columbia 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020. I am accountable for those results as reported.

Joy MacPhail
Chair of the Board of Directors
August 6, 2021

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Letter from the Board Chair & CEO

ICBC, owned collectively by all British Columbians, is committed to moving all forward, working alongside customers, brokers, the repair industry, medical professionals and service providers. We are here to support all British Columbians to go where they need to on B.C.'s roads. ICBC worked with Government to accomplish the priorities in the 2020/21 Mandate Letter and continues to focus on meeting financial targets and Government's public policy objectives.

ICBC experienced recent consecutive years of net losses of more than a billion dollars. In 2020/21, ICBC turned a financial corner as a result of actions taken by government and ICBC to reform public auto insurance in B.C. The system before reforms were introduced in April 2019 was based on a full tort model where the not-at-fault driver could seek damages through an adversarial, often legal, process from the at-fault driver, whom ICBC had a duty to defend. Claims costs increased unsustainably, resulting in significant upward pressure on the cost of insurance for all drivers, even the vast majority of customers who weren't getting into crashes.

When government introduced important reforms to the auto insurance system in 2019, ICBC moved to a modified tort system. Significant rate increases were avoided and accident benefits were improved. Despite these changes, affordability was still a major challenge for customers, with the premiums collected in B.C.'s auto insurance system still funding hundreds of millions of legal costs every year, including lawyer fees and expert reports.

In 2020, government and ICBC took more action to provide significantly better care and recovery benefits to anyone injured in a crash and to make rates more affordable through its work toward the implementation of Enhanced Care coverage. Enhanced Care coverage legislation received royal assent in the B.C. Legislature in August 2020 and is in effect for all British Columbians, including non-policyholders like pedestrians and cyclists, as of May 1, 2021.

The COVID-19 pandemic had a significant impact on ICBC and drivers alike in 2020/21. Fewer claims and reduced claims costs, as a result of customers following guidance of the Provincial Health Officer (PHO) to stay home, contributed to ICBC's strong financial results. ICBC and the provincial government committed that any positive net impacts to ICBC's financial results due to COVID-19 would benefit customers. ICBC subsequently announced two premium rebates to customers totaling $950 million.

So, reforms to the insurance system had a positive impact on ICBC's finances in 2020/21, as did the effects of the COVID-19 pandemic. Enhanced Care coverage goes further to make auto insurance in B.C. more affordable. Customers with full ICBC Basic and Optional coverage will save on average more than 20 per cent on their annual premiums. With strong financial results, ICBC can rebuild its capital to sufficient and healthy levels to better absorb unanticipated risks and minimize the need for higher rate increases.

Operationally, ICBC adapted quickly when the pandemic struck in March 2020 to keep customers and employees healthy and safe, while continuing to provide British Columbians with the insurance products and services that they rely on.

Also in 2020, ICBC embarked on a new five-year Corporate Strategy which defines the specific priorities we need to focus on to 2025. It centers on being affordable, customer driven, smart & efficient and future focused, and will help us deliver on our promise to move all British Columbians forward.

The Board Directors continues to receive ongoing education and evaluation opportunities intended to expand members' individual and collective understanding of ICBC and their role in overseeing its operations. In 2020/21, this included a number of presentations to the Board of Directors by Government and ICBC staff.

ICBC will continue to work with Government to meet all objectives set out in the Mandate Letter.

Sincerely,

Joy MacPhail

Chair of the Board of Directors ICBC
August 6, 2021

Nicolas Jimenez

President and Chief Executive Officer ICBC
August 6, 2021

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

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

As a public auto insurer, ICBC helps British Columbians get on the road through driver licensing services and get back on the road to recovery after a crash. ICBC champions a safe driving culture working with communities, police and other stakeholders on various road safety campaigns and initiatives.

ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. Its insurance products and services are available through a province-wide network of approximately 900 independent brokers, government agents and appointed agents. Each year, ICBC processes approximately one million claim coverages through a 24-hour telephone claims handling service and online claims reporting. ICBC has a presence in communities throughout the province and works with material damage suppliers (e.g., collision and glass repair shops) and healthcare professionals to help customers after a crash.

In addition to insurance products and services, ICBC provides a number of non-insurance services on behalf of the provincial government, including vehicle registration and licensing, driver licensing, and fines collection. ICBC also assists with issuing the B.C. Services Card at its driver licensing offices.

ICBC does not have any active operating subsidiary companies. ICBC has 61 nominee holding companies, which hold or have held investment properties, infrastructure, mortgage and private equity investments for the purpose of generating investment income. ICBC has disclosed a list of all its nominee holding companies in Appendix B.

Strategic Direction

The strategic direction set by Government in 2017 and expanded upon in the Board Chair's 2020 Mandate Letter from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the 2020/21-2022/23 ICBC Service Plan and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations throughout the public sector. Any changes to ICBC's goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

Operating Environment

The year 2020/21 was both very unusual and momentous for ICBC. In early 2020, the Corporation was experiencing the positive effects of reforms undertaken in previous years, as well as a general downward trend in crashes. At the same time, it was preparing for the implementation of Enhanced Care coverage to give British Columbians auto insurance that is both more affordable and takes care of them when they are injured in a crash. Implemented May 1, 2021, Enhanced Care coverage is a new care-based system for auto insurance in B.C. and the biggest shift to ICBC's insurance model in the Corporation's history. In January 2021, the BCUC approved, on an interim basis, a 15-per cent decrease to Basic insurance rates, the largest decrease in more than 40 years. When combined with a significant decrease to Optional rates, Enhanced Care coverage will provide overall average savings of more than 20 per cent for British Columbians who purchase full coverage (Basic and Optional) from ICBC.

Under Enhanced Care coverage, there is no overall limit to the care and recovery benefits available to any British Columbian injured in a crash. They will get all the care they need for as long as they need it, whether they are a driver, passenger, cyclist or pedestrian. These benefits are available regardless of who caused the crash, because everyone deserves the care they need to get better. And like before, when a crash occurs, ICBC will determine who was responsible and drivers who cause crashes or drive dangerously are still held accountable and will pay more for their insurance.

Throughout 2020/21, ICBC held more than 50 Enhanced Care coverage consultation sessions with a wide range of healthcare providers, community support agencies and disability advocates to design an insurance system that will give British Columbians the confidence of knowing they will be taken care of if they are injured in a crash.

Globally in March 2020, the world changed almost overnight with the declaration of the COVID-19 pandemic. Like other businesses and institutions, ICBC had to adapt quickly to keep customers and employees safe, while continuing to deliver the products and services British Columbians rely on. Business modifications made for the COVID-19 pandemic included introducing renewals by phone and email and implementing an appointment system for driver licensing services for the safety and convenience of customers. Customers facing financial hardship could temporarily defer monthly insurance payments for up to 90 days with no penalty.

An unanticipated but positive effect of the pandemic was the significant reduction in crash claims. Crashes were already decreasing on B.C. roads before the pandemic; then the public health restrictions reduced driving activity and crashes further. In 2020/21, there were nearly 30 per cent fewer crash claims than without the pandemic, including fewer injury claims.

The benefit of 30 per cent fewer crash claims was somewhat offset by less premium on cancelled policies and, in some cases, higher payouts per claim, but still resulted in a significant net benefit to ICBC's results. ICBC and government have been clear that customers will benefit from any positive net impacts to ICBC's financial results due to COVID-19 and announced two rebates for eligible policyholders totalling $950 million, one of the largest COVID-19 rebates by any insurer in Canada.

Another factor in reducing claims costs was the limit on pain and suffering payouts for minor injuries implemented in April 2019.

ICBC champions a safe driving culture and will continue to work with partners and stakeholders to build on successful road safety programs. In 2020/21, $51 million was invested in road safety and loss management programs such as claims special investigations and auto crime prevention.

Having a diverse workforce that reflects the people of British Columbia is important to ICBC. Employees are guided by ICBC's values of being collaborative, supportive, straightforward and knowledgeable. Out of its values, ICBC has created and committed to a Diversity, Equity and Inclusion (DEI) charter. The corporation tracks its DEI progress and educates its workforce on important DEI issues.

On the finance side, ICBC is dedicated to run the Corporation efficiently in the best interest of all British Columbians. Investment income is used to reduce the amount of premiums customers need to pay. In 2020/21, ICBC's investment portfolio had a strong performance, mostly due to lower interest rates that led to higher bond gains from trading activity, gains from the disposition of investment properties and higher dividend income.

ICBC is still recovering from the recent consecutive years of net losses of more than a billion dollars. While ICBC's capital levels were severely depleted, a positive net income for 2020/21 of $1,538 million is a significant step towards rebuilding ICBC's capital reserves and creating rate stability for British Columbians. Enhanced Care coverage is a big part of ICBC's recovery strategy into next year and beyond.

British Columbia's economy declined in 2020, as the negative impacts from the COVID-19 pandemic pushed economies all over the world into deep recessions. B.C.'s real GDP contraction of 3.8 per cent was the fourth smallest among provinces (behind Prince Edward Island, Nova Scotia, and New Brunswick). The decline in B.C.'s real GDP was almost entirely driven by service-producing industries, while goods-producing industries had modest declines. Output in the arts, entertainment and recreation, accommodation and food services and transportation were some of the main drivers of the decrease in the service sector. In B.C.'s goods producing sector declines in manufacturing and natural resources were partially offset by increases in the construction sector. Employment in B.C. decreased by 6.6 per cent in 2020. However, wages and salaries remained relatively stable compared to 2019 as low wage workers accounted for the majority of job losses. Retail trade increased by 1.3 per cent in 2020, while consumer prices increased by 0.8 per cent. Residential construction activity slowed but remained relatively strong, with housing starts declining in 2020 after experiencing all-time highs in 2019. In contrast, after declining for three consecutive years home sales reached record levels in late 2020. On the external front, global international trade experienced significant disruptions as the pandemic unfolded. B.C.'s international merchandise exports contracted in 2020 reflecting a combination of weaker global demand and lower commodity prices.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: To Make Insurance Affordable

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

Objective 1: Reduce legal expenses and the costs to manage claims

Key Highlights

- Started the implementation of Enhanced Care coverage, in effect May 1, 2021.
- Positioned to offer leading injury management practices by strengthening its relationships with key healthcare providers. Stakeholders now have a better understanding of Enhanced Care coverage and its focus on recovery which will lead to better health outcomes for injured customers and will, in turn, build trust in ICBC.
- Continued to build stronger industry partnerships and processes to manage escalating vehicle repair costs.

Performance Measure(s)		2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
1.1a	ICBC rates are affordable					
	Jurisdictional comparison of year over year rate changes[1]	ICBC's Rate Change is 4.0 ppt lower Compared to Provincial Benchmark	Rate change at or below jurisdictional average	FY2021 comparison will be available in 2022[2]	Rate change at or below jurisdictional average	Rate change at or below jurisdictional average
1.1b	ICBC helps injured British Columbians return to their daily lives after a loss					
	Percentage of claims costs that goes to customers[3]	82.2%	81.5%	80.8%	91.4%[4]	93.4%[4]
1.1c	ICBC repairs vehicles in a cost effective manner					
	Average cost for a vehicle-related claim[5]	$4,391	$4,723	$4,718	$4,941[4]	$5,220[4]

1 Data Source: Benchmark relies on publicly available rate information for Canadian jurisdictions; ICBC's Basic rate change is based on the 2019 Revenue Requirements Application adjusted for the impacts from the rate design changes that were implemented on September 1, 2019 and Optional rate changes are based on the accumulated rate changes that were implemented during the 12 month period.
2 This result is unavailable now and will be reported in the 2021/22 Annual Service Plan Report after a complete year of data.
3 Data Source: Analysis of ICBC incurred claims; plaintiff counsel contingency fees assumed at 25% of settlement amounts on average for represented claimants.
4 Targets were developed during the 2020/21 reporting period and set in the 2021/22 Service Plan.
5 ICBC claims database.

Discussion of Results

- ICBC began to implement Enhanced Care coverage, a fundamental part of ICBC's 2025 Strategy, on May 1, 2021. The new auto-insurance model is designed to improve rate affordability by removing legal costs from the system.
- Along with starting the implementation of Enhanced Care coverage and completing the Material Damage reforms under the 2019 product reforms, ICBC succeeded in making insurance more affordable by reducing insurance rates.
- Enhanced Care coverage builds on the April 1, 2019 product reforms, further improving care and recovery benefits to ensure that anyone injured in a crash will get the care they need, for as long as they need it. For those injured in a crash, their recovery plan will be directed by their choice of care provider.
- The ruling by the Chief Justice on the constitutionality of the expanded Civil Resolution Tribunal (CRT) jurisdiction over bodily injury claims meant higher-than-anticipated legal representation and litigation costs in 2020/21. While this decision is being appealed, it impacted claims reserves and led to the percentage of claims costs that goes to customers being off target by less than 1 per cent.
- ICBC continued to modernize its material damage programs and developed new tiering models for collision repair and glass suppliers that focus on safe repairs, customer experience, performance standards and operational efficiencies. The redesigned programs, developed after more than a year of consultation with industry, are generating savings and encouraging high-performing shops to serve customers better.
- The average cost of a vehicle-related claim was $4,718 in 2020/21 which is $5 better than the target. The improvement is thanks in part to changes to the material damage tiering models and to a continued focus on operational activities.

Goal 2: To be Customer Driven

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

Objective 2: Be more flexible, with customer needs driving improvements in the design and delivery of products and services

Key Highlights

- Used customer feedback to inform better online claims experiences.
- Laid the foundations for digital options to purchase and renew insurance by building on the Estimation Tool rolled out for Enhanced Care coverage, building online process flows and introducing e-payment and e-signature. Online renewals will be introduced in 2022.
- Rolled out products to support transportation network services and taxis, such as the Taxi Modernization project which offers both flat-rate and pay-as-you-go products to

be more flexible in this evolving industry, and new products to serve peer-to-peer car-sharing platforms.

Performance Measure(s)		2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.1a	Customers choose digital options to purchase and renew their insurance					
	On-time delivery of defined digital capabilities	N/A	Foundational digital capabilities in place	Developed the foundational digital capabilities to provide online access to products and services (starting with online renewals in May 2022).	Project milestones on track to support online insurance renewals in 2022[1]	Online insurance renewals delivered[1]
2.1b	Customers value their experience with ICBC					
	Customer Satisfaction for Insurance Services[2]	96%	93%	96%	95%	95%[3]
	Customer Satisfaction for Claims Services	92%	92%	92%	92%	93%
	Customer Satisfaction for Driver Licensing Services	92%	93%	92%	94%[3]	95%[3]

[1] Targets were developed during the 2020/21 reporting period and set in the 2021/22 Service Plan.
[2] Data Source: Ongoing surveys for the purposes of monitoring transactional satisfaction are conducted by an independent firm. As customers transition to the new insurance model, policy transactions may take longer to process as more information is required to rate a customer’s policy. This process is expected to affect transactions in 2019/20 and 2020/21.
[3] Target has been updated to 96 per cent in the 2021/22 Service Plan.
[4] ICBC is transitioning survey programs to a new research vendor in 2020 which may affect the accuracy of forecasting techniques used to establish 2020/21 to 2022/23 targets. As a result, future targets may need to be adjusted.

Discussion of Results

- ICBC began work with its broker partners to prepare to offer online insurance renewals in May 2022. A broker task force, established with brokers in early 2020 to work out features of online insurance, will continue to be consulted throughout 2021/22.
- Introduced capability to capture customer email through brokers (with consent) to enable ICBC to establish more direct communication channels with customers.
- Improved online premium calculator so customers can view their Enhanced Care coverage refund and new insurance premium.
- The online claims portal was enhanced to allow some non-policy holders to log in and have their claim details displayed, and an option to upload documents directly to the claim.
- Expanded our customer panel to be more representative of the B.C. population. The Insight Panel provides an opportunity for customers to regularly share their experiences and opinions and give feedback on a variety of topics throughout the year. The feedback is used to ensure the customer perspective is incorporated in the design of products and services. A campaign leveraged social and digital media to recruit more participants and target a younger demographic to help make the panel more representative of B.C.'s overall population. The campaign was successful in that the 19 to 34 age group grew from 9 per cent to 23 per cent (age group represents 24 per cent of B.C.'s population).
- ICBC quickly expanded its digital platforms and services in response to the challenges posed by COVID-19. As a result, Customer Satisfaction (CSAT) scores were better than the target for Insurance services and on target for Claims services. Scores slightly missed the stretch target for Driver Licensing services due to the many challenges associated with public health restrictions, such as reduced operating capacity and suspension of non-essential services which led to longer customer wait times.
- ICBC engaged a new research vendor to ensure we have access to the expertise, capabilities and technology required to improve our customer experience measurement program. Having the right partnerships is critical to improving the quality of our customer feedback.
- More transparent ways to communicate with customers were developed, including expanded crash and vehicle data which were published on icbc.com and new customer-friendly reports which were made available such as the COVID-19 quarterly updates and the Year in Review report.
- Insurance Services Satisfaction:
    - Independent insurance brokers process more than three million Autoplan policies each year. The insurance services satisfaction measures customer experience when purchasing a new policy, renewing a policy or making a mid-term change to an existing policy.
    - In response to the pandemic, ICBC introduced measures to allow Autoplan brokers to use phone and email to help customers renew or purchase their insurance. This new option, along with ICBC's Optional rate decrease,

Enhanced Care coverage and the COVID-19 rebates, resulted in ICBC exceeding its target for customers' insurance experience.

- Claims Services Satisfaction
    - Claims are handled through ICBC's claims contact centres, claim offices and specialty departments such as commercial claims and rehabilitation services. Claims surveying draws upon personal claims only and is based on the average of First Notice of Loss and closed claims.
    - ICBC met its customer satisfaction score. ICBC developed a new internal incident management process to improve the online customer experience. In addition, decreased claims volumes associated with COVID-19 had a positive impact.
- Driver Licensing Services Satisfaction
    - Each year, ICBC conducts approximately 1.6 million driver licence-related transactions including renewing licences, administering driving tests and issuing identification cards.
    - Given the in-person nature of services provided by ICBC's driver licensing, the pandemic had the most significant impact on this area of operations. ICBC quickly implemented numerous measures including:
        - using stringent safety measures at all driver licensing offices to ensure customer and employee health and safety;
        - temporarily offering drivers licence renewals by phone;
        - using a phased approach at reinstating road tests;
        - hiring additional driver examiners and extending hours when possible, to address road test demand;
        - expanding road testing services to 10 additional existing locations (claims centres);
        - and, introducing a new online booking system for all driver licensing transactions to help reduce the number of customers visiting its offices on a drop-in basis.
    - In addition, ICBC worked with the provincial government and stakeholders to help introduce the Province's mandatory entry-level training program for commercial drivers.
    - Despite the significant number of measures implemented during the pandemic to ensure ICBC continued to deliver its essential services and keep the public and employees safe, ICBC achieved a CSAT score of 92 per cent, narrowly missing its target of 93 per cent.

Goal 3: To be Smart & Efficient

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

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

Key Highlights

- Implemented a data governance program to proactively manage the quality of critical data and improve decision-making.
- Used analytics to improve some claims processes. For example, a new predictive analytics tool is helping identify risks and improve decision-making in injury claims.
- Automated some of ICBC's simple and routine claims processes. For example, ICBC launched a new data platform to streamline financial reconciliation processes.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.1a The cost to run ICBC is below industry standards/average					
Expense Ratio (total)[1,2]	19.4%	19.2%	22.5%[3]	22.4%[4]	21.1%
Loss Adjustment Expense Ratio[1,5]	16.1%	13.5%	15.9%[5]	14.0%	12.9%
Loss Adjustment Expense Ratio for post April 1, 2019 claims[1]	TBD	TBD	12.2%	14.0%	12.9%

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

[1] Targets were developed during the 2020/21 reporting period and set in the 2021/22 Service Plan.

[2] The property and casualty industry benchmark for 2020 was 30.4 per cent. *Source: MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2020. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund).*

[3] The Expense ratio would be on target without the two COVID-19 rebates (totalling $950 million for 2020/21) given that the rebates significantly reduced ICBC's earned premiums.

[4] The 2021/22 target is higher than previous year's due to a reduction in forecasted premium as a result of the introduction of Enhanced Care coverage.

[5] If the loss adjustment expense ratio were calculated before the COVID-19 premium rebates, it would be lower (13.5 per cent). Industry benchmark unavailable.

Discussion of Results

- In 2020/21, ICBC laid the foundation for becoming a more data-driven and efficient organization. A predictive analytics and automation tool was implemented to help identify risks and improve decision-making in injury claims.

- The Corporation used data insights to more effectively identify high risk and emerging claims and implement appropriate file-handling and settlement processes in order to proactively and effectively manage claims liabilities, in particular those that still need to be settled under the full tort system.
- ICBC piloted new technologies to help with routine claims processes and improve corporate functions.
- Certain manual processes were automated to further enhance ICBC's governance of medical payments. This also enabled timely release of $47 million in Accident Benefits reserves allowing for a more accurate view of the value held in reserves.
- The Corporate expense ratio is 22.5 per cent (3.3 percentage points off target) due to the payout of COVID-19 rebates.
- With the B.C. Supreme Court (BCSC) ruling removing Civil Resolution Tribunal (CRT) jurisdiction for minor injury claims, a higher proportion of current-year claims are now expected to incur greater legal costs and internal handling costs due to the more complex and time-consuming court process. While the decision is being appealed, a partial stay has been granted that allows for disputes to proceed to either the CRT or the BCSC, which mitigates the decision's negative effect on ICBC.
- The loss adjustment expense ratio for post April 1, 2019 claims (those affected by the 2019 product reforms) is lower than the target (13.5 per cent). It is also lower than the full loss adjustment ratio, as the reserve for loss adjustment expenses for prior year claims (pre-2019 reforms) was increased to reflect the relatively high complexity of the remaining outstanding claims.

Goal 4: To be Future Focused

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

Objective 4: Shape the future of insurance and mobility in B.C. through partnerships and workplace practices

Key Highlights:

- Telematics pilot in place to determine impact on driving behaviour and crash prevention.
- Developed a future mobility strategy to position ICBC to partner with stakeholders in transforming transportation in B.C.
- Accelerated plans to become a more flexible employer, promoting workplace practices to reduce commutes.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
4.1a ICBC is seen as a valued partner					
A future mobility strategy is developed with identified plans for key partnerships	N/A	Customer and partner feedback	Planned customer/partner feedback was postponed while ICBC and our partners focused on pandemic response.	Under Development	Under Development
4.1b ICBC's workplace practices attract, engage and retain people to deliver service to our customers					
Employee Opinion Survey results[1]					
Aligned Enabled Motivated Accountable Leadership[2]	81 68 65 87 n/a	82 82 81 90 n/a	83 73 71 88 n/a	Index scores will be maintained.	Index scores will be maintained.

[1] Data Source: Employee Opinion Survey (EOS) conducted by an independent firm. ICBC will continue to evolve employee measures to reflect strategic goals.
[2] The leadership index can only be updated in a full survey year. **Score Legend:** 80-100 = extremely positive. 60-79 = moderately positive. 40-59 = moderately negative. 0-39 extremely negative.

Discussion of Results

- ICBC is piloting telematics technology that collects and transmits data about individual vehicles to determine whether this technology can improve road safety outcomes and change driver behaviour among inexperienced drivers. A small telematics device is installed in the vehicle and together with a smartphone app, data such as distance, speed and braking is gathered. In 2019/20, the telematics pilot was launched to help determine if telematics programs and technology have an impact on driver behaviour and improve road safety. The pilot will end in October 2021 with results expected by end of March 2022.
- ICBC developed a Future Mobility Strategy, to be embedded in the corporation's Crash Prevention Strategy in 2021/22. These are some of the first steps in shaping the future of insurance and mobility in B.C.
- The 2020/21 Employee Opinion Survey (EOS) scores were better in all areas than those in the prior year. However, only Aligned (83) exceeded the target for 2020/21. Enabled (73), Motivated (71) and Accountable (88) missed their targets.
  - Targets were set before results were in from the prior year. Therefore a considerable increase (+15 and +16 points) would have been needed to achieve the targets.
  - ICBC went through a significant transformation to move to Enhanced Care coverage in 2020/21. The transition, when combined with the concurrent pandemic, would have caused some uncertainty for employees.

  - Overall, results improved across all indices which was a positive achievement and shows progress in the right direction.
- Flexible work arrangements were accelerated to keep our employees safe during the pandemic. This involved enabling over 3,500 employees to work from home. In addition, ICBC supported and engaged its workforce by having open conversations and continuously promoting physical and mental health. Introducing a Diversity, Equity and Inclusion Charter demonstrated the organization's commitment to being a diverse and inclusive workplace.
- Other achievements included implementing Microsoft Teams to improve remote collaboration and outlining new leadership behaviours to help ICBC have even greater focus on the customer.

Financial Report

For the auditor's report and audited consolidated financial statements, see Appendix C. These can also be found on ICBC's website.

Discussion of Results

Highlights

ICBC's 2020/21 fiscal net income was $1,538 million. The factors contributing to the positive bottom line this fiscal year-end were favourable claims costs and high investment income.

The COVID-19 pandemic had a favourable impact on claims costs. With several province-wide restrictions happening throughout 2020/21, there were fewer vehicles on the road which resulted in fewer crashes and fewer injury claims. Conversely, COVID-19 impacted the revenues negatively as there were more policy cancellations, fewer renewals and reduced coverages. Because of the net benefit (lower claims offset by lower premiums) from COVID-19, two rebates totalling approximately $950 million were returned to customers.

COVID-19 impacts to claims combined with an observed pre-COVID trend toward lower crash frequency resulted in reduced claims costs. Favourable emergence of bodily injury claims and lower-than-expected large bodily injury severities also contributed to lower claims costs.

Also, the recovery in the financial market since March 2020 led to gains in trading activities and higher dividends. Gains from disposition of real estate were also realized leading to higher investment income. ICBC's higher than expected investment income contributed to the positive financial performance this fiscal year.

Financial Summary

The table below provides an overview of ICBC's 2020/21 financial performance relative to its *2020/21—2022/23 Service Plan*.

$ millions[1,2]	2019/20 Actual	2020/21 Budget	2020/21 Actual[3]	2020/21 Variance
Premiums earned[3,4]	6,286	6,662	5,377	(1,285)
Service fees and other	148	153	144	(9)
Total earned revenues	**6,434**	**6,815**	**5,521**	**(1,294)**
Provision for claims occurring in the current year	4,728	5,384	3,708	1,676
Change in estimates for losses occurring in prior years	1,180	44	(367)	411
Net claims incurred	**5,908**	**5,428**	**3,341**	**2,087**
Claims service and loss management[5]	464	500	446	54
Insurance operations expenses[5]	304	317	284	33
Premium taxes and commissions[5,6]	741	842	787	55
Total expenses	**7,417**	**7,087**	**4,858**	**2,229**
Underwriting (loss) income	**(983)**	**(272)**	**663**	**935**
Investment and other income	1,058	498	1,018	520
Income - insurance operations	**75**	**226**	**1,681**	**1,455**
Non-insurance operations expenses[5]	110	114	107	7
Non-insurance commissions[5]	31	33	34	(1)
Non-insurance - other income	(7)	(7)	(5)	(2)
Net (loss) income before impairment loss	**(59)**	**86**	**1,545**	**1,459**
Impairment loss	(317)	-	(7)	(7)
Net (loss) income	**(376)**	**86**	**1,538**	**1,452**
At year end:				
Long-term debt	-	-	-	
Total liabilities	22,119	22,217	22,315	
(Deficit) Equity:				
- (Deficit) Retained earnings	(396)	(25)	1,131	
- Other components of equity	(165)	319	729	
- Non-controlling interest	14	8	7	
Total (deficit) equity	**(547)**	**302**	**1,867**	
Capital Expenditures	62	116	100	
Autoplan policies earned[7]	3,971,000		4,011,000	
Average premium ($)[8]	1,544		1,556	
Claims reported during the year[9]	983,000		756,000	

[1] Financial information for all years is prepared based on International Financial Reporting Standards (IFRS).
[2] Rounding may affect totals.
[3] 2020/21 actual premiums earned reflect the two COVID-19 rebates totalling $950 million to ICBC customers.
[4] Premiums earned are net of mid-term changes and cancellation refunds.
[5] See Note 20 of the consolidated financial statements for details of Operating Expenses by Nature.
[6] Premium taxes and commissions include deferred premium acquisition cost adjustments.
[7] Annualized values have been used for policies with a term of less than 12 months. Autoplan policies earned include Basic, storage and temporary operating permit policies.
[8] Average premium is based on Autoplan premiums earned.
[9] Claims reported represent the number of claims reported against purchased insurance coverages.

The table below shows ICBC's 2019/20 and 2020/21 financial performance between the post-April 1, 2019 minor injury cap product and the pre-April 2019 full tort product. As the full tort product is no longer available, written premiums and earned premium revenue are fully attributable to the minor injury cap product.

$ millions[1]	Minor Injury Cap Product		Full Tort Product		Non-Insurance and Support		Total	
	2019/20	2020/21[2,3]	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21[2,3]
Net premiums written[2]	6,356	4,819	-	-	-	-	6,356	4,819
Revenues								
Net premiums earned[3]	6,286	5,377	-	-	-	-	6,286	5,377
Service fees and other income	148	144	-	-	-	-	148	144
Total earned revenues	6,434	5,521	-	-	-	-	6,434	5,521
Claims and operating expenses								
Provision for claims occurring in the current year	4,728	3,708	-	-	-	-	4,728	3,708
Change in estimates for losses occurring in prior years	-	(332)	1,180	(35)	-	-	1,180	(367)
Claim services, road safety and loss management services	192	221	214	174	58	51	464	446
	4,920	3,597	1,394	139	58	51	6,372	3,787
Operating expenses – insurance	245	243	59	41	-	-	304	284
Premium taxes and commissions – insurance	741	787	-	-	-	-	741	787
	5,906	4,627	1,453	180	58	51	7,417	4,858
Underwriting income (loss)	528	894	(1,453)	(180)	(58)	(51)	(983)	663
Investment income	352	469	706	549	-	-	1,058	1,018
Income (Loss) – insurance operations before impairment loss	880	1,363	(747)	369	(58)	(51)	75	1,681
Loss – non-insurance operations	-	-	-	-	(134)	(136)	(134)	(136)
Net income (loss) before impairment loss	880	1,363	(747)	369	(192)	(187)	(59)	1,545
Impairment loss	(105)	(3)	(212)	(4)	-	-	(317)	(7)
Net income (loss)	775	1,360	(959)	365	(192)	(187)	(376)	1,538

[1] Rounding may affect totals.
[2] 2020/21 net premiums written reflect the two COVID-19 rebates totalling $950 million and Enhanced Care refund totalling $597 million to ICBC customers.
[3] 2020/21 net premiums earned reflect the two COVID-19 rebates totalling $950 million to ICBC customers.

Basic and Optional Comparative Summary Table

$ millions[1]	Basic - Actual vs. Prior Year 2019/20 Actual	2020/21 Actual[1]	2020/21 Variance	Optional - Actual vs. Prior Year 2019/20 Actual	2020/21 Actual[2]	2020/21 Variance
Premiums earned[2,3]	3,564	2,945	(619)	2,722	2,432	(290)
Service fees and other	87	83	(4)	61	61	-
Total earned revenues	**3,651**	**3,028**	**(623)**	**2,783**	**2,493**	**(290)**
Provision for claims occurring in the current year	2,900	2,172	728	1,828	1,536	292
Change in estimates for losses occurring in prior years	757	(127)	884	423	(240)	663
Net claims incurred	**3,657**	**2,045**	**1,612**	**2,251**	**1,296**	**955**
Claims service and loss management	313	299	14	151	147	4
Insurance operations expenses	132	124	8	172	160	12
Premium taxes and commissions[4]	193	194	(1)	548	593	(45)
Total expenses	**4,295**	**2,662**	**1,633**	**3,122**	**2,196**	**926**
Underwriting (loss) income	**(644)**	**366**	**1,010**	**(339)**	**297**	**636**
Investment and other income	734	701	(33)	324	317	(7)
Income (loss) - insurance operations	**90**	**1,067**	**977**	**(15)**	**614**	**629**
Non-insurance operations expenses	110	107	3	-	-	-
Non-insurance commissions	31	34	(3)	-	-	-
Non-insurance - other income	(7)	(5)	(2)	-	-	-
Net (loss) income before impairment loss	**(44)**	**931**	**975**	**(15)**	**614**	**629**
Impairment loss	(220)	(5)	215	(97)	(2)	95
Net (loss) income	**(264)**	**926**	**1,190**	**(112)**	**612**	**724**
At year end:[5]						
Liabilities:						
Unearned premiums	1,651	1,441		1,304	956	
Provisions for unpaid claims	11,318	10,802		4,686	4,718	
(Deficit) Equity:						
- (Deficit) Retained earnings	(198)	720		(198)	411	
- Other components of equity	(112)	503		(53)	226	
- Non-controlling interest	9	4		5	3	
Total (deficit) equity	**(301)**	**1,227**		**(246)**	**640**	

[1] Rounding may affect totals.
[2] 2020/21 actual premiums earned reflect the two COVID-19 rebates totaling $950 million to ICBC customers.
[3] Premiums earned are net of mid-term changes and cancellation refunds.
[4] Premium taxes and commissions include deferred premium acquisition cost adjustments.
[5] Balances presented at year end as of March 31, 2020 and March 31, 2021, respectively.

Variance and Trend Analysis

The 2020/21 net income of $1,538 million was $1,914 million higher than the $376 million net loss in 2019/20. The year-over-year improvement was primarily due to lower claims costs as a result of lower frequency of crashes from COVID-19 and a pre-COVID 19 trend as well as impacts of the 2019 product reform. Further, with the equity markets' rebound since March 2020, ICBC did not have as large an impairment loss for financial investments as in the prior year. These favourable impacts were partially offset by the two COVID-19 customer rebates totalling $950 million and customer policy changes and cancellations, which led to lower premiums earned.

Compared to budget, the current year's net income was $1,452 million higher than the budgeted net income of $86 million. This was mainly due to the aforementioned lower claims costs and higher investment income, partially offset by lower premiums earned.

Premiums earned

Premiums earned totalled $5,377 million in 2020/21, which was $909 million lower compared to 2019/20 and $1,285 million lower than budget. This was due to the two COVID-19 customer rebates totalling $950 million for eligible customers to return the net claim savings resulting from the favourable COVID-19 impacts, as well as the negative impacts of COVID-19 to premiums, which resulted in higher cancellations, lower new submissions, fewer renewals, and reduced coverages.

Service fees and other

Service fees and other are primarily comprised of interest and other fees received from policyholders who have chosen to finance their insurance premiums over the policy period. Service fees and other income were lower than prior year and budget due to lower premium revenues as well as a lower financing fee for payment plan. At the outset of COVID-19, the prime rate was lowered and as a result, ICBC reduced the financing fee for the payment plan.

Claims costs

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

The cost of claims incurred accounts for the majority of ICBC's total costs. Claims-incurred costs are comprised of the expected costs to settle claims for all crashes that have occurred during the fiscal period regardless of when the crash was reported to ICBC and the change in estimates for losses that occurred in prior periods. Claims-incurred costs include payments made to settle claims, adjusters' case reserves and actuarial estimates of the additional costs that will be paid on current claims and future claims.

Estimating claims development involves predicting the future behaviour of incurred claims and considering the closure rates, payment patterns, consistency of ICBC's claims-handling procedures, and information available at the time of the valuation, including the legal representation status of claims and historical delays in claims reporting. In general, the more time required to settle a group of claims, the less certain their estimates will be. Adjustments to the prior periods' claims reserves are due to the re-estimation of future payments for claims incurred in prior periods that are in progress and for those that are not yet reported. As time passes, more claims are paid and more information becomes available, enabling the estimate of the remaining future claims payments to be refined.

The provision for claims occurring in the current year, or current year claims costs, is reflective of claims under the April 1, 2019 minor injury cap product. The changes in the estimates for losses that occurred in prior periods reflect a combination of claims under the April 1, 2019 minor injury cap product and claims under the pre-April 1, 2019 full tort product.

Overall, 2020/21 net claims-incurred costs of $3,341 million were $2,567 million lower than the claims costs incurred in 2019/20. A significant contributing factor was the public health emergency declared by the Province of B.C. on March 17, 2020 related to the COVID-19 pandemic. The pandemic resulted in a significant reduction in activities around the province, including vehicle repairs and a decrease in vehicle-related accidents.

Net claims-incurred costs in 2020/21 were $2,087 million lower than budget of $5,428 million, with a favourable difference of $1,676 million in current year claims costs and a favourable difference of $411 million in prior periods' adjustments.

$ millions	**2016/17 Actual (*15 months*)**	**2017/18 Actual**	**2018/19 Actual**	**2019/20 Actual**	**2020/21 Actual**
Net Claims-Incurred Costs	**5,966**	**5,647**	**6,529**	**5,908**	**3,341**
Injury	3,955	3,902	4,854	4,327	2,002
Material Damage and Other	2,011	1,745	1,675	1,581	1,339

Data Source: ICBC financial systems

Current year claims costs are better than budget mainly due to fewer crashes due to the COVID-19 pandemic as discussed above, which is estimated to contribute a favourable $1,364 million to current year claims costs. The lower-than-anticipated claim frequencies are also impacted by a favourable frequency trend which existed prior to the COVID-19 pandemic and more favourable injury claim frequency under the 2019 minor injury cap product reform than was initially anticipated.

Prior years' claims adjustments are better than budget, mainly due to favourable emergence of bodily injury claims and lower-than-expected bodily injury severities. The favourable adjustment was enhanced by savings from the introduction of Bill 9 – *Evidence Act Amendments*, but partially offset by the B.C. Supreme Court decision related to the jurisdiction of the CRT over motor vehicle personal injuries.

In February 2021, the Government of British Columbia made regulations under the *Evidence Act* intended to reduce the cost and complexity of lawsuits under the current auto insurance system. Enabled by legislative amendments made to the *Evidence Act* in 2020, the regulations limit the amounts recoverable for disbursements such as expert reports related to motor vehicle personal injury litigation. This is expected to reduce the future cost of bodily injury claims. ICBC has included savings of $261.4 million to claims costs for both current and prior years' claims.

In March 2021, the Chief Justice of the B.C. Supreme Court ruled that the legislation granting CRT the authority to (1) determine whether an injury was a "minor injury" and (2) hear claims for liability and personal injury and property damage up to $50,000, was unconstitutional. While this decision is being appealed and a partial stay has been granted that allows for disputes to either proceed to CRT or the BCSC, ICBC assumes that such a change will result in more represented and litigated claims. The increase to expected costs to manage and settle these claims is estimated at $297.1 million, which is included in the claims and related costs for both current and prior years' claims.

Injury claims

Current year injury claims account for approximately 61 per cent of current year claim-incurred costs in 2020/21 and include bodily injury claims and accident 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 has decreased in 2020/21 compared to 2019/20 primarily due to lower claims frequency.

Bodily injury claims costs accounted for over 80 per cent of the total current year injury claims costs. With the introduction of product reform and shifting to a care-based model, more costs will be incurred under accident benefits, reducing bodily injury costs, which accounted for over 90 per cent of injury claims costs prior to 2019/20.

$ millions	2016/17 Actual *(15 months)*	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual
Current Year Injury Claims Incurred (major categories)	**3,570**	**3,334**	**3,498**	**2,986**	**2,110**
Bodily Injury	3,308	3,114	3,162	2,420	1,728
Accident & Death Benefits	262	220	336	566	382

Data Source: ICBC financial systems

Material damage (non-injury) claims

Material damage claims can largely be categorized into property damage, collision, comprehensive and windshield claims. Overall, the total cost of current year material damage claims was lower than 2019/20 as a result of lower claims frequency.

$ millions	**2016/17 Actual (*15 months*)**	**2017/18 Actual**	**2018/19 Actual**	**2019/20 Actual**	**2020/21 Actual**
Current Year Material Damage Claims Incurred (major categories)	**1,755**	**1,555**	**1,548**	**1,495**	**1,244**
Property damage	704	674	643	611	455
Collision	727	583	612	583	492
Comprehensive	222	198	195	202	196
Windshield	102	100	98	99	101

Data Source: ICBC financial systems

Change in estimates for losses occurred in prior years

In 2020/21, the change in estimates for losses that occurred in prior years was $411 million lower than budget and had a favourable impact on ICBC's fiscal year financial results. This is mainly due to favourable emergence of bodily injury claims and lower than expected bodily injury claims severities.

Provision for unpaid claims

The provision for unpaid claims is the largest liability on the consolidated statement of financial position. It is an estimate of future claims payments relating to claims that have already occurred. The adequacy of this unpaid claims liability is reviewed and adjusted periodically throughout the fiscal year based on revised actuarial estimates, which include a provision for adverse deviations (see note 2d to the consolidated financial statements).

The provision for unpaid claims as at March 31, 2021 was $15,520 million; however, estimates for future payments can change significantly due to the time frame in which certain types of claims are settled, which can be over a number of years. The provision for unpaid bodily injury claims accounts for approximately 90 per cent of total unpaid claims costs. As illustrated in the table below, only a small percentage of bodily injury claims costs are paid and known in the first year of the claim's occurrence, with a greater portion of the costs being an estimate of claims costs payable in future years.

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6
Breakdown of Bodily Injury Costs (%) (typical accident year)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Paid	4%	9%	16%	29%	50%	70%
Unpaid	96%	91%	84%	71%	50%	30%

Data Source: ICBC financial systems

ICBC commissions the services of an external actuary to provide an independent assessment of the provision for unpaid claims and, as part of the annual audit of the financial results, the external auditor's actuary also reviews the adequacy of the unpaid claims reserves in the context of the consolidated financial statements.

ICBC earns investment income on funds set aside for unpaid claims from the premiums that are collected for the related policies. Investment income is earned until the claims is ultimately paid. In accordance with accepted actuarial practice in Canada, ICBC reports the provision for unpaid claims on a discounted basis to reflect the time value of money. The discounted amount takes into account the expected timing of future payments related to unpaid claims (see note 16 to the consolidated financial statements). The discount rate is based on the expected return of ICBC's current investment portfolio. An increase in the discount rate applied to claims costs will reduce the unpaid claims balance while a decrease in the discount rate will increase the unpaid claims balance. As of March 31, 2021, the discount rate of 2.5 per cent decreased by 44 basis points from the prior period's discount rate of 2.9 per cent, resulting in an increase to the unpaid claims balance.

Road safety and loss management

In 2020/21, ICBC invested $51 million in road safety initiatives and loss management programs, which include auto crime and fraud prevention, investigation and detection to help reduce claims costs.

Using a safe systems approach, ICBC targets its road safety investments on the major risks that impact customers and costs in the business, including distractions, high-risk driving, impaired driving and vulnerable road users. Over the past year, ICBC worked with a network of partners throughout the province to deliver road safety programs that help protect customers from risks on the road by reducing the frequency and impact of crashes and crime.

ICBC continued to support enhanced enforcement initiatives through a funding agreement with the Ministry of Public Safety and Solicitor General. In 2020/21, ICBC invested approximately $24 million in enhanced enforcement such as CounterAttack, distracted driving, speed enforcement and seat belt checks. ICBC also invested in public education and awareness and community initiatives to help change driver behaviours. ICBC combats fraud through its deterrence, detection, enforcement and prevention efforts. ICBC continues to work to improve and refine processes to ensure fraudulent and exaggerated claims are detected in a timely manner and managed appropriately. Process changes have led to greater collaboration between all business areas that identify and investigate fraudulent and exaggerated claims to be able to reduce overall claims costs.

Operating expenses

Operating expenses include compensation and other expenses required to operate the insurance and non-insurance businesses (which consist of expenses for administering driver licenses, vehicle registration and licensing) with the exception of claims payments, commissions and premium taxes. In 2020/21, ICBC continued to manage its controllable operating expenses, while making the necessary investments to ensure a successful transition to Enhanced Care coverage on May 1, 2021.

In 2020/21, operating expenses of $837 million were lower than 2019/20 and budget, primarily in claims and insurance-related costs. This is mainly due to lower pension expenses resulting from a higher discount rate and the impact of COVID-19 resulting in lower claims volumes and thus lower average full-time equivalents and related costs. Additionally, 2019/20 included a one-time write-off of $7 million for Master Data Management software and related components.

Included in total operating expenses are non-insurance operating expenses of $107 million primarily funded from Basic insurance premiums.

$ millions	2019/20 Actual	2020/21 Budget	2020/21 Actual
Operating Expenses	**878**	**931**	**837**
Claims related costs	464	500	446
Insurance	304	317	284
Non-Insurance	110	114	107

Below is a table of total operating expenses by nature:

$ millions	2019/20 Actual	2020/21 Budget	2020/21 Actual
Operating Expenses by Nature	**878**	**931**	**837**
Employee benefit expense	553	586	525
Professional, administrative and other	219	229	202
Depreciation & amortization	73	84	79
Road improvements and other traffic safety programs	33	32	31

Acquisition costs

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

Consistent with the recognition of premium revenue earned over the duration of the policy, premium acquisition costs are deferred and amortized as expense on a similar basis. When future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums, the deferred premiums acquisition costs (DPAC) are written down and a premium deficiency liability is recognized. Conversely, where there has been a previous premium deficiency, a positive adjustment is made to eliminate the premium deficiency when unearned premiums are expected to exceed future claims and related expenses. As at March 31, 2021, the net Corporate DPAC asset was $341 million (see notes 20 and 21 in the accompanying consolidated financial statements).

Acquisition costs (including non-insurance commissions) of $821 million were higher than the prior year. This was mainly due to higher commission costs as a result of a transition payment made to brokers in consideration of the impact of the transition to Enhanced Care coverage, higher Optional commission per Optional premium revenue as a result of the mix in listed drivers, as well as higher cancellation and coverage reductions due to COVID-19, which reduces net premium written but does not result in a corresponding refund of commission. The year-over-year unfavourable DPAC variance is primarily because 2019/20 reflected a positive DPAC adjustment from improved profitability.

Acquisition costs were lower than budget mainly due to lower premium taxes. Because premium taxes are a function of premiums earned, the lower premiums resulted in lower premium taxes. Profitability that was higher than anticipated led to a favourable DPAC adjustment compared to budget, partially offset by higher commissions. ICBC's acquisition costs as a percentage of revenue continues to be lower than industry standards.

Investments

ICBC has an investment portfolio with a carrying value of $21.2 billion, which represented 88 per cent of the Corporation's total assets as at March 31, 2021.

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

As at March 31, 2021, 64 per cent of the carrying value of the portfolio took the form of high-grade corporate and government bonds, money market securities and mortgage instruments, while 36 per cent of the portfolio was invested in equity and alternative investments (real estate, mezzanine debt and infrastructure investments).

Investment income and impairment loss

In 2020/21, total investment income, net of impairment loss, was $1,011 million. This was higher than the total investment income in the prior year mainly due to higher equity dividends and bond gains, which were partially offset by lower equity gains due to one-time equity gains realized in 2019/20 as a result of transition of the management of legacy equity investments. Also, the prior fiscal year included an equity impairment loss of $298 million from the global market downturn in March 2020 due to the COVID-19 pandemic. Overall, these results equated to an accounting investment return of 5.1 per cent in 2020/21, compared to 4.1 per cent in 2019/20, based on the average investment balance during the period on a cost basis.

Total investment income was higher than budget primarily due to higher bond and equity gains from trading activities, real estate gains from dispositions and equity dividends. This is partially offset by lower than anticipated bond interest primarily due to lower interest rates as a result of the COVID-19 pandemic.

$ millions	2019/20 Actual	2020/21 Budget	2020/21 Actual
Total Investment Income	**741**	**498**	**1,011**
Investment Income	**1,058**	**498**	**1,018**
Interest, dividends & other income	429	493	680
Gains on sale of investments	629	5	338
Impairment Loss on Financial Instruments	**(317)**	**-**	**(7)**

Equity (Deficit)

At March 31, 2021, ICBC's total equity was $1,867 million, which is a significant improvement from a deficit of $547 million as at March 31, 2020. Equity has historically helped to absorb significant unexpected increases in claims costs and volatility in the financial markets. However, given the impact of several consecutive years of recurring losses prior to 2020/21, the capital base has been diminished. Despite the lower capital, ICBC holds an investment portfolio that fully covers the claims liability. Further, ICBC has sufficient cash flows to meet current obligations as cash flows from operating activities was $1,712 million at March 31, 2021.

As at March 31, 2021, ICBC had net unrealized gains of $720 million in other components of equity that comprised of $860 million in unrealized gains and $140 million in unrealized losses. The unrealized gains and losses included in other components of equity reflect the changes in fair value for bonds and equities and the realization of gains and losses during the year.

The adequacy of equity or capital base is an important factor in assessing the financial stability of an insurance company and is closely monitored by regulators. For federally regulated insurance companies, the common industry method used to measure financial stability is the Minimum Capital Test (MCT) ratio, an Office of the Superintendent of Financial Institutions

(OSFI) risk-based capital adequacy framework, which assesses assets, policy liabilities and other potential liabilities to determine appropriate capital levels. Although ICBC is not federally regulated, prior to fiscal 2021, legislation and regulation required ICBC to use the OSFI MCT framework to set capital targets. During fiscal 2021, government passed legislation to remove ICBC's requirements to set the Optional insurance management target and to transfer excess optional capital to Government, thereby retaining capital for the benefit of customers. As such, ICBC is only required to set the Basic insurance capital target using OSFI's MCT framework.

As at March 31, 2021, ICBC's corporate MCT level of 51 per cent was higher than the prior year primarily due to the significant improvement in net income and the rebound of the equity markets since March 2020. However, the MCT level is still lower than the approved targets mainly due to cumulative net losses from prior fiscal years. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 11, 23 and 25 in the accompanying consolidated financial statements.

Basic and Optional insurance operations

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

The majority of premium revenues and claims costs are specifically identifiable as Basic or Optional; however, certain costs are not tracked separately. For those costs that are not specifically identified as Basic or Optional, a financial allocation methodology, as approved by the BCUC, is used to allocate costs between these two lines of business. Detailed financial information on Basic and Optional lines of business is included in note 25 in the accompanying consolidated financial statements. The following paragraphs provide a high-level summary of results for Basic and Optional lines of business, while the balance of the annual report discusses results of integrated operations.

The Basic insurance business this fiscal year recorded a net income of $926 million. The Basic net income was higher than in the prior year due to lower claims costs and a smaller impairment charge, which were partially offset by lower premiums earned.

In 2020/21, the Optional insurance business net income was $612 million, which was higher than the prior year for reasons as stated above.

Risks and Uncertainties

ICBC has a well-established risk management process in place, using the ISO 31000 framework to identify and evaluate the impact that significant risks could have on the achievement of corporate objectives and to identify controls in place to mitigate residual risk to acceptable levels, in order to protect ICBC against financial and reputational harm. In order to identify, evaluate and treat its strategic and operating risks, ICBC periodically assesses its risk management processes and continues to evolve them. Identified risks are captured in a corporate risk register for periodic monitoring and reporting. Risks are categorized in accordance with

COSO ERM[1] definitions and are aggregated for quarterly reporting to ICBC's executives and the Board of Directors.

As a provider of vehicle insurance products, a sub-set of the risks ICBC is exposed to include industry and financial risks, which may have an impact on ICBC's financial results. Refer to note 11 in the accompanying consolidated financial statements for further details on ICBC's management of these industry and financial risks. For more information on ICBC's significant accounting estimates and judgments, refer to note 3 in the accompanying consolidated financial statements.

[1] COSO (Committee of Sponsoring Organizations of the Treadway Commission) ERM (Enterprise Risk Management) is a widely accepted framework used by management to enhance an organization's ability to manage uncertainty, consider how much risk to accept, and improve understanding of opportunities as it strives to increase and preserve stakeholder value.

Major Capital Projects

Major Capital Projects (over $50 million)	Targeted Year of Completion	Project Cost to March 31, 2021 ($m)	Estimated Cost to Complete ($m)	Anticipated Total Cost ($m)
Enhanced Care Coverage program	2021/22	77	22	99
Description: This new way of providing auto insurance in B.C. will build on the reforms to date but will also help to address the outstanding issue of high legal costs, in order to achieve affordable insurance premiums for British Columbians. Among the suite of changes, Enhanced Care coverage will dramatically expand care and treatment coverage for anyone injured in a crash by providing access to comprehensive accident benefits designed to cover all of the injured parties' needs; expand coverage to all B.C. residents involved in accidents that arise from the use of a vehicle in B.C., Canada, or the US; and introduce direct compensation for property damage to align with the move away from a modified tort system.				

Appendix A: Additional Information

Organizational Overview

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

ICBC is a progressive public auto insurer that is part of the fabric of our province, helping British Columbian get on the road through driver licensing services and get back on the road to recovery after a crash. ICBC also works with communities, law enforcement and stakeholders to champion a safe driving culture and is a partner on various road safety campaigns and initiatives.

ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. Its insurance products and services are available through a province-wide network of approximately 900 independent brokers, government agents and appointed agents. Each year, ICBC processes approximately one million claims through a 24-hour telephone claims handling service and online claims reporting. ICBC continues to have a presence in communities throughout the province and works with material damage suppliers (e.g., collision and glass repair shops) and healthcare professionals to help customers after a crash.

In addition to insurance products and services, ICBC also provides a number of non-insurance services on behalf of the provincial government including vehicle registration and licensing, driver licensing and fines collection. ICBC also assists with the issuing of B.C. Services Card at its driver licensing offices.

ICBC operates as an integrated company for the benefit of its customers and partners with businesses and organizations in communities throughout B.C. to deliver services and programs. Autoplan brokers are key business partners, distributing ICBC's insurance products and providing other services such as vehicle registration and licensing. ICBC delivers services in partnership with a broad base of suppliers in the automotive industry. Law enforcement agencies, health services providers, material damage suppliers, lawyers and community organizations are among ICBC's key partners.

Corporate Governance

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

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

For additional information, please refer to the Corporate Governance section of ICBC's website.

This includes links to information regarding:

- Executive Committee
- Board of Directors

- ICBC Board of Directors Committees
- ICBC Code of Ethics
- Mandate Letter

Contact Information

- See page 2 for full contact information or visit ICBC's website at icbc.com.

Appendix B: Subsidiaries and Operating Segments Inactive Subsidiaries

The Corporation does not have any active operating subsidiary companies. All of the nominee holding companies listed below hold or have held investment properties, infrastructure, mortgage and private equity investments for the purpose of generating investment income. All of the nominee holding companies are consolidated into our financial statements, the basis of which is explained in note 2b in the accompanying consolidated financial statements. A consolidated summary of the income from investments held by these holding companies can be found in note 12 in the accompanying consolidated financial statements.

Nominee Holding Companies		
596961 B.C. Ltd.	2272811 Ontario Ltd.	2553178 Ontario Ltd.
2050376 Ontario Ltd.	2272807 Ontario Ltd.	2599056 Ontario Ltd.
1141268 Alberta Ltd.	2277479 Ontario Ltd.	5757 CSF GP Inc.
2091053 Ontario Ltd.	1611527 Alberta Ltd.	SWBC MEC 1 Ltd.
1263146 Alberta Ltd.	2306519 Ontario Ltd.	SWBC MEC 2 Ltd.
2134529 Ontario Ltd.	1648020 Alberta Ltd.	SWBC MEC 3 Ltd.
2140940 Ontario Ltd.	2309092 Ontario Ltd.	SWBC MEC 4 Ltd.
2154855 Ontario Ltd.	1662170 Alberta Ltd.	140 Main Hamilton Ltd.
2166025 Ontario Ltd.	1672904 Alberta Ltd.	BCI (IC) US Realty Inc.
1394626 Alberta Ltd.	2329075 Ontario Ltd.	BCI (IC) RPG Investment Corp
2176758 Ontario Ltd.	1688141 Alberta Ltd.	BCI (IC) Mex Realty LP
1467288 Alberta Ltd.	1685611 Alberta Ltd.	BCI (IC) Realty LP
1476459 Alberta Ltd.	2353777 Ontario Ltd.	Bolsena IC Inc.
2210344 Ontario Ltd.	1746615 Alberta Ltd.	BCI (IC) US Finance Inc.
0866691 B.C. Ltd.	1796824 Alberta Ltd.	IMCPE IC 2021 Inc.
2225888 Ontario Ltd.	1884419 Alberta Ltd.	
2232027 Ontario Ltd.	2468434 Ontario Ltd.	
0869391 B.C. Ltd.	1930933 Alberta Ltd.	
1535992 Alberta Ltd.	2496976 Ontario Ltd.	
0879948 B.C. Ltd.	1961735 Alberta Ltd.	
2228366 Ontario Ltd.	2530694 Ontario Ltd.	
0881157 B.C. Ltd.	2542170 Ontario Ltd.	
1575160 Alberta Ltd.	2543053 Ontario Ltd.	

Appendix C: Auditor's Report and Audited Financial Statements

INSURANCE CORPORATION OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2021

Management's Responsibility for the Consolidated Financial Statements

Scope of Responsibility

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

Internal Controls

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

Board of Directors and Audit Committee

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

Independent Auditor and Actuary

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

William T. Weiland of Eckler Ltd. is engaged as the appointed actuary and is responsible for carrying out an annual valuation of ICBC's policy liabilities, which include a provision for claims and claims expenses, unearned premiums and deferred premium acquisition costs. The valuation is carried out in accordance with accepted actuarial practice in Canada and regulatory requirements. In performing the evaluation, the appointed actuary makes assumptions as to the future rates of claims, frequency and severity, inflation, reinsurance recoveries and expenses, taking into consideration the circumstances of ICBC and the insurance policies in force. The appointed actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor.

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

Nicolas Jimenez
President and Chief Executive Officer

June 14, 2021

Phil Leong
Chief Financial Officer

June 14, 2021

Independent auditor's report

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

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries (together, the Corporation) as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with International Financing Reporting Standards (IFRS).

What we have audited

- The Corporation's consolidated financial statements comprise:
- the consolidated statement of financial position as at March 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Annual Service Plan Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 14, 2021

Actuary's Report

I have valued the policy liabilities, including reinsurance recoverables, in the consolidated statement of financial position of the Insurance Corporation of British Columbia as at March 31, 2021 and their changes in its consolidated statement of comprehensive income (loss) for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

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

William T. Weiland

Fellow, Canadian Institute of Actuaries
Eckler Ltd.

Vancouver, British Columbia
June 14, 2021

Consolidated Statement of Financial Position

($ THOUSANDS)		March 31 2021		March 31 2020
Assets				
Cash and cash equivalents (note 8)	$	19,641	$	52,446
Accrued interest		59,943		69,214
Assets held for sale (note 6)		58,964		216,388
Financial investments (note 6)		20,520,280		17,496,899
Derivative financial instruments (note 8)		23,597		3,207
Premiums and other receivables (note 11)		1,985,132		2,179,582
Reinsurance assets (note 11)		28,441		32,149
Investment properties (note 6)		558,333		610,082
Property and equipment (note 13)		102,538		108,289
Intangible assets (note 15)		292,777		268,092
Lease assets (note 14)		64,284		61,953
Accrued pension benefits (note 19)		89,511		63,455
Deferred premium acquisition costs and prepaids (note 21)		378,359		409,884
	$	24,181,800	$	21,571,640
Liabilities and Equity (Deficit)				
Liabilities				
Cheques outstanding (note 8)	$	66,228	$	73,204
Accounts payable and accrued charges		287,109		325,880
Provision for premium rebates/refunds (note 8)		1,186,062		-
Derivative financial instruments (note 8)		984		35,783
Net bond repurchase agreements, investment-related, and other liabilities (note 9)		2,269,511		2,370,141
Premiums and fees received in advance		69,300		82,100
Unearned premiums (note 17)		2,396,658		2,954,508
Lease liabilities (note 10)		60,502		54,417
Pension and post-retirement benefits (note 19)		457,713		219,231
Provision for unpaid claims (note 16)		15,520,254		16,003,734
		22,314,321		22,118,998
Equity (Deficit)				
Retained earnings (Deficit)		1,130,934		(396,235)
Other components of equity		729,501		(165,334)
Equity (Deficit) attributable to owner of the corporation		1,860,435		(561,569)
Non-controlling interest (note 7)		7,044		14,211
		1,867,479		(547,358)
	$	24,181,800	$	21,571,640

Critical accounting estimates and judgments (note 3)
Contingent liabilities and commitments (note 24)
Subsequent events (note 27)

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

Approved by the Board

Joy MacPhail
Chair of the Board of Directors

Cathy McLay
Director

Consolidated Statement of Comprehensive Income (Loss)

($ THOUSANDS)	For the year ended March 31 2021	For the year ended March 31 2020
Premiums written		
Premium revenue – vehicle	$ 6,347,229	$ 6,334,802
Premiums ceded to reinsurers – vehicle	(11,550)	(11,368)
Net premium revenue – vehicle before premium rebates/refunds (note 17)	6,335,679	6,323,434
Premium revenue – vehicle premium rebates/refunds (note 8)	(1,547,472)	-
Net premium revenue – vehicle	4,788,207	6,323,434
Premium revenue – driver	30,933	32,518
	$ 4,819,140	$ 6,355,952
Revenues		
Premiums earned		
Premium revenue – vehicle	$ 6,305,702	$ 6,267,848
Premiums ceded to reinsurers – vehicle	(11,550)	(11,368)
Net premium revenue – vehicle before premium rebates/refund	6,294,152	6,256,480
Premium revenue – vehicle premium rebates/refunds (note 8)	(950,000)	-
Net premium revenue - vehicle	5,344,152	6,256,480
Premium revenue – driver	32,838	29,740
	5,376,990	6,286,220
Service fees and other income	143,592	148,161
Total earned revenues	5,520,582	6,434,381
Claims and operating expenses		
Provision for claims occurring in the current year (note 16)	3,708,477	4,728,261
Change in estimates for losses occurring in prior years (note 16)	(367,272)	1,179,904
Net claims incurred (note 16)	3,341,205	5,908,165
Claims services (note 20)	395,092	406,473
Road safety and loss management services (note 20)	50,866	58,181
	3,787,163	6,372,819
Operating expenses – insurance (note 20)	283,438	303,721
Premium taxes and commissions – insurance (notes 20 and 21)	787,128	740,768
	4,857,729	7,417,308
Underwriting income (loss)	662,853	(982,927)
Investment income (notes 2 and 12)	1,017,923	1,057,842
Income – insurance operations before impairment loss	1,680,776	74,915
Non-insurance operations		
Provincial licences and fines revenue (note 22)	615,661	641,416
Licences and fines transferable to the Province of B.C. (note 22)	615,661	641,416
Operating expenses – non-insurance (note 20)	107,214	109,675
Commissions – non-insurance (notes 20 and 21)	34,306	30,864
Other income – non-insurance	(5,314)	(7,043)
	751,867	774,912
Loss – non-insurance operations	(136,206)	(133,496)
Net income (loss) before impairment loss	1,544,570	(58,581)
Impairment loss (notes 2 and 12)	(6,503)	(317,012)
Net income (loss)	$ 1,538,067	$ (375,593)
Other comprehensive income (loss)		
Items that will not be reclassified to net income (loss)		
Pension and post-retirement benefits remeasurements (note 19)	$ (185,694)	$ 213,808
Items that will be reclassified to net income (loss)		
Net change in available for sale financial assets	1,080,529	(503,459)
	894,835	(289,651)
Total comprehensive income (loss)	$ 2,432,902	$ (665,244)
Net income (loss) attributable to:		
Non-controlling interest (note 7)	$ 10,898	$ 121
Owner of the corporation	1,527,169	(375,714)
	$ 1,538,067	$ (375,593)
Total comprehensive income (loss) attributable to:		
Non-controlling interest (note 7)	$ 10,898	$ 121
Owner of the corporation	2,422,004	(665,365)
	$ 2,432,902	$ (665,244)

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

Consolidated Statement of Changes in Equity

($ THOUSANDS)	Retained Earnings (Deficit)	Other Components of Equity: Net change in available for sale financial assets	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity (Deficit)
For the year ended March 31, 2021							
Balance, beginning of year	$ (396,235)	$ (360,373)	$ 195,039	$ (165,334)	$ (561,569)	$ 14,211	$ (547,358)
Contributions						10	10
Disposition of subsidiary with non-controlling interest (note 7)						(18,075)	(18,075)
Comprehensive income (loss)							
Net income	1,527,169	-	-	-	1,527,169	10,898	1,538,067
Other comprehensive income (loss)							
Net gains reclassified to investment income	-	(314,561)	-	(314,561)	(314,561)	-	(314,561)
Net gains arising on available for sale financial assets in the year	-	1,395,090	-	1,395,090	1,395,090	-	1,395,090
Pension and post-retirement benefits remeasurements (note 19)	-	-	(185,694)	(185,694)	(185,694)	-	(185,694)
Total other comprehensive income (loss)	-	1,080,529	(185,694)	894,835	894,835	-	894,835
Total comprehensive income (loss)	1,527,169	1,080,529	(185,694)	894,835	2,422,004	10,898	2,432,902
Balance, end of year	$ 1,130,934	$ 720,156	$ 9,345	$ 729,501	$ 1,860,435	$ 7,044	$ 1,867,479

($ THOUSANDS)	(Deficit)	Other Components of Equity: Net change in available for sale financial assets	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity (Deficit)
For the year ended March 31, 2020							
Balance, beginning of year	$ (20,521)	$ 143,086	$ (18,769)	$ 124,317	$ 103,796	$ 14,930	$ 118,726
Contributions						12	12
Distributions						(852)	(852)
Comprehensive (loss) income							
Net (loss) income	(375,714)	-	-	-	(375,714)	121	(375,593)
Other comprehensive (loss) income							
Net gains reclassified to investment income	-	(608,777)	-	(608,777)	(608,777)	-	(608,777)
Net gains arising on available for sale financial assets in the year	-	105,318	-	105,318	105,318	-	105,318
Pension and post-retirement benefits remeasurements (note 19)	-	-	213,808	213,808	213,808	-	213,808
Total other comprehensive (loss) income	-	(503,459)	213,808	(289,651)	(289,651)	-	(289,651)
Total comprehensive (loss) income	(375,714)	(503,459)	213,808	(289,651)	(665,365)	121	(665,244)
Balance, end of year	$ (396,235)	$ (360,373)	$ 195,039	$ (165,334)	$ (561,569)	$ 14,211	$ (547,358)

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

Consolidated Statement of Cash Flows

($ THOUSANDS)	For the year ended March 31 2021	For the year ended March 31 2020
Cash flow from (used in) operating activities		
Net income (loss)	$ 1,538,067	$ (375,593)
Items not requiring the use of cash (note 26)	(196,447)	(15,683)
Changes in non-cash working capital (note 26)	370,237	1,616,182
Cash flow from operating activities	1,711,857	1,224,906
Cash flow from (used in) investing activities		
Purchase of financial investments and investment properties	(26,262,760)	(24,935,572)
Proceeds from sales of financial investments and investment properties	24,556,282	23,589,490
Purchase of property, equipment and intangibles, net	(76,040)	(48,218)
Cash flow (used in) investing activities	(1,782,518)	(1,394,300)
Cash flow from (used in) financing activities		
Net securities sold under repurchase agreements (note 26)	59,022	142,057
Principal payments on lease liabilities (note 26)	(14,190)	(11,146)
Cash flow from financing activities	44,832	130,911
Decrease in cash and cash equivalents during the year	(25,829)	(38,483)
Cash and cash equivalents, beginning of year	(20,758)	17,725
Cash and cash equivalents, end of year	$ (46,587)	$ (20,758)
Represented by:		
Cash and cash equivalents (note 8)	$ 19,641	$ 52,446
Cheques outstanding (note 8)	(66,228)	(73,204)
Cash and cash equivalents, net	$ (46,587)	$ (20,758)

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

Notes to Consolidated Financial Statements

For the year ended March 31, 2021

1. Corporate Information

The Insurance Corporation of British Columbia (the Corporation or ICBC) is a wholly-owned Crown corporation of the Province of British Columbia (B.C.), not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act* (ICA), R.S.B.C. 1996 Chapter 228. The head office of the Corporation is 151 West Esplanade, North Vancouver, British Columbia. The Corporation operates and administers plans of universal compulsory vehicle insurance (Basic) and optional vehicle insurance (Optional) as set out under the *Insurance (Vehicle) Act*, and is also responsible for non-insurance services under the *Insurance Corporation Act* and the *Motor Vehicle Act*. Non-insurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection. The Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to Basic insurance rates and services (note 25).

Basic insurance includes the following coverages: $200,000 third party liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of $300,000 (note 3f) for medical and rehabilitation expenses and up to $740 per week for wage loss (note 3f), $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 Optional insurance in a competitive environment, 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 vehicle insurer.

On June 3, 2021, the Corporation's Board of Directors authorized these consolidated financial statements for issue.

2. Summary of Significant Accounting Policies

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

a) Basis of reporting

The consolidated financial statements of the Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and required by the *Budget Transparency and Accountability Act*. The consolidated financial statements include the accounts of the Corporation and its subsidiary companies. The Corporation's reporting currency and functional currency for all of its operations is the Canadian dollar, unless otherwise stated.

The Corporation reports revenues and expenses attributable to Basic insurance separately from the other operations of the Corporation (note 25). The Corporation presents investment income and investment impairment loss separately from underwriting results as this reflects how the business operations are managed and provides more relevant, reliable, comparable and understandable information of these consolidated financial statements. The Corporation also provides a number of non-insurance services on behalf of the Province of B.C. The costs associated with these non-insurance activities are borne by the Corporation. The amounts collected and remitted as well as the related costs are accounted for and disclosed separately in the consolidated statement of comprehensive income (loss) under non-insurance operations for greater transparency (note 22).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.

b) Basis of consolidation

Control

The Corporation consolidates the financial statements of all subsidiary companies over which it has control. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from the entity and has the ability to use its power to affect the amount of the returns. Entities are fully consolidated from the date on which control is transferred to the Corporation. All but one of the Corporation's investment properties (note 6b) are held individually in nominee holding companies. The Corporation also invests in financial investments (note 6a) through a number of fully owned investment entities. The Corporation does not have any active operating subsidiary companies. All inter-company transactions and balances are eliminated.

Non-controlling interest (NCI), presented as part of equity (deficit), represents the portion of an entity's profit or loss and net assets that are not attributable to the Corporation. The Corporation attributes total comprehensive income or loss of entities between the parent and the NCI based on their respective ownership interests. All subsidiaries are wholly-owned, except for the Canadian limited partnerships listed in note 7.

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

Significant influence

Associates are entities over which the Corporation has significant influence, which means it has the power to participate in the financial and operating decisions of the investee but does not have control or joint control over the financial or operating policies. Associates generally involve a shareholding of 20% to 50% of the voting rights.

In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee. In such cases, judgment is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Corporation is exposed and the degree to which the Corporation can use its power or significant influence to affect its returns from investees. Associates are accounted for using the equity method. The Corporation has determined that it does not have significant influence in 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 owns 50% share of each of its three joint operations, one of which is with a Limited Partner. The nature of all joint operations are investment properties in Canada.

c) Service fees

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

d) Insurance contracts

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

Premiums earned

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

Deferred premium acquisition costs

To the extent premium acquisition costs 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, 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 recoveries from reinsurance. The provision for unpaid claims also includes an estimate of direct expenses to be incurred in settling claims net of the expected salvage and subrogation recoveries. The provision for unpaid claims is established according to International Financial Reporting Standards. It is carried on a discounted basis and therefore reflects the time value of money. To recognize the uncertainty in establishing best estimates, the Corporation includes a provision for adverse deviations (PfAD).

Reinsurance

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

Reinsurance assets, including both reinsurance recoverable on unpaid claims and reinsurance receivable on paid claims, are shown on the consolidated statement of financial position. A PfAD is included in the discounted amount recoverable from reinsurers. The PfAD is applied on a consistent basis with the underlying provision for unpaid claims and includes a reinsurance recovery portion that reflects considerations relating to potential collectability issues with reinsurers.

e) Cash and cash equivalents

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

f) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, and the sale is considered to be highly probable, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured at cost less accumulated depreciation and impairment losses. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement, are recognized in profit or loss; these gains are not recognized in excess of any cumulative impairment loss. Once classified as held for sale, non-current assets are no longer amortized or depreciated (note 6).

g) Financial assets

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

Fair value through profit or loss

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

The Corporation's cash and cash equivalents (note 2e) and derivative financial instruments (note 2j) are classified as FVTPL, while one global mezzanine debt pooled fund (note 6a) is designated as FVTPL.

The Corporation's derivative financial instruments are forward contracts, foreign exchange swaps and interest rate swaps that are not in a hedging relationship, and are classified as FVTPL.

FVTPL financial assets are recorded at fair value on initial recognition and for subsequent measurement. Transaction costs and changes in the fair value are recognized in investment income on the consolidated statement of comprehensive income (loss).

Loans and receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation has classified its directly held mortgages, mortgage bond, premiums and other receivables as Loans.

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

Available for sale

Non-derivative financial assets that are not classified as Loans or FVTPL are accounted for as AFS. The Corporation has classified its bonds portfolio, mortgage fund, other financial investments and equity portfolios as AFS except for the one global mezzanine pooled fund which is designated as FVTPL.

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 or impairment loss. Changes in the fair value due to foreign exchange on a non-monetary AFS financial asset are recorded in OCI. Changes in fair value due to foreign exchange on a monetary AFS financial asset are recorded in investment income. Interest calculated using the effective interest method is accrued daily and recognized in investment income. Dividends are recognized in investment income when the right to receive payments is established on the ex- dividend date.

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred along with substantially all of 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. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the year-end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end are recognized in investment income.

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

i) Fair value of financial assets

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

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

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 that refer to non-observable market data.

The estimated fair value for financial assets classified as AFS and FVTPL is based on quoted prices where available, on other observable market information, where available or the use of valuation models and techniques that are based on non-observable market data. The estimated fair value for mortgages classified as Loans is determined by applying the yield curve of Government of Canada bonds to the corresponding maturity dates of the underlying mortgages, plus an estimated risk premium. The risk premium is determined by factors such as the location of the property, tenant profile, and degree of leverage of the property.

These valuations are reviewed at each reporting date by management.

j) Derivative financial instruments

The Corporation uses derivative financial instruments such as foreign currency forward contracts and foreign exchange swaps to manage foreign exchange risks and interest rate swaps to manage interest rate risks (note 8).

Derivative financial instruments that are not designated as hedges are recorded using the FVTPL method of accounting whereby instruments are recorded at fair value as an asset or liability with changes in fair value recognized in investment income in the period of change.

k) Investment properties

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

The estimated fair value of the Corporation's investment properties is based on independent appraisals by professionally qualified external valuators made during the year or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

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

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

l) Investment-related liabilities

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

m) Net bond repurchase agreements

The Corporation participates in the sale and repurchase of Government of Canada and Provincial bonds, which are sold and simultaneously agreed to be repurchased at a future date 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 amortized cost. The repurchase interest rate at the time of the sale is the cost of borrowing the funds and is recognized as interest expense.

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

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

n) Accounts payable and accrued charges

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

o) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These 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.

p) Pension and post-retirement benefits

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

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

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

The non-investment costs are equal to expenses paid from the plans in the reporting year relating to the administration of the plans. The interest costs are calculated using the discount rate at the beginning of the reporting year and applied to the net liability at the beginning of the reporting year.

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

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

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

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

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

The Corporation recognizes all actuarial remeasurements in the reporting year in which they arise, through OCI on the consolidated statement of comprehensive income (loss).

Certain current and former employees of the Corporation who were formerly employed in the Motor Vehicle Branch are members of a separate plan, the BC Public Service Pension Plan. This is a multi-employer defined benefit plan for which the Corporation applies defined contribution accounting. Since the BC Public Service Pension Plan pools risks amongst the current and former members of many employers, there is no consistent or reliable basis for allocating the Corporation's portion of the obligation, assets, and costs. As a result, the Corporation expenses the contributions made. Contributions are subject to change in the future, depending on the funded status of the plan, and are split equally between all participating employers and all contributing active plan members.

q) Property and equipment

Property and equipment are initially recorded at fair value and subsequently measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the items, including retirement costs. Subsequent costs, such as betterments, are included in the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation. All other subsequent expenditures are recognized as repairs and maintenance. Capitalized software that is an integral part of the equipment is accounted for as equipment. Property and equipment are depreciated when they are available for use, on a straight-line basis over the estimated useful life of each asset, taking into account the residual value, at the following annual rates:

- Buildings 2.5% to 10%
- Furniture and equipment 10% to 20%

- 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 (loss).

r) Lease assets and liabilities

At inception of a contract that conveys rights to the Corporation to use an identified asset, the Corporation assesses whether a contract is or contains a lease. This assessment involves exercising judgment to determine whether the Corporation has the right to obtain substantially all the economic benefits from the use of the specified asset, and has the right to direct the use of asset. If the arrangement is, or contains a lease, the Corporation recognizes a lease asset and a lease liability at the commencement of the lease. Lease assets include both tangible and intangible assets.

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

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

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

s) Intangible assets

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

Finite life intangible assets are initially recorded at fair value and subsequently carried at cost less accumulated amortization and impairment losses. Intangible assets with finite useful lives are amortized over their estimated useful lives when they are available for use on a straight-line basis at 10% to 20%, taking into account the residual value.

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

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

t) Impairment of assets

Impairment of financial assets

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

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

If the fair value of a previously impaired debt instrument classified as AFS or a financial asset measured at amortized cost increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed in investment income. Impairment losses on equity and other financial investment instruments are not reversed.

Impairment of non-financial assets

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

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

Assets are considered current when expected to be realized within one year of the reporting date. Liabilities are considered current when expected to be settled within one year of the reporting date. The Corporation presents the statement of financial position on basis of liquidity. The classification of current and non-current of assets and liabilities is disclosed in the notes to the financial statements.

3. Critical Accounting Estimates and Judgments

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

Significant accounting estimates and judgments include:

Areas of Judgment

a) Impairment of financial assets

Judgment is required to determine if there is objective evidence of impairment of financial assets. The Corporation evaluates, among other factors, the financial health of the investee, industry and sector performance, changes in technology, financing and operational cash flows, and the significance of deterioration in the fair value of the asset below cost. In addition, for equity and other investments, a prolonged decline is considered objective evidence of impairment (note 12).

b) Significant influence

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

- The Investment Committee of this investment is responsible for overseeing the investing activities and setting the Statement of Investment Policy. The Corporation does not have any influence over the Investment Committee; and

- Although the Corporation has one of five seats on the Governance Committee, the Governance Committee itself has no power over the Investment Committee. The role of the Governance Committee is to provide protective rights and is to ensure the investments are compliant with the Statement of Investment Policy. Further, the Governance Committee does not have any influence over the investing activities or over the management and operation of the partnership.

Estimates Subject to Uncertainty

c) Provision for unpaid claims

The provision for unpaid claims is established according to accepted actuarial practice in Canada. Methods of estimation have been used which the Corporation believes produce reasonable results given current information (note 16).

The Corporation's provision for unpaid claims is an estimate subject to volatility, which could be material in the near term. The estimation of claims development involves assessing the future behaviour of incurred claims, taking into consideration changes to the insurance product, as well as the closure rates, payment patterns, consistency of the Corporation's claims handling procedures, the amount of information available at the time of the valuation, including the legal representation status of claims, and historical delays in reporting of claims. In general, the more time required for the settlement of a group of claims, the more uncertain the estimates will be. Variability can be caused by receipt of additional information, significant changes in the average cost or complexity of claims over time, significant changes in the Corporation's claims operations, the timing of claims payments, product and legal reforms with limited or no experience, and future rates of investment return.

The ultimate cost of claims that settle over a long period of time is particularly challenging to forecast for several reasons, which include changes in the legal environment, case law or legislative amendments, and periods of time between the occurrence date of a claim and the date it is reported to the Corporation. The Corporation is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the provision for unpaid claims and other liabilities. Provisions for such liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate to reflect ultimate loss expectations based upon historical experience patterns, current socio-economic trends and for certain claims, structured settlements that are provided in the form of consistent periodic payments as opposed to lump-sum payments.

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

The Corporation also assesses the adequacy of its insurance liabilities at the end of each reporting period to ensure that they are sufficient to capture expected future cash outflows. All changes to the estimate since the end of the last reporting period are recorded in the current period as a 'Change in estimates for losses occurring in prior years' in the consolidated statement of comprehensive income (loss).

The Corporation has considered the impact of COVID-19 in the estimation of the provision for unpaid claims. The impact of COVID-19 creates additional sources of estimation uncertainty as the estimation of claim frequency and severity may be affected by the reduction of vehicles on the road, changes in the timing of reporting claims, and delays in legal, medical, and vehicle repair services; and as the discount rate may be affected by changes in investment values and cash flows.

d) Pension and post-retirement benefits

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

The key assumptions used in calculating the cost of pension and post-retirement benefits are the discount rate, rate of compensation increase, inflation rate, life expectancies and extended healthcare cost trends. Together with plan member data, these and other assumptions are used to estimate future benefit eligibility, amount and duration of payments. The rate determined for each of the key assumptions is disclosed in note 19.

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

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

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

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

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

With the exception of the discount rate, which is based on market conditions at the financial statement date, all other assumptions are management's best estimate (note 19).

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

e) COVID-19 Economic Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The magnitude of the impact of the COVID-19 pandemic on local and global commerce continues to evolve. The pandemic has increased risks to B.C's economic outlook, such as the timing of the global vaccination rollout, extended travel restrictions, a weaker global recovery, and the continued impact of a slower recovery in some sectors of the B.C. economy. Further risks including the ongoing uncertainty regarding global trade policies and lower commodity prices. There continues to be ongoing uncertainty surrounding the extent and duration of the impact that COVID-19 might have on the investment portfolio of the Corporation, claims costs (frequency and severity), premium revenues and receivables, and post-retirement benefit obligations (fair value of investments and the obligation for pension benefits and the related funding requirements).

f) Product reform

Legislation was enacted on May 17, 2018 to reform the Basic insurance product to limit pain and suffering payouts for minor injuries and create an independent dispute resolution process for injury claims effective April 1, 2019 (note 16). The product reform significantly decreased claims costs associated with accidents occurred on or after April 1, 2019. Key factors that contributed to the overall reduction in claims cost pressures include: a) the limit on general damages of $5,500 apply to minor injuries, b) the enhancements in accident benefits coverage, c) other insurance (collateral benefits) are primary for most medical and wage loss amounts when it is available and, d) bodily injury claims disputes valued up to $50,000 are resolved by the Civil Resolution Tribunal (CRT) instead of the Supreme Court of B.C. As a result, the premium deficiency from the beginning of fiscal year 2019 was eliminated and deferred premium acquisition costs continue to be recognized and amortized in future years, as outlined in note 21.

The impact of the product reform has been reflected in the estimate of current year claims costs as well as in the prior year claims' adjustment. The impact remains significantly favourable despite the decision of the Chief Justice (note 16) that the jurisdiction of the CRT over tort injury claims is unconstitutional. The favourable impacts of product reform have contributed to improvement in the Corporation's financial stability. Both the estimate of claims costs and the asset associated with the deferred premium acquisition costs are materially affected by the estimated impact of the product reform. Given the limited history of the product reform, there is material estimation uncertainty in the measurement of these costs.

g) Enhanced Care

On May 1, 2021, the Corporation implemented a new care-based insurance model to ensure that any British Columbian injured in a crash has significantly enhanced accident benefits. Enhanced accident benefits include no overall limit to the medical and rehabilitation benefits available, a much higher income replacement benefit for anyone who is unable to work due to injuries sustained in a crash, and a new permanent impairment benefit that will provide a lump sum cash compensation for anyone catastrophically injured in a crash, or who suffers a serious, but non-catastrophic, permanent impairment. The Corporation also implemented a new basic vehicle damage coverage (BVDC) which provides up to $200,000 coverage for vehicle damage to insured vehicles when it is caused by other vehicles in most situations. Under the new insurance model, coverage for hit and run claims for vehicle damage is no longer being provided under Basic insurance and individuals are generally precluded from suing both with respect to bodily injuries covered by enhanced accident benefits and for vehicle damage in circumstances where BVDC may apply. The new insurance model affects the estimate of claims costs used in determining the asset associated with the deferred premium acquisition. Given the lack of historical experience under this model, there is estimation uncertainty in the measurement of these costs. DPAC would reduce by $100.0 million if the claims costs of the Enhanced Care coverage insurance model is 45% higher than the current estimate.

h) Fair value of level 3 investments

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

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

4. New Accounting Pronouncements

a) Standards and interpretations effective for the year ended March 31, 2021

The Corporation has adopted the standards and interpretations that are relevant to the operations of the Corporation and effective for the year ended March 31, 2021. There were no material impacts to the Corporation's consolidated financial statements from the adoption of new standards.

b) Standards and interpretations issued but not yet effective and not early adopted

Standards and interpretations issued that are relevant to the operations of the Corporation, but not yet effective include:

- IFRS 9 *Financial Instruments*. Effective for annual periods beginning on or after January 1, 2018; early adoption is permitted. The Corporation will defer the implementation of IFRS 9 until its fiscal year beginning April 1, 2023, as allowed under the amendments to IFRS 4 *Insurance Contracts*. IFRS 9 brings together the classification and measurement, impairment and hedge accounting to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets are measured at FVTPL, fair value through OCI or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets at amortized costs. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks and requires additional disclosures. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

- IFRS 17 *Insurance Contracts.* Effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted for entities that apply IFRS 9 and IFRS 15 on or before the initial application of IFRS 17. The standard establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4. The standard was issued in May 2017 and requires all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values. The information will be updated regularly, providing more useful information to users of financial statements. The standard will be effective for the Corporation on April 1, 2023, and reflected in the Corporation's consolidated financial statements for the year ending March 31, 2024. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

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

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

- IAS 16 *Property, Plant and Equipment* (Amendment). Effective for annual periods beginning on or after January 1, 2022; early adoption is permitted. Amends to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The standard will be effective for the Corporation on April 1, 2022, and reflected in the Corporation's financial statements for the year ending March 31, 2023. The adoption is not expected to have a material impact on the Corporation's consolidated financial statements.

- IAS 37 *Provision, Contingent Liabilities and Contingent Assets*. Effective for annual periods beginning on or after January 1, 2022; early adoption is permitted. Amends to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The standard will be effective for the Corporation on April 1, 2022, and reflected in the Corporation's financial statements for the year ending March 31, 2023. The adoption is not expected to have a material impact on the Corporation's consolidated financial statements.

5. IFRS 9 deferral disclosure

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

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

The following table distinguishes the Corporation's financial assets that give contractual rise to cash flows that are solely payments of principal and interest (SPPI), excluding those held for trading, and all other financial assets. The assets are presented at fair value for the year ended March 31, 2021.

($ THOUSANDS)		2021		2020
		Fair Value		Fair Value
Financial assets				
SPPI (excluding held for trading)				
Cash and cash equivalents	$	19,641	$	52,446
Accrued interest		59,943		69,214
Other receivable[1]		484,248		380,760
Type 2 structured settlements		17,537		19,097
Money market securities		3,498		20,077
Bonds		11,145,959		9,690,993
Mortgages		778,119		1,211,414
	$	12,508,945	$	11,444,001
Other financial assets				
Non-SPPI bonds		168,431		101,436
Pooled funds classified as debt instruments		7,594,180		6,229,037
Investments held through fully owned investment entities		636,597		124,474
Equities		208,782		121,927
	$	8,607,990	$	6,576,874

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

Credit risk

IFRS 9 will require the Corporation to recognize a loss allowance for expected credit losses on financial assets that meet the SPPI conditions and are held for the purpose of collecting contractual cash flows. The credit risk rating for money market securities and bonds in the above table that meet these conditions (SPPI, excluding held for trading) can be found in note 11b. Mortgages and other receivables (including type 2 structured settlements) are assessed for significant increases to credit risk based on past due analyses. All directly held mortgages are current as at March 31, 2021. See note 11b for an aging table for other receivables.

6. Investments

a) Financial investments

($ THOUSANDS)		Financial Investments			
	Classification	Investments In Pooled Funds	Investments Held Directly	Investments Held Through Fully Owned Investment Entities	Total Carrying Value
March 31, 2021					
Fixed-income investments					
Money market securities	AFS	$ 582,391	$ 3,498	$ -	$ 585,889
Mortgages	Loans	-	762,833	-	762,833
Mortgage funds	AFS	663,718	-	111,596	775,314
Bonds					
Federal	AFS	-	5,125,599	-	5,125,599
Provincial	AFS	-	2,600,545	-	2,600,545
Municipal	AFS	-	106,210	-	106,210
Corporate	AFS	-	3,482,036	-	3,482,036
Total bonds		-	11,314,390	-	11,314,390
Total fixed-income investments		1,246,109	12,080,721	111,596	13,438,426
Equity investments					
Domestic	AFS	1,630,777	208,749	-	1,839,526
Global	AFS	3,419,550	33	-	3,419,583
Total equity investments		5,050,327	208,782	-	5,259,109
Other financial investments					
Domestic real estate	AFS	581,023	-	-	581,023
Global real estate	AFS	721	-	224,718	225,439
Global infrastructure	AFS	35,913	-	300,150	336,063
Global mezzanine debt	FVTPL	220,716	-	-	220,716
Global mezzanine debt	AFS	97,464	-	-	97,464
Other	AFS	361,907	-	133	362,040
Total other financial investments		1,297,744	-	525,001	1,822,745
Total financial investments		$ 7,594,180	$ 12,289,503	$ 636,597	$ 20,520,280
March 31, 2020					
Fixed-income investments					
Money market securities	AFS	$ 353,505	$ 20,077	$ -	$ 373,582
Mortgages	Loans	-	1,208,955	-	1,208,955
Mortgage funds	AFS	664,759	-	-	664,759
Bonds					
Federal	AFS	-	3,422,993	-	3,422,993
Provincial	AFS	-	3,083,936	-	3,083,936
Municipal	AFS	-	71,751	-	71,751
Corporate	AFS	-	3,213,749	-	3,213,749
Total bonds		-	9,792,429	-	9,792,429
Total fixed-income investments		1,018,264	11,021,461	-	12,039,725
Equity investments					
Domestic	AFS	1,116,240	121,902	-	1,238,142
Global	AFS	2,730,993	25	-	2,731,018
Total equity investments		3,847,233	121,927	-	3,969,160
Other financial investments					
Domestic real estate	AFS	407,849	-	-	407,849
Global real estate	AFS	-	-	124,474	124,474
Global infrastructure	FVTPL	350,946	-	-	350,946
Global mezzanine debt	FVTPL	248,078	-	-	248,078
Global mezzanine debt	AFS	94,974	-	-	94,974
Other	AFS	261,693	-	-	261,693
Total other financial investments		1,363,540	-	124,474	1,488,014
Total financial investments		$ 6,229,037	$ 11,143,388	$ 124,474	$ 17,496,899

The Corporation's investment in pooled funds are denominated 95.3% (2020 – 89.1%) in Canadian dollars. The above equity and other financial investment disclosure presents the Corporation's interest in pooled funds by looking through the funds, and classifying by the type of the underlying investments.

Money market securities, bonds, mortgage funds, equity and other financial investments are carried at their fair value. The fair value of directly held mortgages is determined to be consistent with Level 3 investments based on the inputs to the valuation technique used (note 2i). Directly held mortgages are measured at amortized cost and have an estimated fair value of $0.78 billion (2020 – $1.21 billion). The fair value of the directly held mortgages is determined by applying a discount rate ranging from 1.6% to 3.4% (2020 – 3.1% to 5.7%).

Pooled funds and investments held through fully owned investment entities

The Corporation invests in several pooled funds and investments held through seven fully owned investment entities; the investment strategies of some of these funds and investments include the use of leverage. As at March 31, 2021, the Corporation's interests range from 1.4% to 30.5% (2020 – 1.4% to 29.9%) of the net assets of the respective funds and investments. The funds and investments are managed by external asset managers. The Corporation has a percentage ownership in each of the pooled funds and investments that entitle the holder to a proportional share in the respective fund's net assets. The carrying value of the Corporation's investments in pooled funds (including investments held through fully owned investment entities) as at March 31, 2021 is $8.23 billion (2020 – $6.35 billion).

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

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

Asset-backed securities

The Corporation purchases bonds that are secured by various assets as part of its investment strategy. The majority of the bonds are issued by Canadian corporate entities and are secured by credit card, auto, or equipment receivables. Also, the Corporation invests in AAA rated senior securities issued by securitization trusts that have a first lien on assets. The weighted-average duration of the asset-backed securities in the Corporation's portfolio is 2.3 years (2020 – 2.3 years) and the coupon interest rates range from 2.3% to 2.6% (2020 – 1.7% to 2.7%).

As at March 31, 2021, the carrying value of asset-backed securities included in financial investments in the consolidated statement of financial position is $23.3 million (2020 – $123.4 million). This amount also represents the maximum exposure to losses at that date.

The Corporation also has one mortgage backed security with a carrying value of $17.3 million (2020 – one at $17.7 million) and an estimated fair value of $18.5 million (2020 – $18.6 million).

The mortgage backed security is included in financial investments as a mortgage and is secured by a first priority mortgage charge on a Class A real estate property. The fixed interest rate on the mortgage backed security is 4.9% (2020 – 4.9%) and the mortgage will mature in less than 3 years.

b) Investment properties

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

($ THOUSANDS)		2021		2020
Cost				
Balance, beginning of year	$	731,736	$	992,771
Capital improvements		6,832		2,478
Reclassification to assets held for sale		(68,174)		(238,650)
Reverted from assets held for sale to investment properties		30,762		-
Disposals		-		(5,824)
Impairment loss		(6,139)		(19,039)
Balance, end of year		695,017		731,736
Accumulated depreciation				
Balance, beginning of year		121,654		121,559
Depreciation		21,688		24,189
Reverted from assets held for sale to investment properties		2,552		-
Disposals		-		(1,832)
Reclassification to assets held for sale		(9,210)		(22,262)
Balance, end of year		136,684		121,654
Carrying value, end of year	$	558,333	$	610,082

The fair value of investment properties is $0.76 billion (2020 – $0.81 billion) and has been categorized as a Level 3 investment based on the inputs to the valuation technique used. As at March 31, 2021 and March 31, 2020, the estimated fair value is based on independent appraisals, by professionally qualified external valuators or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager. During fiscal year 2021, two (2020 – three) investment properties were reclassified to assets held for sale. As at March 31, 2021, these two investment properties remain in assets held for sale. Subsequent to March 31, 2021, the Corporation has confirmed purchase and sale agreements on both of these properties (note 27).

Two investment properties that were reclassified to assets held for sale as at March 31, 2020 were sold during fiscal 2021 for a net gain of $97.5 million (2020 – $52.1 million) (note 12). In addition, one investment property that was reclassified to assets held for sale as at March 31, 2020 was reverted to investment properties during fiscal 2021, as it is currently not actively marketed for sale due to the ongoing challenges of the COVID-19 pandemic.

c) Lease income

The Corporation leases out its investment properties. As of March 31, 2021, the future minimum lease cash receipts under non-cancellable leases over the next five years and beyond is as follows:

($ THOUSANDS)	2021		2020	
	Lease Income	Net Present Value	Lease Income	Net Present Value
Up to 1 year	$ 36,176	$ 35,304	$ 36,277	$ 35,241
Greater than 1 year, up to 5 years	96,187	88,878	100,988	92,069
Greater than 5 years	52,510	45,359	55,580	46,711
	$ 184,873	$ 169,541	$ 192,845	$ 174,021

7. Entities with Non-Controlling Interest

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

($ THOUSANDS)	Canadian Limited Partnership I	Canadian Limited Partnership II	Canadian Limited Partnership III	Total
March 31, 2021				
NCI percentage	**10.0%**	**10.0%**	**10.0%**	
Revenue	$ 53,641	$ 18,177	$ 58,891	$ 130,709
Expenses	1,627	17,157	3,154	21,938
Net income	$ 52,014	$ 1,020	$ 55,737	$ 108,771
Net income attributable to NCI	**$ 5,202**	**$ 102**	**$ 5,594**	**$ 10,898**
Current assets	$ 342	$ 10,643	$ 882	$ 11,867
Non-current assets	-	154,826	-	154,826
Current liabilities	(342)	(4,668)	(619)	(5,629)
Non-current liabilities	-	(92,939)	-	(92,939)
Net assets	$ -	$ 67,862	$ 263	$ 68,125
Net assets attributable to NCI	**$ -**	**$ 6,786**	**$ 258**	**$ 7,044**

During fiscal year 2021, properties held by Canadian Limited Partnership I and III were sold for a gain of $47.2 million and $50.3 million, respectively.

Canadian Limited Partnership III and the Corporation have agreed to financing on the mortgage payments of this property, therefore the net income and net assets attributable to NCI will not equal the NCI percentage.

($ THOUSANDS)	Canadian Limited Partnership I	Canadian Limited Partnership II	Canadian Limited Partnership III	Total
March 31, 2020				
NCI percentage	**10.0%**	**10.0%**	**10.0%**	
Revenue	$ 8,699	$ 18,978	$ 9,263	$ 36,940
Expenses	7,626	19,817	7,219	34,662
Net income (loss)	$ 1,073	$ (839)	$ 2,044	$ 2,278
Net income (loss) attributable to NCI	**$ 107**	**$ (84)**	**$ 98**	**$ 121**
Current assets	$ 1,491	$ 6,625	$ 1,930	$ 10,046
Non-current assets	102,428	160,392	85,751	348,571
Current liabilities	(1,801)	(5,961)	(1,696)	(9,458)
Non-current liabilities	(52,671)	(91,594)	(39,669)	(183,934)
Net assets	$ 49,447	$ 69,462	$ 46,316	$ 165,225
Net assets attributable to NCI	**$ 4,945**	**$ 6,946**	**$ 2,320**	**$ 14,211**

8. Financial Assets and Liabilities

a) Fair value hierarchy

The following table presents the fair value hierarchy for financial assets and liabilities measured at fair value in the consolidated statement of financial position. During fiscal years 2021 and 2020, there were no transfers between Level 1, Level 2 and Level 3. The Corporation's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

($ THOUSANDS)	Fair Value Measurements at Reporting Date			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2021				
Cash	$ 19,641	$ -	$ 19,641	$ -
Fixed-income investments, excluding directly held mortgages	12,675,593	-	11,900,279	775,314
Equity investments	5,259,109	208,782	5,050,327	-
Other financial investments	1,822,745	-	-	1,822,745
Total financial assets	$ 19,777,088	$ 208,782	$ 16,970,247	$ 2,598,059
March 31, 2020				
Cash	$ 52,446	$ -	$ 52,446	$ -
Fixed-income investments, excluding directly held mortgages	10,830,770	-	10,166,011	664,759
Equity investments	3,969,160	121,927	3,847,233	-
Other financial investments	1,488,014	-	-	1,488,014
Total financial assets	$ 16,340,390	$ 121,927	$ 14,065,690	$ 2,152,773

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

The table below shows the movement of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3). Level 3 investments consist of all the pooled funds and investments held through fully owned entities or collectively, the other financial investments and the mortgage funds.

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

($ THOUSANDS)		Fair Value Measurements using Level 3 Inputs
		Equities and Other Financial Investments
March 31, 2021		
Balance, beginning of year	$	2,152,773
Additions		2,338,423
Disposals		(1,805,246)
Market value adjustment		(87,891)
Balance, end of year	$	2,598,059
March 31, 2020		
Balance, beginning of year	$	665,431
Additions		1,443,696
Disposals		(24,762)
Market value adjustment		68,408
Balance, end of year	$	2,152,773

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

($ THOUSANDS)	2021				2020			
		Notional Amount		Fair Value Assets (Liabilities)		Notional Amount		Fair Value Assets (Liabilities)
Non-designated derivative instruments								
Assets								
Interest rate swap - repo	$	-	$	-	$	720,000	$	1,807
Forward contracts		548,143		8,082		-		-
Foreign exchange swaps		805,921		15,515		89,315		1,400
	$	1,354,064	$	23,597	$	809,315	$	3,207
Liabilities								
Forward contracts	$	-	$	-	$	499,875	$	(34,365)
Interest rate swap - investment properties		91,850		(984)		91,850		(1,418)
	$	91,850	$	(984)	$	591,725	$	(35,783)

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

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

b) Other financial assets

Other financial assets include accrued interest, premiums and other receivables, and reinsurance assets. The fair values of the majority of other financial assets approximate their carrying values due to their short-term nature. The non-current portion of these other financial assets is $47.1 million (2020 – $54.5 million).

c) Financial liabilities

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

As at March 31, 2021, the general ledger bank balances representing cash inflows were $160.8 million (2020 – $163.8 million) and the general ledger bank balances representing cash outflows were $227.0 million (2020 – $237.0 million), netting to a cheques outstanding balance of $66.2 million (2020 – $73.2 million) on the consolidated statement of financial position.

During fiscal year 2021, the Corporation approved the issuing of two COVID-19 rebates totalling $950.0 million to policyholders as a result of claims costs savings net of lower premiums from customers cancelling and reducing coverage related to the pandemic. Costs savings experienced were due to lockdown restrictions that reduced driving activity resulting in fewer crashes. The first rebate of $600.0 million will be paid to eligible customers who had an active policy from April 1, 2020 to September 30, 2020. The second approved COVID-19 rebate of $350.0 million will be paid to eligible customers who had an active policy from to October 1, 2020 to March 31, 2021.

In addition, the Enhanced Care Coverage insurance model became effective on May 1, 2021 and the Corporation will be providing refunds to customers for the difference between their existing Autoplan coverage and the new, lower-cost Enhanced Care coverage, for the portion of their existing policy that goes past May 1, 2021. As at March 31, 2021, the Corporation is obligated to provide the Enhanced Care refund to the customers given the legislative approval of the Enhanced Care Coverage Bill in August 2020. The total amount of Enhanced Care refund is estimated to be $597.5 million (of which $251.8 million is payable to non-payment plan customers and $345.7 million is a reduction to payment plan receivable for payment plan customers).

As at March 31, 2021, the Corporation had paid a total of $15.7 million of the COVID-19 rebate and none of the Enhanced Care coverage refund. The remaining amount of the COVID-19 rebate and the Enhanced Care refund payable is presented as a provision for premium rebates/refunds in the consolidated statement of financial position.

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

($ THOUSANDS)	2021	2020
	Carrying Value	Carrying Value
Net bond repurchase agreements	$ 2,097,612	$ 1,834,901
Investment-related liabilities	164,730	238,189
Other liabilities	7,169	297,051
Total net bond repurchase agreements, investment-related, and other liabilities	$ 2,269,511	$ 2,370,141
Non-current portion	$ 48,295	$ 236,205

Investment-related liabilities are comprised of mortgages payable of $143.8 million (2020 – $238.2 million) with repayment terms ranging from one to nine years and interest rates ranging from 2.8% to 5.4% (2020 – 2.6% to 5.4%). The fair value of investment-related liabilities approximates carrying value. Other liabilities consist of accrued interest payable and unsettled trades. All of these liabilities are classified as Level 3 under the fair value hierarchy.

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

($ THOUSANDS)	2021	2020
Up to 1 year	$ 123,604	$ 299,035
Greater than 1 year, up to 5 years	15,697	121,621
Greater than 5 years	32,598	114,584
	$ 171,899	$ 535,240

10. Lease Liabilities

Lease liabilities are as follows:

($ THOUSANDS)	2021	2020
Up to 1 year	$ 13,642	$ 11,536
Greater than 1 year, up to 5 years	37,575	37,542
Greater than 5 years	16,194	12,134
Total undiscounted lease liabilities balance, end of year	$ 67,411	$ 61,212
Total discounted lease liabilities balance, end of year	$ 60,502	$ 54,417
Current	$ 13,106	$ 10,941
Non-current	$ 47,396	$ 43,476

As at March 31, 2021, the Corporation did not have any leases committed to but not yet commenced. As at March 31, 2021, the Corporation had committed to facilities-related expenses associated with leased properties, over the next five years and beyond, at a net present value of $31.1 million (2020 – 35.4 million).

11. Management of Insurance and Financial Risk

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

The World Health Organization's declaration of the COVID-19 virus as a pandemic on March 11, 2020 and the subsequent declaration of a state of emergency by the Government of British Columbia on March 17, 2020 disrupted the Corporation's business activities. Some of the major disruptions to the Corporation included lower premium revenue as a result of customers cancelling policies and changing rate classes, a decline in claims cost as a result of fewer drivers on the road due to stay at home orders, and volatile investment income given the downturn in equity markets and the lack of availability of certain market data used to determine fair value of financial investments, in particular Level 3 investments.

For fiscal 2021, the restrictions were loosened in the summer and the investment markets rebounded. The Corporation continues to experience a decline in claims cost as a result of less driving due to the pandemic as well as a downward frequency trend observed prior to the pandemic. The investment markets have stabilized and the fair value of financial investments are less volatile. Until the pandemic has passed and economies fully reopen, it is difficult to predict the ultimate impact on the Corporation's business.

a) Insurance risk

The principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events have an element of randomness and the actual number and amount of claims and benefits will vary each year from the level established using statistical techniques. The resolution of the legal challenge to the minor injury cap (notes 3f and 16) represents a meaningful risk to the severity of claims incurred since April 1, 2019.

The COVID-19 pandemic has increased uncertainty around insurance risk as a result of changes in claims costs and driver behaviour as discussed above. The Corporation has incorporated the impact of the pandemic in the determination of the provision for unpaid claims based on information available. The estimation uncertainty of the impact is discussed in note 3c.

Frequency and severity of claims

Frequency is the average number of claims per policy, calculated by dividing the total number of claims by the total number of policies. Severity is the average cost of a claim calculated by dividing the total cost of claims by the total number of claims. There are a number of factors that influence the frequency and severity of claims.

Some factors are affected by the actions of the Corporation and a number of strategies are used to try and reduce cost pressures created by these factors, including claims operational changes, road safety programs, programs to influence driver behaviour such as impaired driving and distracted driving programs, public awareness campaigns, auto crime reduction initiatives, and fraud detection and investigation.

There are other factors that the Corporation has little or no control over, including weather, demographics, court issued settlement awards, plaintiff legal fees, pandemic events, and economic changes, including vehicle parts/repair inflation and medical expense inflation that influence the cost of claims.

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

To manage the uncertainty associated with estimating the provision for unpaid claims, the Corporation's Chief Actuary employs standard actuarial methods. The estimation of the provision for unpaid claims is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied (note 3c), giving appropriate consideration to relevant changes in circumstances such as the COVID-19 pandemic (note 3e) and product reform (note 3f).

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

Injury claims include bodily injury, accident benefits, and death benefits, which account for approximately 60% (2020 – 64%) of total claims costs. The timing of payments 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 Corporation's provision for unpaid claims can be affected by the frequency and severity of claims, the discount rate, and actuarial methods and assumptions. The frequency and severity of claims are discussed above, while the discount rate and the actuarial methods and assumptions are discussed in notes 3 and 16.

Concentration of insurance risk

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

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

Premium pricing risk

The Corporation is the sole provider of Basic insurance and is not subject to competitive risk for its Basic insurance product. Basic insurance rates are set to cover costs after considering investment returns. Because the insurance rates are determined based on forward looking estimates of costs, the unfavourable variance in costs, in particular claims costs, may result in Basic insurance premiums not being sufficient to cover costs.

The Corporation is subject to legislative requirements with respect to Basic insurance and applies to the BCUC for approval to change its Basic insurance rate. The Corporation is required to make Basic insurance rate applications and the BCUC is required to approve rates set according to accepted actuarial practice. These legislated requirements mitigate the underwriting risk associated with pricing for the Basic insurance product. For the 2020 policy year, the Province of B.C. exempted the Corporation from filing the revenue requirement application (note 25) and accordingly the BCUC approved a 0% rate change in February 2020. The Province of B.C. has further exempted the Corporation from filing a revenue requirement application in 2021, as the rates for the 2021 policy year will remain in effect through March 31, 2023.

Regulations establish the rate smoothing framework for Basic insurance rates that allows for the use of capital to reduce volatility. As a result, Basic rates may be set below those required to cover costs, as constrained by the ceiling of the rate smoothing band. Product reform, implemented as part of Rate Affordability Action Plan and effective April 1, 2019, reduced claims costs. In fiscal year 2020, the Basic rate was established below the floor of the rate smoothing band as no rate change was made for policy year 2020, while BCUC had approved a 6.3% increase in Basic insurance rate for policy year 2019. In fiscal year 2021, the BCUC has approved, on an interim basis, a 15.0% decrease to Basic insurance rates. The Basic rate application includes a government-directed capital build provision, of 11.5 percentage points, which is expected to allow the Corporation to rebuild its depleted capital over the 23-month term of policy year 2021. To allow for a rate decrease, the rate smoothing framework is suspended for policy year 2021 (note 25).

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

In the past, the Province of B.C. had directed income transfers from Optional insurance to Basic insurance in order to keep Basic rates as low as possible. In addition, the Province of B.C. had directed capital transfers from Optional insurance to bolster Basic insurance capital. In fiscal 2021, the Province of B.C. passed legislation to remove the ability of the government to direct the Corporation to transfer capital to government from the Corporation's excess Optional insurance capital.

b) Financial risk

Concentration of financial risk

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

As at March 31, 2021, the equity and other financial investments portfolios were 21.6% (2020 – 14.1%) invested in the financial sector, 19.3% (2020 – 19.6%) in the real estate sector, and 12.4% (2020 – 11.3%) in the information technology sector. The bond portfolio was 69.2% (2020 – 66.4%) invested in the government sector and 14.2% (2020 – 16.9%) invested in the financial sector. See credit risk for a discussion of the government bonds.

Concentration of geographical risk

Geographical concentration risks arises when the investments are located in the same geographical region. The Corporation reduces geographical concentration risk by dispersing the investments in more than one geographical region. The Corporation has contracted external investment managers to manage its foreign investments in diversified global pooled funds. As at March 31, 2021, the investment portfolio was 76.6% (2020 – 79.1%) invested in Canada, 16.9% (2020 – 14.7%) invested in the United States, and 6.5% (2020 – 6.2%) was invested elsewhere around the world.

Price risk

General economic conditions, political conditions, and other factors affect the equity markets, thereby also affecting the fair value of the equity securities, fixed income funds, and other financial investments (including all pooled funds) held by the Corporation. Fluctuations in the value of these securities impact the recognition of both unrealized and realized gains and losses on equity securities and on the units of funds held. As at March 31, 2021, the impact of a 10% change in prices, with all other variables held constant, would result in an estimated corresponding change to OCI for AFS equities, fixed income funds and other financial investments of approximately $821.9 million (2020 – $587.6 million) and to profit or loss for FVTPL equities of approximately $22.1 million (2020 – $59.9 million). The equity markets have stabilized since the start of the COVID-19 pandemic and financial investments were less volatile during fiscal 2021. However, until the COVID-19 pandemic is over and economy fully normalizes, there is still uncertainty, which increases the exposure to price risk.

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

Interest rate risk

When interest rates increase or decrease, the market value of fixed-income securities will decrease or increase respectively with a larger market value impact on instruments with a long duration compared to instruments with a short duration. Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's directly held fixed-income portfolio. The Corporation is also indirectly exposed to interest rate risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities. A natural hedge exists between the Corporation's fixed-income portfolio and the provision for unpaid claims, as the Corporation's investment yields are used to derive the discount rate for the provision for unpaid claims (note 11a).

The Corporation has policies in place to limit and monitor its exposure to interest rate risk in relation to the duration of its claims liabilities. The impact of COVID-19 has not significantly changed the policies in place as at March 31, 2021.

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

In fiscal years 2021 and 2020, the Corporation did not use material derivative financial instruments to hedge interest rate risk on its investment portfolio.

	2021		2020	
	Average Yield (%)	**Duration (Years)**	**Average Yield (%)**	**Duration (Years)**
Bonds				
Canadian				
Federal	0.7	3.8	0.8	4.2
Provincial	1.3	4.8	1.4	4.6
Municipal	1.8	7.0	0.9	1.5
Corporate	1.4	4.4	2.6	3.6
Total bonds	1.1	4.2	1.6	4.1
Mortgages	3.8	1.4	3.7	1.8
Total bonds and mortgages	1.3	4.1	1.8	3.8

As at March 31, 2021, a 100 basis point change in interest rates would result in a change of approximately $478.8 million (2020 – $400.5 million) in fair value of the Corporation's bond portfolio and a corresponding impact of approximately $478.8 million (2020 – $400.5 million) to OCI. A 100 basis point change in interest rates would result in a change of approximately $10.4 million (2020 – $22.1 million) in fair value of the Corporation's directly owned mortgages, however there would be no impact to OCI as the mortgage portfolio is measured at amortized cost. Interest rate changes would also result in an inverse change to the provision for unpaid claims and the corresponding claims costs (note 11a). With the increase in uncertainty given the current economic environment, there may be volatility in investment yields in the future, and any interest rate changes may have an impact on discount rates used by the Corporation.

Credit risk

Credit risk is the potential for financial loss to the Corporation if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents, fixed-income securities, accounts receivable, reinsurance receivables and recoverables, and structured settlements. The Corporation is also indirectly exposed to credit risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities. The COVID-19 pandemic did not have a significant impact on these assets as the financial investments are investment grade quality. The total direct credit risk exposure is $8.95 billion (2020 – $9.84 billion).

Fixed-income securities

Fixed-income securities are comprised of Canadian investment grade bonds and mortgages, which are directly held, or in pooled funds. The Corporation mitigates its overall exposure to credit risk in its fixed-income securities by holding the majority of its fixed-income portfolio in investment grade bonds, and by limiting mortgages to a maximum of 14.5% (2020 – 14.5%) of total investment assets. Credit risk in mortgages is mitigated by the security of the underlying mortgaged property. Risk is also mitigated through investing in mortgages with conservative loan to value ratios and requiring additional collateral and guarantees from borrowers.

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

The maximum credit risk exposure for fixed-income securities pertain to all bond investments and to directly held mortgage investments; however, the Corporation considers Canadian government bonds to be risk-free. Therefore, the total carrying amount is $6.95 billion (2020 – $7.58 billion). There is minimal credit risk exposure to cash.

The counterparty risk associated with repurchase agreements for 2021 and 2020 is not material.

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

($ THOUSANDS)		2021		2020
Money market securities				
AAA	$	3,498	$	20,077
Bonds				
AAA	$	5,369,042	$	3,695,348
AA		1,421,292		1,701,369
A		3,062,363		3,390,492
BBB		1,461,693		1,005,220
	$	11,314,390	$	9,792,429

Premiums and other receivables

The Corporation has a diverse customer base as it is the sole provider of Basic insurance to all drivers in British Columbia. While there is no significant individual concentration of credit risk, the Corporation's premiums and other receivables are comprised of customers with varying financial conditions.

The credit risk for premiums receivables is mitigated as a customer's policy may be cancelled if the customer is in default of a payment. The maximum credit risk for all other receivables equals their carrying amount. As at March 31, 2021, the Corporation considered $108.8 million (2020 – $93.7 million) of its premiums and other receivables to be uncollectible and has provided for them. The allowance was determined by applying a percentage derived from six years of collection experience by receivable type to the total of current and prior periods' customer billings. The impact of the COVID-19 pandemic was considered in determining the allowance and there was no significant impact as at March 31, 2021.

The following table outlines the aging of premiums and other receivables as at March 31, 2021 and at March 31, 2020:

($ THOUSANDS)	Current	Past Due 1 – 30 days	Past Due 31 – 60 days	Over 60 days	Total
March 31, 2021					
Premiums and other receivables	$ 1,930,017	$ 4,749	$ 4,768	$ 154,395	$ 2,093,929
Provision	(2,782)	(2,551)	(2,585)	(100,879)	(108,797)
Total premiums and other receivables	$ 1,927,235	$ 2,198	$ 2,183	$ 53,516	$ 1,985,132
March 31, 2020					
Premiums and other receivables	$ 2,127,001	$ 5,539	$ 5,406	$ 135,337	$ 2,273,283
Provision	(2,600)	(2,422)	(2,587)	(86,092)	(93,701)
Total premiums and other receivables	$ 2,124,401	$ 3,117	$ 2,819	$ 49,245	$ 2,179,582

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

($ THOUSANDS)	2021	2020
Balance, beginning of year	$ (93,701)	$ (79,899)
Charges for the year	(35,975)	(32,737)
Recoveries	7,008	5,573
Amounts written off	13,871	13,362
Balance, end of year	$ (108,797)	$ (93,701)

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 $28.4 million (2020 – $32.1 million). The Corporation has policies that require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 25% of the total reinsurers' share of the provision for unpaid claims and adjusting expenses in a contract year. Both these items mitigate the Corporation's exposure to credit risk. No amount owing from the reinsurers was considered impaired as at March 31, 2021 or March 31, 2020.

($ THOUSANDS)		2021		2020
Reinsurance recoverable (note 16)	$	25,963	$	28,142
Reinsurance receivable		2,478		4,007
Reinsurance assets	$	28,441	$	32,149

Liquidity risk

A significant business risk of the insurance industry is the uncertain ability to match the cash inflows from premiums and the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The timing of most policy liability payments is not known, may take considerable time to determine precisely, and may be paid in partial payments. The COVID-19 pandemic impacted the Corporation's cash flows in the first half of fiscal 2021, in particular as a result of the Corporation implementing customer relief measures that allowed customers the opportunity to defer monthly premium payments for 90 days and extended payment plans for customers who need to extend at the end of their deferral period. For the directly owned mortgage portfolio, some borrowers were given payment deferrals and loan extensions. Rent subsidies and payment deferrals were given to some of the tenants in the investment properties. As the lock-down restrictions have eased in the second half of fiscal 2021, the Corporation's cash flows have returned to normal.

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, except for the provision for unpaid claims, pension and post-retirement benefits, lease liabilities, and investment-related, are due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities. Where overall cash flows are negative, the Corporation maintains sufficient liquid assets (money market securities) to cover any shortfall from operations. In addition, the Corporation has a netting arrangement with its banks that permits positive bank balances to be offset against negative bank balances.

Liquidity risk is primarily controlled by holding government bonds and other highly liquid investments, which can be readily sold. In addition, the Corporation takes into account the overall historical liability settlement pattern and the historical cash in-flows as a basis to broadly define diversification and duration characteristics of the investment portfolio. The following table summarizes the maturity profile of the Corporation's fixed-income investments by contractual maturity or expected cash flow dates:

($ THOUSANDS)	Within One Year	One Year to Five Years	After Five Years	Total
March 31, 2021				
Bonds				
Canadian				
Federal	$ 100,318	$ 3,683,456	$ 1,341,825	$ 5,125,599
Provincial	-	1,152,985	1,447,560	2,600,545
Municipal	-	23,266	82,944	106,210
Corporate	114,425	2,095,748	1,271,863	3,482,036
Total bonds	214,743	6,955,455	4,144,192	11,314,390
Mortgages	349,473	409,070	4,290	762,833
	$ 564,216	$ 7,364,525	$ 4,148,482	$ 12,077,223
March 31, 2020				
Bonds				
Canadian				
Federal	$ 105,401	$ 2,226,448	$ 1,091,144	$ 3,422,993
Provincial	-	1,437,487	1,646,449	3,083,936
Municipal	-	71,751	-	71,751
Corporate	371,919	2,025,533	816,297	3,213,749
Total bonds	477,320	5,761,219	3,553,890	9,792,429
Mortgages	330,519	866,896	11,540	1,208,955
	$ 807,839	$ 6,628,115	$ 3,565,430	$ 11,001,384

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation has direct foreign exchange risk on its US pooled fund investments. A 10% change in the US exchange rate as at March 31, 2021 would change the fair value of the US pooled fund investments and result in a change to OCI of approximately $14.0 million (2020 – $9.5 million) and to profit or loss of $22.1 million (2020 – $59.9 million). However, this is mitigated by the use of forward contracts and swaps (note 8a). The Corporation does not have direct foreign exchange risk on its global equity portfolio, however the Corporation is exposed to indirect foreign exchange risk.

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

12. Investment Income and Impairment Loss

($ THOUSANDS)		2021		2020
Interest				
Fixed-income investments	$	244,545	$	300,445
Equity investments		6,612		11,851
		251,157		312,296
Gains on investments				
Fixed-income investments		209,412		119,653
Equity investments		104,260		497,289
Other financial investments		36,698		(8,165)
Net unrealized fair value changes [1]		(12,696)		19,980
		337,674		628,757
Dividends, distributions and other income				
Equity investments		312,423		70,809
Other financial investments		50,614		2,883
Income from investment properties		17,099		19,395
Investment management fees [2]		(29,435)		(12,600)
Other		78,391		36,302
		429,092		116,789
Total investment income	$	1,017,923	$	1,057,842

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

[2] *Includes internal and external fees*

($ THOUSANDS)		2021		2020
Amounts recognized in investment income for investment properties				
Rental income	$	73,549	$	90,991
Direct operating expenses that generated rental income		(53,608)		(67,907)
Direct operating expenses that did not generate rental income		(2,842)		(3,689)
Income from investment properties		17,099		19,395
Gain on sale of investment properties [1]		97,518		58,822
Total amount recognized in investment income	$	114,617	$	78,217

[1] *2021 balance includes a net gain of $97,518 (2020 - $51,956) for investment properties that were reclassified to assets held for sale*

($ THOUSANDS)		2021		2020
Impairment loss - equity investments	$	(364)	$	(297,973)
Impairment loss - investment properties		(6,139)		(19,039)
Total impairment loss	$	(6,503)	$	(317,012)

As at March 31, 2021, the ‘Net change in available for sale financial assets’ portion of other components of equity (OCE) is comprised of $860.6 million (2020 – $305.2 million) in unrealized gains and $140.4 million (2020 – $665.6 million) in unrealized losses.

13. Property and Equipment

($ THOUSANDS)	Land	Buildings	Furniture & Equipment	Leasehold Improvements	Total
March 31, 2021					
Cost					
Balance, beginning of year	$ 30,699	$ 179,411	$ 125,008	$ 25,404	$ 360,522
Additions	-	2,203	5,934	2,661	10,798
Disposals	-	-	(11,756)	(387)	(12,143)
Balance, end of year	30,699	181,614	119,186	27,678	359,177
Accumulated depreciation					
Balance, beginning of year	-	150,785	90,002	11,446	252,233
Disposals	-	-	(11,756)	(86)	(11,842)
Depreciation charge for the year	-	2,729	11,061	2,458	16,248
Balance, end of year	-	153,514	89,307	13,818	256,639
Net book value, end of year	$ 30,699	$ 28,100	$ 29,879	$ 13,860	$ 102,538
March 31, 2020					
Cost					
Balance, beginning of year	$ 30,699	$ 176,609	$ 118,073	$ 24,274	$ 349,655
Additions	-	2,985	10,355	4,798	18,138
Disposals	-	(183)	(3,420)	(3,668)	(7,271)
Balance, end of year	30,699	179,411	125,008	25,404	360,522
Accumulated depreciation					
Balance, beginning of year	-	147,864	83,232	9,255	240,351
Disposals	-	-	(3,420)	-	(3,420)
Depreciation charge for the year	-	2,921	10,190	2,191	15,302
Balance, end of year	-	150,785	90,002	11,446	252,233
Net book value, end of year	$ 30,699	$ 28,626	$ 35,006	$ 13,958	$ 108,289

The balances in property and equipment include $4.0 million (2020 – $2.6 million) in assets under development.

14. Lease Assets

($ THOUSANDS)	Leased Facilities	Leased Equipment	Leased Computer Hardware	Leased Computer Software Intangibles	Total
March 31, 2021					
Cost					
Balance, beginning of year	$ 50,543	$ 2,745	$ 1,127	$ 23,243	$ 77,658
Additions	10,118	60	52	4,933	15,163
Disposals	(268)	-	-	-	(268)
Balance, end of year	60,393	2,805	1,179	28,176	92,553
Accumulated depreciation					
Balance, beginning of year	7,993	2,108	300	5,304	15,705
Disposals	(268)	-	-	-	(268)
Depreciation charge for the year	8,097	561	314	3,860	12,832
Balance, end of year	15,822	2,669	614	9,164	28,269
Net book value, end of year	$ 44,571	$ 136	$ 565	$ 19,012	$ 64,284
March 31, 2020					
Cost					
Balance, beginning of year	$ -	$ 2,677	$ -	$ 19,288	$ 21,965
Additions	50,882	68	1,127	3,955	56,032
Disposals	(339)	-	-	-	(339)
Balance, end of year	50,543	2,745	1,127	23,243	77,658
Accumulated depreciation					
Balance, beginning of year	-	1,561	-	2,656	4,217
Disposals	(46)	-	-	-	(46)
Depreciation charge for the year	8,039	547	300	2,648	11,534
Balance, end of year	7,993	2,108	300	5,304	15,705
Net book value, end of year	$ 42,550	$ 637	$ 827	$ 17,939	$ 61,953

15. Intangible Assets

($ THOUSANDS)	2021	2020
Cost		
Balance, beginning of year	$ 501,629	$ 475,314
Additions	73,869	38,803
Disposals	(27,220)	(12,488)
Balance, end of year	548,278	501,629
Accumulated amortization		
Balance, beginning of year	233,537	191,535
Disposals	(27,220)	(4,346)
Amortization charge for the year	49,184	46,348
Balance, end of year	255,501	233,537
Net book value, end of year	$ 292,777	$ 268,092

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

The balance of intangible assets includes $79.3 million (2020 – $23.3 million) in assets under development.

There were no indefinite life intangible assets as at March 31, 2021 and March 31, 2020.

16. Provision for Unpaid Claims

a) Actuarial methods and assumptions

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

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

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

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

An additional method is employed to address the particularly complex injury claims environment, which includes shifts in the legal representation rate, the frequency mix of claims by severity of injury, and the settlement rate of claims. This additional method uses legal status and claim severity to separate bodily injury claims data into segments of similar complexity and is based on the Adler-Kline claim closure model. It has allowed the Corporation's Chief Actuary to capture changes in the claim settlement rates within each segment, and changes in the mix of claims by segment, which impacts the bodily injury severity trend rate. The Adler-Kline claim closure model is also applied to medical payments on accident benefits claims to capture changes in the pending claims including a shift to longer term payouts. The cost of injury claims associated with accidents occurring on or after April 1, 2019 are estimated from the methods described above. This represents a change from fiscal 2020, where frequency and severity estimates for these injury claims relied on an additional method that used assumptions consistent with the pricing model used to establish the premium rate for policies in effect at the time.

The timing of when the unpaid ultimate claims costs will be paid depends on the line of business. Bodily injury claims generally take longer to settle than material damage claims and exhibit greater variability as to the timing and amount ultimately paid to settle a claim. Historical patterns of claims payment data are used to estimate the future claims payment pattern. Expected future paid amounts are then discounted, using the discounted cash flow method, to determine a present value as of the reporting date. The discount rate is based upon the expected return on the Corporation's current investment portfolio, the expected asset default risk of its investment portfolio, and assumptions for interest rates relating to reinvestment of maturing investments. These estimates are based on current market returns as well as expectations about future economic and financial developments.

A PfAD is then added to the estimate to recognize sources of uncertainty in the assumptions behind the provision for unpaid claims (note 3c). The PfAD is calculated according to accepted actuarial practice in Canada.

Changes in Assumptions

Discount rate

The Corporation discounts its provision for unpaid claims using a discount rate of 2.5% (2020 – 2.9%). As a result of the decrease in the discount rate, there was an unfavourable adjustment to both current and prior years' unpaid claims provision of $218.8 million (2020 – unfavourable adjustment of $305.3 million).

Change in loss development assumptions

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

The Corporation continued to observe substantial reductions in reported claims throughout the fiscal year compared to expected. A significant factor was the public health emergency declared by the Province of B.C. on March 17, 2020 related to the COVID-19 pandemic. This pandemic resulted in a significant reduction in activities around the province, including vehicle repairs, and a decrease in vehicle related accidents, with varying levels of impact throughout the fiscal year, with the result that the seasonal pattern of claims intake was substantially disrupted. In response to the changes seen in the claims intake data, two assumptions changes were made in fiscal 2021 in order to determine best estimates consistent with accepted actuarial practice. First, an upward adjustment was made to the number of unpaid vehicle damage claims for the fiscal loss year 2020, of which a lower proportion have been repaired than is typical of historical years. This adjustment has an unfavourable impact to the provision for unpaid claims from fiscal 2020 of approximately $33.0 million, holding all other assumptions constant. Second, a modification was made to the determination of development factors for all crash related coverages. The development factors for fiscal loss year 2021 were revised to assume higher development for the upcoming fiscal year (by use of the maximum of the most recent years' observed factors), which reflects that relatively more claims remain to be reported in the future, relative to fiscal 2020. The change in assumptions from baseline averages to a maximum development factor has an unfavourable impact to the provision for unpaid claims from fiscal 2021 of approximately $63.2 million, holding all other assumptions constant.

Development assumptions pertaining to bodily injury were adjusted to reflect the B.C. Supreme Court decision related to the CRT. The Chief Justice delivered his reasons in March of 2021 and held that the legislation granting the CRT the enhanced jurisdiction to: (1) determine whether an injury was a "minor injury" and (2) hear claims for liability and personal injury and property damage up to $50,000, was unconstitutional. The change in assumptions for bodily injury claims to reflect this decision has increased the provision for unpaid claims by $297.1 million. This increase also accounts for higher claims service expenses that will be required to service the outstanding claims, due to assuming more of them will become represented and litigated. Although this court decision is being appealed by the Province of B.C. and the named defendants, and a partial stay was granted on April 8, 2021, which will allow an injured claimant to choose which forum to proceed in, creating a temporary regime of concurrency until the outcome of the appeal, the Corporation's unpaid claims are based on an assumption that the current legislative environment, including this ruling, will remain in place.

On February 6, 2020, the Government of British Columbia announced the introduction of Bill 9 - *Evidence Act Amendments* which limits the reimbursement of expert report and plaintiff disbursements. The bill was passed into legislation in 2020, with regulations being enacted February 12, 2021. The Corporation has included savings of $261.4 million in the provision for unpaid claims on account of these amendments, which will reduce the future cost of bodily injury claims.

As described above, the Adler-Kline closure model was applied to medical payments on accident benefits claims to account for changes in the pending claims including a shift to longer term payouts. This change has an unfavourable impact on the provision for unpaid claims of $178.9 million, holding all other assumptions constant.

As described above, the cost of injury claims associated with accidents occurring on or after April 1, 2019 no longer rely on an additional method that used assumptions from the pricing model. The removal of this additional method has a favourable impact on the provision for unpaid claims of $257.5 million, holding all other assumptions constant.

Certain development assumptions pertaining to the number and cost of large bodily injury claims within the injury segmented analysis were also changed. The segmented analysis includes assumptions about the future emergence of large bodily injury claims (those costing in excess of $200,000). Two modifications were made to the large bodily injury development assumptions in 2021, in order to determine best estimates consistent with accepted actuarial practice.

The number of large bodily injury claims emerging in fiscal year 2021 was significantly low relative to prior fiscal years. Certain count development assumptions were revised to moderate the impact of the fiscal year 2021 emergence (by use of a higher prior expected ratio of large to total claims) and provide greater stability in the provision for unpaid claims. These revisions have an unfavourable impact on the provision for unpaid claims of $371.9 million, holding all other assumptions constant.

The severity of large bodily injury claims paid in fiscal year 2021 was also low relative to prior fiscal years. The severity trend assumption used to forecast future paid severity for this segment of claims was revised upward to moderate the impact of the fiscal year 2021 emergence and provide greater stability in the provision for unpaid claims. This revision has an unfavourable impact on the provision for unpaid claims of $216.0 million, holding all other assumptions constant.

b) Sensitivity Analysis

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

($ THOUSANDS)			2021		2020
Assumption	**Sensitivity**				
Discount rate	+ 1ppt[1]	$	(387,100)	$	(399,100)
Discount rate	- 1ppt	$	409,400	$	421,400
Severity of unpaid bodily injury claims	+ 1%	$	137,400	$	143,500
Future emergence of large bodily injury claims	+ 1%	$	50,900	$	50,000

[1] *ppt = percentage point*

c) Provision for Unpaid Claims

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

($ THOUSANDS)	2021			2020		
	Gross	Reinsurance Recoverable	Net	Gross	Reinsurance Recoverable	Net
Notified claims	$ 9,518,745	$ (28,142)	$ 9,490,603	$ 9,378,198	$ (22,078)	$ 9,356,120
Incurred but not reported	6,484,989	-	6,484,989	4,909,712	-	4,909,712
Balance, beginning of year	16,003,734	(28,142)	15,975,592	14,287,910	(22,078)	14,265,832
Change in liabilities (assets):						
Provision for claims occurring in the current year	3,708,477	-	3,708,477	4,731,749	(3,488)	4,728,261
Change in estimates for losses occurring in prior years:						
Prior years' claims adjustments	(472,629)	(1,062)	(473,691)	910,870	(7,928)	902,942
Prior years' changes in discounting provision	106,723	(304)	106,419	277,557	(595)	276,962
	(365,906)	(1,366)	(367,272)	1,188,427	(8,523)	1,179,904
statement of comprehensive income (loss)	3,342,571	(1,366)	3,341,205	5,920,176	(12,011)	5,908,165
Cash (paid) recovered for claims settled in the year for:						
Claims incurred in current year	(1,296,116)	-	(1,296,116)	(1,542,156)	-	(1,542,156)
Recoveries received on current year claims	107,660	-	107,660	100,279	-	100,279
	(1,188,456)	-	(1,188,456)	(1,441,877)	-	(1,441,877)
Claims incurred in prior years	(2,690,575)	-	(2,690,575)	(2,836,854)	-	(2,836,854)
Recoveries received on prior years' claims	52,980	3,545	56,525	74,379	5,947	80,326
	(2,637,595)	3,545	(2,634,050)	(2,762,475)	5,947	(2,756,528)
Total net payments	(3,826,051)	3,545	(3,822,506)	(4,204,352)	5,947	(4,198,405)
Balance, end of year	$ 15,520,254	$ (25,963)	$ 15,494,291	$ 16,003,734	$ (28,142)	$ 15,975,592
Notified claims	$ 9,138,114	$ (25,963)	$ 9,112,151	$ 9,518,745	$ (28,142)	$ 9,490,603
Incurred but not reported	6,382,140	-	6,382,140	6,484,989	-	6,484,989
Balance, end of year	$ 15,520,254	$ (25,963)	$ 15,494,291	$ 16,003,734	$ (28,142)	$ 15,975,592

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

($ THOUSANDS)	Undiscounted	Effect of Present Value	PfADs	Discounted
March 31, 2021				
Provision for unpaid claims, net	$ 14,613,297	$ (914,020)	$ 1,795,014	$ 15,494,291
Reinsurance recoverable	23,942	(1,402)	3,423	25,963
Provision for unpaid claims, gross	$ 14,637,239	$ (915,422)	$ 1,798,437	$ 15,520,254
March 31, 2020				
Provision for unpaid claims, net	$ 15,307,662	$ (1,128,516)	$ 1,796,446	$ 15,975,592
Reinsurance recoverable	26,425	(1,969)	3,686	28,142
Provision for unpaid claims, gross	$ 15,334,087	$ (1,130,485)	$ 1,800,132	$ 16,003,734

d) Claims development table

The top half of the table illustrates how the Corporation’s estimate of total undiscounted claims costs for each loss year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

As a result of the change in year-end in fiscal 2017, there are two claims development tables: one as at March 31, 2021 and one as at December 31, 2015. The Corporation changed from a December 31 to a March 31 year end in fiscal 2017, and therefore there are five years of historical data in the first table as at March 31, 2021.

Claims development table as at March 31, 2021:

($ THOUSANDS)											
Fiscal Loss Year*	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of undiscounted ultimate claims costs:											
- At end of fiscal loss year						$ 4,372,966	$ 4,968,820	$ 5,208,101	$ 4,524,433	$ 3,376,605	
- One year later					$ 4,037,775	4,529,126	5,229,618	5,312,311	4,155,162		
- Two years later				$ 3,695,574	4,184,489	4,762,695	5,490,881	5,326,839			
- Three years later			$ 3,313,949	3,757,390	4,450,883	5,015,000	5,483,201				
- Four years later		$ 3,042,291	3,432,710	3,960,331	4,595,394	4,948,037					
- Five years later	$ 2,837,869	3,111,271	3,591,481	4,072,014	4,581,417						
- Six years later	2,888,556	3,194,200	3,633,106	4,047,419							
- Seven years later	2,930,418	3,198,016	3,625,490								
- Eight years later	2,927,467	3,207,061									
- Nine years later	2,930,158										
Current estimate of cumulative claims	2,930,158	3,207,061	3,625,490	4,047,419	4,581,417	4,948,037	5,483,201	5,326,839	4,155,162	3,376,605	41,681,389
Cumulative payments to date	(2,871,394)	(3,116,623)	(3,436,786)	(3,543,645)	(3,627,658)	(3,282,110)	(2,821,330)	(2,329,678)	(1,962,165)	(1,188,456)	(28,179,845)
Undiscounted provision for unpaid claims	$ 58,764	$ 90,438	$ 188,704	$ 503,774	$ 953,759	$ 1,665,927	$ 2,661,871	$ 2,997,161	$ 2,192,997	$ 2,188,149	$ 13,501,544
Undiscounted provision for unpaid claims in respect of 2011 and prior years											$ 175,971
Undiscounted unallocated loss adjustment expense reserve											959,724
Total undiscounted provision for unpaid claims											**$ 14,637,239**
Discounting and PfAD adjustment											883,015
Total discounted provision for unpaid claims (gross)											**$ 15,520,254**

*Fiscal Loss Year refers to the year ended March 31

The table above reflects the total discounted provision for unpaid claims of $15.52 billion (2020 – $16.00 billion) before the amount for reinsurance recoverable. The total discounted provision for unpaid claims after the amount for reinsurance recoverable of $0.03 billion (2020 – $0.03 billion) would be $15.49 billion (2020 – $15.98 billion). The cumulative payments of fiscal loss year 2021 for the year ended March 31, 2021 are $1.19 billion (2020 – $1.44 billion).

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

($ THOUSANDS)					
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**
Estimate of undiscounted ultimate claims costs:					
- At end of accident year	$ 2,866,833	$ 3,030,779	$ 3,146,388	$ 3,372,304	$ 3,765,040
- One year later	2,863,942	3,065,562	3,194,080	3,518,858	
- Two years later	2,830,063	2,985,690	3,200,324		
- Three years later	2,815,440	3,024,045			
- Four years later	2,841,115				

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

($ THOUSANDS)	Less than One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	Over Five Years	Total
March 31, 2021	$ 3,824,991	$ 3,079,536	$ 2,587,983	$ 1,915,443	$ 1,263,540	$ 1,965,746	$ 14,637,239
March 31, 2020	$ 3,842,611	$ 3,177,610	$ 2,752,403	$ 2,162,555	$ 1,391,922	$ 2,006,986	$ 15,334,087

The unpaid claims for future payment years except for the current year is $10.81 billion (2020 – $11.49 billion).

The weighted-average term to settlement of the discounted provision for unpaid claims as at March 31, 2021 is 2.6 years (2020 – 2.6 years).

17. 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)	2021	2020
Balance, beginning of year	$ 2,954,508	$ 2,884,776
Premiums written net of premium rebates/refunds during the year	4,819,140	6,355,952
Premiums earned net of premium rebates/refunds during the year	(5,376,990)	(6,286,220)
Balance, end of year	$ 2,396,658	$ 2,954,508

Net premium written before rebates/refunds (note 8) includes $14.0 million (2020 – $15.5 million) of temporary operation permit policy, $41.1 million (2020 – $42.8 million) of garage policy and $634.1 million (2020 – $668.6 million) of fleet policy.

18. Reinsurance

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

The Corporation entered into 12-month casualty reinsurance contract beginning January 1, 2020, which was extended for 4 months effective December 31, 2020. This casualty reinsurance contract was renewed on May 1, 2021 for a 12-month term. The Corporation also entered into a 12-month catastrophe reinsurance contract beginning January 1, 2021 as follows:

a) For catastrophic occurrences, portions of losses up to $250.0 million (2020 – $225.0 million) in excess of $25.0 million (2020 – $25.0 million); and

b) For individual casualty loss occurrences, portions of losses up to \$44.0 million (2020 – \$44.0 million) in excess of \$6.0 million (2020 – \$6.0 million).

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

19. Pension and Post-Retirement Benefits

Plan information

The Corporation sponsors a defined benefit registered pension plan for its current and former management and confidential employees (the Management and Confidential Plan). Subject to the terms of the plan, the Management and Confidential Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. Employees are required to contribute to the Management and Confidential Plan. Effective January 1, 2019, all Management and Confidential employees contribute 50% of the current cost benefits.

In addition, the Corporation sponsors two supplemental pension plans for certain employees. The Corporation is the legal administrator of the Management and Confidential Plan and the two supplemental pension plans. Subject to the terms of the plans, pensions are indexed in line with increases in the Consumer Price Index (CPI) up to fixed or sustainable maximums for certain periods of service.

The Corporation also contributes to two other defined benefit pension plans for which it is not the sole sponsor. Current and former employees of the Corporation who are or were members of the Movement of United Professionals are members of the MoveUP/Insurance Corporation of British Columbia Pension Plan (MoveUP Plan). Half of the Trustees of the MoveUP Plan are appointed by the Corporation and the other half by MoveUP. The Board of Trustees of the MoveUP Plan is the legal plan administrator. The MoveUP Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. MoveUP employees are required to contribute 50% of the cost of benefits to the MoveUP Plan. Subject to the terms of the plan, pensions are indexed in line with increases in the CPI. The Corporation's former Motor Vehicle Branch employees participate in the BC Public Service Pension Plan. The Corporation has no fiduciary responsibility for, or role in the governance of, the MoveUP Plan or the BC Public Service Pension Plan.

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

The Corporation pays life insurance premiums, extended healthcare, and dental costs as post-retirement benefits for its qualifying retirees. The benefits are not prefunded. Benefit entitlements differ for management and confidential and bargaining unit employees, as stated within the terms of the plans.

The Corporation measures its defined benefit obligations and the fair value of plan assets for accounting purposes at the end of the Corporation's fiscal year. Defined benefit obligations are extrapolated from the most recent actuarial valuation date for each of the plans. The Management and Confidential Plan and the MoveUP Plan actuarial valuations are as at December 31, 2019 and the post-retirement benefits actuarial valuation is as at December 31, 2018. Updated actuarial valuations for the Management and Confidential Plan and the MoveUP Plan are expected to be no later than December 31, 2022. These results will be reflected in the financial statements in the year immediately following their preparation.

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

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

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**	
	2021	**2020**	**2021**	**2020**
Weighted-average duration	21 years	20 years	17 years	16 years
Proportion of obligation in respect of:				
- Active members	50.2%	51.2%	50.1%	48.9%
- Deferred members	7.6%	6.6%	0.0%	0.0%
- Retired members	42.2%	42.2%	49.9%	51.1%

Since pensions are adjusted to changes in the CPI, the pension plans are exposed to changes in levels and volatility in Canada's inflation rate.

In addition, the plans' obligations are exposed to interest rate risk and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares, the Corporation is also exposed to equity market risk.

Contributions to all pension and post-retirement benefit plans

Total contributions for employee future benefits for 2021, consisting of cash contributed by the Corporation to all of the funded pension plans and in respect of benefits paid from its unfunded pension and post-retirement benefits, were $41.6 million (2020 – $41.3 million). Estimated employer contributions for the year ending March 31, 2022 are $46.2 million (2020 – $44.2 million). The estimate is based on the plans' most recent actuarial funding valuations.

As at March 31, 2021, the Corporation secured certain solvency funding requirements through payments made into the SRA totalling $0.7 million (2020 – $1.6 million). The SRA is a separate account, established to hold solvency deficiency payments made under a defined benefit component of a pension plan. The only funds that may be deposited to the SRA are payments made in respect of a solvency deficiency. On May 2, 2020, the Corporation secured a letter of credit for the Management and Confidential Plan for $31.4 million (2020 – $17.5 million) with step increases to $36.6 million by September 30, 2020 instead of making monthly payments into the SRA. As at October 1, 2020, the Management and Confidential Plan no longer required a letter of credit given the Plan does not require any solvency funding following the filing of the December 31, 2019 valuation report on August 26, 2020. The letter of credit was allowed to expire effective September 30, 2020.

Financial information

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

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Accrued pension benefits	$ 89,511	$ 63,455	$ -	$ -	$ 89,511	$ 63,455
Liabilities						
Pension and post-retirement benefits	(275,101)	(58,021)	(182,612)	(161,210)	(457,713)	(219,231)
Net total liability	$ (185,590)	$ 5,434	$ (182,612)	$ (161,210)	$ (368,202)	$ (155,776)

One of the pension plans is in a net asset position and, as a result, that plan is required to be reported as an asset on the consolidated statement of financial position. The net total liability for all of the Corporation's pension plans and post-retirement benefits as at March 31, 2021 is $368.2 million (2020 – $155.8 million), which is reflected in the consolidated statement of financial position as a $89.5 million asset and a $457.7 million liability as illustrated in the table above.

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

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2021	2020	2021	2020
Plan assets				
Fair value, beginning of year	$ 2,432,395	$ 2,446,047	$ -	$ -
Interest on plan assets	94,569	80,718	-	-
Actuarial gain (loss) on assets	224,298	(74,304)	-	-
Employer contributions	36,627	36,369	4,959	4,507
Employee contributions	35,011	33,422	-	-
Benefits paid	(85,196)	(89,257)	(4,959)	(4,507)
Non-investment expenses	(900)	(600)	-	-
Fair value, end of year	2,736,804	2,432,395	-	-
Defined benefit obligation				
Balance, beginning of year	2,426,961	2,560,256	161,210	204,145
Current service cost	89,069	105,736	5,078	6,209
Interest cost	96,462	86,866	6,389	6,835
Remeasurements on obligation				
- due to changes in financial assumptions	336,155	(270,952)	14,894	(14,660)
- due to changes in demographic assumptions	15,157	3,285	-	(21,823)
- due to participant experience	43,786	31,027	-	(14,989)
Benefits paid	(85,196)	(89,257)	(4,959)	(4,507)
Balance, end of year	2,922,394	2,426,961	182,612	161,210
Funded status – plans in deficit	(275,101)	(58,021)	(182,612)	(161,210)
Funded status – plan in surplus	89,511	63,455	-	-
Net total liability	$ (185,590)	$ 5,434	$ (182,612)	$ (161,210)

The net total expense for the pension plans and post-retirement benefits is $68.3 million (2020 – $92.1 million). In addition, the Corporation contributed $0.4 million in 2021 (2020 – $0.4 million) to the BC Public Service Pension Plan.

Assets

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2021	2020
Cash, cash equivalent and accrued interest	1.5%	0.9%
Equities		
Canadian	25.4%	22.7%
United States	18.8%	23.6%
Global	23.1%	22.1%
Fixed income		
Government	19.1%	22.9%
Corporate	12.1%	7.8%
	100.0%	100.0%

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

Pension plan assets generated a return of 13.1% (2020 – 0.3%) for the year ended March 31, 2021.

For the Management and Confidential Plan, the administrator compares the investment performance of the fund against the median investment performance of a peer group of comparable pension funds at least quarterly. In addition, there are monthly and quarterly asset allocation reviews performed to ensure compliance with investment policies. For the MoveUP Plan, the long-term objective is to obtain an investment return that will exceed the investment return assumption used in the actuarial valuation and to provide positive real growth. The Trustees have outsourced the Chief Investment Officer (OCIO) who reviews the fund managers' performance on a quarterly basis. The OCIO invests funds based on the Trustees' approved Statement of Investment Policy.

As at March 31, 2021 and March 31, 2020, 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	
	2021	2020	2021	2020
Discount rate	3.30%	3.90%	3.30%	3.90%
Rate of compensation increase	2.77%	2.63%	n/a	n/a
Pension inflation rate	1.75%	1.75%	n/a	n/a

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

2021		2020	
Life expectancy at 65 for a member currently		Life expectancy at 65 for a member currently	
Age 65	Age 45	Age 65	Age 45
23.9	25.3	23.8	25.2

As at March 31, 2021, the extended healthcare trend rate is assumed to be six and a quarter per cent per annum for the first year, decreasing linearly over seven years to four and a half per cent per annum thereafter. As at March 31, 2020, the extended healthcare trend rate is assumed to be six and a half per cent per annum for the first year, decreasing linearly over eight years to four and a half per cent per annum thereafter.

The Plans' sensitivity to significant assumptions is shown below:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2021	2020	2021	2020
Estimated increase in defined benefit obligation - end of year due to:				
1ppt[1] decrease in discount rate	$ 608,710	$ 482,495	$ 31,274	$ 26,381
1ppt increase in salary increase rate	$ 103,769	$ 76,880	n/a	n/a
1ppt increase in pension inflation rate	$ 458,770	$ 356,006	n/a	n/a
1ppt increase in healthcare trend rate	n/a	n/a	$ 10,235	$ 9,218
1 year increase in life expectancy	$ 92,528	$ 72,501	$ 3,913	$ 3,263

[1] *ppt = percentage point*

The sensitivity to the significant assumptions has been determined assuming all other assumptions remain unchanged. If multiple assumptions were to change at the same time, there may be correlations between assumptions that could result in different impacts than simply adding the individual sensitivities above.

20. Operating Expenses by Nature

($ THOUSANDS)	2021	2020
Operating expenses – by nature		
Premium taxes and commission expense (note 21)	$ 821,434	$ 805,332
Deferred premium acquisition costs adjustment (note 21)	-	(33,700)
Employee benefit expense:		
Compensation and other employee benefits	456,324	460,100
Pension and post-retirement benefits (notes 19 and 26)	68,673	92,527
Professional and other services	48,929	52,392
Road improvements and other traffic safety programs	31,359	32,811
Building operating expenses	21,637	22,995
Merchant and bank fees	46,423	45,360
Office supplies and postage	20,353	23,353
Computer costs	31,674	31,303
Depreciation and amortization (notes 13 and 15)	65,432	61,650
Depreciation for leased assets (note 14)	12,832	11,534
Interest expense on lease liabilities	2,000	2,023
Other	30,974	42,002
	$ 1,658,044	$ 1,649,682
Operating expenses – consolidated statement of comprehensive income (loss)		
Premium taxes and commissions – insurance	$ 787,128	$ 740,768
Claims services	395,092	406,473
Operating expenses – insurance	283,438	303,721
Operating expenses – non-insurance	107,214	109,675
Road safety and loss management services	50,866	58,181
Commissions – non-insurance	34,306	30,864
	$ 1,658,044	$ 1,649,682

21. Deferred Premium Acquisition Costs and Prepaids

($ THOUSANDS)	2021	2020
Deferred premium acquisition costs, beginning of year	$ 364,009	$ 307,624
Acquisition costs related to future years	340,542	364,009
Amortization of prior year acquisition costs	(364,009)	(307,624)
Deferred premium acquisition costs, end of year	$ 340,542	$ 364,009
Deferred premium acquisition costs	$ 340,542	$ 364,009
Prepaid expenses	37,817	45,875
Deferred premium acquisition costs and prepaids	$ 378,359	$ 409,884

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

($ THOUSANDS)	Commissions	Premium Taxes	Total
March 31, 2021			
Amount payable	$ 580,538	$ 217,429	$ 797,967
Amortization of prior year deferred premium acquisition costs	234,011	129,998	364,009
Deferred premium acquisition costs	(235,089)	(105,453)	(340,542)
Premium taxes and commission expenses	$ 579,460	$ 241,974	$ 821,434
Represented as:			
Insurance	$ 545,154	$ 241,974	$ 787,128
Non-insurance	34,306	-	34,306
	$ 579,460	$ 241,974	$ 821,434
March 31, 2020			
Amount payable	$ 542,664	$ 285,353	$ 828,017
Amortization of prior year deferred premium acquisition costs	201,868	105,756	307,624
Deferred premium acquisition costs	(234,011)	(129,998)	(364,009)
Premium taxes and commission expenses	$ 510,521	$ 261,111	$ 771,632
Represented as:			
Insurance	$ 479,657	$ 261,111	$ 740,768
Non-insurance	30,864	-	30,864
	$ 510,521	$ 261,111	$ 771,632

22. Related Party Transactions

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

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

All transactions with the Corporation's subsidiary companies occurred in the normal course of investing in investment properties (note 2k) and pooled funds (note 6a).

The Corporation acts as an agent for the Ministry of Finance regarding the collection of provincial taxes on imported and privately sold used vehicles and motor vehicle-related debts. The Corporation is the sole provider of Basic insurance (note 1) in the Province of B.C. and, therefore, insures, at market rates, vehicles owned or leased by the Province of B.C. and its controlled entities. As a consequence of these relationships, the Corporation has, at any time, amounts owing to or from various government departments or ministries in the ordinary course of business.

The Corporation is also responsible for collecting and remitting in full to the Province of B.C. all driver license fees as well as vehicle-related fees for acquiring and distributing licence plates and decals including permits and other fees and fines. These collections are not revenue to the Corporation. The costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C. are borne by the Corporation. These collections on behalf of and payments to the Province of B.C. are disclosed in the consolidated statement of comprehensive income (loss) under non-insurance operations.

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

($ THOUSANDS)		2021		2020
Key management compensation				
Compensation and other employee benefits	$	5,579	$	4,912
Pension and post-retirement benefits		572		574
	$	6,151	$	5,486

As at March 31, 2021, $0.7 million (2020 – $0.3 million) was payable to key management.

The Corporation contributes to several defined benefit pension and post-retirement plans. Transactions with these entities are disclosed in note 19. During the year ended March 31, 2021, the Corporation incurred $4.6 million (2020 – $7.3 million) in administrative expenses and investment management fees on behalf of these plans interest-free. In addition, the Corporation provides certain administrative, investment management, and office services to the plans at no charge. Effective August 1, 2020, investment management fees are paid by the Management & Confidential Plan and other administrative and governance costs are paid by the Corporation and recorded as incurred. As at March 31, 2021, $1.0 million (2020 – $0.8 million) was payable to these plans for employer contributions.

23. Capital Management

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

The Corporation operates two lines of insurance business, Basic and Optional. As prescribed in *Special Direction IC2 to the British Columbia Utilities Commission* (IC2) for Basic insurance and the *Insurance Corporation Act* (ICA) for Optional insurance, the Corporation has established capital targets based upon the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI), and OSFI's Guideline for the minimum capital test (MCT). The MCT is a ratio of capital available to capital required, and utilizes a risk-based formula to assess the capital adequacy, including financial risk and long-term financial stability, of an insurance company.

For the Basic insurance business, IC2 requires the Corporation to determine capital targets in accordance with a capital management plan approved by the BCUC (note 25) and to set Basic insurance rates in order to maintain an MCT ratio of at least 100%. If the Basic insurance capital is projected to fall below that minimum, a capital restoration plan must be filed with the BCUC. On February 26, 2018, the Province of B.C. amended IC2 to suspend the requirement for BCUC to fix rates to allow the Corporation to maintain at least 100% Basic MCT up to and including fiscal year 2022 (or policy year 2021). During this suspended requirement period, the Corporation has committed to provide the BCUC with any material changes to the policy and any related management practices for the Basic MCT. In December 2020, the Province of B.C. amended IC2 to suspend the rate smoothing framework to allow a rate decrease and enabled a capital build provision for policy year 2021. Since the amendment, the Corporation filed a revenue requirement application and received approval from BCUC on an interim basis to rebuild its depleted capital over the 23-month term of policy year 2021 while still providing a significant rate decrease for Basic insurance policyholders (note 25).

For the Optional insurance business, the ICA required the Corporation to determine a capital management target that either is calculated by the Corporation based on the MCT guideline and the Guideline on Stress Testing issued by OSFI, or as directed by the Province of B.C. In prior years, when Optional capital was in excess of the management target, that amount, less any Treasury Board approved deduction, was to be transferred to the Province of B.C. by July 1 of the following year (note 25). In fiscal years 2020 and 2019, there were no excess capital amounts to be transferred. The government passed the legislation on August 14, 2020 to remove these requirements. As a result, going forward, the Corporation's Optional capital cannot be transferred to the Province.

The Corporation's capital has been under pressure due to worsening claims trends and Basic insurance rate increases that were insufficient to cover costs in prior years. The Corporation has implemented steps to reduce claims cost pressures (note 3f). This fiscal year the Corporation has experienced favourable claims trends that include the continuation of a general downward trend in crash frequency, and a lower frequency of injury claims than expected under the April 1, 2019 product reforms that were implemented.

The Corporation also experienced favourable lower claims costs due to reduced cash frequency as a result of the COVID-19 pandemic. The Corporation will continue to monitor the overall impact of the COVID-19 pandemic on its financial results, which also affects its capital.

24. 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 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 March 31, 2021 is approximately $1.14 billion (2020 – $1.26 billion), which are not recorded in the consolidated financial statements of the Corporation. Management does not believe any provision for credit risk is required in relation to these annuities as at March 31, 2021, 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) Other

As at March 31, 2021, the Corporation is committed to one (2020 – five) mortgage funding agreement totalling $6.6 million (2020 – $39.8 million).

In 2020, the Corporation invested into a mortgage fund in which a commitment amount of $608.8 million was made. In 2021, the investment in the mortgage fund was sold and the funds were deployed to a Mortgage program in which a commitment amount of $1.18 billion was made. As at March 31, 2021, $773.7 million (2020 – nil) of the commitment was funded.

In 2020, the Corporation invested into a global real estate pooled fund in which a commitment of $211.1 million was made. In 2021, an additional commitment of $235.3 million was made for a total commitment amount of $446.4 million. As at March 31, 2021, $232.7 million (2020 – $104.7 million) of the commitment was funded.

In 2019, the Corporation invested into two USD denominated infrastructure funds in which a commitment of $250.0 million USD was made. The two USD dominated infrastructure funds were sold on December 31, 2020.

In 2021, the Corporation invested into a renewable resources and infrastructure program in which a commitment of $373.1 million was made. As at March 31, 2021, $347.0 million (2020 – nil) of the commitment was funded.

In 2021, the Corporation invested into a private debt pooled fund in which a commitment of $48.1 million was made. At March 31, 2021, $35.6 million (2020 – nil) of the commitment was funded.

In 2021, the Corporation invested into a private equities program in which a commitment of $60.4 million was made. As at March 31, 2021, $0.1 million (2020 – nil) of the commitment was funded.

In 2019, the Corporation committed to a five year software services agreement totalling $16.0 million. As at March 31, 2021, $9.4 million (2020 – $6.1 million) of the commitment was funded.

In 2017, the Corporation made a commitment to invest $150.0 million USD in a limited partnership for mezzanine debt. As of March 31, 2021, $82.6 million USD (2020 – $71.6 million USD) of the commitment was funded.

In 2015, the Corporation entered into an annually managed mainframe hosting services contract until 2022, with a total contract value of $34.5 million.

c) Pending Litigations

A civil claim was filed in April 2019 against the Province of B.C. regarding legislation amendments over the Corporation's Basic insurance product that became effective on April 1, 2019 (note 3e). The plaintiffs were successful in bifurcating the hearing of the s.96 challenge of the CRT from the balance of the claims. The hearing for the CRT concluded and the Chief Justice delivered his reasons in March 2021 and held that the legislation granting the CRT the enhanced jurisdiction to: (1) determine whether an injury was a "minor injury" and (2) hear claims for liability and personal injury and property damage up to $50,000, was unconstitutional (note 16). With respect to the challenge to the minor injury cap, this remains outstanding with the plaintiffs taking no further steps to date to advance the claim. Should the plaintiffs proceed with the claim and be successful, this would likely have a material financial impact on the Corporation.

A notice of civil claim was filed in March 2020 against the Corporation and Her Majesty the Queen in Right of the Province of B.C. The proposed class action lawsuit alleges the Corporation has been making payments to the provincial Medical Services Plan contrary to law. It is further alleged that the payments have cost ratepayers hundreds of millions of dollars, driving up insurance costs and have also caused accident victims to receive fewer benefits that they would have received had the Corporation acted lawfully. A certification hearing proceeded on April 26 to 28, 2021 and is scheduled to continue from June 28 to 30, 2021. At this stage of the proceedings, the probability of success on these claims cannot be determined and the financial effect can vary depending on the outcome.

25. Regulation over Basic Insurance

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

For the regulation of the Corporation's Basic insurance rates, the BCUC is required to ensure that the rates are just, reasonable, not unduly discriminatory, and not unduly preferential. The BCUC is required to approve rates set on the basis of accepted actuarial practice allowing the Corporation to collect sufficient revenue, to pay for costs allocated to the Basic insurance line of business using the BCUC approved financial allocation methodology, ensure the Corporation maintains and/or builds the required Basic insurance capital, 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.

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

As required by the regulatory framework, the Corporation maintains a Basic insurance capital management plan that is reviewed and approved by the BCUC. The rate smoothing framework limits Basic insurance rate increases to a range of allowable rate changes, and uses Basic insurance capital to smooth the volatility in Basic insurance rates (note 11a).

If circumstances should arise where, despite the capital management plan, Basic insurance capital is projected to fall below the regulatory minimum of 100% MCT, the Corporation is directed to file a plan with the BCUC to address Basic insurance capital levels. Amendments to IC2 in calendar year 2016 suspended the capital build and release provisions of the existing capital management plan and kept the capital maintenance provision stable with no impact on the Basic insurance rate change.

On February 26, 2018, the Province of B.C. amended IC2 to suspend the requirement for the BCUC to fix rates necessitating the Corporation to maintain at least 100% Basic MCT for years up to and including fiscal year 2022. As directed by the Province of B.C. and as required by BCUC, the Corporation filed as a plan with the BCUC a letter indicating it will work with Government to implement possible legislative changes as a way to restore Basic insurance capital levels. In December 2020, the Province of B.C. defined the period of time spanned by the 2021 policy year as 23 months instead of the regular 12 months period. This effectively suspends the requirement for the Corporation to maintain at least 100% Basic MCT for years up to and including fiscal year 2023.

Amendments to IC2 in December 2020 also suspended the rate smoothing framework to allow a rate decrease and enabled a capital build provision for policy year 2021. On December 15, 2020, the Corporation filed a revenue requirements application with BCUC requesting a 15% decrease in Basic insurance rate for the policy year 2021 (commencing May 1, 2021 for 23 months ending March 31, 2023), which is the net result of a larger decrease in costs which includes a 11.5 percentage points provision to rebuild Basic capital levels. This application was approved by BCUC on interim basis on January 15, 2021.

Allocation of Basic and Optional amounts

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

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

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

($ THOUSANDS)	Basic Coverage 2021	Basic Coverage 2020	Optional Coverage 2021	Optional Coverage 2020	Total 2021	Total 2020
Net premiums written	$ 2,735,426	$ 3,578,821	$ 2,083,714	$ 2,777,131	$ 4,819,140	$ 6,355,952
Revenues						
Net premiums earned	$ 2,945,115	$ 3,564,581	$ 2,431,875	$ 2,721,639	$ 5,376,990	$ 6,286,220
Service fees and other income	82,569	86,580	61,023	61,581	143,592	148,161
Total earned revenues	3,027,684	3,651,161	2,492,898	2,783,220	5,520,582	6,434,381
Claims and operating expenses						
Provision for claims occurring in the current year (note 16)	2,172,175	2,899,671	1,536,302	1,828,590	3,708,477	4,728,261
Change in estimates for losses occurring in prior years (note 16)	(126,787)	757,219	(240,485)	422,685	(367,272)	1,179,904
Claim services, road safety and loss management services	298,926	313,705	147,032	150,949	445,958	464,654
	2,344,314	3,970,595	1,442,849	2,402,224	3,787,163	6,372,819
Operating expenses – insurance (note 20)	123,038	132,083	160,400	171,638	283,438	303,721
Premium taxes and commissions – insurance (notes 20 and 21)	194,106	192,495	593,022	548,273	787,128	740,768
	2,661,458	4,295,173	2,196,271	3,122,135	4,857,729	7,417,308
Underwriting income (loss)	366,226	(644,012)	296,627	(338,915)	662,853	(982,927)
Investment income (notes 2 and 12)	700,820	734,142	317,103	323,700	1,017,923	1,057,842
Income (loss) – insurance operations before impairment loss	1,067,046	90,130	613,730	(15,215)	1,680,776	74,915
Loss – non-insurance operations	(136,206)	(133,496)	-	-	(136,206)	(133,496)
Net income (loss) for the year before impairment loss	930,840	(43,366)	613,730	(15,215)	1,544,570	(58,581)
Impairment loss (notes 2 and 12)	(4,477)	(220,006)	(2,026)	(97,006)	(6,503)	(317,012)
Net income (loss) for the year	$ 926,363	$ (263,372)	$ 611,704	$ (112,221)	$ 1,538,067	$ (375,593)
Net income (loss) attributable to:						
Non-controlling interest	$ 7,503	$ 84	$ 3,395	$ 37	$ 10,898	$ 121
Owner of the corporation	918,860	(263,456)	608,309	(112,258)	1,527,169	(375,714)
	$ 926,363	$ (263,372)	$ 611,704	$ (112,221)	$ 1,538,067	$ (375,593)
Equity (Deficit)						
Retained earnings (deficit), beginning of year	$ (198,515)	$ 64,941	$ (197,720)	$ (85,462)	$ (396,235)	$ (20,521)
Net income (loss) for the year, owner of the corporation	918,860	(263,456)	608,309	(112,258)	1,527,169	(375,714)
Retained earnings (Deficit) , end of year	720,345	(198,515)	410,589	(197,720)	1,130,934	(396,235)
Other components of equity, beginning of year	(112,145)	91,653	(53,189)	32,664	(165,334)	124,317
Net change in available for sale assets	743,922	(349,401)	336,607	(154,058)	1,080,529	(503,459)
Pension and post-retirement benefits remeasurements (note 19)	(128,315)	145,603	(57,379)	68,205	(185,694)	213,808
Other components of equity, end of year	503,462	(112,145)	226,039	(53,189)	729,501	(165,334)
Total equity (deficit) attributable to owner of the corporation	1,223,807	(310,660)	636,628	(250,909)	1,860,435	(561,569)
Non-controlling interest, beginning of year	9,436	9,953	4,775	4,977	14,211	14,930
Change in net assets for the year, non-controlling interest	(12,489)	(601)	(5,576)	(239)	(18,065)	(840)
Net income for the year, non-controlling interest (note 7)	7,503	84	3,395	37	10,898	121
Total equity attributable to non-controlling interest, end of year (note 7)	4,450	9,436	2,594	4,775	7,044	14,211
Total Equity (Deficit)	$ 1,228,257	$ (301,224)	$ 639,222	$ (246,134)	$ 1,867,479	$ (547,358)

($ THOUSANDS)	Basic Coverage 2021	Basic Coverage 2020	Optional Coverage 2021	Optional Coverage 2020	Total 2021	Total 2020
Liabilities						
Unearned premiums (note 17)	$ 1,440,851	$ 1,650,541	$ 955,807	$ 1,303,967	$ 2,396,658	$ 2,954,508
Provision for unpaid claims (note 16)	$ 10,801,962	$ 11,318,107	$ 4,718,292	$ 4,685,627	$ 15,520,254	$ 16,003,734

26. Indirect Method Cash Flow Details

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

($ THOUSANDS)	March 31 2021	March 31 2020
a) Items not requiring the use of cash		
Bad debt expense	$ 9,182	$ 9,362
Pension and post-retirement benefits (notes 19 and 20)	68,673	92,527
Amortization and depreciation of:		
Investment properties (note 6)	21,688	24,189
Property, equipment and intangibles (notes 13 and 15)	65,432	61,650
Lease assets (note 14)	12,832	11,534
Retirement of property, equipment and intangibles	(67)	11,993
Impairment loss on equity investments (note 6 and 12)	364	297,973
Impairment loss on investment properties (notes 6 and 12)	6,139	19,039
Interest on lease liabilities	2,000	2,023
Interest on mortgages payable	324	454
Unrealized (gain) loss on foreign currency investments	(56,561)	31,443
Gain on sale of investment properties (note 12)	(97,518)	(58,822)
Gain on investments	(228,935)	(519,048)
	$ (196,447)	$ (15,683)
b) Changes in non-cash working capital		
Accrued interest	$ 9,271	$ (2,339)
Derivative financial instrument asset	1,807	(511)
Derivative financial instrument liability	(434)	1,419
Premium and other receivables	287,235	(34,800)
Reinsurance assets	3,708	(3,395)
Accrued pension benefits	(12,836)	(14,130)
Deferred premium acquisition costs and prepaids	31,525	(64,965)
Accounts payable and accrued charges	(43,662)	(16,648)
Net bond repurchase agreements and other liabilities	(9,195)	(5,303)
Premiums and fees received in advance	(12,801)	(1,535)
Unearned premiums	(557,850)	69,732
Pension and post-retirement benefits	(29,113)	(27,167)
Provision for unpaid claims	(483,480)	1,715,824
Provision for premium rebates/refunds	1,186,062	-
	$ 370,237	$ 1,616,182
c) Supplemental information		
Interest and dividends received	$ 370,120	$ 314,213

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

($ THOUSANDS)	**March 31, 2020**	Financing cash flows	Non-cash changes	**March 31, 2021**
Net bond repurchase agreements (note 9)	$ 1,834,901	$ 254,481	$ 8,230	$ 2,097,612
Lease liabilities (note 10)	54,417	(14,190)	20,275	60,502
	$ 1,889,318	$ 240,291	$ 28,505	$ 2,158,114

($ THOUSANDS)	**March 31, 2019**	Financing cash flows	Non-cash changes	**March 31, 2020**
Net bond repurchase agreements (note 9)	$ 1,449,455	$ 393,687	$ (8,241)	$ 1,834,901
Lease liabilities (note 10)	11,939	(11,146)	53,624	54,417
	$ 1,461,394	$ 382,541	$ 45,383	$ 1,889,318

27. Subsequent Events

In April 2021, the Corporation entered into a sale agreement for the two investment properties which were classified to assets held for sale this fiscal year 2021 for a sale price of $61.5 million (note 6). This will result in a gain of approximately $2.8 million. The sale is expected to complete by June 2021.

On May 1, 2021, legislative changes took effect for the Enhanced Care product (note 3g).