Financial Summary - December 2019

Financial Results

At the end of the third quarter, ICBC is forecasting a year-end net loss of $91 million, which is consistent with our second quarter forecast.

Total claims costs for the first three quarters of our fiscal year (April 1, 2019 – December 31, 2019) totalled $4.28 billion, $574 million less than the same period last year. We attribute the reduction in claims costs to two key factors: fewer crashes occurring in our province and the product reform implemented in April of last year. The reform increased accident benefits, introduced a limit on pain and suffering payouts for minor injuries and expanded the scope of the Civil Resolution Tribunal for certain ICBC claim disputes.

In October of last year, the B.C. Supreme Court's decision on expert reports resulted in previously recognized savings coming from a limit on expert witnesses and reports being reversed this fiscal year, putting unfavourable pressure on our claims costs. This has been offset by the anticipated impact of an amendment to the *Evidence Act* government is planning to enact in legislation by March 31, 2020. In addition, investment income this fiscal year has been higher than expected, helping our overall bottom line.

Overall, while a significant reduction in claims costs is a positive development, we are still concerned about the rising cost of claims from crashes that happened before the April 1, 2019 product reform went into effect. Those continued cost pressures are reflected in the prior years' claims adjustments of $692 million, which is a result of a higher than expected number of large and complex claims.

At the end of Q3, ICBC posted a net income of $20 million, which is $880 million better than the same period last year. The favourable Q3 result is partly because we have realized the majority of our investment gains for this fiscal year and we do not expect to receive as much investment income in Q4.

We continue to have a stable and low expense ratio.

Statement of Operations

For the Nine Months Ended December 31, 2019 and 2018[1]

($ Millions)	Basic 2019/20	Basic 2018/19	Optional 2019/20	Optional 2018/19	Corporate 2019/20	Corporate 2018/19
Premiums written	$ 2,833	$ 2,682	$ 2,160	$ 1,981	$ 4,993	$ 4,663
Premiums earned	2,714	2,574	2,054	1,821	4,768	4,395
Service fees and other income	65	57	44	36	109	93
Total earned revenues	2,779	2,631	2,098	1,857	4,877	4,488
Current year claims	2,180	2,835	1,410	1,256	3,590	4,091
Prior years' claims adjustments	521	421	171	344	692	765
Net claims incurred	2,701	3,256	1,581	1,600	4,282	4,856
Claims services, road safety and loss management services	230	209	115	100	345	309
Total claims and related costs	2,931	3,465	1,696	1,700	4,627	5,165
Administrative and Insurance expenses	98	92	128	116	226	208
Premium taxes and commissions	174	168	409	353	583	521
Deferred premium acquisition costs adjustment	(34)	(200)	-	(32)	(34)	(232)
Total claims and expenses	3,169	3,525	2,233	2,137	5,402	5,662
Underwriting loss	(390)	(894)	(135)	(280)	(525)	(1,174)
Investment income	458	286	186	121	644	407
Income (loss) - insurance operations	68	(608)	51	(159)	119	(767)
Provincial licences and fines	487	472	-	-	487	472
Less:						
Licences and fines transferable to the Province	487	472	-	-	487	472
Non-insurance operating expenses	75	70	-	-	75	70
Commissions	24	23	-	-	24	23
Total non-insurance expenses	586	565	-	-	586	565
Loss - non-insurance operations	(99)	(93)	-	-	(99)	(93)
Net loss (income)	$ (31)	$ (701)	$ 51	$ (159)	$ 20	$ (860)

Insurance Industry Ratios %	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Loss ratio	108.0	134.6	82.6	93.4	97.0	117.5
Expense ratio	13.8	13.9	25.3	25.1	18.8	18.6
Combined ratio	120.6	140.8	108.7	117.4	115.5	131.1

[1] The financial results are unaudited and contain a number of estimates and assumptions regarding claims costs and savings. Final year end results will be subject to audit. The financial results assume that certain legislative changes will be enacted by March 31, 2020.

Statement of Financial Position

As at December 31, 2019[1] and March 31, 2019

($ Millions)	December 31 2019	March 31 2019
Assets		
Cash and cash equivalents	$ 41	$ 76
Accrued interest	55	67
Assets held for sale	28	51
Financial investments	17,352	16,152
Premium and other receivables	2,419	1,832
Investment properties	801	871
Property, equipment, intangible and leased assets	444	411
Accrued pension benefits	32	42
Deferred premium acquisition costs and prepaids	413	345
	$ 21,585	$ 19,847
Liabilities and Equity		
Liabilities		
Current liabilities	$ 371	$ 385
Lease liabilities	59	12
Bond repurchase agreements and investment-related liabilities	2,027	1,714
Unearned premiums and premiums and fees received in advance	3,161	2,969
Pension and post-retirement benefits	385	360
Provision for unpaid claims	15,414	14,288
	21,417	19,728
Equity		
Accumulated deficit	(1)	(21)
Other components of equity	155	125
Equity attributable to parent corporation	154	104
Non-controlling interest	14	15
	168	119
	$ 21,585	$ 19,847
Minimum Capital Test ("MCT")	-4%	-7%

[1] The financial results are unaudited and contain a number of estimates and assumptions regarding claims costs and savings. Final year end results will be subject to audit. The financial results assume that certain legislative changes will be enacted by March 31, 2020.

Glossary - December 2019

Combined ratio
A key measure of overall profitability within the insurance industry. It is the ratio of all costs (claims, claims-related costs, operating expenses, premium taxes and commissions, and deferred premium acquisition costs adjustment) to premiums earned. A lower combined ratio is better.

Deferred premium acquisition costs ("DPAC ") Adjustment
The deferred premium acquisition costs adjustment is an accounting adjustment that limits the amount of commissions and premium taxes that can be deferred and recorded in the income statement over the policy term based on the future profitability. If the business is unprofitable, no deferral of expenses is permitted and these costs must be immediately recognized as expenses. If the business becomes profitable, then this accounting treatment is reversed.

Expense ratio
The ratio of operating expenses (excluding claims costs and claims-related costs), premium taxes and commissions to premiums earned. A lower expense ratio is better.

Loss ratio
The loss ratio is an industry measure of claims and claims-related costs (claims services, road safety and loss management services) to premiums earned. The lower the percentage, the more profitable the product is.

Minimum Capital Test ("MCT")
An industry measure used to determine whether a company has sufficient capital levels, commensurate with the risks within its business. The measure is based on guidelines set by the Office of the Superintendent of Financial Institutions.

Current year claims
Current year claims expense is the total costs (paid and expected) to settle claims for all insured losses that have occurred during the current fiscal year, regardless of whether the loss has been reported to ICBC.

Prior years' claims adjustments
Prior years' claims adjustments are the change since the prior fiscal year-end in claims cost estimates for losses that occurred in prior fiscal periods.