



April 29, 2015

Ms. Christina Zacharuk  
Interim President & CEO  
Public Sector Employers' Council Secretariat  
2<sup>nd</sup> Floor, 880 Douglas Street  
Victoria, B.C.  
V8W 2B7

Dear Ms. Zacharuk,

Re: 2014 Statement of Executive Compensation – ICBC

On behalf of the Board of Directors of ICBC, attached is ICBC's Statement of Executive Compensation for the fiscal year ending December 31, 2014.

As per the Public Sector Executive Compensation Reporting Guidelines, I, the undersigned, hereby attest the following:

- The board is aware of the executive compensation paid in the 2014 fiscal year.
- The compensation information being disclosed is accurate and includes all compensation paid by the employer, foundations, subsidiaries, or any other organization related to or associated with the employer.
- Compensation provided was within approved compensation plans and complies with these guidelines.

Yours truly,

A handwritten signature in black ink, appearing to read "Walter Gray", is written over a large, faint, stylized watermark or signature that spans across the middle of the page.

Walter Gray  
Chair, ICBC Board of Directors

Enclosure(s)



# INSURANCE CORPORATION OF BRITISH COLUMBIA

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## Statement of Executive Compensation

Reporting Period: Fiscal Year 2014  
(January 1, 2014 – December 31, 2014)

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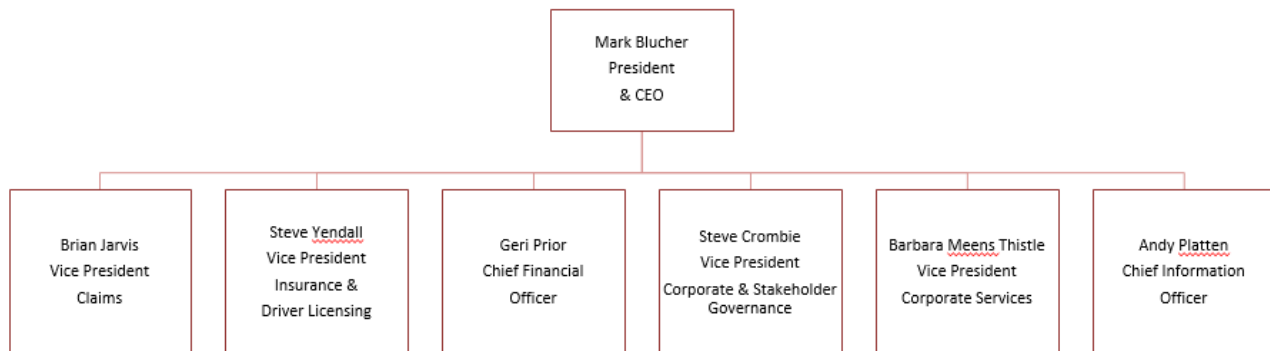
# INSURANCE CORPORATION OF BRITISH COLUMBIA

## 2014 STATEMENT OF EXECUTIVE COMPENSATION

### 1. INTRODUCTION

ICBC is a provincial Crown corporation established in 1973 to provide universal auto insurance, driver licensing, and vehicle licensing and registration to BC motorists. ICBC is a complex, multi-billion dollar company that requires talented management and staff. ICBC's total compensation philosophy is to provide market-competitive total compensation to attract and retain the required skills, talent, and experience at an affordable cost to taxpayers and ratepayers.

In 2014, Executives of ICBC, in conjunction with the Board of Directors, made key changes to the way that ICBC operated and further renewed the corporate strategy, which is to operate in a low-cost, operationally excellent manner and deliver value to taxpayers and ratepayers. These changes include refinements to the operational model and organizational structure of ICBC to ensure successful execution of the corporate priorities. As a result, Executives reporting to the CEO were reduced from 8 to 6 positions. Under a smaller and renewed executive leadership team, the following Executives are responsible for leading the management of ICBC's business and the implementation of its corporate strategy:



In accordance with the guidelines provided by the Public Sector Employer's Council ("PSEC"), ICBC must disclose all compensation that is both accrued and paid to the President and Chief Executive Officer ("CEO") and the next four highest paid "Named Executive Officers" ("NEOs") with an annualized base salary of \$125,000 or greater during the fiscal year. The following outlines the governance, compensation philosophy, and total value of executive compensation for services during the 12 months of the fiscal year ended December 31, 2014.

### 2. GOVERNANCE

Executive compensation is reviewed by both the Board and the Human Resources and Compensation Committee (the "Committee"). Among with responsibilities, the terms of reference as related to total compensation for each are outlined below.

#### Board of Directors

- Approve the CEO's compensation package and performance against pre-determined annual objectives.
- Approve the total compensation strategy and philosophy to be applied to all ICBC employees.

- Review and approve all compensation matters acting upon the advice of the CEO and upon recommendation of the Committee.
- In its sole discretion, review and amend the payment level of the annual incentive plan to better reflect the actual performance of the Corporation.

### **Human Resources and Compensation Committee**

- Review and recommend the Corporation's compensation and benefits philosophy, strategy, and guidelines and review their compliance with laws and any applicable guidelines established by PSEC.
- Review and make recommendations to the Board respecting the administration of pension plans of which ICBC is an administrator and ensure the obligations of ICBC as administrator of those plans are met.
- Review and approve before implementation, any proposed change to a pension plan.
- In consultation with the CEO, review and recommend the compensation, including incentive, benefit and retirement plans, for the Executive team.
- Review the annual Executive Compensation Disclosure Statement as required by the PSEC.
- For purposes of administering the Holdback Incentive Plan, review and recommend to the Board the annual corporate framework and targets for the Holdback Incentive Plan.
- For the purpose of administering the Holdback Incentive Plan based on corporate performance, review year-end corporate results and recommend to the Board any recognition of corporate performance for the purpose of incentives calculation and the level of that performance.
- Review and recommend the CEO's compensation, including incentive, benefit and retirement plans, to the Board for approval, subject to legislative guidelines then in effect.

## **3. COMPENSATION DISCUSSION AND ANALYSIS**

ICBC's executive compensation is guided by the Crown Corporation Executive Compensation Policy, linked to its strategic interests and objectives, and balanced with ensuring alignment to the broader public sector.

ICBC's compensation programs generally apply to all Executives and Management Group employees, with some Executive and CEO exceptions as noted herein. There is currently a freeze on public sector salary increases. Annual salary increases and incentive compensation, when granted, are variable and based on public policy, corporate and individual performance. The Board of Directors (the "Board") sets the CEO's total compensation within the guidelines set by PSEC and applicable legislation.

### **3.1 Summary of Compensation Program Changes in 2013/2014**

In response to the 2012 Government Review of ICBC, to better align ICBC's compensation programs with the broader public sector, ICBC made the following changes to their compensation programs approved by the Board and PSEC:

- Amendment to ICBC's total compensation philosophy for Executives and Management Group employees;
- Amendment to Short-Term Incentive Pay ("STIP") plan to Holdback Incentive Pay ("HIP") plan for Executives and Management Group employees;
- Eliminated the treatment of HIP pay as pensionable earnings for newly hired Executives and

Management Group employees;

- Eliminated perquisite allowances for previously eligible senior leadership; and,
- Eliminated post-employment benefits for newly hired Executive and Management Group employees.

### **3.2 Total Compensation Philosophy**

#### *Executive Compensation*

ICBC forgoes labour market comparisons for Executive positions and makes Executive compensation decisions entirely based on PSEC policy. As Executive compensation is set by public policy, market comparisons of any nature are only illustrative for guidance, not determinative.

#### *Management Group Compensation*

ICBC's total compensation programs for Management Group employees below the Executive level are designed to be market competitive, while remaining affordable to ratepayers. The programs are designed to reward performance, ensuring that there is a clear link between what employees bring to their role, their contribution to results, and their total compensation.

ICBC's total compensation philosophy is based on the principles of:

- Targeting Management Group total compensation to ICBC's labour market comparator group;
- Using a total compensation approach to establish compensation levels (base pay, incentive pay, benefits, pension, and paid time off); and,
- Alignment to the broader public sector.

ICBC's total compensation programs are designed to:

- Attract and retain the talent required to meet ICBC's goals and objectives while remaining affordable to ratepayers;
- Reward performance when merited; and,
- Reward and recognize those with strong leadership skills.

ICBC benchmarks its total compensation levels at the market median (i.e. the 50<sup>th</sup> percentile) for similar positions within the labour markets in which ICBC competes for talent and to be more in line with the public sector. ICBC's target labour market included other Canadian property and casualty insurance companies, Canadian public sector, and general industry companies of similar size which also include Saskatchewan Government Insurance, Manitoba Public Insurance, and the BC Public Service Agency.

### **3.3 Total Forms of Executive Compensation**

#### **a) Base Salary**

Executive compensation is set by public policy. During years where there is no salary freeze, the Committee annually reviews, for recommendation to the Board and then approval by PSEC, adjustments to the salary range structure and the annual salary budget, if any. Salary increases for Executives, if granted, are based on their individual employee performance. At the beginning of the year, a performance plan is developed for each Executive, which outlines their responsibilities and objectives for the year. At the end of the year, the Executive is rated against the targets.

The salary freeze as announced by the Board in August 2012 remains in effect for all Executives and Management Group employees. As a result, there have been no adjustments to ICBC's salary range structures and no performance-based salary increases granted since 2012.

## b) Holdback Incentive Plan

Effective January 1, 2014, the Short-Term Incentive Pay ("STIP") plan was amended to Holdback Incentive Pay ("HIP") plan, approved by the Board and PSEC. The HIP plan reduces the incentive pay opportunity and eliminates the ability to earn more than 100% of target for outstanding corporate and/or individual performance. The HIP plan is designed to provide a single overall corporate focus that is shared by all Executives and Management Group employees, as well as individual targets in the HIP plan for personal contribution to the successful execution of the corporate strategic objectives.

HIP is a variable component of the CEO's and the NEO's total annual cash compensation. Their HIP reward is tied to meeting corporate and individual performance objectives with a maximum target of 20%. The respective weight of these two components varies by job level to reflect the level of influence on the corporate objectives. The HIP components' weightings are 75% corporate performance and 25% individual performance for the CEO and 60% corporate and 40% individual for the rest of the Executives.

A financial trigger is also built in within the HIP plan to ensure a minimum level of corporate performance occurred and that this funds ICBC's ability to pay a performance-based incentive for eligible employees. The financial trigger is determined by the outcome of net income for the fiscal year and is reviewed and set by the Board on an annual basis.

The final HIP payment are subject to the actual outcome of net income for a fiscal year and must first meet the pre-defined corporate financial trigger before any payment is made. If the actual net income is below target, HIP payments at all job levels will be reduced or eliminated.

In 2014, ICBC's corporate performance was measured against five equally-weighted components, in support of corporate priorities:

1. **Optional Capital Net of Transformation Program Reserve:** Optional capital means the Minimum Capital Test ("MCT") for ICBC's Optional insurance capital reserve. MCT is an industry measure to determine if ICBC has sufficient capital to protect policyholders from financial risk and provide long-term financial stability. Essentially, it represents the financial strength of ICBC's Optional business.
2. **Combined Ratio:** The Combined Ratio is a key measure of overall profitability in the insurance industry and is calculated as the ratio of all costs (claims and claims-related costs, administrative costs, acquisition costs and non-insurance costs) to all insurance premium dollars earned.
3. **Net Income:** Net income is the difference between total revenue earned (premiums, service fees and investment income) and total expenses (claims incurred, operating costs, acquisition costs and non-insurance expenses). Net income contributes to retained earnings which helps protect policyholders against significant unexpected losses and volatile rates.
4. **Focus on Bodily Injury Costs:** The bodily injury cost is total amount of loss and expense payments that is paid to investigate and settle all BI claims from crashes occurred in a year. Keeping the bodily injury costs under control is a key corporate priority.
5. **Achieve Goals of Corporate Plan Projects:** ICBC continues its journey to modernize the company and build a stronger foundation to improve the customer offerings. Project goals,

milestones, and success that form part of the corporate objectives are measured and reviewed by the Board on an annual basis.

**c) Vacation**

ICBC provides six weeks of vacation per year to the CEO. NEOs are provided with four weeks of vacation and an additional two weeks of vacation in every fifth year of employment for that year only. Unused annual vacation can be carried forward to the following calendar year, which will be paid out to limit ICBC liability if it has not been used by the end of the subsequent calendar year.

**d) Pension**

ICBC provides a contributory defined benefit pension plan, which is the basic plan for all Executives. In addition to the basic pension plan, Executives are eligible for the Supplemental Employee Retirement Plan ("SERP").

Both the basic pension plan and the SERP are valued at the average current service cost for Executives, less the average member contributions. A portion of HIP is treated as pensionable income for Executives based on their position and date of hire. Incentive pay is non-pensionable for Executives hired on or after September 1, 2013.

**e) Health and Wellness Benefits**

ICBC provides a benefit program for Executives and their immediate families. Programs include provincial medical, extended health, dental, group life, short and long term disability, travel accident insurance, Executive Health Assessment, and an Employee and Family Assistance Program.

Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance and group RRSP.

Executives hired on or after September 1, 2013 are ineligible for the management post-employment benefits program.

**4 SUMMARY COMPENSATION TABLE**

The table below provides a summary of total compensation for ICBC's CEO and next four highest paid NEO's for fiscal year 2014.

Summary Compensation Table at FISCAL, 2014

Name and Position	Salary	Holdback Incentive Plan Compensation	Benefits	Pension	All Other Compensation (expanded below)	Total		Previous Two Years Totals	
						2014	2013	2013	2012
Mark Blucher, President & CEO <sup>1</sup>	\$ 346,976	\$ 52,428	\$ 17,532	\$ 58,712	\$ 756	\$ 476,405	\$ 457,709	\$ 412,624	
Geri Prior, Chief Financial Officer <sup>2</sup>	\$ 343,414	\$ 55,248	\$ 17,956	\$ 58,603	\$ 13,848	\$ 489,069	\$ 489,107	\$ 461,645	
Brian Jarvis, Vice President Claims	\$ 297,050	\$ 47,789	\$ 15,901	\$ 50,691	\$ 6,012	\$ 417,445	\$ 433,103	\$ 334,526	
Sheila Eddin, former Vice President Transformation <sup>3</sup>	\$ 262,809	\$ 46,609	\$ 16,705	\$ 49,439	\$ 83,928	\$ 459,489	\$ 423,402	\$ 401,702	
Camille Minogue, Chief Actuary	\$ 294,949	\$ 49,374	\$ 13,442	\$ 43,077	\$ 458	\$ 401,300	\$ 409,593	\$ 391,099	

Summary Other Compensation Table at FISCAL, 2014

Name and Position	All Other Compensation	Severance	Vacation payout	Leave payout	Vehicle / Transportation Allowance	Perquisites / other Allowances	Other
Mark Blucher, President & CEO	\$ 756	\$ -	\$ -	\$ -	\$ 756	\$ -	\$ -
Geri Prior, Chief Financial Officer	\$ 13,848	\$ -	\$ 12,614	\$ -	\$ 736	\$ 498	\$ -
Brian Jarvis, Vice President Claims	\$ 6,012	\$ -	\$ 1,961	\$ -	\$ 3,553	\$ 498	\$ -
Sheila Eddin, former Vice President Transformation	\$ 83,928	\$ 26,903	\$ 55,838	\$ -	\$ 690	\$ 498	\$ -
Camille Minogue, Chief Actuary	\$ 458	\$ -	\$ -	\$ -	\$ -	\$ 458	\$ -

Notes:

<sup>1</sup> Mark Blucher's total compensation is higher than that of the previous year because he was promoted to CEO in November 2013 and his 2014 total compensation reflects the first full year of earnings as CEO.

<sup>2</sup> Geri Prior's total compensation is slightly higher than that of the CEO primarily due to the unused vacation payout in 2014.

<sup>3</sup> Sheila Eddin left ICBC effective December 1, 2014. Her 2014 total compensation includes salary continuance and payout of unused vacation.