

2022/23 ESTIMATES NOTE

Financial Update - ICBC

Suggested Response:

- As of Q3 2021/22, ICBC is projecting to earn a net income of \$1.904B in the 2021/22 fiscal year as compared to a net income of \$1.538B for the 2020/21 fiscal year and 2021/22 Plan net income of \$154M. The primary drivers of the favourable net income are higher investment income and lower claims costs. Results for fiscal 2021/22 are expected to meet the Q3 projection of \$1.904B and will be released as part of the Public Accounts.
- ICBC's Minimum Capital Test at fiscal year end is not yet known, as financial results for fiscal year 2021/22 are still being finalized and ICBC's actual results will depend on a variety of factors (e.g. final claims costs, investment income to year end, possible outcome of litigation, etc.). However, ICBC's strong financial results this fiscal year will be key to helping the organization continue to rebuild its depleted reserves.
- As well, in recognition of the strong expected net income results for fiscal 2021/22, and in recognition of challenges around affordability for British Columbia drivers, ICBC is providing a one-time Relief Rebate of more than \$395M¹, to eligible policy holders.
- In fiscal 2020/21, two COVID-19 rebates totalling \$950M were returned to eligible customers. These rebates were directly attributable to the lower number of crashes and lower claims costs as a result of reduced and restricted driving activity during the pandemic. In addition to the COVID-19 rebates, ICBC also issued refunds totalling \$594M in relation to the transition to Enhanced Care. The COVID-19 rebates translated to an average of \$310 per policyholder and the Enhanced Care refund \$150 per eligible policyholder.
- With crash patterns returning to pre-pandemic levels in 2021/22, no further COVID-19 rebates are planned.
- Investment income for fiscal 2021/22 is substantially more favourable than plan due to strong investment markets resulting in higher-than-expected capital distributions on equity pooled funds, and higher realized equity gains from the transition to a new portfolio asset mix.

¹ Rebate to customers:

- Approximately \$396M (\$110 for each eligible personal policy with an estimated 3.29M policies; negative net income impact of \$362M);
- \$165 for each eligible commercial policy with an estimated 205,000 policies; negative net income impact of \$34M);
- Implementation costs estimated at approximately \$5M to deliver the rebate;
- TOTAL cost = approximately \$401M.

- Subsequent to the tabled 2022/23 – 2024/25 ICBC Service Plan in February 2022, investment markets have been negatively impacted by the Russian invasion of Ukraine and other global issues, such as supply chain disruptions and inflationary pressures. Despite this volatility and considering the costs ICBC is incurring in 2021/22 for the Relief Rebate, ICBC expects to be able to deliver on the tabled estimate for fiscal 2021/22.
- Overall claims costs are favourable primarily due to lower than expected prior years' claims costs as a result of fewer minor injury claims becoming represented, and a larger number of bodily injury claims being closed without time consuming legal processes.
- The November 2021 floods had a moderate unfavourable impact on current year claims costs. This impact was limited to approximately \$25M by the application of reinsurance. ICBC maintains an automobile property damage catastrophe reinsurance treaty in order to manage its financial exposure to extreme flooding and other catastrophic events.

Potential Impacts due to Legal Challenges:

- The legal challenge regarding the regulations under the *Evidence Act* that placed a limit on the amount recoverable from an unsuccessful litigant for disbursements related to motor vehicle personal injury litigation, remains outstanding. A legal challenge, if successful, would result in an unfavourable impact of up to \$240M to net income for the 2021/22 if a decision is rendered before release of the 2021/22 audited financial statements.
- In April 2019, a constitutional challenge was filed by the Trial Lawyers Association of British Columbia against the Province in respect to the minor injury definition and jurisdiction of the Civil Resolution Tribunal with respect to claims for liability and damages as result of an accident (accident claims).
- On March 2, 2021, the BC Supreme Court ruled that the Civil Resolution Tribunal jurisdiction over claims for liability and damages worth less than \$50,000 was unconstitutional. This decision has been appealed and a partial stay has been granted. The impact of the unfavourable decision in respect of the jurisdiction of the Civil Resolution Tribunal was reflected in ICBC's FY 2020/21 results. On May 12, 2022, the BC Court of Appeal ruled allowing the expanded jurisdiction of Civil Resolution Tribunal over motor vehicle claims for minor injuries under the vehicle insurance system in place for injuries arising between April 1, 2019 and April 30, 2021, which overturns the previous judgement that found the Civil Resolution Tribunal jurisdiction over these claims to be unconstitutional. This has resulted in a favourable impact to the 2021/22 net income for FY 2021/22.
- The B.C. Supreme Court and the B.C. Court of Appeal's decision does not impact claims under Enhanced Care. The Civil Resolution Tribunal maintains exclusive jurisdiction over disputes concerning accident benefits, including enhanced accident benefits under Enhanced Care for crashes occurring after May 1, 2021.

- There is no set timeline for the outcome of the minor injury definition challenge that is underway. Given the stage of legal action, the probability of an outcome cannot be determined, therefore there is no impact recorded in the forecast.

Background:**Net Income:**

- ICBC forecasts net income for FY 2021/22 (April 1, 2021 to March 31, 2022) to be an improvement compared to plan by \$1.750B. ICBC's FY 2021/22 ended March 31, will be available when ICBC's year end financial results are released in July/August in alignment with government's public accounts.
- Higher investment income and lower claims costs were the key factors that contributed to ICBC's favourable net income position, with higher premium revenue and lower operating expenses contributing to a lesser extent.
- Higher than expected investment income results for 2021/22 are due to a stronger-than-anticipated investment market. Investment income in 2022/23 and thereafter is expected to return to more moderate levels. ICBC's investment returns are utilized to help maintain rate affordability over time.
- Due to current global events, volatility and uncertainty exists in the global investment markets and could contribute to investment income results that are significantly different from forecasts as of December 31, 2021 (end of third quarter of 2021/22).
- Overall claims costs for fiscal 2021/22 are favourable to Plan primarily due to favourable costs to settle outstanding prior years' claims under the legal-based system (pre-Enhanced Care) with fewer-than-expected minor injury claims becoming represented, and a large number being resolved without time consuming legal processes. This reduction is not expected to repeat in the forecast period, as the full benefit of the re-estimation is reflected in FY 2021/22 and the forecast period claims costs reflect best estimates to date.
- During 2021/22, current year claims costs were impacted by crash frequency returning to pre-pandemic levels quicker than expected, in addition to higher inflation increasing Enhanced Accident Benefits costs. For 2021/22, this is offset by a higher claims discount rate and a reduction to the unallocated loss adjustment expense reserve for future costs to manage and settle claims as a result of fewer represented and litigated claims to handle.
- A quicker than-expected return from the lower driving levels as a result of COVID-19 has been observed for both policy growth and crash frequency. Crash frequency has returned to pre-pandemic levels in 2021/22 and is assumed to continue on trend in future fiscal years.

- Claims severity (cost of a claim) is projected to increase over the forecast period for all coverages. Inflation for replacement parts and increased technology in vehicles, combined with a rising cost of labour, will continue to drive up the cost of material damage claims. General inflation will contribute to an upward cost trend for Enhanced Care claims, due to the benefit amounts which are regulated to increase each year as increases are tied to BC Consumer Price Index.
- Premium revenue for FY 2021/22 is higher than Plan due to higher-than-expected policy growth and improved market share for all Optional insurance coverages. The FY 2021/22 penetration levels are expected to continue through the forecast period with premium growth coming from higher average premium as older vehicles are replaced with newer, more expensive vehicles.
- Based on the latest available data that has been published, ICBC's Statement of Operations for the nine months ended December 31, 2021, with prior year comparatives, is attached below. ICBC posted a net income of \$1.692B for the first nine months of its fiscal year (April 1 to December 31, 2021), which is \$416M better than the net income of \$1.276B posted for the same period last year.
- ICBC continues to manage the company efficiently as indicated by the low expense ratio of 18.8% in FY 2020/21, which continues to be significantly lower than the industry benchmark of 30%. ICBC's FY 2021/22 Year-To-Date operating expense ratio is inclusive of 3.0% for non-insurance services, which other insurance carriers do not have. The FY 2021/22 operating costs are favourable to plan primarily due to lower than expected Full-Time Equivalent levels as a result of recruitment and retention challenges, as well as lower pension and post-retirement expense due to a higher discount rate. Post-Enhanced Care expense ratios are expected to be slightly higher, approximately two percentage points, than historical levels due to the lower premiums being collected under Enhanced Care.

Capital Levels:

- ICBC's Minimum Capital Test ratio is an industry measure used to determine whether a company has sufficient capital levels. Similar to other insurance organizations, ICBC has a capital management framework under which it operates. This framework takes into consideration both its management operating targets and its regulatory minimums to ensure that capital reserves are adequate to protect policy holders from financial risk, while maintaining rates as low as possible over the long term.
- Several years of consecutive losses, where rate increases were not sufficient to cover the rapidly rising claims costs, depleted capital levels over time. This, coupled with the suspension of capital maintenance and capital build since 2015 (effective up to and including policy year 2020), resulted in capital levels that were well under ICBC's management and regulatory capital targets. The COVID-19 pandemic also had a significant

and adverse impact on the FY 2019/20 Minimum Capital Test, as there was a significant impact close to the end of that fiscal year on ICBC’s investment returns.

- Since then, the Minimum Capital Test ratio has been recovering. The subsequent increase in Minimum Capital Test is largely attributable to the recovery of the financial markets, favourable prior years’ claims adjustments, and the capital build in the Basic rate, effective May 1, 2021.
- A capital build component of 11.5 percentage points in the Basic rate for policy year 2021 was approved to assist in the rebuild of depleted Basic capital reserves and can be used to moderate future rate changes.
- Throughout 2021, capital levels had been recovering faster than expected; however, capital levels remained below management operating targets and regulatory minimums as of December 31, 2021 (Q3). ICBC’s final Minimum Capital Test for fiscal year 2021/22 is not yet known.
- Looking forward, capital levels are expected to continue to rebuild, with the impact of Enhanced Care resulting in lower and more stable claims costs over time. This will help ICBC maintain rate affordability over time.
- However, it should be noted that the Relief Rebate of over \$395M (approximately \$396M in rebates and \$5M in implementation costs for a total of \$401M) will extend the time frame for the recovery of capital reserves to legislated and management target levels.

Contact: Nicolas Jimenez (ICBC)	Phone: <small>Government Financial Information</small>	Mobile: <small>Government Financial Information</small>
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2022/23 ESTIMATES NOTE**Capital Levels - ICBC****Suggested Response:**

- Government and ICBC have continued to focus on significant reforms to our vehicle insurance system to make life more affordable for British Columbians, successfully implementing Enhanced Care in May 2021.
- As a result of the strong expected net income results for fiscal 2021/22, and in recognition of challenges around affordability for British Columbian drivers, ICBC is providing a one-time Relief Rebate of more than \$395M¹, to eligible policy holders.
- ICBC's capital levels have been depleted by several years of consecutive losses, where Basic insurance rate increases were not sufficient to cover the rapidly rising claims costs, followed by the significant adverse impact to investment income in 2019/20 from the COVID-19 pandemic's initial negative effect on financial markets (March 2020).
- The rebate will be paid from ICBC's Basic coverage which will reduce ICBC's Basic capital reserves. ICBC will continue to rebuild its capital levels, which remains a priority, to provide long-term rate affordability.
- Since fiscal year end 2019/20, Basic capital levels have been recovering at a quicker than expected rate but are still currently below ICBC's management and regulatory capital targets.
- Optional capital levels are also recovering at a healthy rate, but currently remain below capital management targets.
- The capital level recovery has been primarily attributable to better than expected net income over the last two years due to higher investment income, lower than expected prior years' claims costs (pre-Enhanced Care), as well as the capital build component in the Basic rate impact in 2021/22.
- Subsequent to tabling ICBC's 2022/23 – 2024/25 Service Plan in February 2022, investment markets have been significantly impacted by global events such as the Russian invasion of Ukraine, supply chain issues and inflationary pressures. These events have reduced the value of ICBC's investment portfolio, resulting in lower capital reserves and a longer

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- Implementation costs estimated at approximately \$5M to deliver the rebate;
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expectation for the recovery of capital levels (an estimated 35 - 40 percentage point reduction to the Minimum Capital Test forecast at Q3). Note that Minimum Capital Test is defined below in the Background section.

- Capital levels are expected to improve over the Service Plan period but at a more moderate pace than in the past two years, as investment income and prior year claims adjustments are not expected to repeat as favourably as experienced in 2021/22.
- With the end to the COVID-19 provincial state of emergency on June 30, 2021, and crash and claims frequency returning to pre-pandemic levels in fiscal 2021/22, no further COVID-19 savings or rebates are expected.
- The shift to Enhanced Care has removed approximately \$1.5B of claims costs from the system annually, while significantly improving accident benefits and making rates more affordable and sustainable for customers over the long term.
- The April 1, 2019 product reform and the implementation of Enhanced Care on May 1, 2021 are major changes to ICBC's auto insurance model, focusing on improving customer care and affordability. These changes have had positive impacts on claims costs and therefore ongoing capital requirements.
- A government-directed capital build of 11.5 percentage points in the Basic rate for Policy Year 2021 was approved by BC Utilities Commission, to help ICBC re-build its depleted capital over time. This capital build will erode as claims costs are expected to increase by 4% to 5% annually over the forecast period.
- As a result of the change to Enhanced Care, ICBC is in the process of review and re-assessment of its capital management plan and targets to better align with the new insurance model. With the significant changes being brought in by Enhanced Care, the level of capital targets may change, as the claims liability risk and the investment portfolio evolve.
- Our government is continuing to work to ensure that ICBC returns to financial stability in the short term and is financially sustainable in the long term, for the benefit of all British Columbians.

Background:

- The Minimum Capital Test is a federal regulatory solvency test to assess whether an insurance company has adequate capital for the level of risks undertaken by the company. The Minimum Capital Test is a ratio of capital available to capital required and is not expressed as a dollar value.



- Capital available is the net equity position of the company less the intangible assets. Capital required is calculated using specified risk margins on certain assets and liabilities. The riskier the asset or liability, the larger the margin. As such, it is important to note that the Minimum Capital Test is not a ratio of assets to claim liabilities (100% Minimum Capital Test does not mean that for every \$1 of claims liabilities, ICBC has \$1 of assets).
- The higher the ratio, the more an insurance company is able to withstand unforeseen risks and unexpected events. These risks include unexpected increases in crash rates and injury claim rates, significant increases in large and complex claims or unexpected variations in investment values, adverse trends that have impacted ICBC in the past.
- It is important to note, though capital levels are still currently below ICBC's management and regulatory capital targets, ICBC continues to have sufficient assets to cover its claims liabilities.
- At December 31, 2021, ICBC's actual (to date) corporate Minimum Capital Test was 89% and Basic insurance Minimum Capital Test was 94%.
- ICBC's Minimum Capital Test and capital levels are expected to continue to re-build as a result of the capital build component in the Basic rate and a moderate profitability target for the Optional business.
- In fiscal 2020/21, reduced travel and lower crash frequency stemming from the COVID-19 pandemic resulted in lower claims costs. ICBC provided eligible policy holders with two COVID-19 customer rebates totalling \$950M.
- The improvement in capital from March 31, 2021 to the March 31, 2022 outlook is attributed to favourable net income primarily due to higher investment income and lower claims costs, as well as the capital build component in the Basic rate.
- The favourable 2021/22 investment income forecast is the result of a strong investment market resulting in higher-than-expected capital distributions (dividends to the Crown corporation), higher equity gains from rebalancing the investment portfolio and transitions gains to a new asset mix, along with real estate gains from the sale of investment properties.
- For fiscal 2021/22, prior year claims (pre-Enhanced Care) are favourable compared to Plan, primarily due to fewer than expected minor injury claims becoming represented, with a large number having been resolved without representation. However, crash frequency has been increasing since January 2021 and has returned to pre-COVID-19 levels as of December 2021. Crash frequency at the pre-COVID-19 trend is expected to continue for the remainder of the Service Plan forecast period.



- Current year claims costs are higher than Plan due to the quicker than expected recovery of crash frequency and a higher inflation assumption as Enhanced Accident Benefits product is indexed to B.C.'s Consumer Price Index. For fiscal 2021/22, this has been offset by a favourable change (higher) in the discount rate and a lower unallocated loss adjustment expense reserve.
- The one-time Relief Rebate of more than \$395M, paid from ICBC's Basic coverage, will reduce ICBC's Basic capital reserves. The impact is a reduction of approximately 17% to the Basic Minimum Capital Test, with potential impacts to ICBC's Basic rate filing for policy year 2023.
- The April 1, 2019 product reforms introduced a limit on payouts for pain and suffering on minor injuries, resolution of certain claims through the Civil Resolution Tribunal, and increased accident benefits. Although the jurisdiction of the Civil Resolution Tribunal has been impacted as a result of the BC Supreme Court decision on March 2, 2021, and subsequent partial stay of proceedings on April 8, 2021, overall the product reforms have delivered benefits to net income, contributing to ICBC's capital levels.
- On February 12, 2021, government enacted a new regulation, under the *Evidence Act*, limiting the amount of disbursements that may be recovered in a motor vehicle personal injury lawsuit.
- The legal challenge regarding the regulations under the *Evidence Act* that placed a limit on the amount recoverable from an unsuccessful litigant for disbursements related to motor vehicle personal injury litigation, remains outstanding. A legal challenge, if successful, would result in an unfavourable impact of approximately \$240M to net income for the current fiscal year if a decision is rendered before release of the 2021/22 audited financial statements.
- Enhanced Care continues to focus on providing access to health care and recovery benefits while removing legal costs from the insurance system. Enhanced Care has saved drivers who purchase full Basic and Optional coverage from ICBC annual average savings of \$490, or 28% per policy renewals, more than the projected 20% or \$400 compared to the previous model.

Contact: Nicolas Jimenez (ICBC)	Phone: <small>Government Financial Information</small>	Mobile: <small>Government Financial Information</small>
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2022/23 ESTIMATES NOTE**Executive, Board and Employee Compensation - ICBC****Suggested Response:**Executive Compensation

- Our government has eliminated the Salary Holdback Program, which was similar to a performance bonus, set up by the previous government from executive compensation at ICBC. On our watch, compensation for all executives was flat in FY 2019/20, as compared to the previous fiscal year.
- In FY 2020/21, total compensation for all executives increased by 4.1% from the previous fiscal year, as a result of leadership changes, delayed promotional increases, and a performance increase of 4% for the Chief Executive Officer.
- Executive salaries make up a very small portion of ICBC's costs. Total operating expenses represent 16.7% of ICBC total costs. Executive compensation is only 0.4% of operating expenses.
- Ultimately, Crown corporations set compensation within a framework to maintain consistency across the BC Public Sector, and at the same time try and maintain a competitive total compensation program with comparable external labour markets to ensure they can attract and retain talented staff.
- On August 31, 2020, government provided direction to public sector organizations to implement the Executive Compensation Freeze Policy for all executive positions for the FY 2020/21 performance year which applies to the FY 2021/22 payout. ICBC is complying with this direction.

Impact to the President and Chief Executive Officer's compensation in FY 2020/21

- In FY 2020/21, the President and Chief Executive Officer received a salary adjustment of 4% in respective of the 2018 and 2019 performance years. This was 2% for each of those years.
- The Chief Executive Officer's salary remained unchanged for FY 2021/22 due to the Executive Compensation Freeze Policy mandated by government.

Background:2020/21 Executive Compensation Disclosure

- On June 3, 2021, ICBC filed its FY 2020/21 Statement of Executive Compensation with the Public Sector Employers' Council Secretariat, as required.
- The *Public Sector Employers Act* requires that total compensation for the Chief Executive

Officer as well as the next four highest-ranking/paid executives at each Crown corporation be disclosed. The Statement of Executive Compensation reports total compensation earned in the 12 months from April 1, 2020, to March 31, 2021. The Statement of Executive Compensation also includes benefits, pension contributions and vacation payouts.

- For 2020/21, ICBC’s Chief Executive Officer and the next four highest-ranking/paid executives were:

Name	Total Compensation
N. Jimenez (CEO)	\$467,905
B. Carpenter	\$379,456
G. Eastwood	\$357,237
P. Leong	\$348,097
V. Albanese	\$328,321

- The Chief Executive Officer, Nicolas Jimenez, received lower compensation in FY 2020/21 than the previous year due to a non-reoccurring payment for unused vacation in 2019/20 (Total FY 2019/20 Compensation \$474,680).
- Total earned compensation for those executives named in the disclosure in FY 2020/21 increased by 14.7% from the previous year (\$2,179,599 in FY 2019/20 to \$2,500,260 in FY 2020/21; a difference of \$320,661). This increase is due to the reporting of earned compensation for the prior and replacement executive Vice President of Claims, Customer & Material Damage Services. The compensation disclosed for the replacement executive Vice President is a combination of their prior role as Director of Project Services and their executive appointment as of February 22, 2021.
- Total compensation for FY 2020/21 for all executives, not just those named in the disclosure, increased by 4% from the previous year (\$2,800,124 in FY 2019/20 to \$2,914,611 in FY 2020/21; a net difference of \$114,487). This increase is the result of changes in executive leadership (full year impact in FY 2020/21), delayed promotional increases, and the performance increase of 4% for the Chief Executive Officer.

Make-up of ICBC’s executive team and senior management

- ICBC’s executive team has decreased since 2012 from 11 members in 2012 to just eight as of March 31, 2021.
- There have also been reductions in the number of senior management roles overall. Since 2012, senior management roles (Executive, Senior Directors and Directors) have been reduced by 44 per cent (72 in 2012 to 40 in FY 2020/21). It should be noted that the headcount number reported for FY 2020/21 represents active incumbents (39) plus one vacant Director position, for which ICBC is presently recruiting.



Employee remuneration

- ICBC's total employee compensation increased by approximately 4% year over year, going from \$444,873,304 in FY 2019/20 to \$463,708,624 in FY 2020/21.
- The number of employees earning more than \$75,000 increased from 2,023 in FY 2019/20 to 2,427 in FY 2020/21 due to performance increases, overtime and acting pay, and retroactive pay for FY 2019/20 paid in FY 2020/21 that resulted from collective bargaining. The number of employees earning more than \$150,000 increased from 96 in FY 2019/20 to 108 in 2020/21 due to staffing changes. However, this category has decreased by 28% over the last four fiscal years, going from 149 in 2017/18 to 108 in 2020/21, due to the elimination of the Salary Holdback Program. See Appendix 1 below for an earners breakdown over \$75,000.
- Bargaining unit employees saw annual increases of 2% to their compensation in line with the collective agreement in 2019/20 and 2020/21. The 2019/20 annual increase was paid in July 2020 due to when the collective agreement was signed. The collective agreement expires June 30, 2022 with future increases based on the government's mandate.
- Eligible ICBC management and confidential employees received an aggregate performance-based increase of 1.5% effective November 1, 2020, related to the 2019/20 performance year. A further salary increase effective January 1, 2021, was approved by the Board of Directors to address talent risk cases. The total annual cost of both increases was \$1.9M with fiscal cost in 2020/21 of \$760,000.

Board remuneration and expenses

- In 2020/21, total board member payments increased to \$304,300, up from \$289,353 in 2019/20. Total board expenses decreased to \$2,498 in FY2020/21, down from \$16,815 the year prior.
- These changes can be attributed to:
 - The increase in payments reflects the fees for a special March 2020 Board meeting being paid in the following fiscal year (FY 2020/21), a reorganization of the board committee structure resulting in additional committee chair fees, and one board member vacancy filled mid-year in FY 2019/2020. The full year impact of this appointment was reflected in FY2020/21.
 - The decrease in board member expenses, particularly travel, was due to the pandemic.

Other compensation matters:

- Performance salary increases for management and confidential employees were effective November 1, 2021 and are in line with Public Sector Employers' Council's 2018 updated policy guidelines. The annual on-going cost of these adjustments is \$2.2M, representing 1.6% of the 2021 management and confidential employees payroll (excluding executives). For the FY 2021/22, the cost of the increase is \$0.92M.

- The cost of salary adjustments for those whose base pay exceeds \$150,000 accounts for approximately 11% of the annual cost of \$2.2M. Following the increases, there will be 111 people (previously 95) whose base pay will exceed \$150,000, and 19 people (no change from the previous year) making over \$200,000.
- Approximately 72% (or 950) of all management and confidential employees received a salary adjustment under these guidelines, of which 49% of those are in leadership roles (managers who have direct reporting staff).
- Employees were not eligible for this adjustment if they didn't meet the performance criteria or were newly hired or promoted in the year.

Contact: Nicolas Jimenez (ICBC)	Phone: <small>Government Financial Information</small>	Mobile: <small>Government Financial Information</small>
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APPENDIX 1 – TOTAL EARNERS TABLE (Over \$75,000)

Year		Total Earners Over \$75K	\$100K+ Earners	\$150K+ Earners	\$200K+ Earners	\$300K+ Earners
2008	Count	1005	386	62	24	6
2009	Count	1213	468	76	32	7
	Increase/decrease	20.7%	21.2%	22.6%	33.3%	16.7%
2010	Count	1338	584	105	53	13
	Increase/decrease	10.3%	24.8%	38.2%	65.6%	85.7%
2011	Count	1460	645	138	56	15
	Increase/decrease	9.1%	10.4%	31.4%	5.7%	15.4%
2012	Count	1354	613	121	47	10
	Increase/decrease	-7.3%	-5.0%	-12.3%	-16.1%	-33.3%
2013	Count	1378	537	92	38	7
	Increase/decrease	1.8%	-12.4%	-24.0%	-19.1%	-30.0%
2014	Count	1720	657	145	40	9
	Increase/decrease	24.8%	22.3%	57.6%	5.3%	28.6%
2015	Count	1346	459	74	19	3
	Increase/decrease	-21.7%	-30.1%	-49.0%	-52.5%	-66.7%
2016	Count	1401	387	47	11	2
	Increase/decrease	4.1%	-15.7%	-36.5%	-42.1%	-33.3%
2016/17 ⁽¹⁾	Count	2512	1036	158	36	7
	Increase/decrease over 2015	86.6%	125.7%	113.5%	89.5%	133.3%
2017/18	Count	1696	675	149	32	6
	Increase/decrease over 2016/17	-32.5%	-34.8%	-5.7%	-11.1%	-14.3%
2018/19	Count	1781	565	93	21	4
	Increase/decrease over 2017/18	5.0%	-16.3%	-37.6%	-34.4%	-33.3%
2019/20	Count	2023	668	96	29	7
	Increase/decrease over 2018/19	13.6%	18.2%	3.2%	38.1%	75%
2020/21	Count	2427	781	108	24	3
	Increase/decrease over 2019/20	20.0%	16.9%	12.5%	-17.2%	-57.1%

Notes:
Excludes benefits and pension contributions.

* 2016/17 is for a 15 month fiscal period.

Notes:

- 1) Employee counts shown in the higher pay earning bracket will also be included in the lower earning bracket count. For example \$300K earners are included in the \$200K+ count, \$200K earners are included in the \$150K+ count and so on.
- 2) Total earners over \$75K counts includes temporary, regular and active status employees only.
- 3) Based on an employees taxable earnings for the respective year.
- 4) The number of pay periods for a specific year can also influence the increase/decrease of an employee's earnings.
- 5) Variances which can influence an employees earnings in a given year include variable pay (incentive pay) and other one-time payments such as vacation payouts, overtime payments, etc.
- 6) Change in total earners over \$75K from 2016 - 2020/21 is mainly due to an increase in the number of FTEs. ICBC increased its period end total count FTE count by 841 from December 2016 to March 2021, primarily in the claims and claims related areas and driver licensing.
- 7) Increase in new earners over \$75K in 2020/21 compared to 2020/19 is largely due to the impact of General Salary Increases (FY20/21 increase and retroactive increase for FY2019/20, both paid in FY20/21), Gainshare (Gainshare payout for FY19/20 and the Gainshare rolled in to base salary in FY20/21, both paid in FY20/21), higher overtime, VA/TO payouts, promotions and acting pay.



2022/23 ESTIMATES NOTE**BC Utility Commission
Rate Application - ICBC****Suggested Response:**

- Since the implementation of Enhanced Care, the majority of customers renewing their full coverage (Basic and Optional) personal auto insurance saved approximately \$490 or about 28% under the new model compared to last year's premiums – more than the average of \$400 or 20% originally projected in 2020.
- As a key part of these savings, ICBC applied to the British Columbia Utilities Commission for a 15% decrease to Basic insurance rates– its largest decrease in more than 40 years. The 2021 Basic rate application also took into account an 11.5 percentage point rate offset to help rebuild capital.
- Government also directed ICBC's Basic insurance rate application to cover a 23-month period which will help provide British Columbians with predictability on the Basic insurance rates through to at least early 2023 and provided for Enhanced Care rebates for eligible insurance policies in force at May 1, 2021.
- ICBC provided an Enhanced Care rebate for those eligible customers who purchased an insurance policy between May 2, 2020, and April 30, 2021, for that portion of their policy that extends from May 1, 2021, onward. This method allowed customers minimum inconvenience since they did not have to cancel their insurance policy before their expiry date and start a new policy to get the immediate premium savings. The total amount of the Enhanced Care refunds issued in 2021 was \$594M.
- ICBC is required to file its next Basic rate application by December 15, 2022.

Background:

- On December 15, 2020, ICBC filed its 2021 Revenue Requirements Application with the BC Utilities Commission. The commission provided interim approval for ICBC's proposed overall 15% Basic insurance rate reduction on January 14, 2021. Final approval was provided on October 28, 2021.
- The Basic insurance rate request filed with the commission was not directed by government; however, other directions including those on the rate stabilization fund (capital rebuilding), an Enhanced Care rebate, and the start and length of the policy year, were made to both ICBC and the commission. The commission is required to approve rates that are set in accordance with accepted actuarial practice and must follow government directives.

- With the introduction of Enhanced Care, the actuarially indicated rate based on the new model was 26.5% lower than the rate customers were paying under the modified tort model. ICBC's 2021 Revenue Requirements Application for a 15% rate decrease included an 11.5 percentage point rate offset to help build depleted capital levels.
- The anticipated savings from Enhanced Care are heavily based on the model and data from Manitoba Public Insurance, therefore there is a higher level of uncertainty than in previous rate filings regarding the estimates supporting the 2021 Revenue Requirements Application as well as future rate applications as B.C. customers may respond differently to the new enhanced care model. Because benefits may be paid out over many years or even the lifetime of severely injured customers, it will take several years to fully measure the true impacts of Enhanced Care within B.C.
- Through government direction to the commission, there is no requirement for ICBC to submit another Revenue Requirements Application until December 2022 for new rates starting April 1, 2023, in order to facilitate a smooth transition to Enhanced Care and to secure stability in Basic insurance rates.
- The most significant factor influencing rates for policy year 2021 was Enhanced Care. The costs associated with the tort-based system, such as costs for lawyers and legal fees, were largely removed with Enhanced Care. ICBC anticipates annual savings of approximately \$1.5B through Enhanced Care.
- On February 1, 2021, ICBC reduced its Optional Third Party Extension rate in response to the upcoming May 1, 2021 change to Enhanced Care.

Key statistics:

- ICBC's approved rate reduction effective May 1, 2021: - 15% (i.e., a reduction)
- Average Basic Savings as a result of the rate reduction: +\$155
- Enhanced Care savings directed to a Rate Stabilization Fund to help build capital levels - 11.5 percentage points of rate
- Actuarially indicated Basic rate reduction based on new Enhanced Care model: - 26.5% (i.e., a reduction)
 - (15 percentage points of that to reduce rates, 11.5 percentage points to rate stabilization to help build capital)
- Overall annual savings through Enhanced Care: - \$1.5B (i.e., savings)
- Number of Enhanced Care rebates: 3.95M policies with a \$594M total

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Contact: Nicolas Jimenez (ICBC)	Phone: Government Financial Information
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Mobile: Government Financial Information



2022/23 ESTIMATES NOTE**Service Plan 2022/23 to
2024/25 - ICBC****Suggested Response:**

- The net income for FY 2021/22 is forecast to be \$1.904B following a net income of \$1.538B for FY 2020/21. The forecasted net income for FY 2021/22 is higher than the prior year, mainly as a result of higher investment income.
- The FY 2021/22 and outer years forecast includes the legislated capital build component in the Basic rate for policy year 2021, making a significant contribution to rebuilding ICBC's capital reserves.
- However, as with any projections, the achievement of these results will depend on factors and future trends that are difficult to predict, which make long-term forecasts uncertain.
- ICBC has experienced crash frequency increasing since January 2021, returning to pre-COVID-19 crash frequency levels by December 2021. Crash frequency is expected to remain at pre-COVID-19 levels for the remainder of the forecast period.
- Investment income for FY 2021/22 was substantially more favourable than expected as a result of higher capital distributions on equity pooled funds, higher realized equity gains and additional real estate gains from sale of investment properties. Investment income in FY 2022/23 and thereafter is expected to return to more moderate levels.
- Although costs have been substantially reduced by the removal of most legal costs with Enhanced Care, ICBC is mindful of the need to continually assess operating and claims costs to support long-term affordability – its 2022/23 – 2024/25 Service Plan outlines the work that ICBC will focus on to improve its operations and better serve its customers.

Background:**Corporate Strategy**

- The focus will be on streamlining claims processes and developing strategies in crash prevention, material damage programs, and insurance products, as well as initiatives to support ICBC's workforce.
- ICBC will also continue to strive to improve customers' experiences and is changing the way it measures customer satisfaction to better identify where it must improve. Significant steps in this direction will come in 2022 with the elimination of validation decals on licence plates and the introduction of online insurance renewals for most drivers, offered in partnership with brokers.



- Usage-based products, such as kilometre-based pricing, are valued by customers who want insurance that reflects how much they are driving and how they are driving. ICBC is exploring options to incrementally deliver usage-based products in the coming years, informed by customer insights.
- A new, independent Fairness Officer, appointed by government in July 2021, is helping to support ICBC's commitment to build trust and transparency by responding to customers who say they have been treated unfairly by ICBC and by providing recommendations for ways that ICBC can continue to improve administrative practices and processes.
- One of the trends that ICBC is closely watching is the increase in the number of electric vehicles and advanced driver assistance systems. These advances are exciting for customers and beneficial for the environment; however, these vehicles are more expensive to repair after a crash. In partnership with the vehicle repair industry, ICBC continues to look at approaches to manage escalating vehicle repair costs and put customers first.
- From a people perspective, ICBC is facing strong competition for talent. ICBC is supporting its workforce while also helping reduce transportation infrastructure congestion and related carbon emissions through the adoption of flexible workplace practices.

Finances

- See ICBC Estimates Note 1 for ICBC's financial update.
- Below is the summary financial outlook of ICBC's 2022/23-2024/25 Service Plan:



Financial Plan

(\$m)	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Forecast	Budget	Plan	Plan
Premiums earned	5,377 ¹	5,199	5,253	5,493	5,727
Service fees and other	144	121	120	123	126
Total earned revenues	5,521	5,320	5,373	5,616	5,853
Provision for claims occurring in the current period	3,708	3,605	4,129	4,333	4,477
Change in estimates for losses occurring in prior periods	(367)	(387)	(107)	(97)	(78)
Net claims incurred	3,341	3,218	4,022	4,236	4,399
Claims service and loss management	446	513	532	528	531
Insurance operations expenses	284	304	314	328	334
Premium taxes and commissions	787	672	625	661	694
Total claims and operating expenses	4,858	4,707	5,493	5,753	5,958
Underwriting income / (loss)	663	613	(120)	(137)	(105)
Investment and other income	1,018	1,447	623	554	567
Income - insurance operations before impairment loss	1,681	2,060	503	417	462
Non-insurance operations expenses	107	126	145	145	150
Non-insurance commissions	34	38	39	40	40
Non-insurance - other income	(5)	(8)	(8)	(8)	(8)
Net income before impairment loss	1,545	1,904	327	240	280
Impairment loss	(7)	-	-	-	-
Net income	1,538	1,904	327	240	280
Other comprehensive income					
Pension and post-retirement benefits re-measurements	(186)	107	-	-	-
Net change in available for sale financial assets	1,081	313	10	165	237
Total comprehensive income	2,433	2,324	337	405	517
Total equity – beginning of year	(548)	1,867	4,191	4,528	4,933
Non-controlling interest disposition	(18)	-	-	-	-
Total equity – end of year	1,867	4,191	4,528	4,933	5,450
Represented by:					
Retained earnings	1,131	3,035	3,362	3,602	3,882
Other components of equity	729	1,150	1,160	1,325	1,562
Non-controlling interest	7	6	6	6	6
Total equity – end of year	1,867	4,191	4,528	4,933	5,450
Total liabilities	22,314	19,956	18,552	17,056	15,814
Capital Expenditures²	100	68	60	45	41

¹ The 2020/21 actual premiums earned reflect the two COVID-19 rebates totalling \$950 million to ICBC's customers.

² Major categories of capital expenditure include: facilities (land, building, and leasehold), furniture and equipment, IT systems (computer equipment and software). Looking ahead, ICBC expects capital expenditures will change in the planning period as the company maintains or replaces aging infrastructure, including replacement or upgrade of facilities, and as critical business systems are renewed.

Contact: Nicolas Jimenez (ICBC)

Phone: Government
Financial
Information

Mobile: Government Financial
Information

2022/23 ESTIMATES NOTE

Enhanced Care Model

Suggested Response:

- Government and ICBC listened to British Columbians when they told us auto insurance was not affordable which is why we developed a new auto insurance model, effective May 1, 2021.
- By removing the adversarial approach of suing drivers, Enhanced Care lowers insurance premiums and redirects funds to help people get better instead of funding legal fees.
- Customer savings and refunds under the new model are among early examples of the model's success.
- Since the implementation of Enhanced Care, the majority of customers renewing their full coverage (basic and optional) personal auto insurance saved approximately \$490 or about 28% under the new model compared to last year's premiums – more than the average of \$400 or 20% originally projected in 2020.
- ICBC's cost savings are forecasted at approximately \$1.5B in the first full year of implementation.
- In addition to these savings, Enhanced Care has significantly improved the care, recovery and income replacement benefits for British Columbians injured in a crash in Canada or the United States.
- ICBC is committed to ensuring that British Columbians get the care they need, for as long as they need it.
- ICBC is also continuing to work with stakeholders, industry experts and people with lived experience of being in crashes to support Enhanced Care.

ICBC claims disputes:

- ICBC is required, by law, to advise and assist every British Columbian with their claim and endeavour to ensure that every person is informed about, and receives, all benefits they are entitled to.
- Enhanced Care is also a shift in ICBC's culture to one that is focused on helping injured people get better and working collaboratively with an individual and their healthcare team. Under Enhanced Care, a customer can still retain a lawyer if they wish to seek legal advice for their claim.
- While ICBC will make every effort to resolve any issues that may arise during a claim, there are a number of steps customers can take with ICBC if they disagree with a decision about



their claim, including the corporation's Claims Decision Review process. Government has also appointed a new Fairness Officer who may review complaints from individuals who believe the process leading to a decision by ICBC was unfair.

- If a customer feels like they have exhausted these internal channels and are still dissatisfied, there are other options outside of ICBC:
 - If a customer disagrees with an aspect of their claim regarding their entitlement to accident benefits, they can choose to file a dispute with the Civil Resolution Tribunal.
 - Any matter can be submitted to the B.C. Ombudsperson for consideration, which continues to be an avenue for those who are unsatisfied with how their concerns have been dealt with.

Income Replacement Benefit and the waiting period:

- For anyone hurt in a crash and unable to work, Enhanced Care will pay up to 90% of their net income up to \$100,000 in gross income – a significantly higher maximum wage loss benefit than the \$740 per week that was available under the previous system.
- Income replacement benefits are payable after the first seven days from the accident and that has not changed with Enhanced Care. A non-earner who would not have held employment during the 180 days post-motor vehicle accident is entitled to an Income Replacement Benefit beginning on day 181. Generally, a person is a non-earner if they are capable of holding employment but on the date of the accident was not employed, for example, a person who had been laid off but on the date of the accident had not yet found new employment.
- Customers who earn more than \$100,000 per year can choose to purchase additional coverage to top-up the amount of income replacement provided, up to a maximum of \$200,000 in gross annual income.

“Pain and suffering” award:

- Under the previous system, only those not at fault and injured in a crash could sue for “pain and suffering”.
- Beyond receiving all the care and recovery benefits needed over their lifetime, a person who sustains a catastrophic injury is entitled to the new “permanent impairment compensation” of approximately \$265,000, regardless of who is at fault for the crash.
- The compensation for permanent impairment is comparable to pain and suffering awards under the previous system and the maximum amount of compensation for permanent impairment is comparable to the maximum amount that has been paid to a person from a court award for pain and suffering less the approximately 1/3 in contingency fees in the past.

- Importantly, victims of a crash still have the ability to sue for pain and suffering and other non-pecuniary damages as well as punitive, exemplary or other similar non-compensatory damages in the event that a driver is convicted criminally.

ICBC's health care provider fee schedule:

- ICBC's goal is to provide customers with the care and recovery treatments they need following a crash without them having to pay out of pocket for these expenses.
- Customers choose their own treatment providers. This is not done by ICBC.
- ICBC's fee schedule for various treatments is reflective of fair market rates and was set following consultation with health care providers and the associations representing them. The amounts are indexed to the Consumer Price Index and subject to a review by government every five years to ensure they remain current, in contrast to the previous amounts which had not been updated in over 20 years.

Background:

- Enhanced Care, which took effect May 1, 2021, replaces the old tort-law model. Between February and August 2020, more than 50 meetings were held as Government and ICBC worked closely with a wide range of health-care providers, disability advocates and other stakeholders to receive feedback and input to help best ensure Enhanced Care supported people injured in crashes. ICBC has since resumed regular meetings with advisory groups with a particular focus on care delivery and meeting the needs of the seriously injured. The majority of stakeholders who were engaged in the development of Enhanced Care are continuing to work with ICBC to ensure the model meets the needs of health care providers and anyone injured in a crash.
- Under the new model, a small number of customers have raised concerns about their claims and entitlement to benefits, the elimination of suing drivers responsible for causing crashes, compensation of pain and suffering, and paying for health-care services out-of-pocket. Lawyers representing these clients have also shared similar concerns.

Income Replacement Benefits:

- Customers making claims specific to wage loss have raised concerns about the waiting period for income replacement benefits under Enhanced Care. Such benefits are payable after the first seven days from the accident and this period has not changed with Enhanced Care. A non-earner who would not have held employment during the 180 days post-motor vehicle accident is entitled to an Income Replacement Benefit beginning on day 181.
- Also unchanged is that other sources of income such as sick days and employment insurance are deducted from the income replacement benefit. Customers are encouraged to access all their available sources, such as sick days or employment insurance, to ensure they receive the maximum benefits they are entitled to.

- Basic income replacement covers wage loss up to \$100,000 gross income. High-earners have the option to top-up coverage, up to \$200,000. Under the previous tort model a customer could have sued for future wage loss for potentially higher amounts, but only if they were the not-at-fault party.

Pain and suffering:

- In Canada, the highest amount a person can receive for “pain and suffering” is approximately \$390,000, which would typically be subject to lawyer contingency fees of approximately one third, lowering that maximum pain and suffering award to a payment of approximately \$260,000. This is similar to the maximum of approximately \$265,000 provided by the permanent impairment compensation under Enhanced Care.
- Unlike the previous model where pain and suffering awards were only a possibility for those not responsible for causing a crash, the permanent impairment compensation will be provided to all individuals who have permanent impairments regardless of who caused the crash. In addition to the permanent impairment compensation, anyone catastrophically injured in a crash would also be entitled to additional care and recovery benefits, including an assistance-with-activities-of-daily-living benefit of up to \$10,000 per month to provide 24-hour care, and a new recreation benefit for a customer who suffers a permanent impairment and incurs extraordinary costs to participate in recreational activities.
- Additionally, those responsible for causing crashes will see their insurance premiums increase and, in the event criminal charges are laid and a driver is convicted, victims of a crash retain the ability to sue for pain and suffering and other non-compensatory damages.

Health care practitioner fees:

- Customers choose their own treatment providers. This is not done by ICBC. Health care practitioners are not prohibited from charging more than regulated rates; however, the regulated rates confirm the portion eligible for payment or reimbursement under the *Insurance (Vehicle) Act*. The fee schedule amounts are indexed to the Consumer Price Index and subject to a review by Government every five years. If a customer has separate extended health care coverage, Enhanced Care will generally cover the difference in cost.

Benefits:

- The table below in the Appendix highlights many of the key Enhanced Accident Benefits available under Enhanced Care. For specific details on all of the Enhanced Accident Benefits, refer to the regulations.

Contact: Nicolas Jimenez (ICBC)	Phone: Government Financial Information	Mobile: Government Financial Information
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Appendix - Enhanced Accident Benefits Key Benefits Comparison

Accident Benefits	Former system	Enhanced Accident Benefits proposed in February 2020 Intentions Paper	Final Enhanced Accident Benefits*
Overall care and recovery benefits	\$300,000	\$7.5M	No limit
Income replacement	75% of gross income, up to \$740 per week	Up to 90% of net income based on a maximum of \$93,400 in gross income, with option to purchase higher limits	Up to 90% of net income based on a maximum of \$100,000 in gross income, with option to purchase higher limits
Loss of studies Kindergarten to grade 8 Grade 9 – 12 Select post-secondary studies	N/A	\$5,000 \$10,000 \$20,000	\$5,693 \$10,550 \$21,100
Family enterprise	N/A	\$800/week	\$837/week
Permanent impairment compensation Catastrophic Non-catastrophic	N/A	\$250,000 \$800 to \$160,000	\$264,430 \$836 to \$167,465 (depending on severity of impairment)
Personal care assistance: Not-catastrophic Catastrophic Catastrophic - 24/hr care	Attendant care part of \$300,000 limit. Primary homemaker benefit up to \$280/week. Same as above. Same as above.	\$4,800/month \$5,700/month \$10,000/month	\$5,033/month \$6,018/month \$10,000/month
Reimbursement of care expense benefit 1 person 2 people 3 people 4 or more people	N/A	\$120/week \$160/week \$200/week \$240/week	\$146/week \$186/week \$226/week \$266/week
Caregiver benefit 1 person 2 people 3 people 4 or more people	N/A	\$465/week \$515/week \$565/week \$600/week	\$584/week \$634/week \$684/week \$719/week
Recreation benefit	N/A	\$500 to \$4,000/2 years (depending on severity of impairment)	\$500 to \$4,000/2 years (depending on severity of impairment)
Extended benefit for catastrophically injured	N/A	\$1,200,000	\$1,229,910
Death Benefits Spouse Dependant Dependant with disabilities (additional amount) Non-dependant child or parent	\$30,000 6,000 each N/A N/A	\$60,000 - \$500,000 \$30,000 to \$60,000 each \$28,000 \$14,000 each	\$66,987 minimum (maximum is limited by the cap on gross yearly employment income up to \$500,000) \$31,817 to \$60,000 each \$29,306 \$14,918 each
Funeral expenses	\$7,500	\$7,500	\$9,130
Grief counselling	N/A	\$3,500 total (per deceased)	\$3,818 per eligible person per deceased
Travel expenses to attend insured in critical care	N/A	\$4,600	\$4,974 if 1 individual \$2,487 per individual if 2

*Limits are inclusive of indexing for 2021 and rounded to the nearest dollar, where applicable

2022/23 ESTIMATES NOTE**Insurance Broker Commissions****Suggested Response:**

- Through ICBC's extensive network of over 900 private sector brokerages across B.C., the insurance corporation delivers an efficient, customer accessible distribution system with costs below insurance industry benchmarks and high levels of customer satisfaction with brokers.
- Broker remuneration is based on completed insurance transactions and Optional premium revenues generated. Basic fees are paid as a fixed dollar amount and Optional commissions are earned revenue based on variable commission rates related to products and coverages sold and serviced.
- The total commission paid by ICBC on Basic and Optional policies average out to 8%, which compares to the industry average of 12-15%. ICBC competes with other insurers to sell its Optional insurance products, through brokers, to customers. ICBC needs to be competitive in price for customers and also competitive in the compensation it pays brokers for that business.
- ICBC has introduced a new online service channel that allows eligible Autoplan customers with a policy renewal date of May 1, 2022, or later to renew their insurance online. Brokers have a key role in reviewing online transactions to ensure customers are adequately protected, just as they would if the customer renewed their auto insurance in-person or by phone. Broker commissions for online transactions are the same as for in-person transactions.
- On January 1, 2022, Basic broker fees increased by 1.5% to reflect an incremental inflationary increase. This increase represents a 0.3% overall increase in total remuneration for brokers.
- ICBC's cost savings are forecasted at more than \$1.5B in the first full year of implementation of Enhanced Care. Brokers, on the other hand, have experienced a 20% drop in overall remuneration under Enhanced Care after a one-time transition payment. The \$111M decrease is a result of the significant reduction in Optional insurance premiums resulting from the introduction of Enhanced Care.
- To help ease the remuneration transition and to ensure broker support for the changes, in 2021, ICBC made a one-time payment of \$25M to brokers from its Optional Premiums. They also received an 8% increase to Basic Broker fees (equivalent to about \$1 per transaction or about \$2 per year, per policy).
- ICBC is conscious that commission rates have a direct impact on insurance rates and compensation paid to business partners must be fair and affordable for ratepayers.



Optional commissions are designed to be competitive with private carriers and to allow brokers to cover their costs and ensure a return on their investment of the Autoplan License.

Background:

- ICBC’s model is efficient and cost effective, most notably on the Basic and vehicle licensing side where ‘one-stop’ services are provided by brokers for approximately 3% of Basic premium. ICBC views broker compensation as a total package, where fair remuneration is comprised of a combination of Basic fixed fees and Optional rates. Any reduction in Optional commissions comes with the inherent risk of losing ICBC’s most profitable customers, as brokers may actively move customers to competitors who offer similar coverage, but at a higher commission rate.

Fees paid to brokers

- Total compensation in FY 2020/21 was \$585M across Basic fee-for-service, Optional commissions, and a one-time \$25M transition-to-Enhanced-Care payment to help ease the remuneration transition and to ensure broker support for the changes.
- Basic fixed fees total about \$120M or 3.4% of Basic premium. Fees-for-services paid to brokers include vehicle registration and licensing functions, which are often conducted directly by government in private insurance jurisdictions.
- Optional commissions represent approximately \$440M or 15% of Optional premium, and are calculated as a percentage of premium based on the customer’s risk level.
- In some other public auto jurisdictions, Collision and Comprehensive coverages form part of their mandatory (Basic) insurance product, which results in lower average commission expense ratios than B.C. where these coverages are part of ICBC’s Optional insurance product. Below is a table comparing commissions with other public and private insurers:

Insurance Company	Auto Commission	
		National
ICBC	Basic 3% Optional 15% (on average)	N/A
Manitoba Public Insurance	Basic 3% Optional 19.75%	
Saskatchewan Government Insurance	Basic 4% Optional 15%	
Intact	BC: n/a	10% to 12.5% + 3.2% (average profit sharing)
Economical	BC: 18%	10% to 12.5% + 3.0% (average profit sharing)
RSA Canada	BC: n/a	10% to 14% + profit sharing said to be typical of other insurers
Aviva	BC: n/a	10% to 13.5% + 1.5% (average profit sharing)

Contact: Nicolas Jimenez (ICBC)	Phone: Government Financial Information	Mobile: Government Financial Information
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2022/23 ESTIMATES NOTE

Online Insurance Renewals and Licence Plate Decal Elimination

Suggested Response:

Online Insurance Renewals

- On February 14, 2022, government announced that ICBC is set to launch online insurance renewals.
- Eligible ICBC customers renewing policies expiring on or after May 1, 2022, will have the option to renew their policy using their computer, tablet or mobile device.
 - Initially, ICBC customers will be able to renew personal insurance with some restrictions¹. Further capabilities are expected to be made available in the future.
 - ICBC is starting with personal policy renewals as they are generally the most straight-forward transactions and involve the largest group of customers.
- This priority is consistent with ICBC's 2021/22-2023/24 Service Plan commitment to offer digital options to purchase and renew insurance.
- ICBC has fairly and accurately designed a system for online personal renewals, while maintaining the support of stakeholders, including ICBC's broker network and law enforcement.
- To coincide with the launch of online auto insurance renewals, B.C. drivers from May 2022 onwards will no longer be required to display a licence plate validation decal to show they have valid insurance.
- To support this transition, ICBC is making a one-time investment of up to \$1M to enhance and expand the Automated Licence Plate Recognition program for law enforcement in B.C., which helps detect unlicensed and uninsured drivers. Funding for this investment is made possible by operational savings related to the manufacturing of the decals.

Background:

Online Insurance Renewals

- ICBC has received feedback through various customer testing initiatives that customers want the ability to renew their auto insurance policies online.
- ICBC enabled personal policy renewals over the phone and email during the early days of the COVID-19 pandemic.

¹, lessees and joint owners will not be able to renew or purchase personal insurance online.

- In order for ICBC to meet customer expectations and continue to modernize its services, ICBC is leveraging existing technologies and working with partners to deliver online insurance services, starting with personal insurance renewals. Being responsive to customers’ needs by providing more online services supports broader efforts to build customer confidence and trust in ICBC’s services.
- A task force made up of members from the Insurance Brokers Association of British Columbia, Credit Union Insurance Service Association and ICBC worked on a roadmap to allow for online insurance options for customers to renew for online policies effective May 1, 2022. Topics included, but were not limited to, design principles, support model, broker selection, and branding.
- Online personal insurance renewals will add to the many services ICBC already offers online, including reporting and checking the status of claims, booking driver licencing tests, ordering driver abstracts, and using the insurance estimation tool.

Licence Plate Decals

- Validation decals, a sticker applied to a vehicle’s licence plate, have been used on B.C. number plates since 1970 as a visual identifier that the vehicle’s licence (and by extension, insurance) is valid until the date shown.
- On February 14, 2022, government announced that, along with the move to online insurance renewals, B.C. motorists will no longer be required to display a valid validation decal on their licence plates as of May 1, 2022.
- To address concerns resulting from the elimination of validation decals, ICBC consulted with impacted partners, including holding consultation sessions with brokers and municipalities, and established a working group with law enforcement representatives from across B.C., which included the B.C. RCMP, B.C. Highway Patrol, B.C. Association of Chiefs of Police, municipal police forces, Indigenous and Tribal Policing, and RoadSafetyBC. Conversations with B.C. law enforcement and with municipalities are ongoing in relation to their impacts from the decal change.
- Since the Province’s February 14th announcement to eliminate decals, the governments of Yukon Territory and Ontario both announced their move to eliminate decals with go-live dates in March 2022 for both jurisdictions. This follows Alberta (2021), Saskatchewan (2012), Manitoba (2016), Quebec (1992) and the Northwest Territories (2015), as jurisdictions no longer requiring a validation decal on their licence plates. Other jurisdictions have seen savings from the elimination of the decal and have improved the customer experience. These jurisdictions have not experienced an increase in unlicensed or uninsured vehicles.

Contact: Nicolas Jimenez (ICBC) Phone: Government Financial Information

Mobile: Government Financial Information

2022/23 ESTIMATES NOTE**Average Written Premiums****Suggested Response:**

- With the introduction of ICBC's new Enhanced Care coverage on May 1, 2021, British Columbians who bought both their Basic and Optional automobile insurance from ICBC saw, on average, more than a 20% reduction in their insurance premiums in FY 2021/2022. The majority of customers who renewed their full coverage (Basic and Optional) personal auto insurance saved approximately \$490 or about 28% under Enhanced Care compared to the previous year's premiums.
- ICBC also received approval from the British Columbia Utilities Commission to maintain Basic rates to at least March 31, 2023, meaning there will be no overall Basic rate change in Fiscal Year 2022/23. The average Basic premium is expected to be \$831 for personal customers in FY 2022/23 – a very slight increase compared to FY 2021/22.
- Under Enhanced Care, less experienced drivers find it more affordable to be insured and now make up a larger portion of drivers. Since inexperienced drivers have higher overall premiums this increased proportion of less experienced drivers increases the average premium. Partially offsetting these increases, more vehicles now qualify for discounts for having advanced safety technology.
- ICBC adjusts optional insurance rates in response to current and forecasted market conditions. This is standard practice in the insurance industry. ICBC competes with other insurers in the optional market. As a result, optional rates are not disclosed in order to remain competitive.

Background:

- "Written premium" is an accounting term in the insurance industry used to describe the total amount that customers are required to pay for insurance coverage on policies issued by a company during the policy period. For example, if an insurance company over the course of the policy period sells 1,000 new contracts that require each customer to pay \$1,000 in premiums, its written premiums for that period would be \$1M.
- Written premiums are the principal source of an insurance company's revenues and appear on the top line of the income statement.
- During the past several Estimates debates, opposition MLAs have requested the average written premiums for different time periods dating back as far as 2003, as well as a

breakdown between Basic and Optional coverage. Like private insurers, ICBC does not provide competitive pricing information, for their Optional insurance side of the business.

- Written premiums are different from premiums earned, which are the amount of premiums that a company books as revenue for providing insurance against various risks during the year. Insured policyholders pay premiums in advance, so insurers do not immediately consider premiums paid for an insurance contract as revenue. The insurer considers the premium earned only when its full obligation is fulfilled.
- The overall average premium (Basic and Optional) has recovered since the start of the COVID-19 pandemic. Driving behaviour has returned to pre-pandemic levels with customers once again commuting (switching from pleasure to commute) and more commercial vehicles again on the road.
- The table below in Appendix 1 provides the historical average premiums, earned premiums, rate changes and claims costs.

Contact: Nicolas Jimenez (ICBC)	Phone: <small>Government Financial Information</small>
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Mobile: <small>Government Financial Information</small>



Appendix – Historical Basic Average Written Premiums, Basic Rate changes, Changes in Premium Costs, Net Premiums Earned, Claims Costs (2002-2022)

Year	Basic Average Written Premium ^{1,2}	Change in Basic Premium Cost	Basic Rate Change	Implementation dates	Net Premiums Earned ³ \$(M)	Claims Costs ⁴ \$(M)	Year/Year increases	Basic Rate Required	Basic Rate Approved	Revenue Cap \$(M)	Mitigation
2002	601	n/a	6.6%		2,628	2,169	1.9%				
2003	613	12	2.0%	2003-01-01	2,852	2,219	2.3%				
2004	616	2	0.4%	2004-01-01	3,026	2,238	0.9%				
2005	616	0	0.0%	2005-06-01	3,117	2,525	12.8%				
2006	656	40	6.5%	2006-03-01	3,257	2,643	4.7%				
2007	677	22	3.3%	2007-05-01	3,482	2,613	-1.1%				
2008	677	0	0.0%	2008-07-01	3,631	2,510	-3.9%				
2009	677	0	0.0%	2009-10-01	3,650	2,651	5.6%				
2010	661	-16	-2.4%	2010-11-01	3,667	2,752	3.8%				
2011	661	0	0.0%		3,673	2,866	4.1%				
2012	735	74	11.2%	2012-02-01	3,811	2,953	3.0%				
2013	773	38	5.2%	2013-11-01	3,928	3,113	5.4%	11.5%	5.2%	147	OIC to exclude loss cost variance
2014	813	40	5.2%	2014-11-01	4,159	3,560	14.4%	5.2%	5.2%		
2015	858	45	5.5%	2015-11-01	4,448	4,042	13.5%	11.2%	5.5%	147	OIC to exclude 2015 loss cost variance
2016	900	42	4.9%	2016-11-01	6,051	5,966	47.6%	15.5%	4.9%	298	Income transfer from optional of \$300M to offset 10.7% rate
2017	958	58	6.4%	2017-11-01	5,329	5,647	-5.3%	20.0%	6.4%	415	Announce RAAP
FY2018/19	952	(6)	0.0%	2019-02-09	5,824	6,529	15.6%	N/A	N/A		
FY2019/20 ⁵	984	31	6.3%	2019-04-01	6,286	5,908	-9.5%	6.3%	6.3%		
FY2020/21 ⁶	950	(34)	0.0%	2020-04-01	5,377	3,341	-43.4%	0.2%	0.0%		
FY2021/22 ⁷	827	(123)	-15.0%	2021-05-01	5,199	3,218	-3.7%	-26.5%	-15.0%		
FY2022/23 (est) ⁸	831	4	0.0%		5,253	4,022	25.0%	N/A	N/A		

¹ Average premium assumes only personal customers carrying full optional coverage, on a written basis.

² Basic average premium up to 2017 is derived using the historical rate changes. This excludes all other facts that could have an impact on average premium (e.g. changes in business mix and changes in average discount level). From FY 2018/19, the Basic average premium is based on actual premium written in the year, which is influenced by rate design change and COVID-19.

³ Net premiums earned includes both vehicle and driver premiums.

⁴ Claims cost includes current year claims incurred and prior years' claims adjustments.

⁵ Average premium includes impact of the rate design changes implemented on September 1, 2019 and the implemented basic rate change for April 1, 2019.

⁶ The reduction in Basic average premium is mainly driven by COVID-19. Net Premium Earned after COVID-19 rebates of \$950M.

⁷ Average Written Premium after the introduction of Enhanced Care. Net Premium Earned after the Enhanced Care refund.

⁸ Projection based on ICBC's financial outlook.

^{5a} Basic Average Premium is based on annual policyholder mix, which does not reflect any seasonality in business mix throughout the year.

^{1a} Data may contain small differences due to rounding.

2022/23 ESTIMATES NOTE

Road Test Wait Times – Driver Licensing

Suggested Response:

- Throughout the pandemic, ICBC driver examiners have continued to provide a valuable service to British Columbians, and we appreciate everyone’s patience as ICBC works to manage demand for road testing.
- In 2021, ICBC did 29% or 65,321 more passenger vehicle class¹ 5 and 7 road tests compared to 2019 which was ICBC’s last year of normal operations before the pandemic. This was due to an increase in knowledge test holders seeking road tests as well as ICBC addressing the backlog caused by the temporary suspension of road tests in 2020 due to the pandemic.
- Despite the increased pressure on road testing in 2021, 51% of customers taking a class 5 or 7 road test in B.C. waited less than 60 days for their appointment.
- We expect there to be pressure on road test availability this spring and summer when seasonal demand typically increases, including for motorcycles as the weather improves.
- To meet the demand for road testing, ICBC is continuously recruiting and training new driver examiners. ICBC has also significantly increased the number of driver examiners throughout the province and many have been working overtime to provide as many road tests as possible. ICBC brought in 65 additional driver examiners in 2021 and is planning to hire an additional 20 full-time driver examiners over the next two years, to bring the total to just under 250 full-time driver examiners.
- I would advise anyone initially unable to book their desired road test date or location to check ICBC’s on-line booking system regularly as appointments are added as availability opens up and cancellations occur.
- I would also urge all drivers to ensure they are adequately prepared before they attempt a road test.
- In addition to COVID-19 related demand pressures, drivers who repeatedly fail their tests are delaying appointments for drivers who are prepared and are impacting appointment availability as follow-up attempts are booked.
 - In 2021, approximately 18.6% of road test appointments were taken up by customers who were on at least their third road test attempt. This is up from 17% in 2020.

Mandatory Entry Level Training for Class 1 drivers

- Current demand for road testing is predominantly for passenger vehicle classes 5 and 7.

¹ See Appendix A for detailed description of BC Driver Licensing Classes.

- Between March 31, 2021, and October 18, 2021, there was high demand for class 1 road tests preceding the implementation of Mandatory Entry Level Training.
- Since Mandatory Entry Level Training was implemented, demand for class 1 road tests has returned to more normal levels with approximately 95% of the available class 1 road test appointments are currently unused.
- ICBC reallocates any unused class 1 road test appointments for class 5 and 7 road tests.

Background:

- In addition to the seasonal increased demand for road tests that ICBC experiences every spring and summer, in 2021, there was a surge in the number of people looking to obtain their driver’s licence compared to previous years.
- ICBC had to temporarily suspend road tests due to the COVID-19 pandemic for class 5 and 7 licences between March and July of 2020, placing additional pressure on availability when testing resumed.
- For 2021, the number of drivers and how long they waited for a road test is as follows:

Number of Drivers and Wait Time Period (Jan-Dec 2021)						
Region	1-10 days	1-30 days	1-60 days	1-90 days	90+ days	Grand Total
Fraser Valley	21,252	38,190	61,937	70,915	45,417	116,332
Greater Vancouver	12,804	24,505	40,187	45,553	29,818	75,371
Northern Interior	1,309	3,708	5,998	8,355	4,924	13,279
Southern Interior	2,841	6,435	10,163	12,992	13,727	26,719
Vancouver Island	5,082	9,563	14,914	17,268	13,877	31,145
Total	43,288	82,401	133,199	155,083	107,763	262,846
% of total drivers	16%	31%	51%	59%	41%	

- Unprepared drivers who repeatedly fail their road tests further drive appointment demand. In 2021, 8% of drivers needed four or more attempts to pass their Class 5 and 7 road tests.
- In July 2018, ICBC implemented a policy requiring longer waiting periods between retests for people who fail their road tests. The change was intended to incentivize customers to be adequately prepared and safe on the road, while also freeing up road test appointments for customers who may pass on fewer attempts:

Failed Attempt	Waiting Period between Attempts			
	Knowledge Test	Motorcycle Skills Test & Commercial Pre-Trip	Road Test Classes 1-4	Road Test Classes 5-8
1st	7 Days	7 Days	14 Days	14 Days
2nd	7 Days	7 Days	30 Days	30 Days
3rd +	7 Days	7 Days	30 Days	60 Days

Contact: Nicolas Jimenez (ICBC)

Phone: <small>Government Financial Information</small>
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Mobile: <small>Government Financial Information</small>

Appendix A – BC Driver Licensing Classes

Class 1 – Semi Trucks	<ul style="list-style-type: none"> • Semi-trailer trucks • All other class 1-5 motor vehicles or combination of vehicles
Class 2 – Buses (carry people)	<ul style="list-style-type: none"> • To drive buses, including school buses, special activity buses and special vehicles • Any vehicle allowed in Class 4 and 5
Class 3 - Dump trucks (carry cargo – no people)	<ul style="list-style-type: none"> • To drive trucks with more than two axles, such as dump trucks • To drive trailers or towed vehicles exceeding 4,600 kg provided the truck and trailers do not have air brakes • To drive a tow car towing a vehicle of any weight • To drive a mobile truck crane • Any vehicle allowed in Class 5
Class 4 (restricted) – (carry people – less than 10 people)	<ul style="list-style-type: none"> • To drive small buses, taxis, ambulances and limousines • To drive for a ride-hailing service such as Uber or Lyft • To drive special vehicles with a seating capacity of not more than 10 persons (including the driver) used to transport people with disabilities • To drive any vehicle in Class 5
Class 4 (unrestricted) – carry people – up to 25	<ul style="list-style-type: none"> • To drive buses with a maximum seating capacity of 25 persons (including the driver), including ambulances, school buses, special activity buses and special vehicles used to transport people with disabilities • To drive taxis and limousines • To drive for a ride-hailing service such as Uber or Lyft • To drive any vehicle in Class 5
Class 5/7 – passenger vehicle	<ul style="list-style-type: none"> • To drive cars, vans, trucks, construction, utility vehicles (2 axles maximum) and motorhomes (may exceed 2 axles) • To tow trailers or vehicles up to 4,600kg • To ride a limited speed motorcycle or an all-terrain vehicle (ATV) • To ride 3-wheeled vehicles but does not include 3-wheeled motorcycles (trikes) or motorcycle/sidecar combinations
Class 6/8 – motorcycle	<ul style="list-style-type: none"> • To ride motorcycles, all-terrain cycles and all-terrain vehicles (ATVs)



2022/23 ESTIMATES NOTE

Material Damage Strategy and Issues

Suggested Response:

- ICBC is facing a challenging and quickly evolving Material Damage landscape where vehicle technology, Original Equipment Manufacturer influence, shifting demographics and the impacts of increasingly digital customer experiences will dramatically change the Material Damage business and heighten customer expectations over the next 5-10 years.
- Unchecked, these shifts will lead to significant increases in vehicle repair costs and a decrease in the customer experience, an erosion of contribution towards ICBC's fixed costs, as well as unsafe vehicle repair and disposal.
- ICBC is in the process of evaluating strategies that would address these challenges. Initiatives within the strategies are intended to manage annual premium growth and help keep rates affordable.

Background:

Rates

- Along with the Automotive Retailers Association, the collision repair, auto glass, and towing industries have long raised concerns that the rates paid by ICBC are not sustainable for their industries.
- ICBC has undertaken independent, third-party reviews of the collision repair, glass repair, and towing industries in B.C.
- ICBC is committed to ongoing reviews for not only collision and glass repair industries, but also for the commercial repair and towing industries. ICBC follows a disciplined approach to determining rate changes for suppliers, including reviews of costs, and changing market conditions. Following the Post Implementation Business Review for collision and glass:
 - Collision repair suppliers received a 2.58% increase in their labour rate and on March 28, 2022, ICBC increased material cost allowances to recognize the escalating cost of materials.
 - The new paint rate is \$50.81 (previously \$45.15) and the new body material rate is \$6.52 (previously \$6.11).
 - The labour rate for Feather, Prime and Block will also increase to reflect rising costs. The new rate is \$88.31 (previously \$86.86) per labour hour.



- ICBC is developing a defined schedule to review and analyze compensation in a way that provides ICBC and suppliers with a predictable framework on rate reviews.

Skilled Labour

- Recruiting and retaining skilled labour has been a difficult issue for industry as it has been throughout the economy.
- The automotive sector is part of the sectors identified in the *Skilled Trades BC Act*. ICBC is working with its government partners and industry to increase the supply of skilled talent.
- ICBC has had discussions with both the Ministry of Advanced Education and Skills Training and the Industry Training Authority to discuss how it can participate in a way that will increase the supply of skilled professionals in the market.

Training and Equipment Standards

- ICBC has implemented requirements on industry for both collision repair training and equipment to maintain safe and proper repairs. Requirements were established in consultation with industry and are required to remain in ICBC's Collision Repair Program, which allows repair shops to direct bill ICBC instead of customers having to pay up front.
- Some collision repair suppliers have been challenged to complete their training requirements. ICBC staff continue to work with all collision repair suppliers to understand their challenges and considerations for them to continue to remain in our program as they complete their certifications.

Contact: Nicolas Jimenez (ICBC)	Phone: <small>Government Financial Information</small>	Mobile: <small>Government Financial Information</small>
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Ministry of Finance – Crown Agencies Secretariat – Estimates 2022/23

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**MINISTRY OF FINANCE
CROWN AGENCIES SECRETARIAT
ORGANIZATION OVERVIEW**

NAME: Crown Agencies Secretariat Overview**BACKGROUND:**

- Government established the Crown Agencies Secretariat (CAS) in November 2020 as a central agency within the Ministry of Finance.
- CAS built upon the former Crown Agencies Office that existed within the Ministry of Attorney General (AG) and incorporated the existing Crown Agencies and Board Resourcing Office (CABRO).
- CAS has a mandate to support Crown agencies to operate effectively, in the public interest, and in line with government's strategic direction.

CAS OVERVIEW**CABRO**

- CABRO is responsible for supporting effective governance of Public Sector Organizations (PSOs), including:
 - Centralized leadership for the delivery of Crown agency mandate letters, and the legislated annual budget planning and reporting cycle for ministry and Crown agency service plans and annual service plan reports;
 - Leadership and oversight of appointments to 264 PSOs and approximately 2000 appointees;
 - Governance supports and training for public sector boards and executive, as well as operational support for Crown executive and management.

New Office in CAS, provided through Budget 2022 funding:

- The mandate and scope of services under CAS cover three key areas of work:
 1. Integrated financial and policy oversight for select PSOs that are of strategic importance to Government, including support for stakeholder engagement and issues management. CAS's specific role and its oversight services are tailored to match the environment in which each PSO operates.

In this context, CAS has maintained oversight responsibilities for the Insurance

Contact: Kim Horn
Division: Crown Agencies Secretariat
File Name: 01_EN_CAS Overview - AscDM Approved

Phone: 250-896-3680
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**MINISTRY OF FINANCE
CROWN AGENCIES SECRETARIAT
ORGANIZATION OVERVIEW**

Corporation of BC, BC Liquor Distribution Branch, and BC Lottery Corporation, which it held when it was previously situated within the Ministry of Attorney General.

Following direction from government, CAS was also tasked with providing governance and oversight support services for BC Housing and Management Commission, BC Hydro & Power Authority, and BC Ferry Authority. CAS also works with responsible ministries to establish clear roles and responsibilities in each case.

2. Identification and management of risks and opportunities in the Crown sector and providing advice to ministries and government accordingly.
3. Provision of advice and support services to both Crown and Ministries (in addition to in-scope Crowns identified in #1 above) on an ad-hoc basis, leveraging CAS's expertise in public sector finance, policy, issues management and stakeholder engagement, governance, and performance planning and reporting.

BUDGET:

	2020/21 Actuals	2021/22 Restated Budget ¹	2022/23 Estimates	2023/24 Plan	2024/25 Plan
Salaries and Benefits	3,297,000	2,369,000	4,568,000	4,567,000	4,567,000
Operating Costs	1,634,000	249,000	2,487,000	2,416,000	2,325,000
Government Transfers	0	0	0	0	0
Other Expenses	4,000	4000	14,000	14,000	14,000
Internal Recoveries	(115,000)	(31,000)	(32,000)	(32,000)	(32,000)
External Recoveries	0	(2000)	(3,000)	(3,000)	(3,000)
Total Operating Expenses	4,820,000	2,589,000	7,034,000	6,962,000	6,871,000
Totals	4,820,000	2,589,000	7,034,000	6,962,000	6,871,000

¹ Actual spending for FY2021/22 is forecast at \$6.08M. Access to the Contingencies Vote was provided this fiscal year as CAS mandate expanded, the organization transitioned from AG to FIN and its operations slowly ramped up.

Contact: Kim Horn
Division: Crown Agencies Secretariat
File Name: 01_EN_CAS Overview - AscDM Approved

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**MINISTRY OF FINANCE
CROWN AGENCIES SECRETARIAT
ORGANIZATION OVERVIEW**

- Estimates for FY 2022/23 include a base budget of \$7.034 million for CAS.
- To reflect CAS's expanded oversight responsibilities, *Budget 2022* includes a base budget lift of \$4.446 M in 2022/23, \$4.373M in 2023/24, and \$4.282M in 2024/25.
- Decrease in annual base budget over the three year fiscal plan is a result of one-time operating costs associated with CAS's TB-approved project for a permanent office space having been included in CAS's budget in FY 2022/23 and FY 2023/24. CAS's new space is expected to be substantially in place before the end of FY 2022/23.

Contact: Kim Horn
Division: Crown Agencies Secretariat
File Name: 01_EN_CAS Overview - AscDM Approved

Phone: 250-896-3680
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**MINISTRY OF FINANCE
CROWN AGENCIES AND BOARD RESOURCING OFFICE
CROWN AGENCIES SECRETARIAT
FACT SHEET**

NAME: Summary of Applicable Legislation

DESCRIPTION:

- Key statutes that define the board structure, appointment process, accountability, financial and reporting requirements of public service organizations (PSOs) to support and ensure accountability and transparency include:
- Board structure and appointment processes for PSOs are defined in either the enabling legislation for the organization (e.g. *Hydro and Power Authority Act* for BC Hydro, *Insurance Corporation Act* for ICBC), or in the constitution or by-laws of PSOs without stand-alone enabling legislation.
- The *Budget Transparency and Accountability Act* (BTAA) stipulates that all government organizations, except education and health sector organizations and other PSOs exempted by regulation, must prepare three-year service plans and annual service plan reports that are consistent with the government's strategic plan and includes a statement of goals, specific objectives and performance measures. The BTAA also requires these entities to provide financial reports to the Minister of Finance for inclusion in government's fiscal plan, quarterly financial reports and public accounts.
- The *Financial Information Act* requires Crown agencies and other public bodies (those that are controlled by the government or that may receive grants or advances or have their borrowings guaranteed by the government) to publish annual financial statements and other financial information: a statement of assets and liabilities; an operational statement; a schedule of debts; a schedule of guarantee and indemnity agreements; a schedule showing in respect of each employee earning more than a prescribed amount, the total remuneration paid to the employee and total amount paid for the employee's expenses, a consolidated total of all remuneration paid to all other employees and a schedule of payments to suppliers and contributors.
- The *Financial Administration Act* provides the necessary authority, and places responsibility on Treasury Board and the Minister of Finance (the province's fiscal agent) to provide direction on the government's financial management policies. In this way, Treasury Board and the Minister of Finance, through their directives and through the responsibilities they delegate to Treasury Board Staff, the Office of the

Contact: Vanessa Geary, Senior Executive Lead
Division: CABRO
File Name: Summary of Applicable Legislation for CABRO

Phone: (604) 775-1662
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**MINISTRY OF FINANCE
CROWN AGENCIES AND BOARD RESOURCING OFFICE
CROWN AGENCIES SECRETARIAT
FACT SHEET**

Comptroller General and other central agencies, direct and control the financial administration functions of the government.

- The *Freedom of Information and Protection of Privacy Act* (FOIPPA) sets out the access and privacy rights of individuals as they relate to the public sector, including all PSOs. It establishes an individual's right to access records and sets out the terms under which a public body can collect, use and disclose the "personal information" of individuals.
- The *Information Management Act* (IMA) is the government's primary information management law. It applies to designated public sector organizations with approved records schedules under the *Document Disposal Act* and provides a legislative framework for modern, digital information practices, which, over time, will improve access to information, reduce costs for taxpayers and enable timelier services to citizens.
- The *Public Service Employers' Act* (PSEA) ensures human resource and labour relations policies and practices are coordinated among public sector employers and supports communication and coordination between public sector employers and representatives of public sector employees.

Contact: Vanessa Geary, Senior Executive Lead
Division: CABRO
File Name: Summary of Applicable Legislation for CABRO

Phone: (604) 775-1662
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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

**NAME: BRITISH COLUMBIA LOTTERY CORPORATION (BCLC)
OVERVIEW**

BACKGROUND:

- BCLC's mandate is to conduct and manage commercial gambling (casino, lottery, bingo and sports betting) and it does so in a socially responsible manner for the benefit of British Columbians.
- BCLC reports to the Ministry of Finance and is governed by B.C.'s *Gaming Control Act*. The Gaming Policy and Enforcement Branch (GPEB), which has regulatory oversight of BCLC, reports to the Ministry of Public Safety and Solicitor General.
- Government uses gambling revenue generated through BCLC to benefit British Columbians with investments in areas such as healthcare, education and community programs.
- Revenue from casinos and community gaming centres (CGCs) also directly supports local governments, which receive 10% of the province's net income from gambling facilities operating in their community, in accordance with the Host Financial Assistance Agreement between the province and each host local government.
- Government also shares gambling revenue with First Nations, which receive seven per cent of the province's net income from BCLC as part of the BC First Nations Gaming Revenue Sharing Agreement.

CROWN OVERVIEW:

- In FY 2022/23, BCLC forecasts its net income to be \$1.452B, resulting in \$1.441B revenue to the Province of B.C. and \$11M to the federal government. Year over year, this represents an increase from the \$1.214B to the Province of B.C. that BCLC is forecasted to deliver in FY 2021/22.
- BCLC's net-income forecast is based on its assumption that B.C. casinos and CGCs will continue to remain open at full capacity – in line with the February 2022 repeal of public-health restrictions related to capacity limits.
- B.C. casinos and CGCs re-opened with reduced capacity on July 1, 2021, following a mandated 16-month temporary closure to slow the spread of COVID-19. Changes to public health guidelines enabled facilities to resume regular capacity in February 2022.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN – BCLC_Budget FTE and Projected Net Income to Government

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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

- In FY 2021/22, BCLC's online gambling website, PlayNow.com, drove majority of BCLC's revenue growth through the period of casino closures and continues to grow due to strategic investments being made by BCLC.
- In FY 2021/22, lottery revenue is projected to exceed the prior year's performance, primarily driven by favourable jackpot roll patterns¹.
- Beginning in 2022/23, BCLC forecasts that net income will exceed its pre-pandemic record net income of \$1.415B (delivered in FY 2018/19).

BUDGET¹:

\$ Millions	FY 2020/21 Actual	FY 2021/22 Forecast ²	FY 2022/23 Budget	FY 2023/24 Budget	FY 2024/25 Budget
Revenue	966	2,272	2,761	2,961	2,991
Direct Costs	177	634	825	894	900
Gaming Support Costs	54	54	65	65	66
Operating Costs	183	213	244	246	251
Amortization and Other	80	80	94	101	109
Total Costs	494	981	1,228	1,306	1,326
Net Income Before Taxes	472	1,291	1,533	1,655	1,665
Taxes	42	66	81	85	87
Net Income	430	1,225	1,452	1,570	1,578
Liabilities	531	602	631	554	534
Accumulated Deficit	(25)	(25)	(25)	(25)	(25)
Accumulated Other Comprehensive Loss	(24)	(24)	(24)	(24)	(24)
Total Deficit	(49)	(49)	(49)	(49)	(49)
Capital Expenditures	73	83	120	103	90

¹ Lottery revenue can fluctuate from year to year based on the size of jackpots and how often they are won. In FY 2021/22, lottery revenue was higher than budget due to a higher than projected number of unwon consecutive high jackpots.

² As per BCLC's 2022/23 – 2024/25 Service Plan, published February 2022.

Contact: Lynda Cavanaugh, Interim President and
CEO
Division: BCLC
File Name: EN – BCLC_Budget FTE and Projected Net Income to Government

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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

NAME: BUDGET, FTEs AND PROJECTED NET INCOME TO GOVERNMENT

DESCRIPTION:

- In FY 2021/22, BCLC forecasts net income of \$1.225B resulting in \$1.214B revenue for the Province of B.C. and \$11M to the federal government.
- Forecasted net income for FY 2021/22 is \$795M more than FY 2020/21 (\$430M net income), primarily due to the reopening of casinos and community gaming centres (CGCs) in July 2021 and continued growth from PlayNow.com.
- In 2022/23, BCLC forecasts net income of \$1.452B to deliver \$1.441B in revenue to the Province of B.C. and \$11M to the federal government. This is a net income increase of \$227M from the FY 2021/22 forecast of \$1.225B, and an increase of \$1.022B from the FY 2020/21 actual net income of \$430M.
- The number of BCLC's full-time equivalent (FTE) employees grew modestly from FY 2020/21 (1,004 FTEs) to FY 2021/22 (1,076 FTEs) to support the development and growth of strategic initiatives related to player experience, player health, PlayNow.com and sports betting.

Casino/CGC

- BCLC projects \$1.751B in revenue from casinos and CGCs in FY 2022/23, up from expected revenues of \$1.252B in FY 2021/22.
- In FY 2022/23, BCLC forecasts that casino and CGC revenue will return to slightly lower revenue levels than pre-pandemic, with the assumption that the Provincial Health Officer will continue to allow gambling facilities to operate at full capacity.
- Casino revenue is assumed to return to slightly less than pre-pandemic levels due to the uncertainty at this time about post-pandemic conditions; BCLC will continue to monitor and update its quarterly projections to Government accordingly.

Online Gambling

- In FY 2022/23, BCLC projects \$473M in online gambling revenue, up from an expected \$441M in FY 2021/22, with continued growth anticipated in FY 2024/25.

Lottery

- BCLC projects the lottery to generate \$537M in revenue in FY 2022/23, down from \$579M expected in FY 2021/22.
- Lottery revenue can fluctuate from year to year based on the size of jackpots and how often they are won. In FY 2021/22, lottery revenue was higher than budget due to a higher than projected number of unwon consecutive high jackpots.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

- BCLC projects that lottery revenue for FY 2022/23 will decrease from FY 2021/22 with the normalization of jackpot patterns, partially offset by anticipated incremental growth in Lotto 6/49 due to a recent product enhancement.

Net Income Distribution

- Government uses gambling revenue generated through BCLC to benefit British Columbians with investments in areas such as education, healthcare and community programs.
- The Province of B.C. shares seven per cent of BCLC's net income (net of payments to the federal government) with First Nations through the BC First Nations Gaming Revenue Sharing Limited Partnership.
- Revenue from casinos and CGCs also directly supports local governments, which receive 10% of the income from gambling facilities operating in their community.

Capital investments

- BCLC is replacing end-of-life lottery terminals at its 3,500 lottery-retail locations throughout the province. This modernization project is expected to be substantially complete by the end of FY 2022/23, with terminals being delivered to retailers in 2023/24. The project has a total capital budget of \$43M, with approximately \$33M in capital costs incurred since project inception (FY 2019/20) to the third quarter of 2021/22.
- BCLC has no major capital projects of more than \$50M budgeted in 2022/23.

DATA TABLE:

	2019/20 Actuals	2020/21 Actuals	2021/22 Forecast	Anticipated Trends 2022/23	Anticipated Trends 2023/24	Anticipated Trends 2024/25
Net Income Budget (\$ millions)	1,347	430	1,225	1,452	1,570	1,578
FTEs	988	1,004	1,076 (actual)	1,128 (forecast)	Unknown	Unknown

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN – BCLC_Budget FTE and Projected Net Income to Government

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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

NAME: BCLC ANTI-MONEY LAUNDERING UPDATE

DESCRIPTION:

- BCLC's anti-money laundering (AML) unit plays a critical role in safeguarding B.C. casinos from illicit activity. This role includes identifying and reporting suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), cooperating with law enforcement which has the power to investigate and seek charges, and ensuring BCLC and its casino service providers meet all requirements set out by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- BCLC continues to improve its AML program, with a number of actions taken or planned both as the reporting entity and in cooperation with the Gaming Policy and Enforcement Branch (GPEB) and the RCMP.
- BCLC is compliant with all requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*. As the designated reporting entity, BCLC has specific obligations to fulfill, including requirements to maintain a compliance program to know its players, report transactions and keep records.
- In FY 2020/21, BCLC became a principal partner in the Counter Illicit Finance Alliance of British Columbia (CIFA-BC), which works to improve collaboration around Canada's approach to financial information sharing. BCLC also continues to participate in the Gaming Integrity Group alongside GPEB.
- BCLC maintains an ongoing Information Sharing Agreement with RCMP. As a result, BCLC has proactively banned more than 500 individuals from casino and community gaming facilities, including those suspected of criminal activity, a public safety risk or members of organized crime groups.
- BCLC also supports law enforcement and the BC Civil Forfeiture Office by providing information as required.
- FINTRAC conducts biennial examinations of BCLC's AML program and BCLC engages an independent accounting firm to conduct an assessment in alternate years. COVID-19 has had an impact on FINTRAC's schedule of examinations and BCLC expects to be notified in FY 2022/23 of the next examination.
- In March 2021, Deloitte concluded an assessment of BCLC's AML program on PlayNow.com and identified 11 observations for operational improvements regarding BCLC's documentation and record-keeping obligations.
- BCLC addressed all 11 observations from Deloitte's assessment by completing an action plan in response, as part of its commitment to continuous improvement.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN – BCLC_AML Update

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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

Suspicious Transaction Reports

- BCLC reports suspicious transaction reports (STRs) to FINTRAC based on reasonable grounds to suspect the transaction(s) are related to a money-laundering-related offences, including proceeds of crime offences and fraud.
- While STRs can assist in the detection, prevention and deterrence of money laundering, an STR does not mean that a money-laundering offense has occurred.
- Provincial and federal law-enforcement agencies are responsible for investigating suspected money-laundering offences and providing evidence needed for the prosecution of criminal charges.
- The value and count of STRs fluctuate depending on the month; STRs remain low across land-based casinos and PlayNow.com. The value of STRs in B.C. casinos has declined by 99% since 2015.
- In July 2021, casinos and community gaming centres reopened following a 16-month closure due to COVID-19. As of March 31, 2022, BCLC reported 199 STRs in FY 2021/22 with a total value of \$2.134M. In FY 2019/20, the most recent full fiscal year that casinos were open, BCLC reported 227 STRs with a total value of approximately \$3.75M.
- As of March 31, 2022, BCLC reported 283 PlayNow.com-related STRs in FY 2021/22 with a total value of approximately \$1.91M; in FY 2020/21 there were 150 STRs, with a total value of approximately \$812,000. STRs for PlayNow.com are generally related to suspected fraud.

Source of Funds

- Every casino customer who tries to buy-in with \$10,000 or more in cash must prove where the funds came from before they can do so. Casinos also have the discretion to ask any customer to provide the source of their funds, regardless of amount.
- Casinos are also required to verify the identity of individuals for all buy-ins of \$3,000 or more in a single transaction. BCLC implemented this policy in 2021 in response to regulatory amendments under the PCMLTFA.

New Transaction-Monitoring System Solution

- In collaboration with service providers, BCLC continues to work towards the implementation of a scalable transaction-monitoring system to streamline processes; provide an enterprise view of the player transactions to further BCLC's capabilities to detect and report suspicious transactions; and integrate with existing BCLC systems to meet current and future FINTRAC requirements.
- Government Financial Information

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN – BCLC_AML Update

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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

NAME: COVID-19 IMPACTS

DESCRIPTION:

- Public health measures to minimize the spread of COVID-19 continued to significantly impact BCLC's revenue in FY 2021/22.
- Government directed BCLC to close casinos and community gaming centres (CGCs) on March 16, 2020. They remained closed for the entirety of FY 2020/21 and reopened July 1, 2021 (FY 2021/22) with reduced capacity and enhanced health and safety measures.
 - In FY 2020/21, BCLC delivered \$430M in net income against the budgeted amount of \$1.374B. This decrease resulted primarily from the closure of casinos for the entire fiscal year, slightly offset by higher growth from PlayNow.com.
 - In FY 2021/22, BCLC is forecasted to deliver \$1.225B in net income against a budgeted amount of \$840M. This is primarily due to the reopening of casinos in July 2021 with capacity restrictions for most of the fiscal year, and growth in the lottery channel.
- Changes to Provincial Health Officer orders enabled casinos and CGCs to resume regular capacity in February 2022 and to remove proof-of-vaccination requirements in April 2022.
- BCLC continues to focus on recovering casino and CGC revenues and expects to attain slightly lower than pre-pandemic levels by the end of FY 2022/23, based on an assumption that gambling facilities will continue to operate at full capacity for the remainder of the current FY.
- Casino revenue is assumed to return to slightly less than pre-pandemic levels due to the uncertainty at this time about post-pandemic conditions; BCLC will continue to monitor and update its quarterly projections to government accordingly.
- In FY 2021/22, BCLC's online gambling website, PlayNow.com, drove the majority of BCLC's revenue growth due to temporary casino closures, and is expected to continue growing due to BCLC's strategic investments in the platform.
- BCLC also expects to generate \$579M in lottery revenue in FY 2021/22, up from \$544M in FY 2020/21.

Employee and Office Impacts

- BCLC required that all employees provide proof of full vaccination against COVID-19 by November 22, 2021.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
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- Service provider staff at casinos and CGCs, lottery retailers and other business partners will continue to follow the policies of their individual employers, many of which have introduced similar proof-of-vaccination measures.
- The majority of BCLC employees have been working from home since March 2020. Many BCLC employees returned to BCLC offices in April 2022 as part of a hybrid-work model.
- BCLC offices, which remained open to the public by appointment only during the pandemic, reopened fully on April 11, 2022. Virtual-prize claim processes will continue as an option for many players.

Contact: Lynda Cavanaugh, Interim President and
CEO
Division: BCLC
File Name: EN – COVID-19 Impact

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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

NAME: BCLC EXECUTIVE COMPENSATION

DESCRIPTION:

- BCLC's executive compensation aligns with the *BC Public Sector Employers' Guide to Accountable Compensation*.
- Any performance-based increases to commercial Crown executive salaries or total compensation maximums continue to require approval from the Minister of Finance through the Public Sector Employers' Council Secretariat (PSEC Secretariat).
- In July 2020, BCLC changed its organizational structure to support its new strategic plan and reduced its executive team from nine to seven members, resulting in salary continuances as severance.
- While BCLC's total executive compensation for FY 2021/22 is not yet public, it is in line with the total executive compensation from FY 2020/21 and is expected to decrease in FY 2022/23 when departed executives' salary continuances end.
- BCLC will make its FY 2021/22 executive compensation public through Public Accounts and on its website when BCLC publishes the FY 2021/22 Annual Report.
- BCLC's new executive contains the following seven roles: President and Chief Executive Officer; Chief Financial Officer and Vice President, Finance and Corporate Services; Chief Operating Officer; Chief Compliance Officer and Vice President, Legal, Compliance, Security; Chief Information Officer and Vice President, Business Technology; Chief Social Purpose Officer and Vice President, Player Experience; and Chief People Officer.
- There were some further executive changes in FY 2021/22 that resulted from personal circumstances and retirement.
- In December 2021, Jim Lightbody, stepped down from the role of BCLC's President and CEO. He remains on medical leave, which began on September 6, 2019.
- BCLC remains focused on its strategic plan and is actively recruiting in 2022 to permanently fill three key executive roles – President and CEO, Chief Operating Officer and Chief People Officer – that are currently filled in an interim basis.
- Lynda Cavanaugh became Interim President and CEO in January 2021 and continues in an interim capacity until a permanent replacement is identified. BCLC initiated an executive search for a new President and CEO in February 2022.

DATA TABLE:

- The below compensation information is for FY 2020/21 (latest full year available).

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN – BCLC_Executive Compensation

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**MINISTRY OF FINANCE
BCLC
FACT SHEET**

Name and Position During FY 2020/21	Salary ¹	Benefits	Pension	All Other Compensation ²	FY 2020/21 Total
Lynda Cavanaugh, Interim President & CEO ³	\$57,692	\$4,509	-	-	\$62,201
Jim Lightbody, former President and CEO ⁴	-	\$7,221	\$80,300	-	\$87,521
Greg Moore, former Interim President and CEO ⁵	\$270,624	\$4,287	-	\$32,852	\$307,763
Patrick Davis, Chief Information Officer and VP, Business Technology	\$238,146	\$11,850	\$15,548	\$15,240	\$280,784
Bradley Desmarais, former Chief Operating Officer ⁶	\$266,140	\$11,907	\$31,875	\$39,459	\$349,381
Kevin Gass, former Vice President, Lottery Gaming ⁷	\$270,457	\$10,833	\$34,719	\$40,278	\$356,287
Alan Kerr, Chief Financial Officer and VP Corporate Services ⁸	\$266,670	\$12,234	\$35,116	-	\$314,020
Peter ter Weeme, Chief Social Purpose Officer and VP, Player Experience	\$230,000	\$13,101	\$23,742	\$10,026	\$276,869
Yabome Gilpin-Jackson, Chief People Officer	\$219,385	\$11,949	\$18,953	\$6,641	\$256,928
Cameron Adams, Interim Vice-President, Digital and Enterprise Services ⁹	\$207,057	\$9,958	\$7,421	\$33,472	\$257,908
Jamie Callahan, Vice-President, Human Resources ¹⁰	\$233,681	\$8,953	\$8,202	\$5,846	\$256,682
Robert Kroeker, Chief Compliance Officer and Vice-President, Legal, Compliance, Security	\$198,992	\$5,055	\$11,993	\$0	\$216,040
Marie-Noelle Savoie, Chief Compliance Officer and Vice President, Legal Compliance and Security	\$172,500	\$13,678	\$20,029	\$4,924	\$211,131
Susan Dolinski, Vice President, Social Responsibility and Communications	\$50,377	\$0	\$0	\$0	\$50,377
John Leeburn, Interim Vice-President, People and Culture	\$8,875	\$107	\$0	\$0	\$8,982

- Executives did not receive standard performance-based increases for the 2020/21 performance year as per the executive compensation freeze implemented on August 31, 2020.
- Effective March 2020, BCLC employees and executives worked from home throughout FY 2020/21 as recommended by the Provincial Health Officer. As a result, parking expense attributable to Vancouver-based Executives was nil.
- Mr. Lightbody is currently on medical leave, effective September 6, 2019. Greg Moore joined BCLC as interim President and CEO effective September 6, 2019, until Ms. Cavanaugh joined BCLC as new Interim CEO on January 18, 2021.
- Ms. Callahan left BCLC, effective October 10, 2019. Mr. Leeburn served in the interim until Ms. Gilpin-Jackson joined BCLC on April 15, 2020, as Vice President, People & Culture. In July 2020, Ms. Gilpin-Jackson became BCLC's Chief People Officer.
- Mr. Kroeker left BCLC, effective July 2, 2019. Mr. Desmarais concurrently served as Interim Vice President for Legal, Security, Compliance & Chief Compliance Officer until Ms. Savoie joined BCLC on June 29, 2020 as Chief Compliance Officer and VP, Legal, Compliance and Security.
- Ms. Dolinski left BCLC effective November 8, 2018. Ms. Bohm served in the interim before her retirement on May 31, 2019. Ms. Callahan then served in the interim until her departure on October 10, 2019. Mr. Gass concurrently served in the interim until Mr. ter Weeme joined BCLC on February 10, 2020, as its new Vice President, Social Purpose &

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
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**MINISTRY OF FINANCE
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Stakeholder Engagement. In July 2020, Mr. ter Weeme became BCLC's Chief Social Purpose Officer & Vice President, Player Experience.

7. Mr. Gass left BCLC effective June 29, 2020. Mr. Adams served as interim Vice President, Digital & Enterprise Services, until he left BCLC on July 3, 2020. These portfolios were consolidated under the newly created Chief Operations Officer role which Mr. Desmarais assumed until his retirement from BCLC effective October 29, 2021. The Chief Operations Officer role is currently filled on an interim basis by Mr. Beebe. Mr. Gass's salary continuance ended December 28, 2021.
8. Mr. Kerr joined BCLC as new Chief Financial Officer and Vice President, Finance Corporate Services, effective January 13, 2020.
9. Mr. Adams's salary continuance ended December 30, 2021.
10. Ms. Callahan's salary continuance ended April 7, 2021.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
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**MINISTRY OF FINANCE
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FACT SHEET**

NAME: PLAYER HEALTH

DESCRIPTION:

- One of BCLC's corporate-strategic goals as outlined in the 2022/23 – 2024/25 Service Plan is that no one is harmed from gambling offered by BCLC.
- Working towards that goal, BCLC aims to reduce the percentage of players who score as high risk on the Problem Gambling Severity Index (PGSI) from a forecasted 11 per cent in FY 2021/22 to eight per cent by FY 2023/24.¹
 - In FY 2020/21, the PGSI score was nine per cent, which was higher than the target of seven per cent. With the closing of gambling facilities, players have migrated to PlayNow.com. Generally, PlayNow.com players skew younger and male – a profile that tends to engage in riskier behaviour with respect to gambling. In addition, the effects of the pandemic, such as social-distancing measures and the transition to a more virtual environment, increased some risk factors associated with gambling-related problems.
 - Player health continues to be a priority for BCLC and understanding PGSI scores and how best to lower these scores remains a focus.
- BCLC's FY 2022/23 budget for player health and GameSense programs is \$9.0 million, up from \$8.2 million FY 2021/22.
- BCLC's player-health strategy is framed by four key commitment areas designed to encourage healthy play; support those who are experiencing difficulties with their gambling; and make BCLC products, environments and services safer for its players.
 - The four key commitments are: Informed Decisions – providing players with information about gambling products; Positive Play – providing tools to help players adopt safer behaviours; Referral and Support – training employees to provide knowledgeable and sensitive support to players who show signs of a problem; and Safer Products and Environments – continually improving products, environments and marketing to keep players within their limits.
- GameSense is BCLC's player health brand, designed to assist players in making informed decisions about gambling and connect them to resources and further support if needed. In addition to operating GameSense programs within B.C., BCLC also licences GameSense to 14 casino and lottery jurisdictions across North America, including MGM Resorts and BetMGM.

¹ This figure is based on a continuous tracking survey conducted online with a sample size of 2,000 players. The Problem Gambling Severity Index (PGSI) is a self-reported, standardized measure of assessing at-risk gambling behaviours. It is a tool used globally based on research of common signs and consequences of problematic gambling.

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Division: BCLC
File Name: EN_BCLC_Player Health

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- BCLC’s GameSense Advisor (GSA) program is an important service to players, gambling staff and the community.
 - More than 50 full- and part-time GSAs provide education, support, and referral services to facilitate healthy approaches to gambling and reduce harm.
 - During the COVID-19 pandemic, BCLC permanently expanded GSA supports, which were previously available at every casino and community gaming centre in B.C., to phone and online chat on PlayNow.com.
- In March 2019, the Gaming Policy and Enforcement Branch (Ministry of Public Safety and Solicitor General) and BCLC renewed funding of \$1.36 million over five years to the Centre for Gambling Research at UBC to support its efforts to study gambling-related harms.

Voluntary Self-Exclusion (VSE) program

- Self-exclusion programs are an industry standard in Canada and BCLC’s Voluntary Self-Exclusion (VSE) program is one of several tools offered by BCLC for individuals who recognize they are experiencing difficulties associated with gambling. Participants can restrict themselves from B.C. gambling facilities and/or PlayNow.com for terms starting from six months up to three years.
- From April 1 to December 31, 2021, of FY 2021/22, there were 5,898 VSE enrollments compared to 3,977 enrolments for the same period in FY 2020/21. VSE participation rates for PlayNow.com remain consistent despite increased account levels and activity during the period of casino closures.
- In FY 2021/22, BCLC launched a virtual enrollment option for the VSE program and,

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DATA TABLE:

BCLC Player Health	2019/20	2020/21	2021/22	2022/23
Budget	\$8.5M Actual	\$6.5M Actual (due to casino closures**)	\$8.2M Projected	\$9.0M Budget
FTEs*	50	48	51	52

*The number of full-time equivalent (FTE) roles within BCLC’s player-health department includes employees dedicated to programs, advancement and outreach, in addition to GSAs.

**The 2020/21 budget is lower than prior years due to casino closures and resulting in reduced operational costs. The 2021/22 budget reflects the completion of most GameSense Information Centre infrastructure upgrades to accommodate expanded GSA staffing at casinos and CGCs.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN_BCLC_Player Health

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**MINISTRY OF FINANCE
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NAME: Single-Event Sports Betting

DESCRIPTION:

- BCLC’s online gambling website, PlayNow.com, is the only regulated online gambling website permitted in B.C. and meets the Gaming Policy and Enforcement Branch’s (GPEB) high standards for technical integrity, age verification and responsible gambling.
- In August 2021, the federal government legalized single-event betting in Canada, enabling BCLC to provide single-event bets through its PlayNow.com website. Previously, Canadian law meant that BCLC could only offer parlayed betting, which is defined as multiple wagers in one bet.
- Single-event sports betting is currently available on BCLC’s Playnow.com.
- Single-event sports betting on PlayNow.com has supported BCLC in generating additional revenue by enabling it to compete with unregulated, “grey-market” websites that previously offered single-event bets in circumvention of Canadian law.
- To further the success of PlayNow.com and position it as B.C.’s local sportsbook, BCLC continues to sponsor major sports teams – including the Vancouver Canucks, BC Lions and Vancouver Whitecaps – as their exclusive official betting partner.
- Single-event sports betting has been a popular option for BCLC players, with more than 1.5M bets placed between August 2021 and March 2022.
- BCLC generated \$8.8M in revenue, net of prizes, from parlay and single-event betting for the first six months since launch in FY 2021/22, versus \$6.8M in the same period the previous year (FY 2020/21), during which BCLC could only offer parlayed-sports betting under previous law. This represents a 31% increase, year-over-normalized-year¹ with the introduction of single-event betting.
- In February 2022, BCLC launched a pilot offering single-event sports betting concepts to players at 13 bars and pubs throughout B.C. Screens display live event sports-betting odds, information about PlayNow.com sports-betting promotions and healthy-play tips. This pilot will help BCLC to understand the preferences of sports bettors and inform BCLC’s investment in future digitally-enabled brick-and-mortar experiences and programs to help support safe, positive play.

¹ FY2020/2021 actuals are normalized to exclude the estimated impact of the US Election (\$2.1M revenue net of prizes) which was a major event within the fiscal year.

Contact: Lynda Cavanaugh, Interim President
and CEO
Division: BCLC
File Name: EN – BCLC_Single Event Sports Betting

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**MINISTRY OF FINANCE
BCLC
ISSUE NOTE**

ISSUE: ONLINE GAMBLING

ADVICE AND RECOMMENDED RESPONSE:

- BCLC's online gambling website, PlayNow.com, is the only regulated online gambling website permitted in B.C. and meets the Gaming Policy and Enforcement Branch's (GPEB) high standards for technical integrity, age verification and responsible gambling.
- BCLC's PlayNow.com channel is the fastest-growing part of its business, with consistent year-over-year growth. In FY 2020/21, PlayNow.com experienced 135% revenue growth over the previous fiscal year, which was partially due to casinos closures and play migrating online. In FY 2021/22, PlayNow.com expects to achieve further year-over-year revenue growth of 4.5%.
- For FY 2022/23, BCLC projects that its online gambling will deliver \$308M in net income, up from a projected \$288M in FY 2021/22.
- In FY 2021/22, PlayNow.com saw growth in both active player and new player counts.
- In FY 2021/22, the number of new players registering on PlayNow.com increased by 4 per cent from FY 2019/20 – the last full fiscal year prior to the temporary closure of land-based B.C. casinos. This year-over-year growth is in addition to the 94% increase in new players to PlayNow.com in FY 2020/21, during which many land-based players migrated their play online due to the 16-month closure of B.C. casinos and community gaming centres.
- In FY 2021/22, active players on PlayNow.com increased by 7.9% from the previous fiscal year. An active player is defined as a player who placed at least one wager during the fiscal year.

BACKGROUND:

PlayNow.com Market Share

- Based on an independent assessment conducted in 2022 for BCLC and GPEB, BCLC's PlayNow.com captures approximately ^{Government Financial Information} of B.C.'s total online gambling market (excluding online lottery), with the remainder captured by the approximately 800 "grey-market" sites that are not regulated in B.C.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN – Online Gambling

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**MINISTRY OF FINANCE
BCLC
ISSUE NOTE**

- The assessment found that PlayNow.com's share of the total online gambling market in B.C. increased from ^{Government} in FY 2019/20 to ^{Government} in FY 2020/21. ^{Advice/Recommendations}
- Advice/Recommendations; Government Financial Information
- PlayNow.com generates higher revenue per capita than any other regulated platform in Canada.¹

Player Health Supports Integrated with PlayNow.com

- BCLC's GameSense is the award-winning player health program created in 2009 as a player-first approach to responsible gambling. The program aims to reach every player by promoting positive play behaviours, providing details on key gambling concepts and offering valuable support and education to support informed decision making and positive play.
- PlayNow.com is the only online gambling website in North America – and one of the few in the world – with dedicated player-health specialists, known as GameSense Advisors, available via phone and online chat to support players with healthy-play habits or refer them to treatment and support services, if needed.
- PlayNow.com offers safeguards and tools to support healthy play that include age-verification controls, a session log that provides players with clear visibility into their play activity and a short-term lockout function for players who want to set up a break from their gambling.
- BCLC also has a voluntary self-exclusion program to help people who recognize they may need to take a break from gambling. Participants can restrict themselves from PlayNow.com for terms starting from six months up to three years.
- Through GPEB's Gambling Support BC, the B.C. Government also provides British Columbians with free information and resources to support informed choices and healthy behaviours with respect to gambling. Free prevention, treatment and support services are available for anyone struggling with their own or a loved one's gambling.

Online Gambling Research

- In 2020, BCLC and GPEB jointly commissioned *The Online Gambling Prevalence Study* – one of the first of its kind in the world, which revealed that among the 22% of adults who gamble online across all websites in B.C., 24% are at high risk of experiencing problem gambling.
- BCLC and GPEB continue to work on executing the robust action plan that address the report's recommendations. The action plan includes ongoing and new work,

¹ Source: BCLC and H2 Gambling Capital data.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
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**MINISTRY OF FINANCE
BCLC
ISSUE NOTE**

such as identifying play behaviours associated with risk and problem-gambling levels, proactive interventions when players show signs of actively experiencing harms and exploring incentives for healthy-play behaviours through play-based rewards.

- Additionally, in March 2019 BCLC and the Province of B.C. renewed a five-year investment of \$1.36M to the UBC Centre for Gambling Research to continue research on how best to identify risky behaviours and support players.
- In FY 2022/23 BCLC budgeted \$9M to player health – this includes 52 employees dedicated to player health and responsible gambling. This is up from the projected \$8.2M in FY 2021/22.

Grey Market Action and Threats

- Offshore, unregulated grey-market online gambling presents risks related to money laundering, gambling addiction, game integrity and lost revenue for government.
- While BCLC's PlayNow.com offers a competitive online gambling platform, the grey market continues to scale up its marketing in B.C. and Canada and is proactively targeting players through marketing campaigns and enticing sign-up bonuses.
- Ontario launched licensed online gambling on April 4, 2022, which may create further confusion for players in B.C. in determining which sites are regulated in their province since many sites licensed in Ontario will continue to illegally offer their sites to B.C. players.
- BCLC continues to develop strategies, building on PlayNow.com's success to date, to further enhance its market share at the expense of grey market operators.

DATA TABLE:

	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22 Forecast**
eGaming revenue, net of prizes*	\$149.8M	\$179.0M	\$422.0M	\$441.0M
Growth from previous FY	+24.9%	+19.5%	+135.8%	Projected +4.5%

* Includes B2B revenue from PlayNow.com in Manitoba.

** As per FY 2021/22 forecast reported in the 2022/23 – 2024/25 Annual Service Plan as released on February 22, 2022.

Contact: Lynda Cavanaugh, Interim President and CEO
Division: BCLC
File Name: EN – Online Gambling

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**MINISTRY OF FINANCE
LIQUOR DISTRIBUTION BRANCH
ORGANIZATION OVERVIEW**

Liquor Distribution Branch

BACKGROUND:

- The Liquor Distribution Branch (LDB) is one of two branches of government that provide oversight of the beverage alcohol and non-medical cannabis industries; the other is the Liquor and Cannabis Regulation Branch (LCRB). The LDB is responsible for the wholesale distribution and retail sale of beverage alcohol and non-medical cannabis.
- The *Liquor Distribution Act* (LDA) gives the LDB the sole right to purchase beverage alcohol both within B.C. and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*. The LCRB licenses private liquor stores, restaurants, pubs and manufacturers and enforces regulations under the *Liquor Control and Licensing Act*.
- The *Cannabis Distribution Act* (CDA) establishes a government wholesale distribution model for non-medical cannabis, public cannabis retail stores and a public-run e-commerce retail channel. The LDB's General Manager has been appointed as the administrator of the CDA. The LCRB licenses private cannabis stores and enforces some aspects of the regulations under the *Cannabis Control and Licensing Act*.

LIQUOR DISTRIBUTION BRANCH OVERVIEW:

- Employs approximately 5,150 full- and part-time staff (~4,300 FTEs).
- Oversees a province-wide mixed public-private retail and public wholesale beverage alcohol and non-medical cannabis business model.
- Operates 198 BCLIQUOR stores (BCL) and 33 BC Cannabis Stores (BCCS).
- Provides online ordering systems for wholesale customers of beverage alcohol and non-medical cannabis.
- Operates an e-commerce retail channel for non-medical cannabis under the BCCS brand.
- Distributes liquor products through two distribution centres located in Delta and Kamloops, and non-medical cannabis products through a distribution centre located in Richmond.

Contact: Blain Lawson, General Manager & CEO
Division: Liquor Distribution Branch
File Name: LDB Organization Overview

Phone: 604 252-7411
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**MINISTRY OF FINANCE
LIQUOR DISTRIBUTION BRANCH
ORGANIZATION OVERVIEW**

Financial impact of COVID-19 Pandemic on BCL

- In July 2020, the LDB implemented a wholesale pricing model for hospitality licensees purchasing liquor from the LDB. This policy resulted in an estimated reduction of \$55M in net income for fiscal year (FY) 2021/22, and a projected annual impact of \$71M, once hospitality customers return to their pre-COVID-19 purchase levels.
- FY 2020/21 highlighted a significant departure from usual consumer purchasing habits, particularly amongst liquor consumers, including increased buying for home consumption, which resulted in an unexpected BCL retail sales increase of \$95.2M compared to FY 2019/20.
 - This increase partially offset the decreased sales to hospitality customers who closed or operated at reduced capacity due to COVID-19 restrictions.
 - Due to the ongoing pandemic in FY 2021/22, the hospitality sector continued to operate under public health order restrictions, although with fewer restrictions compared to the prior year. This, coupled with increased retail customer sales, resulted in BCL sales being higher than historical pre-COVID-19 levels.
- With COVID-19 continuing into FY 2021/22, supply chain disruptions and inflation have caused product costs to increase resulting in higher prices to consumers.

BUDGET:

Budget (millions)	2020/21 Actuals	2021/22 Forecast ¹	2022/23 Estimates	2023/24 Plan	2024/25 Plan
Sales	4,135	4,328	4,561	4,700	4,802
Gross Margin	1,635	1,686	1,735	1,775	1,808
Operating Expenses	487	546	584	592	598
Other Income	13	13	15	15	15
Net Income	1,161	1,153	1,166	1,198	1,225
Capital	22	32	40	31	25

¹ Actuals for 2021/22 will become available alongside the release of the 2021/22 Public Accounts and the LDB's Annual Service Plan Report.

Contact: Blain Lawson, General Manager & CEO
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File Name: LDB Organization Overview

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**MINISTRY OF FINANCE
LIQUOR DISTRIBUTION BRANCH
ORGANIZATION OVERVIEW**

PROGRAM SUMMARY:

	2019/20	2020/21	2021/22 Projection	Anticipated 2022/23 *based on Service Plan	Anticipated Trends 2023/24 to 2024/25
Revenue (\$ millions)	3,841	4,135	4,328	4,561	4,802 in 2024/25
Net Income (\$ millions)	1,107	1,161	1,153	1,166	1,225 in 2024/25
FTEs	3,700	4,059	4,253	4,510	4,576 in 2024/25
Sales Data by Category (Combined Wholesale and Retail)					
Spirits	947	999	1,044	1,097	1,134
Wine	1,272	1,272	1,287	1,302	1,328
Refreshment Beverages	321	421	450	493	555
Beer	1,165	1,116	1,116	1,160	1,164
Cannabis	136	327	431	509	621
Liquor					
Number of Manufacturers					
Land-based wineries	333	339	356	n/a	n/a
Commercial wineries	63	76	98	n/a	n/a
Craft distilleries	67	75	83	n/a	n/a
Commercial distilleries	28	34	44	n/a	n/a
Brewpubs	30	31	46	n/a	n/a
Brewery < 350,000 HL	176	197	239	n/a	n/a
Brewery > 350,000 HL	5	5	6	n/a	n/a
Wholesale Customers					
Hospitality customers	8,312	8,139	7,954	n/a	n/a
Licensee Retail Stores and Independent Wine Store	684	682	689	n/a	n/a
BC Liquor Stores	197	198	198	198	198
Rural Agency Stores	227	225	225	n/a	n/a
Manufacturer On-site Stores	686	745	746	n/a	n/a
Duty Free Stores	11	11	11	n/a	n/a
BC Liquor Stores Retail Customers	37,037,287	35,564,493	38,106,000	n/a	n/a
Cannabis					
Licensed Producers	52	79	150	n/a	n/a
Accessory Vendors	10	18	25	n/a	n/a
Number of BC Cannabis Stores	15	25	33	40	45
Number of Private Cannabis Stores	178	295	381	n/a	n/a
Retail Customers					
BC Cannabis Stores	534,705	1,030,245	1,552,400	n/a	n/a
Online Store	98,010	105,546	63,900	n/a	n/a

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**MINISTRY OF FINANCE
BC LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

ISSUE: BTAP Recommendation Status

ADVICE AND RECOMMENDED RESPONSE:

- The work our government has done with the Business Technical Advisory Panel (BTAP) since 2018 has resulted in significant measures to both improve liquor policy in B.C. and to deliver timely and necessary support for businesses and workers in the liquor manufacturing and hospitality sectors during the pandemic.
- By implementing a number of BTAP recommendations and additional COVID-19 response measures, we have made substantial investments in industry, including an estimated \$71M in annual savings to the hospitality sector with the implementation of permanent wholesale pricing for hospitality licensees.
- To date, 14 out of 34 BTAP recommendations are complete; another 14 are being assessed or implemented; and six have been identified as not moving forward¹.
- The BTAP forum is an important part of government's work with liquor sector stakeholders, enabling open discussions on liquor policy and licensing issues to take place in a collaborative and transparent manner.

KEY FACTS:

- In fiscal 2021/22 government continued to act on many of BTAP's recommendations to support the liquor and hospitality industry, including:
 - delivering on our commitments to make hospitality pricing permanent and permanently permitting hospitality licensees to sell packaged liquor and single-serving beverages for takeout or delivery with the sale of a meal;
 - transitioning the regulation of rural agency stores that are authorized to sell liquor from the Liquor Distribution Branch (LDB) to the Liquor and Cannabis Regulation Branch (LCRB) by creating the new Rural Licensee Retail Store licence;
 - allowing for temporary extensions of service areas (patios) and adapting policies and processes to enable businesses to make these patios permanent;
 - re-authorizing the temporary delivery by B.C. manufacturers of liquor to retail customers from offsite storage facilities; and
 - permanently extending liquor retail store hours.

¹ The total is greater than the original 24 from the report, as some recommendations were segmented, and additional emergency recommendations were added subsequently.

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File Name: BTAP Recommendation Status

**MINISTRY OF FINANCE
BC LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

Background:

- In 2018, BTAP was established to focus and inform government on liquor policy and legislation issues of concern to the B.C. liquor industry (including manufacturers, licensees and hospitality stakeholders). A report containing 24 recommendations was submitted to government that aimed to improve efficiency and business relations between government and B.C.'s liquor industry.
- Since March 2020, the liquor and hospitality industry has been managing an unprecedented crisis stemming from the COVID-19 pandemic, with economic recovery for the industry in its early stages. As a result, in February 2021, BTAP provided government with an updated list of recommendations, including a reprioritization of original recommendations and several new, urgent recommendations intended to help industry respond and recover from the pandemic.
- As a result, government and BTAP completed a prioritization exercise that committed policy priorities for a 12-18 month period, including recommendations from the 2018 report and broader operational objectives.
- In total, 34 recommendations have been put forward by BTAP. This reflects original recommendations (some of them split into components), as well as emergency recommendations added during the pandemic. To date, 14 recommendations are complete, 14 are in the analysis or implementation phase and six are not moving forward.
- Government partners assesses each recommendation, considering the public safety, economic benefits, trade and revenue implications that any policy or regulatory changes would have, both on industry and the province, in a way that maximizes the overall public interest for British Columbians. This means that some recommendations may be implemented, while others may not.
- Staff from the LDB, LCRB, Crown Agencies Secretariat, and Ministry of Agriculture, Food and Fisheries engage with BTAP quarterly to ensure a whole-of-government approach to liquor policy, consulting with other ministries as required.

Financial impact

- A number of the policy measures implemented as a result of BTAP have financial impacts for the LDB and the Province more broadly, including an estimated \$71M annual impact resulting from the implementation of permanent wholesale pricing for hospitality licensees.

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**MINISTRY OF FINANCE
LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

ISSUE: Capital and Operation Projects

ADVICE AND RECOMMENDED RESPONSE:

- The Liquor Distribution Branch (LDB) invests in capital and operating projects to support the modernization of its business and to support government's mandate for economic growth, including job creation and improved services to the people of B.C.
- Over the next three years, the LDB plans on spending \$96M (an average of \$32M annually) on capital projects.
- In fiscal 2022/23, the LDB plans to spend a total of \$39.9M in capital for ongoing operational requirements, technology projects, renovations to BC LIQUOR (BCL) stores and rollout of the remaining planned BC Cannabis Stores (BCCS).

KEY FACTS:

- Specific investments include:
 - FY2021/22 capital spending on BCCS rollout is forecasted at \$9.2M and the FY2022/23 budget for remaining planned stores is \$10.3M.
 - FY2022/23 capital budget for BCL store tenant improvements and operating capital (including IT equipment, operating equipment, vehicles) is \$20.8M; and
 - FY2022/23 capital budget for systems projects is \$8.8M.

BACKGROUND:

- Capital expenditures are projected to increase to \$39.9M in FY2022/23, largely due to:
 - Government Financial Information
 - undertaking BCL store tenant improvements to meet customer expectations and to add 'cold zones' (refrigerated products) in some store locations to support additional sales and revenue.

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**MINISTRY OF FINANCE
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ISSUE NOTE**

- It is expected that additional BCCS retail locations will continue to support economic development in various communities across the province.
- The LDB is continuing work on various capital projects including a new wholesale pricing system and a product information management system to meet the growing needs of customers and businesses in both liquor and cannabis.
- The LDB remains focused on cost-consciousness and accountability to taxpayers when selecting projects and is committed to ensuring projects are completed successfully, on-time and within budget.

BUDGET:

LDB Capital (\$ millions)	2020/21 Actual	2021/22 Projection	2022/23 Forecast	2023/24 Plan	2024/25 Plan	3 Year
Operating Capital	12.9	17.1	20.8	19.9	21.9	62.6
Capital Projects	0.7	5.5	8.8	6.9	3.3	19.0
Cannabis Store Rollout	8.3	9.2	10.3	4.1	-	14.4
Total Capital	21.9	31.8	39.9	30.9	25.2	96.0

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KEY MESSAGES

COVID-19 Vaccination Policy Employee Terminations

- Effective November 22, 2021, all employees in the BC Public Service were required to provide proof of vaccination, and compliance with the COVID-19 vaccination policy is a condition of employment.
- Accommodations for medical or other grounds protected under the B.C. Human Rights Code were also considered.
- Approximately 1% of employees chose not to be vaccinated or chose not to disclose their vaccination status. Those employees were placed on unpaid leave for 3 months. After this period passed on February 22, 2022, affected employees were informed they would face termination if still unvaccinated and if no accommodation was in place.

Personal Information

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**MINISTRY OF FINANCE
BC LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

ISSUE: Pandemic Pay**ADVICE AND RECOMMENDED RESPONSE:**

- Temporary pandemic pay was one of the ways our government recognized the frontline workers in health, social services and corrections who were providing critical public services to vulnerable people during the first acute phase of the pandemic.
- This was a cost-shared program with the federal government with limited funding parameters and we did our best to maximize the benefit to the most employees possible.
- Payments were distributed to about 223,000 people working in health, social services and corrections between March 15, 2020 and July 4, 2020.
- The temporary pay program is no longer available.
- I'd like to recognize all employees who have been working throughout the pandemic and those supporting the Province's response to COVID-19. We could not get through it without their resilience and teamwork.
- The allocation of limited resources was a difficult one and does not reflect on the work performed by LDB employees or government's appreciation for that work.
- Government supported the LDB to invest \$5M to improve worker health and safety at the LDB during the pandemic.

KEY FACTS:

- In May 2020, the federal and provincial government established a Temporary Pandemic Pay (TPP) program to provide a lump sum top-up for front line workers providing critical public services to vulnerable people, in health, social services and corrections during the COVID-19 response.
- LDB employees were not included in the TPP initiative.
- The B.C. government invested \$5M to improve worker health and safety at the LDB, including installing protective shields at tills, hiring additional professional cleaners,

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BC LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

and implementing physical distancing measures throughout the stores.

- The LDB, through its wholesale and retail lines of business, generates over \$1B in revenue each year to support public services, including government programs to support families, businesses and communities mitigate the impacts of the COVID-19 pandemic.

BACKGROUND:

- The provincial-federal cost-shared program provided a one-time pandemic pay top-up for front-line workers who delivered in-person, critical public services in health, social services and corrections to those most vulnerable during the pandemic, and where physical distancing was not always possible.
- The program ultimately supported approximately 223,000 people, costing about \$324M in lump sum payments.
- After it was confirmed that LDB employees would not be eligible for the TPP program, the BCGEU (component 5) called on the Ministry of Finance to provide financial recognition to LDB retail store employees, suggesting that government authorize the use of revenue generated through product sales to fund a wage top-up similar to how funding worked under the TPP program.
- The BCGEU's rationale for this request was the increase in sales during the same period as the TPP program. In Fiscal Year 2020/21, the results of LDB improved by \$27M compared to estimates in Budget 2020, with a net income of \$1.161B.

Contact: Blain Lawson, General Manager & CEO
Division: Liquor Distribution Branch
File Name: Pandemic Pay

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BRITISH COLUMBIA

VIA EMAIL

April 16, 2021

Dear Panel members:

First, we want to thank you for your continued collaboration, particularly during the last year. We are mindful of how important our good working relationship has been in being able to introduce a number of effective measures to assist your sectors very quickly, mitigate even more job losses and help industry as it starts to focus on the road to recovery.

We are encouraged by the number and significance of the changes we have been able to implement together with the Business Technical Advisory Panel (BTAP), including changes related to permanent wholesale pricing for hospitality, enabling production of sanitizer, permitting the sale of packaged liquor with the sale of a meal, extensions of service areas, delivery of liquor from offsite storage facilities, extending retail liquor store hours and, most recently, again allowing packaging of growlers with meals during these latest health restrictions. It really is a testament to what can be accomplished through partnership and collaboration.

BTAP was established to provide government with a consensus on sector priorities to allow for the focus of limited government resources on those priorities and provides industry with an effective vehicle to have direct, ongoing dialogue with decision-makers.

This letter is intended to confirm government's agreement with prioritizing the nine BTAP liquor policy items you had proposed and the process moving forward that was discussed at the April 9, 2021 BTAP meeting with staff.

With the Province's vaccine rollout well underway and looking forward to a time in the not too distant future when some of the pandemic-related restrictions that have had a severe impact on some sectors in the liquor industry can be lifted, it is a good time to visit priorities.

We have reviewed the priority list (included below) that you recently shared with staff and we can confirm that we are in alignment and government has already begun taking action on all nine of these items BTAP has put forward. In some cases, this means the start of analysis that will support a government decision on how to respond to the recommendation, while in others, as you will be aware, we have already been able to announce the actions taken to respond to these priorities. This is good news and we look forward to furthering this work through the productive working relationship government and BTAP have established.

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It is also a good time for government to communicate to you the priorities we have established for the Liquor Distribution Branch (LDB), the Liquor and Cannabis Regulation Branch (LCRB) and the Ministry of Agriculture, Food and Fisheries (MAFF), related to liquor policy. In addition to the priorities you have identified, there are a number of original BTAP recommendations that have been identified as priorities by LCRB, LDB and MAFF and work will continue on those. Equally important are priority policy matters that require the attention of staff that are not directly BTAP-related. We expect these key initiatives will have a positive impact organizationally which will also serve to benefit licensees and the industry at large. These policy priorities can be found below.

We can commit that work will continue on your priority items at a pace that allows for good decision-making and good implementation. We anticipate the work on your priorities and the additional priorities below will consume government's liquor policy resources for the next 18 months.

BTAP Priorities:

- 1) Make temporary COVID permissions permanent:
 - a. wholesale hospitality pricing
 - b. packaged liquor sales with take-out/deliver of meals

Intergovernmental Communications; Government Financial Information
- 2)
- 3)
- 4)
- 5) Permit cocktails-to-go from hospitality licensees with a meal
- 6) Intergovernmental Communications; Government Financial Information

Government Priorities in Addition to BTAP's Priority List:

LCRB

- Intergovernmental Communications; Government Financial Information
- Onsite stores and minimum requirements for breweries (BTAP #18).
- Intergovernmental Communications; Government Financial Information

LDB

- Intergovernmental Communications; Government Financial Information
-
-

.../3

MAFF

- Intergovernmental Communications; Government Financial Information
-
-

Addressing the nine priorities you recently submitted, and the priorities identified by LCRB, LDB and MAFF, is a tall order that will require some focus and patience on the part of BTAP members. We request your support and focus in committing to using the BTAP forum to advance your requests rather than pursuing items individually or separately through various ministries or other avenues of government. We also request your patience in recognizing that while some items may be relatively straightforward and decisions can be arrived at relatively soon, others are complex and broad in scope and will take significant time to arrive at a decision and/or implementation.

As the Ministers most directly involved in and responsible for the issues related to the liquor industry, we value the collaboration that BTAP affords and look forward to making significant progress on the priority items that will have a positive impact on your sectors that contribute substantial employment and economic benefits to the province.

If you have any questions, please do not hesitate to reach out to Kim Horn, Principal, Crown Agencies Secretariat by email at Kim.Horn@gov.bc.ca as the lead contact for government on BTAP.

Sincerely,



Mike Farnworth
Minister of Public Safety
and Solicitor General



Selina Robinson
Minister of Finance



Lana Popham
Minister of Agriculture,
Food and Fisheries

pc: Tom Ethier, Deputy Minister, Ministry of Agriculture, Food and Fisheries
Doug Scott, Deputy Minister, Crown Agencies Secretariat, Ministry of Finance
Mark Sieben, Deputy Solicitor General, Ministry of Public Safety and Solicitor General
Arif Lalani, Assistant Deputy Minister, Business Development Division, Ministry of
Agriculture, Food and Fisheries
Mary Sue Maloughney, Assistant Deputy Minister, Liquor and Cannabis Regulation
Blain Lawson, General Manager, Liquor Distribution Branch
Kim Horn, Principal, Crown Agencies Secretariat, Ministry of Finance

**MINISTRY OF FINANCE
LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

ISSUE: Wineries and Wine Growers B.C. Requests

ADVICE AND RECOMMENDED RESPONSE:

- Government continues to work closely with the B.C. wine industry, including through the Business Technical Advisory Panel (BTAP).
- The B.C. wine industry, including land-based and commercial wineries, currently benefits from direct sales to wholesale and hospitality customers and the ability to retain mark-up on those direct sales.
- The Liquor Distribution Branch (LDB) will continue to engage collaboratively with the wine industry and Wine Growers BC (WGBC).

KEY FACTS:

- As of end of Fiscal Year 2021/22, there are 346 land-based wineries and 93 commercial wineries in the province. This is an increase of 7 land-based wineries and 17 commercial wineries from the previous fiscal year.
- There are three main wine stakeholder groups in B.C.:
 - BC Cider Association, which is a coalition of craft cider producers, orchardists, and restaurateurs;
 - B.C. Wine Authority (BCWA), which is responsible for the BC Vintners Quality Alliance (VQA) Program; and
 - WGBC, which is a voluntary trade association with approximately 180 members.

BACKGROUND:

Land-Based and Commercial Wineries

- The LDB designates licensed wine producers into two categories:
 - Land-based wineries: must meet a specific set of criteria found in the Land-Based Winery Agreement, such as using 100% B.C. inputs, or owning or leasing a minimum amount of agricultural land and utilizing traditional wine, cider or sake making techniques.

Contact: Blain Lawson, General Manager & CEO
Division: Liquor Distribution Branch

Phone: 604 252-7411
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**MINISTRY OF FINANCE
LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

- Commercial wineries: any winery that does not meet any one of the eligibility criteria for land-based winery designation. Inputs may be sourced from B.C. or elsewhere, including the wine itself (i.e., can import grapes and/or bulk juice).
- In addition to the direct delivery and mark-up exemption benefits provided through the LDB's sales agreements, the Ministry of Agriculture, Food and Fisheries (which is responsible for the BCWA) also provides support to the winery industry via programs such as B.C. VQA and buy local programs.
- Several other supports are available to the B.C. wine industry through the LDB. In addition to financial benefits of approximately ^{Government} _{Financial} in fiscal 2020/21, the LDB offers BCLIQUOR in-store promotions and marketing efforts, advertising and other initiatives including:
 - dedicated VQA displays and collateral;
 - dedicated B.C. VQA rooms/areas in stores;
 - seasonal buying;
 - buy local programs;
 - B.C. Wine Month;
 - Boutique Wine Program; and
 - special events.

Table 1: Summary of Mark-up Benefits by Winery Type

Number of Wineries (as of FY 2021/22)	Land Based Wineries 346	Commercial Wineries 93
VQA Wine (direct delivered)	Mark-up exempt	
Non-VQA Wine (direct delivered)	Mark-up exempt	Mark-up applied but receive 7% commission
VQA distributed through LDB	50% rebate on product distributed through the LDB	
VQA sold through on-site stores	Mark-up exempt	

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Division: Liquor Distribution Branch

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**MINISTRY OF FINANCE
LIQUOR DISTRIBUTION BRANCH
ISSUE NOTE**

Industry Requests

- WGBC has made several requests to government seeking legislative, regulatory, or policy changes, with the following three having potentially major effects on the LDB and revenues to government:
 - to amend B.C. VQA blending rules for 2021 vintages to increase the volume of wine permitted from earlier and subsequent vintages (2020 and 2022) to 25%, provided the other vintages are also from B.C.;
 - to allow alternative packaging produced by commercial wineries to qualify for mark-up relief and direct delivery, if certified by the BCWA; and
 - to repeal restrictions which prevent common ownership between a commercial distillery or winery and a craft distillery or land-based winery.
- Policy resources have been committed to a subset of priority initiatives identified through the BTAP process and agreed-upon by affected ministries. The above requests are not part of those agreed-upon initiatives. In this context, affected ministries have let WGBC know that review of these requests should wait until current priorities identified through BTAP have been completed.
- Government continues to reiterate the expectation that industry partners will use BTAP as the channel for discussing liquor policy issues and/or reforms with government.

LDB Wine Sales

- B.C. wine sales have increased by approximately 6.3% between fiscal years 2018/19-2020/21. Sales of out-of-province and international wine in B.C. have grown by 33.2% and 1.6% over the same period, respectively.

Table 2: LDB Wine Sales by Product Origin (Net Amount by Fiscal Year)

Net Sales (\$ '000)	B.C.	Out of Province	International	LDB Total
2018/2019	572,873	8,473	641,225	1,222,571
2019/2020	597,710	10,659	663,462	1,271,831
2020/2021	609,008	11,283	651,601	1,271,892

Contact: Blain Lawson, General Manager & CEO

Division: Liquor Distribution Branch

Phone: 604 252-7411

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**MINISTRY OF FINANCE
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2021/2022 (Forecast)	592,968	10,122	687,390	1,290,480
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Table 3: LDB Wine Sales by Sales Channel (Net Amount by Fiscal Year)

Net Sales (\$ '000)	BCL and WCC*	Land-based Winery Direct Sales	Commercial Winery Direct Sales	LDB Total
2018/2019	870,219	184,836	167,516	1,222,571
2019/2020	889,300	199,703	182,828	1,271,831
2020/2021	877,132	210,015	184,745	1,271,892
2021/2022 (Forecast)	906,880	216,338	167,262	1,290,480

* Column represents sales through BCLIQUOR stores and the LDB Wholesale Customer Centre – the number is a mix of any possible product origin.

Table 4: LDB Sales for B.C. VQA Wines (by Fiscal Year)

Category	FY 2021	FY 2020	Value at Risk %
Sales (\$ '000)	330,787	334,123	(1.0) %
Sales (Litre '000)	15,065	15,284	(1.4) %
Avg Price (\$) based on 750ml	16.47	16.40	0.4%

Contact: Blain Lawson, General Manager & CEO
Division: Liquor Distribution Branch

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Ministry of Attorney General and Minister Responsible for Housing

2022/23 Estimates Debates Note

Last updated Date: April 20, 2022

ERNST AND YOUNG REVIEW OF BC HOUSING

KEY MESSAGES:

- Reviews of our programs and of our Crown Corporations are a regular part of our business.
- BC Housing's breadth and scope of activities has increased substantially since 2018 when the Province released *Homes for BC: A 30-Point Plan for Housing Affordability in British Columbia*, which committed to provide 114,000 units over 10 years.
- BC Housing's 2021/22 mandate letter tasked the Crown corporation with delivering a progressive and ambitious target for new affordable and social housing.
- Our government takes seriously its responsibilities to deliver affordable housing for the people in B.C. who desperately need it.
- As such, in 2021, we initiated an internal review of BC Housing to look at the agency's organizational capacity and financial systems and controls.
- The purpose of the review is to help BC Housing identify opportunities to improve its organizational effectiveness and to ensure they are appropriately supported to deliver on their expanded budget and mandate.
- Ernst and Young (EY) is the external consultant government has engaged for this review.

Ernst and Young will be finalizing the report in May after which, Ministries and BC Housing will analyze and assess EY's findings. Our government expects to consider

findings and next steps in early Fall. Following that, government may issue a response to the findings of the review.

If asked about conflict of interest:

- If any concerns are identified as part of this review, government will take them into consideration in any subsequent response.

If asked about the cost of the study:

- The cost of the review to date has been about \$730,000. The overall cost once completed will not surpass \$824,000 (exclusive of any applicable taxes).

BACKGROUND:

- In early 2021, Treasury Board directed the Ministry of Finance (through the Crown Agencies Secretariat) to undertake an externally-sourced review of BC Housing's financial systems capacity.
- The review, conducted by EY, evaluated BC Housing's financial systems, governance, corporate processes and organizational structure through interviews with individuals at BC Housing and within government, documentation reviews, and walkthroughs of projects.
- EY's draft report – provided to government on February 17, 2022 – identifies opportunities to enhance BC Housing's effectiveness across five themes: governance, strategic planning and business integration, people, program design, and project administration processes. EY identifies 49 opportunities in total across these themes.
- The Ministry of Attorney General (Office of Housing and Construction Standards and Corporate Management and Services Branch) and Ministry of Finance (Crown Agencies Secretariat) will work with BC Housing to determine how to best respond to the recommendations and incorporate EY advice into improvement efforts.
- The Ministry of Finance and the Ministry of Attorney General will consult with key experts and the Chair of Treasury Board related to public release of the report.