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 $395M[1], 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.

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[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.

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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 $395M[1], 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

[1] Rebate to customers:
- Approximately $396M ($110 for each eligible personal policy with an estimated 3.29 million 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.

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.

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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.

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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.

<u>Key statistics:</u>

- 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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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:

<u>Corporate Strategy</u>

- 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: