

# **Insurance Corporation of British Columbia**

## **2020/21 – 2022/23 SERVICE PLAN**

**February 2020**



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

## Board Chair Accountability Statement



The 2020/21 – 2022/23 Insurance Corporation of British Columbia (ICBC) Service Plan was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of February 5, 2020 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, ICBC’s mandate and goals, and focus on aspects critical to the organization’s performance. The targets in this plan have been determined based on an assessment of ICBC’ operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in blue ink that reads "Joy MacPhail". The signature is written in a cursive, flowing style.

Joy MacPhail  
Chair, ICBC Board of Directors

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## Strategic Direction and Alignment with Government Priorities

The Government of British Columbia remains focused on its three strategic priorities: making life more affordable, delivering better services, and investing in a sustainable economy. Crowns are essential to achieving these priorities by providing quality, cost-effective services to British Columbia families and businesses.

Additionally, where appropriate, the operations of Crowns will contribute to:

- The objectives outlined in the government's newly released A Framework for Improving British Columbians' Standard of Living,
- Implementation of the *Declaration on the Rights of Indigenous Peoples Act* and the Truth and Reconciliation Commission Calls to Action, demonstrating support for true and lasting reconciliation, and
- Putting B.C. on the path to a cleaner, better future – with a low carbon economy that creates opportunities while protecting our clean air, land and water as described in the CleanBC plan.

By adopting the Gender-Based Analysis Plus (GBA+) lens to budgeting and policy development, Crowns will ensure that equity is reflected in their budgets, policies and programs.

ICBC's mandate, as provided through the *Insurance Corporation Act*, *Insurance (Vehicle) Act* and the *Motor Vehicle Act*, is to provide Basic and Optional vehicle insurance for B.C. motorists. The Basic rates are regulated by the British Columbia Utilities Commission (BCUC), an independent regulator. The BCUC approves the Basic insurance rates and ensures that they are adequate, efficient and reasonable. ICBC also sells Optional auto insurance in a competitive marketplace. In addition, ICBC provides driver licensing, vehicle registration and licensing, and violation ticket and government fine collections services on behalf of the Province, under a Service Agreement between government and ICBC. ICBC also implements road safety initiatives to reduce crashes and losses on B.C. roads and to assist in managing claims costs. The organization works closely with the Ministry of Attorney General, as the Ministry Responsible for ICBC (the Ministry), to ensure financial targets and reporting requirements are met.

In line with Government's commitment to make life more affordable for British Columbians, while delivering services that people can count on, ICBC is dedicated to providing customers with the best insurance coverage and service, at the lowest possible cost. To support this, ICBC's Corporate Strategy focuses on four key goals: To Make Insurance Affordable, To Be Customer Driven, To Be Smart & Efficient and To Be Future Focused. The items included in the [2020/21 Mandate Letter](#), including implementing measures to create greater accountability and improve transparency in ICBC's services to its customers, will help shape ICBC's operations in the coming year.

Over the last number of years, claims costs have continued to increase resulting in ongoing pressure on the premiums that British Columbians pay for automobile insurance. Working with government and at the direction of the Attorney General, ICBC has taken significant steps to implement measures to help reduce the pressures on auto insurance rates including changes to the insurance product.

While these reforms helped avoid significant rate increases and further large financial losses, there are still ongoing risks to achieving affordability and sustainability. Ongoing exposure from higher claims costs, and an increasing number of large injury claims in particular, as well as the constitutional challenges on the reforms, continue to create significant concern and may result in an adverse impact of potentially over \$1 billion.

Building on these recent reforms, a new auto insurance model for B.C. will launch in spring 2021 that will significantly lower premiums, provide even more generous care and recovery benefits and improve the long-term affordability and stability of auto insurance for our customers. See the Performance Plan section for more discussion on this topic.

ICBC is aligned with the Government’s key priorities:

Government Priorities	ICBC Aligns with These Priorities By:
Making life more affordable	<ul style="list-style-type: none"> <li>• Reduce legal expenses and the costs to manage claims (Objective under Goal 1)</li> </ul>
Delivering the services people count on	<ul style="list-style-type: none"> <li>• Being more flexible, with customer needs driving improvements in the design and delivery of products and services (Objective under Goal 2)</li> </ul>
A strong, sustainable economy	<ul style="list-style-type: none"> <li>• Delivering sustainable and affordable insurance (Objective under Goal 1)</li> <li>• Shaping the future on insurance and mobility in B.C. through partnerships and workplace practices (Objective under Goal 4)</li> </ul>

## Operating Environment

For decades, auto insurance in B.C. has been based on a full tort system where the at-fault driver may be subject to legal action for injuries to others and damage to vehicles. Similar to other jurisdictions, from 2014 through 2017, B.C. experienced high volumes of motor vehicle crashes, more people claiming bodily injuries as well as a shift to more complex claims that cost more to settle. Combined with the growing sophistication of vehicles driving up vehicle repair costs, ICBC, along with private insurers across Canada, has seen an increase in legal representation and rates. Alberta, Ontario and New Brunswick are reviewing their auto insurance systems due to similar challenges. By comparison, Manitoba, Quebec and Saskatchewan are largely thriving and producing the most affordable and stable rates across Canada.

To help mitigate the pressures, government and ICBC recently implemented some of the most significant changes to auto insurance in the province’s history. In April 2019, a new model was introduced to manage the increasing costs of injury claims, by increasing benefits available to customers who are injured in a crash, while setting a limit on pain and suffering payouts for minor injuries, and introducing a new independent claims dispute resolution process for minor injury claims through the Civil Resolution Tribunal.

Additionally, as of September 1, 2019, ICBC changed the way it sets insurance premiums to ensure that the rates a customer pays better reflects their risk. This change was designed to neither increase nor decrease the overall amount of premiums ICBC needs to collect in any given year. Instead, this change is about how ICBC calculates an individual driver’s premium. ICBC is also modernizing its material damage program to help reduce material damage cost pressures and better serve drivers, as new vehicles contain more technology and cost more to repair. ICBC and government are also working together on road safety initiatives to prevent crashes.

ICBC is currently working under two separate models for handling claims, those where the crash happened before the April 2019 reforms and those after. While minor injury claims costs under the

post-April 2019 system are expected to reduce and the number of crashes has started to decrease, like in other tort jurisdictions, overall claims costs and bodily injury costs continue to increase. The changes did not address the approximately 90,000 open claims from before the April 2019 system as well as the remaining costs not mitigated by the limit on pain and suffering for minor injuries.

Prior to the April 2019 reforms, one in four dollars British Columbians spent on their auto insurance went to legal costs and lawyer fees. The reforms significantly improved this picture, bringing legal costs down to approximately 11 per cent of total costs. However, more than \$700 million a year is still being spent on legal costs. In fact, over the last two years alone, drivers have spent about \$1 billion on insurance premiums that have gone directly to lawyers in the form of contingency fees – a key reason why rates in B.C. have continued to increase.

ICBC is working with government to introduce a new way of providing auto insurance effective spring 2021 that is more affordable and enhances care and recovery benefits. Subject to legislation being introduced in spring 2020 and receiving Royal Assent, ICBC will implement the new Enhanced Care coverage, beginning May 1, 2021.

This care-based model will help to address the high cost of injury claims driven by the high cost of legal fees. By removing the adversarial approach of suing the driver at-fault for a crash, legal costs will largely be removed from the system. In fact, this new care-based insurance system will provide significant savings that will be passed on to ICBC customers through lowered insurance rates and enhanced care and recovery benefits. Taking legal actions out of the process also means those injured in a crash won't have to potentially wait years for a lump sum settlement that attempts to cover their care and wage-loss shortfalls.

ICBC has updated its Corporate Strategy to support the affordability and sustainability of auto insurance, and help shape the future of mobility for British Columbians. The new strategy is reflected in the goals and targets outlined in this plan, and will allow ICBC to prioritize investments, projects and staffing. More importantly, it will give ICBC focus to deliver on the objectives outlined in the Performance Plan section.

## **Performance Plan**

### **Goal 1: To Make Insurance Affordable**

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

#### **Objective 1.1: Reduce legal expenses and the costs to manage claims**

##### **Key Strategies:**

- Implement Enhanced Care coverage
- Deliver leading injury management practices that improve health outcomes and build trust in ICBC
- Develop stronger industry partnerships and processes to manage escalating vehicle repair costs

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
1.1a ICBC rates are affordable					
Jurisdictional comparison of year over year rate changes	5.7% <sup>1</sup>	6.0%	Rate change at or below jurisdictional average <sup>2</sup>	Rate change at or below jurisdictional average	Rate change at or below jurisdictional average
1.1b ICBC helps British Columbians return to their lives after a collision					
Percentage of claims costs that goes to customers <sup>3</sup>	77.9%	81.5%	81.5%	TBD <sup>4</sup>	TBD
1.1c ICBC repairs vehicles in a cost effective manner					
Average cost for a vehicle related claim	\$4,307	\$4,423	\$4,723	\$4,925	\$5,185

Data Source: This measure is being developed through a jurisdictional study. This measure will compare the overall blended (Basic and Optional) rate change to a jurisdictional average, with the target being that ICBC's blended rate change will be at or under the jurisdictional average.

<sup>1</sup> The 2018/2019 and 2019/2020 numbers represent ICBC's blended rate changes for those periods. Methodology for defining and developing the jurisdictional average is still under development, therefore at this time there are no specific targets available.

<sup>2</sup> Since these measures will reflect a cross jurisdictional comparison, targets are not available for post April 1, 2019 data at this time. These measures will be reported in the 2020/21 Annual Service Plan Report after a complete year of data.

<sup>3</sup> The percentage of claims costs that goes to customers are estimates, as ICBC cannot track the actual amount of contingency fees paid to plaintiff lawyers. For this calculation, ICBC assumes contingency fees to be 25% of the settlement amount for represented bodily injury claims.

<sup>4</sup> Targets for 2021/22 and later years will be higher than 2020/21 as a result of the Enhanced Care coverage. The precise targets are not available at this time and will be revisited in the next Service Plan.

### Linking Performance Measures to Objectives:

ICBC continues to work with government to improve affordability and financial sustainability. Changes to its Basic insurance product, implemented last year, are helping to close the gap between the premiums being collected and the cost of the claims being paid out. Looking forward, the proposed new care-based model coming in spring 2021 will move auto insurance in B.C. to a system that is more affordable, sustainable and focused on injury recovery.

#### 1.1a ICBC rates are affordable

One of the measures of affordability of insurance rates is year-over-year increases in rates. This measure is currently being developed with a reference to rate changes in other jurisdictions in Canada; therefore, no targets can be identified at this time. The measure will account for the differences in the insurance products and environment such as a private or public insurance market.

#### 1.1b ICBC helps injured British Columbians return to their daily lives after a loss

The cost for ICBC to resolve claims includes the payment that goes to a customer in compensation for their loss, as well as ICBC's costs associated with administering the claim (such as towing and storing vehicles, managing payments to treatment providers, and investigating fraud). Additionally, where a customer retains a lawyer, payments are also made for legal fees and costs related to litigation (such as medical examinations and expert reports).

The *percentage of claims costs that goes to customers* is determined by the percentage of current year claims costs that have been and will be paid to compensate customers, which excludes the amount that customers pay for legal representation and expert reports, as well as amounts ICBC pays to manage



and settle claims (including costs of litigation). Removing costs from the system that don't directly go to customers ensures those savings can be passed on to customers in the form of lower premiums as well the care and treatment necessary after a collision so they can return to their daily lives as quickly as possible.

1.1c ICBC repairs vehicles in a cost effective manner

The *average cost for a vehicle related claim* measures the combined average cost for all material damage claims (excluding glass claims) for ICBC's main insurance products. This quantifies the effectiveness of ICBC efforts to moderate increasing material damage costs through strong processes and industry partnerships, including changes that are taking effect in early 2020 to redesign collision and glass repair programs that will generate savings for ICBC and promote high-performing shops to serve customers better.

**Discussion:**

*Strategy 1: Implement Enhanced Care coverage*

Despite the fact that vehicles and roads today are safer than in the past, the frequency of bodily injury claims and the number of injury claims per crash remain high.

The April 1, 2019 reforms are intended to reduce the amount ICBC and injured claimants spend on legal fees and expenses which, when coupled with other planned initiatives, significantly reduce claims costs and contribute to a lower Basic insurance rate requirement for customers. While progress has been made, the costs that drive premiums are increasing. Government and ICBC will need to do more to make insurance more affordable.

ICBC is facing continued pressure on claims costs associated with a civil claim liability tort system and the cost of repairing complex and expensive vehicles, as well as the trends on claims costs such as large complex claims including bodily injuries. There is still more than \$10 billion in claims liabilities that need to be settled in the full tort system (claims prior to April 1, 2019).

Further, the limits to compensation for pain and suffering for minor injuries and the jurisdiction of the Civil Resolution Tribunal are being tested in the courts. The B.C. Supreme Court has also ruled that the specific changes made to limit the number of experts and expert reports used in a court case are unconstitutional.

B.C.'s Attorney General recently announced an intention to introduce changes to the Evidence Act in spring 2020, including limits to the amount that can be recovered for expert reports and other disbursements as a percentage of damage payments, and limits to the number of adversarial expert reports with judicial discretion to allow additional experts in appropriate cases.

To help make life more affordable for ICBC's customers, the proposed Enhanced Care coverage will significantly lower insurance premiums and make rates more stable going forward. This will be done by reducing the current unpredictability and volatility of rising legal costs, so British Columbians can better budget their costs from year-to-year. Without moving to Enhanced Care coverage, our customers would face projected ongoing and unacceptably high rate increases to cover escalating costs. Affordability is already a challenge and without further change, more and more customers will find it difficult to buy auto insurance.

*Strategy 2: Deliver leading injury management practices that improve health outcomes and build trust in ICBC*

As part of the April 1, 2019 product reform, ICBC’s accident benefit levels were increased and customers have equal access to these improved accident benefits, regardless of fault in a crash.

Enhanced Care coverage will build on the improvements already made to care and recovery benefits, to ensure that anyone injured in a crash can have the peace of mind that they will get the care they need for as long as they need it. Enhanced Care coverage will ensure all British Columbians injured in a crash have access to dramatically improved medical care, recovery and wage loss benefits. The care, recovery and compensation benefits will be clearly defined so everyone will know what they’re entitled to. Enhanced Care coverage will provide anyone hurt in a crash with significantly enhanced medical care and recovery benefits – up to \$7.5 million, 24 times higher than today. Access to these benefits will happen quickly, with no need to wait for fault to be determined.

Going forward, ICBC will continue to support customer recovery by partnering with research leaders in injury recovery to better understand best-in-class injury management principles and to apply those principles to ICBC’s injury management practices to support customer recovery. Consultation with medical, healthcare and disability stakeholders and service providers will be conducted to inform the development of the care pathways and operational delivery of how injured customers can be best supported and assisted with access to care in time for the new model to take effect in May 2021. These service providers are critical stakeholders in the success of this initiative. ICBC expects to see better recovery outcomes, with resulting savings and decreased pressure on rates.

*Strategy 3: Develop stronger industry partnerships and processes to manage escalating vehicle repair costs*

The costs to repair damaged vehicles continue to increase. Vehicles today are more reliant on technology and expensive materials than ever before, while the hours of labour required to repair vehicles and the number and cost of replacement parts are also increasing, particularly for newer vehicles. ICBC is modernizing its material damage programs and has developed new tiering models for collision repair and glass suppliers that focus on safe repairs, customer experience, performance standards, and operational efficiencies. The redesigned programs were developed after more than a year of consultation with industry. Once implemented starting in 2020, ICBC expects to generate savings and promote high-performing shops to serve customers better.

**Goal 2: To be Customer Driven**

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

**Objective 2.1: Be more flexible, with customer needs driving improvements in the design and delivery of products and services**

**Key Strategies:**

- Provide a better and enhanced online claims experience
- Offer digital options to purchase and renew insurance
- Implement usage based products, including products to support transportation network services and taxis

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
2.1a Customers choose digital options to purchase and renew their insurance					
On-time delivery of defined digital capabilities	N/A	N/A	Foundational digital capabilities in place	TBD	TBD
2.1b Customers value their experience with ICBC					
Customer Satisfaction for Insurance Services <sup>1</sup>	95%	95% <sup>3</sup>	93%	95%	95%
Customer Satisfaction for Claims Services	92%	92%	92%	92%	93%
Customer Satisfaction for Driver Licensing Services	92%	92%	93%	94%	95%

<sup>1</sup> Data Source: Ongoing surveys for the purposes of monitoring transactional satisfaction are conducted by an independent firm. As customers transition to the new insurance model, policy transactions may take longer to process as more information is required to rate a customer's policy. This process is expected to affect transactions in 2019/20 and 2020/21.

<sup>2</sup> ICBC is transitioning survey programs to a new research vendor in 2020 which may affect the accuracy of forecasting techniques used to establish 2020/21 – 2022/23 targets. As a result, future targets may need to be adjusted.

<sup>3</sup> Insurance FY 2019/20 forecast subject to change as more data becomes available to quantify the impact of rate design on Customer Satisfaction scores.

### Linking Performance Measures to Objectives:

ICBC will design and deliver products and services with the needs of customers in mind. We will enhance the customer measurement framework using new and different channels to improve the ability to gather actionable and timely insights from our customers. By enhancing the ability to offer digital options, customers will have more choices on how they engage with ICBC and access our products and services. ICBC is striving to be customer-centric in that products and services are designed to reflect how our customers are traveling now and in the future. ICBC knows it has work to do, and is committed to increasing and maintaining trust of our customers by providing fair and transparent support and service. Changes are being made to help ensure that ICBC is more transparent and accountable to its customers, and to give British Columbians greater confidence that the corporation is treating them fairly when problems arise. Some of these changes include Government's commitment to establish a new independent Fairness Office, expanding the existing Customer Panel and produce a "customer-friendly summary" of its annual report, so the public can see how their premium dollars are spent. Measurements will be implemented for these initiatives.

#### 2.1a Customers choose digital options to purchase and renew their insurance

As this is a multi-year initiative, ICBC will use milestone measures in the first few years to measure success of this strategy. This includes the on-time *delivery of defined digital capabilities* based on consultation through the online broker task force, customer needs and government support. Once digital services are implemented, ICBC will measure customer *utilization rates* of digital options to determine if our customers are being served how and when they want.

#### 2.1b Customers value their experience with ICBC

ICBC measures customer service based on the percentage of satisfied customers for each major transaction type or service it provides: insurance product purchase and renewal, driver licensing, and claims service. ICBC continues to meet measures for its Insurance Services, Driver Licensing and

Claims Service to ensure customers are receiving consistent, quality service while interacting with ICBC and Autoplan brokers.

*Insurance Services Satisfaction* - Independent insurance brokers process over three million Autoplan policies each year. The insurance services satisfaction measure is typically based on surveys of approximately 5,000 customers over the course of a year.

*Claims Service Satisfaction* - Claims are processed through ICBC's claims call centre, claims centres and specialty departments such as commercial claims and rehabilitation services. In addition to reporting a claim by phone, customers can report a claim and check details online. Claims surveying draws upon personal claims and is based on the average of First Notice of Loss and closed claims. In a typical year, there are over 15,000 completed surveys.

*Driver Licensing Satisfaction* - Each year, ICBC conducts approximately 1.6 million transactions relating to the issuance of driver licences and driver exams, including renewing a licence, taking a knowledge test or undergoing a road test. This measure is weighted by the number of transactions for each type of service and is drawn from a sample of over 5,000 customers surveyed throughout the year.

**Discussion:**

*Strategy 1: Provide a better and enhanced online claims experience*

ICBC will deliver consistent and quality customer services. Further investments will be made to the current online claims system to provide enhanced services based on the insights received from our customer feedback at multiple touchpoints. In future years, customers will be able to perform simple tasks online, check the status of their claims and communicate with ICBC through text and email channels.

*Strategy 2: Offer digital options to purchase and renew insurance*

Our customers expect accessible options when interacting with us. They want to be able to have multiple ways to communicate and interact with ICBC (text, email, online chat, etc.) and to do simple tasks online. In 2020/21, ICBC will invest in foundational digital capabilities that will provide the infrastructure to enable options for online and phone purchase and renewal of our insurance product, thus making it easier for customers to access the insurance products. ICBC will work collaboratively with the broker online task force to propose a strategy to move to online insurance purchases and renewals as an option for its customers. ICBC will then invest in foundational digital capabilities.

*Strategy 3: Implement usage based products, including products to support transportation network services and taxis*

B.C. drivers are expecting more flexible coverage that adapts to newer transportation models and reflects how, when and where they choose to travel. The growth of shared economy transportation means ICBC needs to offer appropriate coverage for new shared economy businesses and those customers who choose to use these services.

Usage based products such as kilometre-based pricing are valued by customers who want insurance that reflects how they're driving. ICBC is working closely with on-demand and platform/use-specific based businesses, such as ride-hailing and car-sharing to help develop these products.

**Goal 3: To be Smart & Efficient**

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

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

- Invest in robust data management and governance
- Embed analytics in key claims processes
- Automate simple and routine claims processes

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
3.1a The cost to run ICBC is below industry standards/average					
Expense Ratio (total) <sup>1</sup>	19.0%	19.2%	19.2%	TBD	TBD
Loss Adjustment Expense Ratio	19.0%	16.1%	13.5%	TBD	TBD
Loss Adjustment Expense Ratio for post April 1, 2019 claims <sup>2</sup>	N/A	TBD	TBD	TBD	TBD

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

<sup>1</sup>Targets are not available at this time. They will be revisited with consideration for the new Enhanced Care model.

<sup>2</sup>Targets are not available for post April 1, 2019 data at this time. These measures will be reported in the 2020/21 Annual Service Plan Report after a complete year of data.

**Linking Performance Measures to Objectives:**

ICBC will maintain a strong focus on managing costs using data, analytics and technology to derive insights, improve efficiencies and manage change. Analytical insights will also help to more effectively identify at-risk claims in order to manage future claims as well as the over \$10 billion in claims liabilities related to claims that occurred before April 1, 2019, which remain a volatile part of ICBC's business.

**3.1 The cost to run ICBC is below industry average**

ICBC monitors its effectiveness in keeping operating costs below industry average through the following measures: *Expense Ratio* and *Loss Adjustment Expense Ratio*.

*Expense Ratio* - The *Expense Ratio* is a standard industry measure to assess operational efficiency of an insurer. The *Expense Ratio* is calculated as a ratio of *insurance operating expenses* and *non-insurance expenses* (excluding claims and claims related costs) to insurance premium dollars earned. This includes both insurance and non-insurance lines of business. ICBC is unique in providing non-insurance services (driver licensing, vehicle registration and licensing, violation ticket and government fine collections), as these services are not typically provided by other insurance carriers in Canada. As ICBC continues to be an efficient and low cost organization, this ratio will remain below the industry average.

*Loss Adjustment Expense Ratio* - The *Loss Adjustment Expense Ratio* compares the cost to settle claims to total premiums earned, which is an indicator of the efficiency of the claims settlement process.

*Loss Adjustment Expense Ratio for post April 1, 2019 claims* - The calculation of this ratio is identical to the *Loss Adjustment Expense Ratio*, except that changes in costs related to claims that occurred before April 1, 2019 are excluded, in order to eliminate the volatility that they may create in the measure. Therefore this ratio provides an indication of the efficiency of the claims settlement process for claims falling under the April 1, 2019 product reform.

**Discussion:**

*Strategy 1: Invest in robust data management and governance*

In ICBC's role as a public insurer, vehicle registrar and issuer of driver licences, the quality, accuracy, relevancy, timeliness and completeness of data plays a critical part in ensuring the success of the organization. ICBC will continue to invest in tools and processes that ensure we have sound data management and governance practices.

*Strategy 2: Embed analytics in key claims processes*

Data insights will be used to more effectively identify high risk and emerging claims and implement appropriate file-handling and settlement processes in order to effectively and proactively manage claims liabilities, in particular those that still need to be settled under the full tort system.

*Strategy 3: Automate simple and routine claims processes*

Manual administrative work increases costs and can be a barrier to better customer service. Disciplined investments in process design and automation technologies that reduce these manual processes will help the corporation realize efficiencies.

ICBC will continue to pilot new technologies to help with routine claims processes and improve corporate functions.

**Goal 4: To be Future Focused**

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

**Objective 4.1: Shape the future of insurance and mobility in B.C. through partnerships and workplace practices**

**Key Strategies:**

- Be leaders in crash prevention
- Be a valued partner in transforming transportation in B.C.
- Be a flexible employer, promoting workplace practices to reduce commutes

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
4.1a ICBC is seen as a valued partner					
A future mobility strategy is developed with identified plans for key partnerships	N/A	N/A	Customer and partner feedback	Under Development	Under Development
4.1b ICBC's workplace practices attract, engage and retain people to deliver service to our customers					
Employee Opinion Survey results <sup>1</sup>					
Aligned	82	82	82	Index scores will be maintained.	Index scores will be maintained.
Enabled	73	76	82		
Motivated	72	75	81		
Accountable	90	90	90		
Leadership <sup>2</sup>	76	79	n/a		

<sup>1</sup> Data Source: Employee Opinion Survey (EOS) conducted by an independent firm. ICBC will continue to evolve our employee measures to reflect strategic goals.

<sup>2</sup> The leadership index can only be updated in a full survey year. **Score Legend:** 80-100 = extremely positive. 60-79 = moderately positive. 40-59 = moderately negative. 0-39 extremely negative.

**Linking Performance Measures to Objectives:**

The business and transportation landscape is changing at a rapid pace, and ICBC has an opportunity to shape insurance and transportation in B.C. ICBC will collaborate with municipalities and organizations across the province to ensure policies and infrastructure are in place to support these changes. ICBC will focus on workplace practices that reduce the amount of time that employees spend commuting, thus helping to reduce congestion. In the long-term, the strategies are expected to reduce the number of collisions, injuries and deaths on B.C. roads.

4.1a ICBC is seen as a valued partner

ICBC plays a key role in driver and vehicle policy, insurance, road safety and data governance and provisioning, which are important parts of the future of insurance and mobility in B.C. ICBC is developing a strategy that will consider how we can partner with municipalities, government and other organizations to ensure B.C. is ready for changes to the business and transportation landscape. This is a milestone measure; within the strategy, a new measure will be developed for future years to quantify ICBC's partnership efforts in shaping the future of transportation in B.C. Work has already started to develop the scope and timelines of the initiatives. ICBC also plans to expand the current road safety partnerships and presence to extend the road safety message.

4.1b ICBC's workplace practices attract, engage and retain people to deliver service to our customers

ICBC's *Employee Opinion Survey* (EOS) captures employees' opinions regarding the tools and processes through which they execute their work, their understanding of how their efforts align with the corporate strategy, their personal motivation and their individual accountability for delivering business results and an assessment of leadership. The EOS is one indicator of ICBC's efforts to attract, engage, and retain people through its workplace practices, including flexible work arrangements that can help reduce commutes. The EOS scores have progressively increased over the years. ICBC will maintain its focus on continuous improvement of the employee experience, but has

adjusted its EOS targets to reflect that either a score increase or maintenance of existing scores is a satisfactory outcome.

**Discussion:**

*Strategy 1: Be leaders in crash prevention*

ICBC is committed to make B.C.'s roads safer and is involved in a number of initiatives to reduce crash rates, which in turn can help improve insurance affordability. While the advent of advanced driver assistance systems is encouraging, these systems are not expected to reduce crash frequency in the near future given their small percentage of the total vehicle population.

ICBC will also put new emphasis on initiatives aimed at congestion reduction as there is believed to be a correlation between congestion and crash frequency. ICBC will combine strengths from a number of internal disciplines, such as actuarial, data science, and road safety engineering. ICBC is actively testing insurance products and incentives that can help reduce crash frequency.

ICBC is piloting telematics technology that collects and transmits data about individual vehicles to determine whether this technology can improve road safety outcomes and drive behavioural change among inexperienced drivers in B.C. A small telematics device is installed in the vehicle and together with a smartphone app, data such as distance, speed and braking is gathered.

ICBC continues to partner with law enforcement, local municipalities and government on implementing initiatives and activations to promote intersection safety through supporting B.C.'s Intersection Safety Camera program at key locations to capture the worst speeding offenders.

*Strategy 2: Be a valued partner in transforming transportation in B.C.*

ICBC will partner with municipalities, government and other organizations to help shape the future of insurance and mobility in B.C. We will collaborate to improve how the province collects and shares transportation-related data, and combine our strengths in disciplines such as actuarial and data science, and road safety engineering to help manage congestion, road design and product/service integration across different modes of travel.

*Strategy 3: Be a flexible employer, promoting workplace practices to reduce commutes*

ICBC is facing strong competition for talent. As our business shifts, our workforce will also change and we need to consider strategies to attract, retain and develop people who will help us move forward. ICBC can encourage other organizations to improve transportation infrastructure by improving the flow of people and goods through flexible workplaces to reduce congestion. Implementing more flexible workplace practices will enable employees to work closer to where they live, reduce commute times, and reduce carbon emissions for the province.



## Financial Plan

### Summary Financial Outlook

(\$m)	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Premiums earned	5,824	6,319	6,662	5,801	5,554
Service fees and other	125	144	153	123	126
<b>Total earned revenues</b>	<b>5,949</b>	<b>6,463</b>	<b>6,815</b>	<b>5,924</b>	<b>5,680</b>
Provision for claims occurring in the current period	5,308	4,749	5,384	4,240	4,482
Change in estimates for losses occurring in prior periods	1,221	922	44	31	(49)
<b>Net claims incurred</b>	<b>6,529</b>	<b>5,671</b>	<b>5,428</b>	<b>4,271</b>	<b>4,433</b>
Claims service and loss management	420	482	500	510	508
Insurance operations expenses	248	277	290	296	295
Transformation Program	31	28	27	26	26
Premium taxes and commissions	306	736	842	1,091	589
<b>Total expenses</b>	<b>7,534</b>	<b>7,194</b>	<b>7,087</b>	<b>6,194</b>	<b>5,851</b>
<b>Underwriting loss</b>	<b>(1,585)</b>	<b>(731)</b>	<b>(272)</b>	<b>(270)</b>	<b>(171)</b>
Investment and other income	558	771	498	563	512
<b>Income (loss) - insurance operations</b>	<b>(1,027)</b>	<b>40</b>	<b>226</b>	<b>293</b>	<b>341</b>
Non-insurance operations expenses	103	106	114	119	123
Non-insurance commissions	31	32	33	33	34
Non-insurance - other income	(7)	(7)	(7)	(7)	(7)
<b>Net income (loss)</b>	<b>(1,154)</b>	<b>(91)</b>	<b>86</b>	<b>148</b>	<b>191</b>
Other comprehensive income					
Pension and post-retirement benefits remeasurements	(21)	(90)	-	-	-
Net change in available for sale financial assets and change in non controlling interest	307	119	159	241	206
<b>Total comprehensive income (loss)</b>	<b>(868)</b>	<b>(62)</b>	<b>245</b>	<b>389</b>	<b>397</b>
<b>Total liabilities</b>	<b>19,728</b>	<b>21,386</b>	<b>22,217</b>	<b>20,234</b>	<b>18,688</b>
Retained earnings	(20)	(111)	(25)	123	314
Other components of equity	124	160	319	560	766
Non-controlling interest	15	8	8	8	8
<b>Total equity</b>	<b>119</b>	<b>57</b>	<b>302</b>	<b>691</b>	<b>1,088</b>
<b>Capital Expenditures<sup>1</sup></b>	<b>66</b>	<b>77</b>	<b>116</b>	<b>64</b>	<b>56</b>

<sup>1</sup> Major categories of capital expenditure include: facilities (land, building, leasehold, right of use assets), 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 facilities, and as critical business systems are renewed.

## Operating Costs by Nature

(\$m)	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget <sup>1</sup>	2022/23 Budget <sup>1</sup>
Premium taxes and commission expense	726	802	846	756	707
Premium deficiency adjustments	(388)	(34)	29	368	(84)
Compensation and other employee benefits	425	467	482	951	952
Pension and post-retirement benefits	78	92	104		
Professional and other services	45	55	43		
Road improvements and other traffic safety programs	31	34	32		
Building operating expenses	28	22	23		
Merchant and bank fees	43	46	49		
Office supplies and postage	22	23	27		
Computer costs	31	28	30		
Depreciation and amortization	59	74	84		
Other	37	52	57		
<b>Total operating costs</b>	<b>1,137</b>	<b>1,661</b>	<b>1,806</b>	<b>2,075</b>	<b>1,575</b>

<sup>1</sup> Operating cost targets are not planned in detail beyond the current year.

## Key Forecast Assumptions, Risks and Sensitivities

Financial forecasts take into consideration ICBC's plans to address the key strategic risks facing the organization and changes in the external environment. Typical of other property and casualty insurance companies, ICBC faces material risks in the execution of its strategy and conduct of operations. The Board of Directors, the Board Committees and the Executive Leadership Team review these material risks, including financial market risk, as part of their governance and oversight function. ICBC will continuously address these material risks. This includes strengthening information security system controls to protect against evolving cybersecurity threats and continuing to leverage the use of core operational systems. Leadership development and succession planning also continue to support the business model.

Based on these plans, the following assumptions were developed and incorporated into the financial forecasts on page 17.

- The summary financial outlook reflects the overall operations of the business, including Basic and Optional insurance and non-insurance activities. It has been prepared based on current legislative, regulatory, accounting and judicial frameworks.
- The Service Plan assumes that certain legislation and regulation will be enacted.
- The forecast reflects a number of financial and behavioural assumptions, and actual results could vary from these projections, depending on actual implementation, actual behavioural changes, and associated impacts.
- The financial information was prepared based on International Financial Reporting Standards (IFRS). The forecasts do not include any changes from IFRS 9, *Financial Instruments* or IFRS 17, *Insurance Contracts*, which will be effective April 1, 2022.

- For the 2020/21 – 2022/23 period, rate changes are assumed for both the Basic and Optional insurance businesses. Any proposed changes to Basic insurance rates are subject to BCUC regulatory approval.
- Investment income, as shown, includes the expected interest, dividends, other income, and realized gains/losses from the investment portfolio, as well as foreign exchange gains/losses.
- Claims incurred reflect current claims trends, vehicle population growth and inflation; and the impact of estimated savings from changes to the insurance product and other initiatives.
- Prior years' claims reflect changes in the discounted value of unpaid claims.
- Changes in unrealized gains and losses impact Other Components of Equity but may be subject to change when new accounting standards take effect.

### **Sensitivity Analysis:**

Risks are inherent in insurance forecasts since they are based on assumptions about the future. These assumptions are based on historical driving, claims and other economic patterns, as well as expert judgment. However, due to the volatile nature and the inherent risks of the insurance business, there is a range of uncertainties in these estimations. The following highlight the effect of variations in the assumptions underlying the financial forecast.

#### **Premiums**

- 1 percentage point fluctuation represents approximately \$56 - \$63 million in net premiums (Basic and Optional combined)

#### **Claims**

- 1 per cent change in current year claims costs represents approximately \$42 - \$54 million in current year claims costs
- 1 per cent fluctuation in the unpaid claims balance represents approximately \$129 - \$161 million in claims costs
- 1 percentage point fluctuation in the rate used to discount claims represents approximately \$390 - \$415 million in claims costs

#### **Investments**

- 1 percentage point change in investment return represents approximately \$172 - \$196 million in investment return
- 1 per cent change in the investment portfolio represents approximately \$5 - \$8 million in investment return
- 1 percentage point change in interest rate would result in a change of approximately \$452 million in the fair value in ICBC's fixed income portfolio and a corresponding impact of \$413 million to Other Comprehensive Income (OCI). The mortgage portfolio is recorded at amortized cost and therefore the fair value change does not impact OCI.
- A 10 per cent change in equity prices would result in an estimated corresponding change to OCI of approximately \$434 million
- A 10 per cent change in Canadian dollar exchange rate would change the fair value of the non-Canadian equity fund investments and results in a change to OCI of approximately \$287 million

## **Market Share**

- 1 percentage point change in market share represents approximately \$12 - \$17 million impact on net income.

## **Pension**

- 1 percentage point change in discount rate represents approximately \$610 million impact to the defined benefit obligation.
- 1 percentage point change in discount rate represents approximately \$38 million impact to pension expense.

## **Management's Perspective on the Financial Outlook**

The net loss for fiscal 2019/20 is forecast to be \$91 million as compared to a net loss of \$1,154 million for fiscal 2018/19. The forecasted net loss for 2019/20 is significantly lower than the prior year, mainly as a result of the recent product reform, improvement in frequency and higher investment income, due to bond gains from trading activities, gains from disposition of real estate investment properties and gains on disposition of investments during transition to British Columbia Investment Management Corporation (BCI).

The product reforms implemented as of April 1, 2019 is expected to continue delivering benefits in 2020/21 and future years; although the benefits are expected to gradually decline over time, as the minor injury definition will continue being challenged by claimants and their legal counsel. In 2019/20, ICBC continued to observe an increase in large and complex claims as well as the severity of these claims. This pressure is expected to continue into 2020/21. ICBC will work to mitigate this pressure.

The product reforms do not impact the rate of crash frequency and trend in vehicle repair costs. ICBC has initiated certain road safety measures aimed at reducing crashes at high speed intersections and material damage initiatives aimed at cost effectiveness.

ICBC maintains ongoing efforts to identify and moderate the factors of higher claims costs that are within its control. ICBC, with the support of Government, pursues short and long-term strategies to help moderate increases in claims costs and the impact of higher claims costs on future Basic insurance rates. ICBC's initiatives emphasize continuous operational improvement and consistent quality and fair handling of claims. ICBC is focused on reducing the increase in claims costs by managing higher claims volumes and providing fair and reasonable offers in an effort to settle claims. Additionally, ICBC remains focused on improving management of procurement processes and initiatives to combat exaggerated and fraudulent claims. Cost saving opportunities and initiatives in a number of areas, including claims costs management and road safety initiatives have been endorsed and are included in the forecast. Further savings from additional initiatives will be included in future budgets.

ICBC earns investment income that partially offsets the cost of rising insurance rates to policyholders and aims to balance risk and return within its investment portfolio.

ICBC will deliver on the proposed Enhanced Care coverage initiative over 2020/21 and 2021/22. This new auto insurance for B.C. is targeted to launch in spring 2021 and will result in significantly lower insurance rates, and even more generous care, recovery and wage loss benefits, and provide long-term affordability and stability to auto insurance in B.C. This is done by moving away from the current adversarial legal system and focusing on providing care for those injured in a crash. The expected benefits from implementation of the Enhanced Care-based model, and the associated implementation costs have been reflected in the forecast period.

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 policyholders from financial risk, while maintaining rates as low as possible over the long term. ICBC is guided by the capital management framework of the Office of the Superintendent of Financial Institutions (“OSFI”), adopting OSFI’s Minimum Capital Test (“MCT”) as a means to measure and monitor ICBC’s capital levels. Several years of consecutive losses, where rate increases were not sufficient to cover the rapidly rising claims costs, have depleted capital levels. Coupled with the suspension of capital maintenance and capital build since 2015 (effective up until and including policy year 2020), this has resulted in capital levels that are well under ICBC’s management and regulatory capital targets. Order in Council 067 dated February 26, 2018, amending *Special Direction IC2*, temporarily suspended ICBC’s requirement to meet the Basic business MCT regulatory minimum of 100 per cent, for the policy years 2018 through 2021.

Financial forecasts included in this Service Plan presume continuing suspension of capital maintenance and capital build provisions in the Basic insurance rate and the requirement to maintain Basic MCT at regulatory minimum of 100 per cent. This temporary suspension is expected to be in place until the full extent of the impact of product reforms and various other initiatives become known. This will allow ICBC, in consultation with government, more time to refresh the capital management plan, on which future targets will be based. With significant changes being brought in by Enhanced Care coverage, the minimum capital requirements may change, as the claims liability risk and the investments portfolio evolve.

## Major Capital Projects

Major Capital Projects (over \$50 million)	Targeted Completion Date (Year)	Project Cost to Dec 31, 2019 (\$ millions)	Estimated Cost to Complete (\$ millions)	Approved Anticipated Total Capital Cost of Project (\$ millions)
<b>Enhanced Care Coverage program</b>	2021/22	-	92	92
Description: This new way of providing auto insurance in B.C. will build on the reforms to date, but will also help to address this outstanding issue of high legal costs, in order to achieve affordable insurance premiums for British Columbians. Among the suite of changes, Enhanced Care coverage will dramatically expand care and treatment coverage for anyone injured in a crash by providing access to comprehensive accident benefits designed to cover all of the injured parties’ needs; expand coverage to all residents involved in an accident that arises from the use of a vehicle in B.C., Canada, or the US; and introduce direct compensation for property damage to align with the move away from a modified tort system.				

## **Appendix A: Hyperlinks to Additional Information**

### **Corporate Governance**

ICBC's governance is defined through legislation applicable to all Crown corporations, and legislation specific to ICBC itself.

The Board of Directors guides ICBC in fulfilling its mandate and sets the corporate direction. The Board, with input from the Executive Team, approves the vision and values that guide ICBC, and the goals and strategies upon which accountability and performance are evaluated. Information on the role and membership of the Board members and Board committees is available on ICBC's website, <http://www.icbc.com/about-icbc/company-info/Pages/Corporate-governance.aspx>. Also available via this link is information regarding ICBC's Executive Committee and Governance Principles. ICBC's Board complies with the [Crown Agencies and Board Resourcing Office Guidelines](#).

### **Organizational Overview**

For an organizational overview of ICBC, please visit <http://www.icbc.com/about-icbc>.

## **Appendix B: Subsidiaries and Operating Segments**

ICBC does not have any active operating subsidiary companies.

A portion of ICBC's investment portfolio is held in real estate. All of the fully-owned nominee holding companies hold investment properties for the purpose of generating investment income.