Insurance Corporation of British Columbia

2019/20
Annual Service Plan Report

For more information on the Insurance Corporation of British Columbia contact:

In the Lower Mainland
604-661-2800

Elsewhere in B.C., Canada, or the U.S.
1-800-663-3051

Head Office

151 West Esplanade
North Vancouver, British Columbia, V7M 3H9
icbc.com

Contact: icbc.com/contact-us

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

Board Chair's Accountability Statement

The *Insurance Corporation of British Columbia's (ICBC) 2019/20 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019/20-2021/22 Service Plan* created in February 2019. I am accountable for those results as reported.

Joy MacPhail
Chair of the Board of Directors
June 25, 2020

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Letter from the Board Chair & CEO

The Insurance Corporation of British Columbia (ICBC) works closely with the provincial Government to ensure all British Columbians have access to the auto insurance products and services they need and rely on, at the lowest rate possible. As a Crown corporation, ICBC is bound by overall Government expectations included in an annual mandate letter.

ICBC worked with Government to accomplish the priorities in the 2019/20 Mandate Letter and continues to focus on meeting financial targets and Government's public policy objectives.

This year, Government and ICBC together implemented some of the most significant changes to auto insurance in the province's history – with further transformative changes planned for 2021.

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.

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. In early 2020, ICBC modernized its material damage program to help reduce material damage cost pressures and better serve drivers with a continued focus on safe, quality repairs, as new vehicles contain more technology and cost more to repair. Additionally, work continues on road safety initiatives to prevent crashes in the first place.

Despite the improvements over the last year, British Columbians are still paying too much for auto insurance. That is why Government announced a new auto insurance model for B.C. that, if passed by the Legislature, will launch in 2021. Enhanced Care coverage will significantly lower premiums, provide even more generous care and recovery benefits to any British Columbian injured in a motor vehicle crash, and improve the long-term affordability and stability of auto insurance for our customers.

ICBC continues to work hard to deliver high-quality auto insurance to British Columbians at the lowest cost possible. The reforms that occurred in 2019 along with decreasing crash rates put ICBC on the path to a more sustainable financial footing, supporting the corporation's position as a valuable public asset for British Columbians. That said, this was offset by the continued cost pressures associated with settling older claims and equity impairment following the downturn in global markets from the COVID-19 pandemic at the end of the fiscal year.

ICBC's Board members, executive leadership team and Government are actively working together with a focus on affordability, stabilizing ICBC's financial position and improving the Corporation's long-term sustainability. In addition to regular meetings between the minister, the ICBC Board Chair and CEO, representatives from ICBC meet regularly with senior staff from the Ministry of Attorney General, working together to achieve our collective goals and objectives.

The Board Directors continue to receive ongoing education and evaluation opportunities intended to expand their individual and collective understanding of ICBC and their role in overseeing its operations. This included a number of presentations to the Board of Directors by ICBC staff.

As part of our commitment to fiscal responsibility and to ensure the best possible use of Government resources, ICBC will continue to work with Government to meet all objectives set out in the Mandate Letter.

Sincerely,

Joy MacPhail

Chair of the Board of Directors ICBC
June 25, 2020

Nicolas Jimenez

President and Chief Executive Officer ICBC
June 25, 2020

Purpose of the Annual Service Plan Report

The Annual Service Plan Report is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

Purpose of the Organization

The Insurance Corporation of British Columbia (ICBC) is a provincial Crown corporation mandated by the *Insurance Corporation Act*, *Insurance (Vehicle) Act* and the *Motor Vehicle Act* to provide universal compulsory auto insurance (Basic insurance) to drivers in B.C., with Basic insurance rates regulated by the British Columbia Utilities Commission (BCUC).

ICBC is committed to providing customers with the insurance products and services they can count on and the coverage they need. In addition to providing Basic vehicle insurance, ICBC competes with private insurance companies to offer various Optional vehicle insurance coverages, including extended third-party liability, collision, comprehensive and vehicle storage.

ICBC is one of B.C.'s largest corporations and one of Canada's largest property and casualty insurers. Its insurance products and services are available through a province-wide network of approximately 900 independent brokers, Government agents and appointed agents. Each year, ICBC processes approximately one million claim coverages through a 24-hour telephone claims handling service and online claims reporting. ICBC continues to have a presence in communities throughout the province and works with material damage suppliers (e.g., collision and glass repair shops) and healthcare professionals to help customers after a crash.

In addition to insurance products and services, ICBC also provides a number of non-insurance services on behalf of the provincial Government, including vehicle registration and licensing, driver licensing, and fines collection. ICBC also assists with the B.C. Services Card and is a partner on various road safety campaigns and initiatives.

ICBC operates as an integrated company for the benefit of its customers and partners with businesses and organizations in communities throughout B.C. to deliver services and programs. Autoplan brokers are key business partners, distributing ICBC's insurance products and providing other services such as vehicle registration and licensing. ICBC delivers services in partnership with a broad base of suppliers in the automotive industry. Law enforcement agencies, health services providers, material damage suppliers, lawyers and community organizations are among ICBC's other key partners.

ICBC does not have any active operating subsidiary companies. ICBC has 56 nominee holding companies, which hold investment properties for the purpose of generating investment income and four fully owned investment entities that hold global real estate pooled funds. ICBC has disclosed a listing of all of its nominee holding companies in Appendix B.

Strategic Direction

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair's Mandate Letter from the Minister Responsible in 2019 shaped the 2019/20 ICBC Service Plan and results reported in this annual report.

ICBC operates with a corporate strategy focused on containing all costs within its control, while delivering quality services. In line with Government's commitment to make life more affordable for British Columbians, ICBC is dedicated to providing customers with the best insurance coverage and service while delivering services that people can count on, at the lowest possible cost. To support this, ICBC's 2019/20 Corporate Strategy focuses on four key goals: Deliver Value and Service for Customers, Enable Financial Stability, Continuously Improve Our Business, and Build a High-Performing Workforce.

Working with Government and at the direction of the Attorney General as Minister responsible, ICBC has taken significant steps to help reduce the pressures on auto insurance rates. The initiatives implemented this year focused on insurance product reform, moving to a more driver-based insurance model, road safety and modernized material damage programs.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in ICBC's 2019/20-2021/22 Service Plan.

ICBC is aligned with the Government's key priorities:

Government Priorities	ICBC aligns with these priorities by:
Making life more affordable	• Deliver fair, affordable and sustainable rates (Strategy under Goal 1)
Delivering the services people count on	• Work with our shareholder and partners to design and deliver quality products and services in ways that meet customer needs and achieve government priorities (Strategy under Goal 1)
A strong, sustainable economy	• Deliver fair, affordable and sustainable rates (Strategy under Goal 1)

Operating Environment

For decades, auto insurance in B.C. was 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. That changed in 2019 when Government introduced important reforms to the auto insurance system. These reforms followed a number of years during which claims costs increased unsustainably, resulting in significant upward pressure on premiums.

ICBC is now serving customers under two separate claims models: those claims where the crash happened before the April 2019 reforms and those claims that occurred after. Implementing the reforms avoided significant rate increases and helped mitigate further large financial losses while providing improved accident benefits. The early signs suggest the new system is performing well.

As a result of the reforms and the fact that we have seen fewer crashes (and injuries), no Basic insurance rate increase was needed for the 2020 policy year (April 1, 2020 to March 31, 2021) – the first time in a decade. Despite this success, there continue to be risks to achieving long-term affordability and sustainability. The most obvious is the ongoing exposure to litigated claims costs, and in particular the increasing number of pre-April 2019 large injury claims. Another risk is the ongoing constitutional challenges to the April 2019 reforms. While large rate increases were avoided, it is fair to say that auto insurance premiums in this province are higher than where Government, ICBC and our customers would like them to be.

In February 2020, Government announced the introduction of Enhanced Care coverage, a significant reform of the auto insurance system that will be implemented in 2021. This new care-based insurance model moves away from an adversarial litigation-based system and, therefore, the exposure to ever-increasing litigation costs, to achieve two core policy goals: more affordable insurance and substantially better care for injured British Columbians.

With the reforms implemented in 2019 and further changes announced in February 2020, plus a number of unanticipated gains resulting from ICBC moving the management of its investment portfolio to the British Columbia Investment Management Corp, ICBC was well positioned to end the year on a positive financial note.

However, the unforeseen global pandemic had a sudden and marked impact on ICBC’s bottom line for 2019/20. This was largely due to the adverse impacts on ICBC’s investment portfolio from the abrupt downturn in global financial markets. Like other companies and organizations in Canada and around the world, ICBC has taken aggressive steps to respond to the pandemic, with employee and customer safety foremost in mind. ICBC is working hard to strike the right balance between safety and the need to deliver critical services our customers count on every day. A complete picture of the pandemic’s impact on our business will evolve through the 2020/21 financial year and will be discussed in our quarterly reporting to Government. The company is well positioned to manage through this public health crisis while keeping its focus on making the shift to Enhanced Care coverage in 2021.

Report on Performance: Goals, Objectives, Measures and Targets

As a Crown corporation, ICBC continually works to align with Government goals and objectives. ICBC fulfilled the expectations outlined in the 2019/20 Mandate Letter.

Despite financial and business environment challenges in 2019/20, ICBC remained committed to providing customers with the insurance products and services they can count on and the coverage they need. At the same time, ICBC remained focused on reducing the pressure on insurance rates and enhancing fairness in pricing. To support this, ICBC's 2019/20 Corporate Strategy focused on four key goals: Deliver Value and Service for Customers, Enable Financial Stability, Continuously Improve Our Business and Build a High-Performing Workforce.

ICBC's commitment to managing controllable operating expenses is demonstrated by its continued focus on operational excellence. A multi-year effort to strengthen this discipline has helped ICBC improve the way it delivers services to customers, achieve key business objectives and manage controllable operating expense pressures in 2019/20.

Throughout 2019/20, ICBC continually evaluated its performance against the measures set out in its Service Plan. Together, ICBC's executive leadership team and Board members, along with Government, focused on stabilizing ICBC's financial position and improving the Corporation's long-term sustainability.

This section sets out ICBC's goals, strategies, performance measures and targets for 2019/20-2021/22. ICBC has developed a new longer-term corporate strategy that will be implemented starting in 2020/21. The strategy will help increase financial stability, improve affordability for customers and prepare ICBC for future changes in the insurance industry.

Goal 1: Deliver Value and Service for Customers

ICBC remains committed to delivering value and service for customers by focusing on its customers' needs and what matters most to them.

Objective 1:

1.1a Maintain or improve current Insurance Services satisfaction score
1.1b Maintain or improve current Driver Licensing satisfaction score
1.1c Maintain or improve current Claims Services satisfaction score

Key Highlights

ICBC continues to meet service measures for its Insurance Services, Driver Licensing and Claims Service by remaining focused on providing consistent, quality products and services to its customers. Below are some key highlights that link to strategies identified in the 2019/20 Service Plan to help ICBC deliver value and service for customers.

Strategy 1: Work with our shareholder and partners to design and deliver quality products and services in ways that meet customer needs and achieve Government priorities

Over the past year, ICBC worked closely with Government on a number of priorities that helped deliver value and service for customers. ICBC continues to provide services throughout the province through its business partners, including repair network facilities, medical service providers, Autoplan brokers, and Government agents that offer driver licensing services.

At the highest level, the 2019 changes to our insurance product mean increasing care for the injured and better controls on the cost drivers of insurance rates. All customers, regardless of who is responsible for the crash, get more support after a crash – thereby increasing the value of Basic insurance coverage. These benefits cover everything from an ambulance ride to crutches, prescriptions, physiotherapy treatments, wage loss and even money for support around the house with cooking, cleaning and grocery shopping during recovery.

To better support catastrophically injured customers, ICBC also works with disability advocacy organizations. As a result of consultations, treatment protocol guidelines were developed that allow for greater practitioner autonomy and judgement when treating patients.

To allow more money for care and treatment, a limit of up to $5,500 (as of April 1, 2019) was set on pain and suffering payouts for minor injuries and a new, simplified dispute resolution process reduces reliance on the courts and provides faster decisions for customers who have concerns with their claim.

These changes reinforce ICBC's commitment to supporting the recovery of its customers.

ICBC also collaborated with Government on a number of shared priority projects, including delivering new blanket insurance products in support of ride-hailing and peer-to-peer services.

Strategy 2: Deliver fair, affordable, and sustainable rates

In September 2019, ICBC moved to a more driver-based insurance model. Driving experience and crash history now play bigger roles in determining insurance premiums. These changes were designed to be revenue neutral and were made so that the amounts people pay for car insurance more closely reflect their actual risk behind the wheel.

Building on these changes, Government announced this year that it is working with ICBC on Enhanced Care coverage starting in 2021. Removing legal costs from the system will provide sustainable, reduced rates and substantially increase care benefits, making public auto insurance work for British Columbians.

Strategy 3: Reduce injury and death on B.C. roads

In 2019/20, ICBC maintained a strong focus on its road safety efforts to address distracted driving and intersection crashes to help reduce injury and death on B.C. roads, improve the safety of our communities, and manage claims costs.

In partnership with Government, intersection safety camera equipment is in place at 35 existing locations for speed activation.

Telematics research is underway to determine whether using this technology can improve road safety and driving behaviour for less experienced drivers. A pilot involving drivers with up to four years of driving experience was launched in January 2020 and will run for one year. Results from the pilot project will not impact the participants' insurance premiums. The information gathered under the pilot will provide insights about whether this technology can help improve driver behaviour and ultimately reduce crashes among this high-risk group. This pilot is just one of the many actions that Government and ICBC are taking to try to make B.C. roads safer.

Meanwhile, ICBC continued to partner with police and other stakeholders on education and awareness campaigns and other tactics related to the top contributing factors in fatal collisions: speed, distracted driving and impaired driving.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.1a Insurance Services Satisfaction[1]	95%	92%	96%	93%[2]	95%
1.1.b Driver Licensing Satisfaction	92%	93%	92%	94%	95%
1.1c Claims Services Satisfaction	92%	92%	92%	93%	94%

Data Source: Ongoing surveys for the purposes of monitoring transactional satisfaction are conducted by an independent firm.
[1]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.
[2] 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.

Discussion of Results

Performance Measure 1.1a: 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. These transactions include purchasing a new policy, renewing a policy or making a midterm change to an existing policy.

- The implementation of the driver-based insurance model in September 2019 was associated with fundamental changes to the way customers have historically renewed their insurance. These changes, which required many customers to provide additional information to list drivers on their policy, were expected to increase transaction times and have an adverse impact on customer satisfaction. In anticipation, targets were lowered in 2019/20 and 2020/21 to 92 per cent and 93 per cent, respectively, to account for one full year of renewals under the new model. The fiscal-year end overall insurance customer satisfaction score increased one percentage point over last year’s result to a fiscal year-end score of 96 percent. This is a testament to the effectiveness of ICBC’s efforts aimed at ensuring customers were supported for their first renewal under the new insurance model. Customer satisfaction scores will be monitored closely throughout the upcoming fiscal year as customers continue to renew under the new model.

Performance Measure 1.1b: Driver Licensing Satisfaction

- Each year, ICBC conducts approximately 1.6 million driver licence-related key transactions concerning the issuance of driver licences and driver exams. These include 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.
- Driver Licensing customer satisfaction fell just short of its year-end target of 93 per cent again this fiscal-year. The overall score remains challenged primarily by lower customer satisfaction among those who failed their road test.

Performance Measure 1.1c: Claims Services Satisfaction

- Claims are processed through ICBC's claims contact centres, claim offices and specialty departments such as commercial claims and rehabilitation services. Claims surveying draws upon personal claims only 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.
- ICBC continued to deliver a high level of customer service. Overall, claims customer satisfaction remained stable at 92 per cent throughout 2019/2020, despite the introduction of new claims processes as a result of product changes implemented April 1, 2019.

Goal 2: Enable Financial Stability

ICBC strives to manage operating expenses in a low-cost manner, in line with Government's mandate to make life more affordable for British Columbians, while also focusing on accountability, service and cost awareness.

Objective 2:

2.1a Stable Minimum Capital Test (MCT) ratio
2.1b Stable or lower combined ratio
2.1c Stable or lower loss ratio
2.1d Investment return to match the policy benchmark return

Key Highlights

Below are some key highlights linked to strategies identified in the 2019/20 Service Plan that supported ICBC efforts to achieve financial stability by managing claims costs, operating expenses and its investment portfolio.

Strategy 1: Manage increasing bodily injury and material damage claims costs

To help address claims costs associated with bodily injury, Government made legislative and regulatory changes that limit pain and suffering payouts for minor injury claims and improve accident benefits, increasing the care available for anyone injured in a crash.

In addition, Government established an independent dispute resolution process through the Civil Resolution Tribunal to resolve disputes on the determination of a minor injury, entitlement to receive accident benefits, and about who is at-fault in a crash. Together, these changes help reduce the amount ICBC spends on legal fees and expenses which will, when coupled with other planned initiatives, significantly reduce claims costs and contribute to a lower Basic insurance rate. Despite these cost reduction initiatives, rising costs to repair vehicles and medical services cost inflation are putting upward pressure on rates.

Vehicles today are more reliant on technology and expensive materials than ever before, while the hours of labour required to repair vehicles and the cost of replacement parts are also increasing, particularly for newer vehicles. To help control costs, collision repair and glass supplier programs were modernized to focus on performance standards, operational efficiencies and customer experience.

Strategy 2: Manage operating expenses in a low-cost manner

ICBC continued to exercise prudence managing its controllable operating expenses, capitalizing on previous investments in new technology, process automation and on-going continuous improvement. As a result, in 2019/20, operating expenses were $878 million, which is consistent with budget.

Strategy 3: Balance risk and return within the investment portfolio

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. The British Columbia Investment Management Corporation (BCI) now manages most of ICBC's investment portfolio. Historically, investment income has been a strong contributor to ICBC's financial health. ICBC's investment portfolio performed well for most of the year, exceeding industry benchmark returns. The majority of investment gains for this fiscal year were realized in the third quarter. However, due to influences beyond anyone's control, the sudden downturn in global financial markets in March 2020 related to the COVID-19 pandemic resulted in a much lower than expected investment portfolio return.

Performance Measures[1]	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.1a MCT	-7%	On Hold[2]	-30%	On Hold[2]	On Hold[2]
2.1b Combined Ratio	132%	112%	120%	112%	111%
2.1c Loss Ratio	119%	94%	101%	93%	92%
2.1d Investment Return (Market Return)[3]	Benchmark +0.33%	Policy Market Benchmark Return	Benchmark +0.09%	Policy Market Benchmark Return	Policy Market Benchmark Return

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

[1] These performance measures were removed in the 2020/21 – 2022/23 Service Plan.

[2] Due to the Basic insurance product changes, Corporate MCT targets for 2019/20 to 2021/22 are subject to review.

[3] Actual and benchmark investment returns are measured gross of management fees. ICBC's management fees and operating costs are 15 basis points. Overall benchmark return is determined by the weighted average of the respective benchmark returns of the asset class in the same period. The actual result shown is the performance relative to the benchmark return.

Discussion of Results

Performance Measure 2.1a: Minimum Capital Test

- The Minimum Capital Test (MCT) ratio is an industry measure set by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies across Canada. OSFI has established an industry-wide supervisory target capital ratio of 150 per cent. Although ICBC is not federally regulated, legislation and regulation require ICBC to use the OSFI MCT framework to set capital targets. It is calculated as the ratio of capital available to capital required.
- The corporate MCT ratio as at March 31, 2020 was -30 per cent, lower capital available as a result of ICBC's cumulative net losses from recent fiscal years and lower investment returns caused mostly by a downturn in the financial markets due to COVID-19.
- On February 26, 2018, Government issued direction to temporarily suspend the *Special Direction IC2* requirement to maintain Basic MCT at 100 per cent. This suspension is effective until March 31, 2022.
- Pursuant to Government's temporary suspension of the *Special Direction IC2*, Basic insurance rates are not required to include any provision for capital maintenance and capital build until policy year 2021. Legislative changes made to ICBC's Basic insurance product have been to make insurance rates more affordable and have not yet contributed to rebuilding ICBC's capital.

Performance Measure 2.1b: Combined Ratio

- The combined ratio is a key industry measure for overall profitability and is the ratio of all costs to premium dollars earned. An ideal ratio is below 100 per cent. This indicates an underwriting profit (i.e., premiums are sufficient to cover costs), while a ratio above 100 per cent indicates an underwriting loss (i.e., premiums are not sufficient and investment income is needed to help cover costs).
- Costs included in the combined ratio are claims costs, operating expenses and acquisition costs (e.g., broker commission).
- ICBC's ratio is higher than typical for the property and casualty industry and reflects the unique nature of its business model. The property and casualty industry benchmark for 2019 was 98 per cent.[1] Basic insurance premiums, which make up approximately 60 per cent of our total premiums earned, are not set to generate an operating profit. ICBC delivers non-insurance services on behalf of Government. In 2019/20, non-insurance costs represented approximately two percentage points of the combined ratio.
- The 2019/20 combined ratio result did not achieve the target of 112 per cent mainly due to higher claims costs and lower premiums earned than budget.

[1] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2019. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund).*

Performance Measure 2.1c: Loss Ratio

- ICBC's loss ratio is typically higher than the industry average. This is partially due to the unique nature of ICBC's business model, where Basic insurance premiums are not set to generate an operating profit and together with investment income, are expected to be set to cover costs and to achieve and maintain capital targets (except for the period when capital maintenance and capital build requirements are suspended).
- The 2019/20 loss ratio did not achieve the target of 94 per cent mainly due to higher claims costs and lower premiums earned than budget.

Performance Measure 2.1d: Investment Return

- ICBC holds an investment portfolio with a carrying value of $18.3 billion at the end of 2019/20. The portfolio is conservatively invested, with the majority of assets held in high-quality fixed income securities, primarily to provide for future claims payments and unearned premiums. Equities, mortgages, infrastructure and real estate are held in the investment portfolio to generate an added return over bonds. Investment income helps to reduce the amount of premiums needed from policyholders.
- Investment returns, which incorporate both changes in market value of assets and income are closely monitored. Individual asset class returns are measured relative to the performance of standard market benchmarks. In addition, the return of the overall portfolio is measured against a policy market benchmark calculated based on individual asset class market benchmark returns, weighted according to the portfolio's strategic asset mix.
- Investment returns over the last four years have benefited from allocations to equity, mortgages and real estate, all of which have provided an added return over bonds.
- ICBC's investment returns continue to compare favourably to market returns. The 2019/20–2021/22 investment portfolio performance targets are set at the policy market benchmark's four-year annualized return. For performance measurement purposes, ICBC does not forecast the policy market benchmark return, as it is the result of market forces beyond the Corporation's control.
- As of March 31, 2020, ICBC's four-year annualized return at 3.38 per cent was 0.09 percentage points higher than the comparable policy market benchmark of 3.29 per cent.[2] Based on average portfolio values over this period, the estimated impact of this is about $15 million annually or about $60 million over four years.

[2] *Sources: FTSE Canada Fixed Income Indices; Bloomberg/Barclays Government/Credit Index; Bank of America Merrill Lynch BB/B High Yield Index; S&P/TSX Capped Composite Index; Morgan Stanley Capital International (MSCI) EAFE Index & World Index ex Canada; S&P 500; Customized REAL/pac IPD Canadian Property Index; (REAL/pac IPD = Real Property Association of Canada Investment Property Databank) & Canadian Consumer Price Index.*

- ICBC's one-year return of 1.40 per cent was -0.58 percentage points below the comparable policy market benchmark of 1.98 per cent. The underperformance was mainly due to the market volatility during the last quarter of the fiscal year.
- As of February 29, 2020, the annualized one-year return was 5.81 per cent compared to the one-year return as of March 31, 2020 of 1.40 per cent. The March monthly performance of -2.90 per cent reflects the impact of COVID-19 on ICBC's investment portfolio's return.

Goal 3: Continuously improve our business

Providing customers with the best insurance coverage at the lowest possible cost requires ICBC to operate in a cost-efficient manner. ICBC will continue to embed lean thinking in its business practices and apply tools, standards and technology to improve quality and streamline processes. Through this, we can actively control spending, avoid unnecessary costs and deliver a consistent, quality experience and value for customers.

Objective 3:

3.1a Stable or lower Loss Adjustment Ratio; and
3.1b Stable or lower Insurance Expense Ratio

Key Highlights

Below are some key highlights that link to strategies identified in the 2019/20 Service Plan that helped ICBC control spending, avoid unnecessary costs and focus on delivering a consistent, quality experience and value for customers.

Strategy 1: Evolve our ability to leverage technology, tools and standards to operate efficiently and deliver consistent quality service

ICBC continued to use a variety of principles and methodologies to deliver quality service. Bringing together the practices of operational excellence and technology helped broaden the scale at which cost, quality and timely service could be improved. For example, ICBC has evaluated process automation opportunities to help with repetitive low value tasks, freeing up staff to serve customers and settle claims. This also included reviewing business processes to meet customers' digital and service expectations, finding and removing operational inefficiencies, using technology to stabilize change and accelerate gains, and building internal capacity and capability in our people to successfully lead and sustain changes in service.

Strategy 2: Develop organizational agility to be responsive to a changing environment

ICBC operates in a changing environment and continues to develop skills and process standards that support our ability to respond quickly and continuously improve our business. For example, ICBC tracks the performance of the product changes and other reforms implemented this year so that we can quickly respond and escalate opportunities for improvement.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.1a Loss Adjustment Ratio[1]	17.4%	On Hold	20.2%	On Hold	On Hold
3.1b Insurance Expense Ratio[2]	16.7%	16.8%	17.2%	16.5%	16.4%

Data Source: Financial performance measures are derived from actual financial information, forecasted trends, management targets, and assumptions.
[1] This performance measure was on hold due to the changes to the Basic insurance product and was changed to show Loss Adjustment Expense Ratio in the 2020/21 – 2022/23 Service Plan.
[2] This performance measure was changed to show Expense Ratio in the 2020/21 – 2022/23 Service Plan.

Discussion of Results

Performance Measure 3.1a: Loss Adjustment Ratio

- The loss adjustment ratio is the percentage of claims handling costs per dollar of claims paid. It is calculated as the sum of claims services costs, external expenses and loss management expenses divided by claims paid net of external expenses.
- The 2019/20 result was 20.2 per cent. ICBC updated its claims injury strategy in January 2019, resulting in lower closed severity and lower settlement volume. This in addition to higher claims operating expenses and allocated costs has resulted in a higher loss adjustment ratio.

Performance Measure 3.1b: Insurance Expense Ratio

- The insurance expense ratio is a standard industry measure to assess the operational efficiency of an insurer. It is calculated as a ratio of insurance operating expenses (excluding claims, claims-related costs and non-insurance expenses) to insurance premium dollars earned.
- The property and casualty industry benchmark for 2019 was 31.2 per cent.[3]
- ICBC's 2019/20 result of 17.2 per cent was slightly higher than the 2019/20 target mainly due to lower premiums earned than budget but was lower than the industry benchmark. The actuals demonstrate ICBC's ongoing operational efficiency.

Goal 4: Build a High-Performing Workforce

Critical to achieving the corporate strategy is having the right people with the right business capabilities and tools to provide more information, improved services and better access for customers. ICBC will continue to build the skills and capabilities of its people through implementation of human resource initiatives and workforce plans, which will include leadership development, succession planning and various employee experience programs.

Objective 4:

4.1a Maintain or improve scores across all employee opinion indices

[3] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2019. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund).*

Key Highlights

The organization maintained its focus on continuous improvement of employee experience but adjusted its Employee Opinion Survey (EOS) targets to reflect that either a score increase or the maintenance of existing scores is a satisfactory outcome. Below are key highlights that link to strategies identified in the 2019/20 Service Plan and helped ICBC improve business capabilities and better align people.

Strategy 1: Align our culture to drive a better customer experience

The reforms introduced in April 2019 brought about a fundamental shift in ICBC's business model and in the way ICBC employees interact with customers to ensure a better experience. Workforce and cultural shifts at ICBC supported the successful delivery of these changes. ICBC also introduced a new corporate strategy in February 2020, one that includes deliverables focused on customer experience. ICBC will report on these customer experience measures in future reports.

Strategy 2: Inspire accountable, aligned, enabled and motivated leaders and employees

One of the key strategies within this goal is to inspire accountable, aligned, enabled and motivated leaders and employees. ICBC's EOS captures employees' opinions regarding the tools and processes at their disposal, their understanding of how their efforts align to the corporate strategy, their personal motivation and their individual accountability for delivering business results. All ICBC employees are invited to participate in a full EOS every two years; in the intervening years, a shorter Pulse Check survey is provided to a representative sample of employees (20%). The Pulse Check helps ICBC's leadership teams understand if corporate, divisional and departmental action plans are addressing the feedback provided by employees in full surveys.

In 2019/20, ICBC continued to build on the skills and capabilities of its people through the implementation of human resource initiatives and workforce plans, including: diversity and inclusion; leadership development; succession planning; and various employee experience programs. In particular, efforts have been made to provide ICBC employees more feedback and coaching on their individual performance plans and greater opportunity to take part in formal and informal learning and development activities.

Strategy 3: Strengthen the skills and capabilities of our people to enable them to be successful

ICBC employees were critical to the successful implementation of product reform and a driver-based insurance rating model. That success required employees to have the skills and tools necessary to perform new work functions. Significant training initiatives and the development of new resources enabled employees to develop specific skills to adapt to business process changes and/or changes to their day-to-day responsibilities. ICBC put a particular focus on critical skills, including data analytics, to provide greater access to data in the claims and insurance systems to equip employees with the right information to make fact-based decisions. ICBC is committed to supporting training to ensure process discipline and high customer service levels are effectively sustained post-reforms.

Performance Measures	2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target [3]
4.1 Employee Opinion Indices[1]					
Aligned	82	82	81	82	82
Enabled	73	76	68	82	82
Motivated	72	75	65	81	81
Accountable	90	90	87	90	90
Leadership [2]	76	79	N/A	N/A	82

Data Source: [1] Employee Opinion Survey (EOS) conducted by an independent firm. ICBC will continue to evolve our employee measures to reflect strategic goals.
[2] 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.
[3] ICBC is revisiting its measurement of employee engagement in 2020/21. It is looking to replace the bi-annual survey format with more frequent surveys throughout the year to monitor and assess feedback on a range of topics important to engagement. The targets set out in this Service Plan may need to be updated to reflect improvements to our methodology for measuring engagement.

Discussion of Results

Employee Opinion Survey

- ICBC achieved an organization-wide participation rate of 51 per cent. This large survey sample suggests the results are an accurate representation of employee sentiment.
- Survey results for 2019/20 indicate:
  - Scores are lower across all indices compared to 2018 and sit below the targets.
  - The Accountable and Aligned indices both continue to score in the 'Extremely Positive' category.
  - The Enabled and Motivated indices scored in the 'Moderately Positive' category and will remain a priority.
- ICBC has undergone a significant period of change, which has impacted employees and created challenges in maintaining a positive and engaging employee experience. Concerns regarding workload, training and wellness will require more focus.
- Looking forward, the insights gained from these results will be used to inform the development of ICBC's Strategic Workforce Strategy, Human Resource programs and priority tactics, as well as the Enhanced Care coverage project's change management.

Financial Report

Discussion of Results

Highlights

ICBC's 2019/20 fiscal net loss was $376 million. Unfortunately, the COVID-19 global pandemic had a significant negative impact on ICBC's bottom line. The sudden and significant negative impact to the economy and global investment markets resulted in a large investment impairment charge. Further, the market downturn caused a reduction in market yields, which resulted in a lower rate to discount claims liabilities; increasing claims costs.

In February 2019, Government announced amendments to the Rules of Court to address the use of experts and expert reports in claim cases, which was challenged by a civil claim filed in April 2019. On October 24, 2019, the B.C. Supreme Court ruled these changes to be unconstitutional ("Crowder decision").

As a result, this reversal of the associated financial benefits is reflected in the 2019/20 financials. In February 2020, Government announced proposed amendments to the *Evidence Act* in response to the Crowder decision. The legislative and supporting regulatory changes under the Evidence Act did not pass by ICBC's fiscal year-end and as a result, ICBC could not recognize associated claims cost savings in fiscal 2019/20. Without the COVID-19 pandemic impacts, ICBC's financial performance would have been significantly better than budget.

ICBC's financial results for 2019/20 also represent the combination of outcomes under two separate insurance products. ICBC continues to face significant cost pressures on claims under the full tort product, which applies to crashes that occurred prior to April 2019. For claims arising from crashes that occurred within the current fiscal year, the new minor injury cap insurance product is in place, which includes increased benefits available to all customers who are injured in a crash, a limit on pain and suffering payouts for minor injuries, and a new independent claims dispute resolution process for most claims through the Civil Resolution Tribunal. These changes have helped bring claims costs more in line with premiums resulting in a positive underwriting income for the post-April 2019 insurance product; although risks remain including constitutional challenges to the reforms. The pre-April 2019 full tort product continues to experience cost pressures primarily from large and complex represented claims resulting in a significant underwriting loss.

Net claims incurred in 2019/20 are lower than the previous year mainly due to the April 2019 reforms and a decline in crash frequency. These benefits were partly offset by the reversal of savings due to the Crowder decision and by a lower rate to discount claims liabilities, due to lower prevailing interest rates as a result of the global investment market downturn caused by the COVID-19 pandemic.

Financial Summary

The table below provides an overview of ICBC's 2019/20 financial performance relative to its *2019/20—2021/22 Service Plan*.

$ millions [1]	2018/19 Actual	2019/20 Budget	2019/20 Actual	2019/20 Variance
Premiums earned [2]	5,823	6404	6,286	(118)
Service fees and other	125	135	148	13
Total earned revenues	**5,948**	**6,539**	**6,434**	**(105)**
Provision for claims occurring in the current year	5,308	5,499	4,728[3]	771
Change in estimates for losses occurring in prior years	1,221	29	1,180[3]	(1,151)
Net claims incurred	**6,529**	**5,528**	**5,908**	**(380)**
Claims service and loss management [4]	419	472	464	8
Insurance operations expenses [4]	279	296	304	(8)
Premium taxes and commissions [4, 5]	307	748	741	7
Total expenses	**7,534**	**7,044**	**7,417**	**(373)**
Underwriting loss	**(1,586)**	**(505)**	**(983)**	**(478)**
Investment income	581	587	1,058	471
(Loss) income - insurance operations before impairment loss	**(1,005)**	**82**	**75**	**(7)**
Non-insurance operations expenses [4]	102	107	110	(3)
Non-insurance commissions [4]	31	32	31	1
Non-insurance - other income	(7)	(7)	(7)	-
Net loss before impairment loss	**(1,131)**	**(50)**	**(59)**	**(9)**
Impairment loss	(23)	-	(317)[6]	(317)
Net loss	**(1,154)**	**(50)**	**(376)**	**(326)**
At year end:				
Total liabilities	19,728	20,252	22,119	
(Deficit) Equity:				
- Deficit	(20)[7]	(97)	(396)	
- Other components of equity	124[7]	(148)	(165)	
- Non-controlling interest	15	15	14	
Total equity (deficit)	**119**	**(230)**	**(547)**	
Capital Expenditures	66	92	62	
Autoplan policies earned [8]	3,895,000		3,971,000	
Average premium ($) [9]	1,441		1,544	
Claims reported during the year [10]	1,021,000		983,000	

[1] Financial information for all years is prepared based on International Financial Reporting Standards (IFRS).
[2] Premiums earned are net of mid-term changes and cancellation refunds.
[3] For 2019/20, the reversal of the savings from the Crowder decision is reflected in current year claims and in prior years' claims adjustments.
[4] See Note 21 of the consolidated financial statements for details of Operating Expenses by Nature.
[5] Premium taxes and commissions include deferred premium acquisition cost adjustments.
[6] For 2019/20, due to the COVID-19 pandemic, the equity impairment loss was $298M.
[7] Balance adjusted due to rounding.
[8] Annualized values have been used for policies with a term of less than 12 months. Autoplan policies earned include Basic, storage and temporary operating
[9] Average premium is based on Autoplan premiums earned.
[10] Claims reported represent the number of claims reported against purchased insurance coverages.

The table below shows ICBC's 2019/20 financial performance between the post-April 1, 2019 minor injury cap product and the pre-April 2019 full tort product. As the full tort product is no longer available, written premiums and earned premium revenue are fully attributable to the minor injury cap product. The full tort product is showing a net loss primarily due to the $1,180 million change in estimates for losses occurring in prior years. Although the reversal of savings from the Crowder decision was a significant portion of this adjustment, ICBC continues to face increasing cost pressures from large and complex represented full tort outstanding claims.

$ millions	**Minor Injury Cap Product**	**Full Tort Product**	**Non-Insurance and Support**	**Total**
	2019/20	**2019/20**	**2019/20**	**2019/20**
Net premiums written	6,356	-	-	6,356
Revenues				
Net premiums earned	6,286	-	-	6,286
Service fees and other income	148	-	-	148
Total earned revenues	6,434	-	-	6,434
Claims and operating expenses				
Provision for claims occurring in the current year [1]	4,728	-	-	4,728
Change in estimates for losses occurring in prior years [1]	-	1,180	-	1,180
Claim services, road safety and loss management services	192	214	58	464
	4,920	1,394	58	6,372
Operating expenses – insurance	245	59	-	304
Premium taxes and commissions – insurance	741	-	-	741
	5,906	1,453	58	7,417
Underwriting income (loss)	528	(1,453)	(58)	(983)
Investment income	352	706	-	1,058
Income (Loss) – insurance operations before impairment loss	880	(747)	(58)	75
Loss – non-insurance operations	-	-	(134)	(134)
Net income (loss) before impairment loss	880	(747)	(192)	(59)
Impairment loss [2]	(105)	(212)	-	(317)
Net income (loss)	775	(959)	(192)	(376)

[1] For 2019/20, the reversal of the savings from the Crowder decision is reflected in current year claims and in prior years' claims adjustments.
[2] For 2019/20, due to the COVID-19 pandemic, the equity impairment loss was $298M.

Basic and Optional Comparative Summary Table

$ millions	Basic - Actual vs. Prior Year			Optional - Actual vs. Prior Year		
	2018/19 Actual	2019/20 Actual	2019/20 Variance	2018/19 Actual	2019/20 Actual	2019/20 Variance
Premiums earned [1]	3,390	3,564	174	2,433	2,722	289
Service fees and other	74	87	13	51	61	10
Total earned revenues	**3,464**	**3,651**	**187**	**2,484**	**2,783**	**299**
Provision for claims occurring in the current year	3,621	2,900[2]	721	1,687	1,828[2]	(141)
Change in estimates for losses occurring in prior years	718	757[2]	(39)	503	423[2]	80
Net claims incurred	**4,339**	**3,657**	**682**	**2,190**	**2,251**	**(61)**
Claims service and loss management	280	313	(33)	139	151	(12)
Insurance operations expenses	120	132	(12)	159	172	(13)
Premium taxes and commissions [3]	(136)	193	(329)	443	548	(105)
Total expenses	**4,603**	**4,295**	**308**	**2,931**	**3,122**	**(191)**
Underwriting loss	**(1,139)**	**(644)**	**495**	**(447)**	**(339)**	**108**
Investment income	413	734	321	168	324	156
(Loss) income - insurance operations before impairment loss	**(726)**	**90**	**816**	**(279)**	**(15)**	**264**
Non-insurance operations expenses	102	110	(8)	-	-	-
Non-insurance commissions	31	31	-	-	-	-
Non-insurance - other income	(7)	(7)	-	-	-	-
Net loss before impairment loss	**(852)**	**(44)**	**808**	**(279)**	**(15)**	**264**
Impairment loss	(16)	(220)[5]	(204)	(7)	(97)[4]	(90)
Net loss	**(868)**	**(264)**	**604**	**(286)**	**(112)**	**174**
At year end: [5]						
Liabilities:						
Unearned premiums	1,636	1,651		1,249	1,304	
Provisions for unpaid claims	10,338	11,318		3,950	4,686	
Equity (Deficit):						
- Retained earnings (deficit)	65	(198)		(85)[6]	(198)	
- Other components of equity	92	(112)		32[6]	(53)	
- Non-controlling interest	10	9		5	5	
Total equity (deficit)	**167**	**(301)**		**(48)**	**(246)**	

[1] Premiums earned are net of mid-term changes and cancellation refunds.

[2] For 2019/20, the reversal of the savings from the Crowder decision is reflected in current year claims and in prior years' claims adjustments.

[3] Premium taxes and commissions include deferred premium acquisition cost adjustments.

[4] For 2019/20, due to the COVID-19 pandemic, the equity impairment loss was $207M in Basic and $91M in Optional.

[5] Balances presented at year end as of March 31, 2019 and March 31, 2020, respectively.

[6] Balance adjusted due to rounding.

Variance and Trend Analysis

The 2019/20 net loss of $376 million was $778 million lower than the $1,154 million net loss in 2018/19. The COVID-19 pandemic had a significant and sudden negative impact on global investment markets resulting in ICBC taking a substantial impairment charge on its equity investments. Excluding this impairment charge, ICBC had a net loss of $59 million. The year-over-year improvement was mainly due to lower claims costs, higher premiums earned, and higher investment income, partially offset by the investment impairment charge, the reversal of savings from the Crowder decision and an unfavourable deferred premium acquisition cost (DPAC) adjustment.

Compared to budget, the current year's net loss was $326 million higher than the budgeted net loss of $50 million. This was largely due to higher than expected prior years' claims adjustments as the result of the reversal of savings from the Crowder decision, lower discount rate, and the increased emergence of large bodily injury claims from prior years.

Premiums earned

Premiums earned in 2019/20 were $6,286 million, which is an increase of $463 million compared to 2018/19. This is due to the growth in the number of insured vehicles and the impact of the Basic insurance rate increase of 6.3 per cent effective April 1, 2019. Optional insurance rate increases also contributed to increased premiums earned. Premiums earned were lower than budget due to a lower average premium per policy and lower policy growth than expected. Lower premium per policy compared to budget was largely due to the impact from customers listing fewer high-risk drivers than expected with the introduction of a driver-based insurance model in September 2019.

Service fees and other

Service fees and other are primarily comprised of interest and other fees received from policyholders who have chosen to finance their insurance premiums over the policy period. Service fees were higher than the prior year and budget due to an increase in the financing fee and higher participation in payment plans.

Claims costs

Claims incurred costs are affected by the growth in the number of policies, the chance of having a claim (frequency) and the average expected costs to settle those claims (severity). Frequency is influenced by factors that include driving and claimant behaviour, driver experience, weather and the effectiveness of road safety and loss management programs as well as the increasing number of new vehicles with advanced safety features installed. Severity is influenced by factors that include legal representation, litigation, settlement awards, legal fees, medical inflation, vehicle parts/repair inflation and independent adjusting costs.

Cost of claims incurred account for more than three quarters of ICBC's total costs. They are comprised of the expected costs to settle claims for all crashes that have occurred during the fiscal period, regardless of when the crash was reported to ICBC, and the change in estimates for losses that occurred in prior periods. Claims incurred costs include payments made to settle claims, adjusters' case reserves and actuarial estimates of the additional costs that will be paid on known claims and claims not yet reported.

The estimation of claims development involves assessing the future behaviour of incurred claims, taking into consideration the closure rates, payment patterns, consistency of ICBC's claims handling procedures, the amount of information available at the time of the valuation, including the legal representation status of claims, and historical delays in reporting of claims. In general, the more time required for the settlement of a group of claims, the more uncertain the estimates will be. Adjustments to the prior periods' claims reserves are due to the re-estimation of future payments for claims incurred in prior periods that are in progress and for those that are not yet reported. As time passes, more claims are paid and more information becomes available, enabling the estimate of the remaining future claims payments to be refined.

For this fiscal year only, the provision for claims occurring in the current year, or current year claims costs, would be reflective of the April 1, 2019 minor injury cap product and the changes in the estimates for losses that occurred in prior periods would be reflective of the pre-April 1, 2019 full tort product.

Overall, 2019/20 net claims incurred costs of $5,908 million were $621 million lower than the claims costs incurred in 2018/19. This is mainly due to the April 2019 reforms and reduced crash frequency, partly offset by the reversal of savings from the Crowder decision and a lower discount rate.

Net claims incurred costs in 2019/20 were $380 million higher than budget, with a favourable difference of $771 million in current year claims costs and an unfavourable difference of $1,151 million in prior periods' adjustments.

$ millions	2015 Actual	2016/17 Actual *(15 months)*	2017/18 Actual	2018/19 Actual	2019/20 Actual
Net Claims Incurred Costs	**4,042**	**5,966**	**5,647**	**6,529**	**5,908**
Injury	2,748	3,955	3,902	4,854	4,327
Material Damage and Other	1,294	2,011	1,745	1,675	1,581

Data Source: ICBC financial systems

Current year claims costs are better than budget mainly due to a lower frequency of crashes. 2019/20 continued to see a reduction in the number of crashes, which is an encouraging development from record high levels in 2016/17 and 2017/18.

The Corporation observed a substantial reduction in reported claims in March 2020 compared to what was expected and has included in its estimates a reduction for claims incurred in March 2020. A contributing factor was the public health emergency, related to the COVID-19 pandemic, declared by the Province of B.C. on March 17, 2020. This resulted in a significant reduction in activities around the province and a decrease in vehicle related crashes.

Prior years' claims adjustments are worse than budget, mainly due to the reversal of savings from the Crowder decision, and to a lower discount rate due to lower projected yields in the financial markets following the onset of the COVID-19 pandemic. Prior years' claims adjustments also reflect increased cost pressure on claims under the full tort system, in particular an increase in the estimated number of large injury claims that will develop over time.

Injury claims

Current year injury claims account for approximately 65 per cent of current year claims incurred costs in 2019/20 and include bodily injury claims and accident benefit claims. Injury claims include amounts for pain and suffering, future care, past and future wage loss, medical expenses and external claims handling expenses. Overall, the total cost of current year injury claims has decreased in 2019/20 compared to 2018/19 due to the April 2019 reforms and lower claims frequency.

Bodily injury claims costs accounted for over 80 per cent of the total current year injury claims costs. With the introduction of product reform and shifting to a care-based model, more costs are incurred under accident benefits, reducing bodily injury costs, which have accounted for over 90 per cent of injury claims costs in recent years.

$ millions	**2015 Actual**	**2016/17 Actual** *(15 months)*	**2017/18 Actual**	**2018/19 Actual**	**2019/20 Actual**
Current Year Injury Claims Incurred (major categories)	**2,563**	**3,570**	**3,334**	**3,498**	**2,986**
Bodily Injury	2,380	3,308	3,114	3,162	2,420
Accident & Death Benefits	183	262	220	336	566

Data Source: ICBC financial systems

Material damage (non-injury) claims

Material damage claims can largely be categorized into property damage, collision, comprehensive and windshield claims. Overall, the total cost of current year material damage claims was lower than 2017/18 and 2018/19 as a result of lower claims frequency. In 2018/19, ICBC began work toward modernizing the repair network programs with a goal to contain costs in line with industry standards. The changes are also intended to incentivize suppliers to continually improve their performance. The new collision program was implemented in February 2020 and the new glass program was implemented in March 2020.

$ millions	2015 Actual	2016/17 Actual *(15 months)*	2017/18 Actual	2018/19 Actual	2019/20 Actual
Current Year Material Damage Claims Incurred (major categories)	**1,156**	**1,755**	**1,555**	**1,548**	**1,495**
Property damage	433	704	673	643	611
Collision	491	727	583	612	583
Comprehensive	166	222	198	195	202
Windshield	66	102	100	98	99

Data Source: ICBC financial systems

Change in estimates for losses occurred in prior years

In 2019/20, the change in estimates for losses that occurred in prior periods was $1,180 million and had a significant negative impact on ICBC's fiscal year bottom line. This is a result of an increase in the estimated number of large and complex pre-April 2019 full tort product injury claims that will develop over time, the reversal of savings from the Crowder decision and the lower rate to discount claims costs. The pre-April 2019 full tort product continues to experience significant cost pressures and is a continuing risk to ICBC financial results.

Provision for unpaid claims

The provision for unpaid claims is the largest liability on the consolidated statement of financial position. It is an estimate of future claims payments relating to claims that have already occurred. The adequacy of this unpaid claims liability is reviewed and adjusted periodically throughout the fiscal year based on revised actuarial estimates, which include a provision for adverse deviations (see note 2d to the consolidated financial statements).

The provision for unpaid claims as at March 31, 2020 was $16,004 million; however, estimates for future payments can change significantly due to the time frame in which certain types of claims are settled, which can be over a number of years. The provision for unpaid bodily injury claims accounts for approximately 90 per cent of total unpaid claims costs. As illustrated in the table below, only a small percentage of bodily injury claims costs are paid and known in the first year of the claim's occurrence, with a greater portion of the costs being an estimate of claims costs payable in future years.

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6
Breakdown of Bodily Injury Costs (%) (typical accident year)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Paid	2%	9%	19%	34%	55%	73%
Unpaid	98%	91%	81%	66%	45%	27%

Data Source: ICBC financial systems

ICBC commissions the services of an external actuary to provide an independent assessment of the provision for unpaid claims and, as part of the annual audit of the financial results, the external auditor's actuary also reviews the adequacy of the unpaid claims reserves in the context of the consolidated financial statements.

ICBC earns investment income on funds set aside for unpaid claims from the premiums that are collected for the related policies. Investment income is earned until the claims are ultimately paid. In accordance with accepted actuarial practice in Canada, ICBC reports the provision for unpaid claims on a discounted basis to reflect the time value of money. The discounted amount takes into account the expected timing of future payments related to unpaid claims (see note 17 to the consolidated financial statements). The discount rate is based on the expected return of ICBC's current investment portfolio. An increase in the discount rate applied to claims costs will reduce the unpaid claims balance while a decrease in the discount rate will increase the unpaid claims balance. As of March 31, 2020, the discount rate of 2.9 per cent decreased by 76 basis points from the prior period's discount rate of 3.7 per cent partly due to the COVID-19 pandemic, which resulted in an increase to the balance of unpaid claims.

Road safety and loss management

In 2019/20, ICBC invested $58 million in road safety initiatives and loss management programs, which include auto crime and fraud prevention, investigation and detection to help reduce claims costs.

Using a safe systems approach, ICBC targets its road safety investments on the major risks that impact customers and costs in the business, including distractions, high-risk driving, impaired driving and vulnerable road users. Over the past year, ICBC worked with a network of partners across the province to deliver road safety programs that help protect customers from risks on the road by reducing the frequency and impact of crashes and crime.

ICBC continued to support enhanced enforcement initiatives through a funding agreement with the Ministry of Public Safety and Solicitor General. In 2019/20, ICBC invested approximately $23 million in enhanced enforcement, such as CounterAttack, distracted driving, speed enforcement and seat belt checks. ICBC also invested in public education and awareness, and community initiatives to help change driver behaviours. ICBC combats fraud through its deterrence, detection, enforcement and prevention efforts. ICBC continues to work to improve and refine processes to ensure fraudulent and exaggerated claims are detected in a timely manner and managed appropriately. Process changes have led to greater collaboration between all business areas that identify and investigate fraudulent and exaggerated claims to be able to reduce overall claims costs.

Operating expenses

Operating expenses include compensation and other expenses required to operate the insurance and non-insurance businesses (which consist of expenses for administering driver licenses, vehicle registration and licensing, and Government fines collection) with the exception of claims payments, commissions and premium taxes. In 2019/20, ICBC continued to keep controllable operating expenses as low as possible while ensuring it is adequately staffed to maintain appropriate service levels and manage claims. ICBC's 2019/20 insurance expense ratio of 17.2 per cent, which is a standard industry measure of operational efficiency, was significantly lower than the 2019 industry benchmark of 31.2 per cent.[4]

In 2019/20, operating expenses of $878 million were higher than 2018/19, primarily in claims and insurance related costs. This is mainly due to an increase in average full-time equivalents (FTEs) hired in 2018/19 in claims and claims-related areas to manage claims volume and complexity and support staffing needs during product reform transition, compensation increases for unionized employees, higher pension expense due to a lower discount rate, and costs incurred for the development and implementation of the Enhanced Care coverage program.

Operating expenses in 2019/20 were slightly higher than budget due to the higher pension expense resulting from a lower discount rate, and costs incurred for Enhanced Care coverage program. This was partially offset by lower FTEs driven by lower claims volumes and delays in hiring.

Included in total operating expenses are non-insurance operating expenses of $110 million primarily funded from Basic insurance premiums.

$ millions	2018/19 Actual	2019/20 Budget	2019/20 Actual
Operating Expenses	**800**	**875**	**878**
Claims related costs	419	472	464
Insurance	279	296	304
Non-Insurance	102	107	110

Below is a table of total operating expenses by nature:

$ millions	2018/19 Actual	2019/20 Budget	2019/20 Actual
Operating Expenses by Nature	**800**	**875**	**878**
Employee compensation & benefit expense	503	564	553
Professional, administrative and other	207	203	219
Depreciation & amortization	59	74	73
Road improvements and other traffic safety programs	31	34	33

[4] *MSA Research Inc., MSA Benchmark Report, Property and Casualty, Canada, 2019. Total Canadian Property Casualty Industry (including Lloyds, excluding ICBC and Saskatchewan Auto Fund).*

Acquisition costs

Acquisition costs represent the amounts paid to brokers and appointed agents for the sale of ICBC's insurance products and the administration of driver and vehicle licensing transactions, respectively. Acquisition costs also include premium taxes (4.4 per cent of premiums) collected and paid to the Provincial Government.

Consistent with the recognition of premium revenue earned over the duration of the policy, premium acquisition costs are deferred and amortized as expense on a similar basis. When future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums, the deferred premium acquisition costs (DPAC) are written down and a premium deficiency liability is recognized. Conversely, where there has been a previous premium deficiency, a positive adjustment is made to eliminate the premium deficiency when unearned premiums are expected to exceed future claims and related expenses. As at March 31, 2020, the net Corporate DPAC asset was $364 million, after a favourable deferred premium acquisition cost adjustment of $34 million (see notes 21 and 22 to the accompanying consolidated financial statements).

Acquisition costs (including non-insurance commissions) of $772 million were higher than the prior period. This is mainly due to a less favourable deferred premium acquisition cost adjustment in comparison to 2018/19, which was based on significant improvement of profitability expected from the April 1, 2019 product reform. There is a pending civil claim challenging the product reform. At this stage of the proceeding, the probability of success can not be determined and the financial effects can vary. In 2019/20, broker commissions and premium taxes also increased as a function of higher premiums earned. Acquisition costs were consistent with budget. ICBC's acquisition costs as a percentage of revenue continues to be lower than industry standards.

Investments

ICBC has an investment portfolio with a carrying value of $18.4 billion, which represented 85 per cent of the Corporation's total assets as at March 31, 2020.

Funds available for investment purposes come primarily from the premiums collected and set aside for unpaid claims. ICBC maintains a conservative investment portfolio with a significant allocation to high-quality fixed income securities.

As at March 31, 2020, 67 per cent of the carrying value of the portfolio took the form of high-grade corporate and Government bonds, money market securities and mortgage instruments, while 33 per cent of the portfolio was invested in equity and alternative investments (real estate, mezzanine debt and infrastructure investments). ICBC has increased its investments in alternative investments from 14 per cent in 2018/19 to 35 per cent in 2019/20.

Investment income and impairment loss

In 2019/20, total investment income, net of impairment loss, was $741 million. This was higher than the total investment income in the prior period, mainly due to gains on bonds and equities from trading activities, gains on transition of pooled funds to BCI and capital gains distributions.

These were partially offset by lower dividend income as a result of the transition to BCI, equity impairment as a result of the COVID-19 pandemic and investment property impairment. Overall, these results equate to an accounting investment return of 4.1 per cent in 2019/20, compared to 3.4 per cent in 2018/19, based on the average investment balance during the period on a cost basis.

Total investment income was $154 million higher than budget, mainly due to higher bond and equity gains from trading activities and unplanned real estate dispositions. This was partially offset by lower than planned dividend income, and unplanned equity and investment property impairment recognized in the current period.

$ millions	**2018/19 Actual**	**2019/20 Budget**	**2019/20 Actual**
Total Investment Income	**558**	**587**	**741**
Investment Income	**581**	**587**	**1,058**
Interest, dividends & other income	544	568	429
Gains on sale of investments	37	19	629
Impairment Loss	**(23)**	**-**	**(317)**

Equity (Deficit)

At March 31, 2020, ICBC was at a deficit of $547 million. Equity has historically helped to absorb significant unexpected increases in claims costs and volatility in the financial markets. However, given the impact of several consecutive years of recurring losses, the capital base has been diminished. Despite capital being in a deficit position, ICBC holds an investment portfolio that fully covers the claims liability. Further, ICBC has sufficient cash flows to meet current obligations as cash flows from operating activities was $1.2 billion at March 31, 2020.

As at March 31, 2020, ICBC had net unrealized losses of $360 million in the accumulated other comprehensive income comprised of $305 million in unrealized gains and $665 million in unrealized losses. The unrealized gains and losses included in other components of equity reflect the changes in fair value for bonds and equities and the realization of gains and losses during the year.

The adequacy of equity or capital base is an important factor in assessing the financial stability of an insurance company and is closely monitored by regulators. For federally regulated insurance companies, the common industry method used to measure financial stability is the Minimum Capital Test (MCT) ratio, an OSFI risk-based capital adequacy framework which assesses assets, policy liabilities and other potential liabilities to determine appropriate capital levels. Although ICBC is not federally regulated, legislation and regulation require ICBC to use the OSFI MCT framework to set capital targets.

As at March 31, 2020, ICBC's corporate MCT level of -30 per cent was lower than the prior year. This was primarily due to the cumulative net losses from recent fiscal years as a result of continuing pressure from claims costs and the financial downturn due to the COVID-19 pandemic. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 12, 24 and 26 to the accompanying consolidated financial statements.

Basic and Optional insurance operations

ICBC operates as an integrated company providing Basic and Optional insurance products and services. Integrated operations provide benefits to ICBC's customers, such as ease of service and savings achieved through economies of scale.

The majority of premium revenues and claims costs are specifically identifiable as Basic or Optional; however, certain costs are not tracked separately. For those costs that are not specifically identified as Basic or Optional, a financial allocation methodology, as approved by the BCUC, is used to allocate costs between these two lines of business. Detailed financial information on Basic and Optional lines of business is included in note 26 to the accompanying consolidated financial statements. The following paragraphs provide a high-level summary of results for Basic and Optional lines of business, while the balance of the annual report discusses results based on integrated operations.

The Basic insurance business incurred a net loss of $264 million. The Basic net loss was better than the prior period due to lower claims costs, higher premiums earned, and higher investment income, which were partially offset by the investment impairment charge and a less favourable DPAC adjustment.

In 2019/20, the Optional insurance business incurred a net loss of $112 million, which was better than the net loss in 2018/19. This was mainly due to higher premiums earned as a result of vehicle growth and Optional insurance rate increases which were partially offset by the investment impairment charge.

Risks and Uncertainties

ICBC has a well-established risk management process in place, using the ISO 31000 framework, to identify and evaluate the impact that significant risks could have on the achievement of corporate objectives and to identify controls in place to mitigate residual risk to acceptable levels, in order to protect ICBC against financial and reputational harm. ICBC periodically assesses its risk management processes and continues to evolve these processes in order to improve the effectiveness of its processes to identify, evaluate and treat its strategic and operating risks. Identified risks are captured in a corporate risk register for periodic monitoring and reporting. Risks are categorized in accordance with COSO ERM[5] definitions and are aggregated for quarterly reporting to ICBC's executives and the Board of Directors.

As a provider of vehicle insurance products, a sub-set of the risks ICBC is exposed to include industry and financial risks, which may have an impact on ICBC's financial results. Refer to note 12 to the accompanying consolidated financial statements for further details on ICBC's management of these industry and financial risks. For more information on ICBC's significant

[5] COSO (Committee of Sponsoring Organizations of the Treadway Commission) ERM (Enterprise Risk Management) is a widely accepted framework used by management to enhance an organization's ability to manage uncertainty, consider how much risk to accept, and improve understanding of opportunities as it strives to increase and preserve stakeholder value.

accounting estimates and judgments, refer to note 3 to the accompanying consolidated financial statements.

INSURANCE CORPORATION OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2020

Management's Responsibility for the Consolidated Financial Statements

Scope of Responsibility

Management prepares the accompanying consolidated financial statements and related information and is responsible for their integrity and objectivity. The statements are prepared in conformity with International Financial Reporting Standards. These consolidated financial statements include amounts that are based on management's estimates and judgments, particularly our provision for unpaid claims. We believe that these statements present fairly ICBC's financial position, results of operations and cash flows, and that the other information contained in the annual report is consistent with the consolidated financial statements.

Internal Controls

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors, who independently review and evaluate these controls. There is a quarterly risk assessment process, the results of which influence the development of the internal audit program. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. Policies that require employees to maintain the highest ethical standards have also been instituted. We recognize the inherent limitations in all control systems and believe our systems provide an appropriate balance between costs and benefits desired. We believe our systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the consolidated financial statements are prevented or detected in the normal course of business.

Board of Directors and Audit Committee

The Audit Committee, composed of members of the Board of Directors, oversees management's discharge of its financial reporting responsibilities. The Audit Committee recommends for approval to the Board of Directors the appointment of the external auditors and the external actuaries. The Audit Committee meets no less than quarterly with management, our internal auditors and representatives of our external auditors to discuss auditing, financial reporting and internal control matters. The Audit Committee receives regular reports on the internal audit results and evaluation of internal control systems and it reviews and approves major accounting policies including alternatives and potential key management estimates or judgments. Both internal and external auditors and the appointed actuary have access to the Audit Committee without management's presence. The Audit Committee has reviewed these consolidated financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

Independent Auditor and Actuary

Our independent auditor, PricewaterhouseCoopers LLP, has audited the consolidated financial statements. Their audit was conducted in accordance with Canadian generally accepted auditing standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the consolidated financial statements prepared by management.

William T. Weiland of Eckler Ltd. is engaged as the appointed actuary and is responsible for carrying out an annual valuation of ICBC's policy liabilities, which include a provision for claims and claims expenses, unearned premiums and deferred premium acquisition costs. The valuation is carried out in accordance with accepted actuarial practice in Canada and regulatory requirements. In performing the evaluation, the appointed actuary makes assumptions as to the future rates of claims, frequency and severity, inflation, reinsurance recoveries and expenses, taking into consideration the circumstances of ICBC and the insurance policies in force. The appointed actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor.

Mr. Weiland meets every year with PricewaterhouseCoopers' valuation actuaries and ICBC's management to discuss business developments, changes in claims processing and claims trends. These discussions assist the independent parties in developing expectations around and assessing management's estimate of the claims provision.

Nicolas Jimenez
President and Chief Executive Officer

June 11, 2020

Philip Leong
Chief Financial Officer

June 11, 2020

Independent auditor's report

To the Minister Responsible for the Insurance Corporation of British Columbia and the Board of Directors of the Insurance Corporation of British Columbia

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries (together, the Corporation) as at March 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2020;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Annual Service Plan Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 11, 2020

Actuary's Report

I have valued the policy liabilities, including reinsurance recoverables, in the consolidated statement of financial position of the Insurance Corporation of British Columbia as at March 31, 2020 and their changes in its consolidated statement of comprehensive loss for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities, including reinsurance recoverables, makes appropriate provision for all policy obligations, and the consolidated financial statements fairly present the results of the valuation.

William T. Weiland

Fellow, Canadian Institute of Actuaries
Eckler Ltd.

Vancouver, British Columbia
June 11, 2020

Consolidated Statement of Financial Position

($ THOUSANDS)		March 31 2020		March 31 2019
Assets				
Cash and cash equivalents (note 9)	$	52,446	$	76,393
Accrued interest		69,214		66,875
Assets held for sale (note 7)		216,388		51,159
Financial investments (note 7)		17,496,899		16,151,153
Derivative financial instruments (note 9)		3,207		889
Premiums and other receivables (note 12)		2,179,582		1,802,474
Reinsurance assets (note 12)		32,149		28,754
Investment properties (note 7)		610,082		871,212
Property and equipment (note 14)		108,289		109,304
Intangible assets (note 16)		268,092		283,779
Lease assets (note 15)		61,953		17,748
Accrued pension benefits (note 20)		63,455		41,842
Deferred premium acquisition costs and prepaids (note 22)		409,884		344,919
	$	21,571,640	$	19,846,501
Liabilities and (Deficit) Equity				
Liabilities				
Cheques outstanding (note 9)	$	73,204	$	58,668
Accounts payable and accrued charges		325,880		326,651
Derivative financial instruments (note 9)		35,783		1,114
Bond repurchase agreements, investment-related, and other liabilities (note 10)		2,370,141		1,712,886
Premiums and fees received in advance		82,100		83,635
Unearned premiums (note 18)		2,954,508		2,884,776
Lease liabilities (note 11)		54,417		11,939
Pension and post-retirement benefits (note 20)		219,231		360,196
Provision for unpaid claims (note 17)		16,003,734		14,287,910
		22,118,998		19,727,775
(Deficit) Equity				
Deficit		(396,235)		(20,521)
Other components of equity		(165,334)		124,317
(Deficit) Equity attributable to owners of the corporation		(561,569)		103,796
Non-controlling interest (note 8)		14,211		14,930
		(547,358)		118,726
	$	21,571,640	$	19,846,501
Critical accounting estimates and judgments (note 3)				
Contingent liabilities and commitments (note 25)				
Subsequent events (note 28)				

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

Joy MacPhail
Chair of the Board of Directors

Cathy McLay
Director

Consolidated Statement of Comprehensive Loss

($ THOUSANDS)	For the year ended March 31 2020	For the year ended March 31 2019
Premiums written		
Premium revenue – vehicle	$ 6,334,802	$ 6,062,746
Premiums ceded to reinsurers – vehicle	(11,368)	(10,335)
Net premium revenue – vehicle	6,323,434	6,052,411
Premium revenue – driver	32,518	26,155
	$ 6,355,952	$ 6,078,566
Revenues		
Premiums earned		
Premium revenue – vehicle	$ 6,267,848	$ 5,809,253
Premiums ceded to reinsurers – vehicle	(11,368)	(10,335)
Net premium revenue – vehicle	6,256,480	5,798,918
Premium revenue – driver	29,740	24,616
	6,286,220	5,823,534
Service fees and other income	148,161	125,164
Total earned revenues	6,434,381	5,948,698
Claims and operating expenses		
Provision for claims occurring in the current year (note 17)	4,728,261	5,307,849
Change in estimates for losses occurring in prior years (note 17)	1,179,904	1,221,381
Net claims incurred (note 17)	5,908,165	6,529,230
Claims services (note 21)	406,473	365,059
Road safety and loss management services (note 21)	58,181	54,021
	6,372,819	6,948,310
Operating expenses – insurance (note 21)	303,721	279,071
Premium taxes and commissions – insurance (notes 21 and 22)	740,768	306,070
	7,417,308	7,533,451
Underwriting loss	(982,927)	(1,584,753)
Investment income (notes 2 and 13)	1,057,842	581,216
Income (loss) – insurance operations before impairment loss	74,915	(1,003,537)
Non-insurance operations		
Provincial licences and fines revenue (note 23)	641,416	630,326
Licences and fines transferable to the Province of B.C. (note 23)	641,416	630,326
Operating expenses – non-insurance (note 21)	109,675	101,750
Commissions – non-insurance (notes 21 and 22)	30,864	31,380
Other income – non-insurance	(7,043)	(6,748)
	774,912	756,708
Loss – non-insurance operations	(133,496)	(126,382)
Net loss before impairment loss	(58,581)	(1,129,919)
Impairment loss (notes 2 and 13)	(317,012)	(23,676)
Net loss	$ (375,593)	$ (1,153,595)
Other comprehensive (loss) income		
Items that will not be reclassified to net loss		
Pension and post-retirement benefits remeasurements (note 20)	$ 213,808	$ (21,210)
Items that will be reclassified to net loss		
Net change in available for sale financial assets	(503,459)	306,867
	(289,651)	285,657
Total comprehensive loss	$ (665,244)	$ (867,938)
Net loss attributable to:		
Non-controlling interest (note 8)	$ 121	$ (76)
Owners of the corporation	(375,714)	(1,153,519)
	$ (375,593)	$ (1,153,595)
Total comprehensive loss attributable to:		
Non-controlling interest (note 8)	$ 121	$ (76)
Owners of the corporation	(665,365)	(867,862)
	$ (665,244)	$ (867,938)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

($ THOUSANDS)	(Deficit)	Net change in available for sale financial assets	Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owners of the corporation	Non-Controlling Interest	Total Equity (Deficit)
	For the year ended March 31, 2020						
		Other Components of Equity					
Balance, beginning of year	$ (20,521)	$ 143,086	$ (18,769)	$ 124,317	$ 103,796	$ 14,930	$ 118,726
Contributions						12	12
Distributions						(852)	(852)
Comprehensive (loss) income							
Net (loss) income	(375,714)	-	-	-	(375,714)	121	(375,593)
Other comprehensive (loss) income							
Net gains reclassified to investment income	-	(608,777)	-	(608,777)	(608,777)	-	(608,777)
Net gains arising on available for sale financial assets in the year	-	105,318	-	105,318	105,318	-	105,318
Pension and post-retirement benefits remeasurements (note 20)	-	-	213,808	213,808	213,808	-	213,808
Total other comprehensive (loss) income	-	(503,459)	213,808	(289,651)	(289,651)	-	(289,651)
Total comprehensive (loss) income	(375,714)	(503,459)	213,808	(289,651)	(665,365)	121	(665,244)
Balance, end of year	$ (396,235)	$ (360,373)	$ 195,039	$ (165,334)	$ (561,569)	$ 14,211	$ (547,358)

($ THOUSANDS)	Retained Earnings (Deficit)	Net change in available for sale financial assets	Pension and post-retirement benefits remeasurements	Total Other Components of Equity	Total attributable to owners of the corporation	Non-Controlling Interest	Total Equity
	For the year ended March 31, 2019						
		Other Components of Equity					
Balance, beginning of year	$ 1,132,998	$ (163,781)	$ 2,441	$ (161,340)	$ 971,658	$ 15,505	$ 987,163
Contributions						11	11
Distributions						(510)	(510)
Comprehensive (loss) income							
Net (loss) income	(1,153,519)	-	-	-	(1,153,519)	(76)	(1,153,595)
Other comprehensive (loss) income							
Net gains reclassified to investment income	-	(33,596)	-	(33,596)	(33,596)	-	(33,596)
Net gains arising on available for sale financial assets in the year	-	340,463	-	340,463	340,463	-	340,463
Pension and post-retirement benefits remeasurements (note 20)	-	-	(21,210)	(21,210)	(21,210)	-	(21,210)
Total other comprehensive (loss) income	-	306,867	(21,210)	285,657	285,657	-	285,657
Total comprehensive (loss) income	(1,153,519)	306,867	(21,210)	285,657	(867,862)	(76)	(867,938)
Balance, end of year	$ (20,521)	$ 143,086	$ (18,769)	$ 124,317	$ 103,796	$ 14,930	$ 118,726

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

($ THOUSANDS)	For the year ended March 31 2020	For the year ended March 31 2019
Cash flow from operating activities		
Net loss	$ (375,593)	$ (1,153,595)
Items not requiring the use of cash (note 27)	(15,683)	38,082
Changes in non-cash working capital (note 27)	1,616,182	2,008,353
Cash flow from operating activities	1,224,906	892,840
Cash flow used in investing activities		
Purchase of financial investments and investment properties	(24,935,572)	(15,082,854)
Proceeds from sales of financial investments and investment properties	23,589,490	14,186,913
Purchase of property, equipment and intangibles, net	(48,218)	(43,904)
Cash flow used in investing activities	(1,394,300)	(939,845)
Cash flow from financing activities		
Net securities sold under repurchase agreements (note 27)	142,057	139,206
Principal payments on lease liabilities (note 27)	(11,146)	(2,967)
Cash flow from financing activities	130,911	136,239
(Decrease) Increase in cash and cash equivalents during the year	(38,483)	89,234
Cash and cash equivalents, beginning of year	17,725	(71,509)
Cash and cash equivalents, end of year	$ (20,758)	$ 17,725
Represented by:		
Cash and cash equivalents (note 9)	$ 52,446	$ 76,393
Cheques outstanding (note 9)	(73,204)	(58,668)
Cash and cash equivalents, net	$ (20,758)	$ 17,725

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

1. Corporate Information

The Insurance Corporation of British Columbia (the Corporation or ICBC) is a wholly-owned Crown corporation of the Province of British Columbia (B.C.), not subject to income taxes under the *Income Tax Act (Canada),* incorporated in 1973 and continued under the *Insurance Corporation Act* (ICA), R.S.B.C. 1996 Chapter 228. The head office of the Corporation is 151 West Esplanade, North Vancouver, British Columbia. The Corporation operates and administers plans of universal compulsory vehicle insurance (Basic) and optional vehicle insurance (Optional) as set out under the *Insurance (Vehicle) Act*, and is also responsible for non-insurance services under the *Insurance Corporation Act* and the *Motor Vehicle Act*. Non-insurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection. The Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to Basic insurance rates and services (note 26).

Basic insurance includes the following coverages: $200,000 third party liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of $300,000 beginning January 1, 2018 (note 3e) for medical and rehabilitation expenses and up to $740 per week for wage loss effective April 1, 2019 ($300 per week prior to April 1, 2019 – note 3e), $1,000,000 underinsured motorist protection, and also protection against uninsured and unidentified motorists within and outside the Province of B.C. The Corporation also offers Optional insurance in a competitive environment, which includes, but is not limited to, the following coverages: extended third party liability, comprehensive, collision, and loss of use. The Corporation's Basic and Optional insurance products are distributed by approximately 900 independent brokers located throughout the Province of B.C. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance; however, the Corporation currently only acts as a vehicle insurer.

On June 4, 2020, the Corporation's Board of Directors authorized these consolidated financial statements for issue.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in preparation of these consolidated financial statements are set out below. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value.

a) Basis of reporting

The consolidated financial statements of the Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and required by the *Budget Transparency and Accountability Act*. The consolidated financial statements include the accounts of the Corporation and its subsidiary companies. The Corporation's reporting currency and functional currency for all of its operations is the Canadian dollar, unless otherwise stated.

The Corporation reports revenues and expenses attributable to Basic insurance separately from the other operations of the Corporation (note 26). The Corporation presents investment income and investment impairment loss separately from underwriting results as this reflects how the business operations are managed and provides more relevant, reliable, comparable and understandable information of these consolidated financial statements. The Corporation also provides a number of non-insurance services on behalf of the Province of B.C. The costs associated with these non-insurance activities are borne by the Corporation. The amounts collected and remitted as well as the related costs are accounted for and disclosed separately in the consolidated statement of comprehensive loss under non-insurance operations for greater transparency (note 23).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.

b) Basis of consolidation

Control

The Corporation consolidates the financial statements of all subsidiary companies over which it has control. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from the entity and has the ability to use its power to affect the amount of the returns. Entities are fully consolidated from the date on which control is transferred to the Corporation. All but one of the Corporation's investment properties (note 7b) are held individually in nominee holding companies. The Corporation also invests in financial investments (note 7a) through a number of fully owned investment entities. The Corporation does not have any active operating subsidiary companies. All inter-company transactions and balances are eliminated.

Non-controlling interest (NCI), presented as part of (deficit) equity, represents the portion of an entity's profit or loss and net assets that are not attributable to the Corporation. The Corporation attributes total comprehensive income or loss of entities between the parent and the NCI based on their respective ownership interests. All subsidiaries are wholly-owned, except for the Canadian limited partnerships listed in note 8.

When the Corporation loses control over an entity, it derecognizes the assets and liabilities of the entity, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

Significant influence

Associates are entities over which the Corporation has significant influence, which means it has the power to participate in the financial and operating decisions of the investee but does not have control or joint control over the financial or operating policies. Associates generally involve a shareholding of 20% to 50% of the voting rights.

In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee. In such cases, judgment is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Corporation is exposed and the degree to which the Corporation can use its power or significant influence to affect its returns from investees. Associates are accounted for using the equity method. The Corporation has determined that it does not have significant influence in an investment in a limited partnership for real estate (note 3d), thus the investment is not classified as an associate.

Joint operation

The Corporation accounts for its interest in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. The Corporation owns 50% share of each of its three joint operations, one of which is with a Limited Partner. The nature of all joint operations are investment properties in Canada.

c) Service fees

Service fees on the Corporation's payment plan are recognized monthly over the term of the policy. For six or twelve month term Autoplan policies, the Corporation's payment plan enables customers to make monthly or quarterly payments. The related interest bearing receivables are carried at amortized cost as determined using the effective interest method.

d) Insurance contracts

The Corporation issues insurance contracts, which result in contingent payments of benefits subject to the occurrence of an insured event. The Corporation accounts for insurance contracts as follows:

Premiums earned

The Corporation recognizes vehicle insurance premiums on a straight-line basis over the term of each vehicle policy written. Driver premiums are earned over the term of the policy. Unearned premiums are the portion of premiums relating to the unexpired term, net of any premium refunds.

Deferred premium acquisition costs

To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies. An actuarial evaluation is performed to determine the amount allowable for deferral. The method followed in determining the deferred costs limits the amount of the deferral to the amount recoverable from unearned premiums, after giving consideration to the investment income, claims costs, and adjustment expenses expected to be incurred as the premiums are earned. A premium deficiency exists when future claims and related expenses are expected to exceed unearned premiums. When this occurs, the premium deficiency is recognized as a liability and any deferred premium acquisition costs are written down.

Provision for unpaid claims

The provision for unpaid claims represents the estimated amounts required to settle all unpaid claims. It includes amounts for claims that are incurred but not reported (IBNR) plus development on known case reserves and loss adjustment expenses, and is gross of recoveries from reinsurance. The provision for unpaid claims also includes an estimate of direct expenses to be incurred in settling claims net of the expected salvage and subrogation recoveries. The provision for unpaid claims is established according to accepted actuarial practice in Canada. It is carried on a discounted basis and therefore reflects the time value of money. To recognize the uncertainty in establishing best estimates, the Corporation includes a provision for adverse deviations (PfAD).

Reinsurance

Reinsurance balances are presented separately on the consolidated statement of financial position to indicate the extent of credit risk related to reinsurance and its obligations to policyholders, and on the consolidated statement of comprehensive loss to indicate the results of its retention of premiums written.

Reinsurance assets, including both reinsurance recoverable on unpaid claims and reinsurance receivable on paid claims, are shown on the consolidated statement of financial position. A PfAD is included in the discounted amount recoverable from reinsurers. The PfAD is applied on a consistent basis with the underlying provision for unpaid claims and includes a reinsurance recovery portion that reflects considerations relating to potential collectability issues with reinsurers.

e) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are subject to insignificant changes in fair value, including cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and directly held money market securities with a term less than 90 days from the date of acquisition.

f) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, and the sale is considered to be highly probable, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured at cost less accumulated depreciation and impairment losses. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement, are recognized in profit or loss; these gains are not recognized in excess of any cumulative impairment loss. Once classified as held for sale, non-current assets are no longer amortized or depreciated (note 7).

g) Financial assets

The Corporation categorizes its financial instruments as fair value through profit or loss (FVTPL), loans and receivables (Loans) or available for sale (AFS) depending on the purpose for which the financial assets were acquired. Monetary assets are assets that are to be received in a fixed or determinable number of units of currency. Monetary financial assets include bonds and non-monetary financial assets include equities and other financial investments. The Corporation’s financial assets are accounted for based on their classification as follows:

Fair value through profit or loss

A financial asset is ‘classified’, by default, as FVTPL if it is acquired or originated principally for the purpose of selling in the short-term. A financial asset can be ‘designated’ in this category if doing so results in more relevant information.

The Corporation’s cash and cash equivalents (note 2e) and derivative financial instruments (note 2j) are classified as FVTPL, while two global infrastructure pooled funds and one global mezzanine debt pooled fund (note 7a) are designated as FVTPL.

The Corporation’s derivative financial instruments are forward contracts and interest rate swaps that are not in a hedging relationship, and are classified as FVTPL.

FVTPL financial assets are recorded at fair value on initial recognition and for subsequent measurement. Transaction costs and changes in the fair value are recognized in investment income on the consolidated statement of comprehensive loss.

Loans and receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation has classified its directly held mortgages, mortgage bonds, premiums and other receivables as Loans.

Loans are recorded at fair value on initial recognition and subsequently measured at amortized cost using the effective interest rate method. Transaction costs are included in the initial carrying amount of the assets. Impairment losses on loans are recognized in investment income on the consolidated statement of comprehensive loss.

Available for sale

Non-derivative financial assets that are not classified as Loans or FVTPL are accounted for as AFS. The Corporation has classified its directly held money market securities with a term greater than 90 days from the date of acquisition, its bonds portfolio, mortgage fund, other financial investments and equity portfolios as AFS except for the three equity pooled funds which are designated as FVTPL.

AFS financial assets are recorded at fair value on initial recognition or the trade date and for subsequent measurement. Transaction costs are included in the initial carrying amount of the assets.

Changes in the fair value, other than due to foreign exchange, of an AFS financial asset are recorded in other comprehensive income (OCI), until the financial asset is disposed of or becomes impaired, at which time the gain or loss will be recognized in investment income or impairment loss. Changes in the fair value due to foreign exchange on a non-monetary AFS financial asset are recorded in OCI. Changes in fair value due to foreign exchange on a monetary AFS financial asset are recorded in investment income. Interest calculated using the effective interest method is accrued daily and recognized in investment income. Dividends are recognized in investment income when the right to receive payments is established on the ex- dividend date.

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred along with substantially all of the risks and rewards of ownership.

h) Translation of foreign currencies

Foreign currency transactions are translated at exchange rates at the date of the sale or purchase. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the year end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year end are recognized in investment income.

Translation differences on non-monetary AFS financial assets, such as equity securities and other financial investments, are recognized as part of the change in fair value in OCI until the security is disposed of or impairment is recorded. Translation differences on monetary AFS financial assets and non-monetary financial assets designated as FVTPL are recorded in investment income.

i) Fair value of financial assets

In accordance with IFRS 13 Fair Value Measurement, the Corporation defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is classified as Level 1, 2 or 3, based on the degree to which fair value is observable:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 inputs to the valuation methodology include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs to the valuation methodology are not based on observable market data.

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

Where an active market does not exist, and quoted prices are unavailable, fair values are determined using valuation techniques that refer to observable market data. Where observable market data is unavailable, the estimated fair value is determined using valuation techniques.

The estimated fair value for financial assets classified as AFS and FVTPL is based on quoted prices where available, on other observable market information, where available or the use of valuation models and techniques that are based on observable market data. The estimated fair value for mortgages classified as Loans is determined by applying the yield curve of Government of Canada bonds to the corresponding maturity dates of the underlying mortgages, plus an estimated risk premium. The risk premium is determined by factors such as the location of the property, tenant profile, and degree of leverage of the property.

These valuations are reviewed at each reporting date by management.

j) Derivative financial instruments

The Corporation uses derivative financial instruments such as foreign currency forward contracts and interest rate swaps to manage foreign exchange and interest rate risks (note 9).

Derivative financial instruments that are not designated as hedges are recorded using the FVTPL method of accounting whereby instruments are recorded at fair value as an asset or liability with changes in fair value recognized in investment income in the period of change.

k) Investment properties

Properties held for rental income or capital appreciation that are not occupied by the Corporation are classified as investment properties.

The estimated fair value of the Corporation's investment properties is based on independent appraisals by professionally qualified external valuators made during the year or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

The Corporation has certain properties that serve dual purposes: investment and own-use. If the investment and own-use portions can be sold separately, or leased out separately under a finance lease, the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for own use in the supply of services or for administrative purposes. Where the portion held for own-use is significant, then it would be treated as property and equipment. The Corporation has two properties that serve a dual purpose and are classified as investment properties.

Investment properties are comprised of land and buildings and are initially recognized at the fair value of the purchase consideration plus directly attributable costs. Subsequent to initial recognition, the investment properties are carried at cost, less accumulated depreciation, for the building portion, and impairment, if any.

Depreciation is provided on a straight-line basis at 2.5% to 5.0% of initial carrying value annually over the investment properties' useful life.

l) Investment-related liabilities

Investment-related liabilities include mortgage debt associated with investment properties (note 2k) and are initially recognized at fair value and subsequently measured at amortized cost.

m) Bond repurchase agreements

The Corporation participates in the sale and repurchase of Government of Canada and Provincial bonds, which are sold and simultaneously agreed to be repurchased at a future date with the market repurchase rate determining the forward contract price. These sale and repurchase arrangements are accounted for as financial liabilities and are initially recognized at fair value and subsequently measured at amortized cost. The repurchase interest rate at the time of the sale is the cost of borrowing the funds and is recognized as interest expense. Assets transferred under repurchase agreements are not derecognized as substantially all the risks and rewards of ownership are retained by the Corporation. A liability equal to the consideration received has been recorded.

n) Accounts payable and accrued charges

Accounts payable and accrued charges are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accruals are recognized initially at fair value and subsequently measured at amortized cost.

o) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These costs are included in the accounts payable and accrued charges presented on the consolidated statement of financial position. Future operating losses are not recognized.

Where these amounts are due more than 12 months after the reporting date, they are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

p) Pension and post-retirement benefits

The amounts recognized in net loss in respect of defined benefit pension plans and post-retirement benefits are as follows:

- The Corporation's portion of the current service costs;
- Non-investment costs;
- Interest costs;
- Past service costs; and
- Impact of any curtailment or settlements during the year.

The current service cost is equal to the present value of benefits earned by members during the reporting year.

The non-investment costs are equal to expenses paid from the plans in the reporting year relating to the administration of the plans. The interest costs are calculated using the discount rate at the beginning of the reporting year and applied to the net liability at the beginning of the reporting year.

Past service costs arise from plan amendments that increase or decrease the obligation. Past service costs are recognized immediately in net loss.

The changes in the defined benefit obligation and the changes in the fair value of plan assets that result from a curtailment or settlement of plan liabilities during the reporting year are recognized in net loss.

A plan's surplus is equal to the excess, if any, of the plan's assets over its obligations. For plans in surplus, an asset is recognized on the consolidated statement of financial position to the extent that the Corporation can realize an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the plan or when the plan liabilities are settled. For plans in deficit, the resulting net liability is recognized on the consolidated statement of financial position.

The value recognized on the consolidated statement of financial position for each defined benefit pension plan and for post-retirement benefits is calculated at the end of the reporting year as follows:

- The defined benefit obligation of the plan;
- Less the fair value of the plan assets out of which the obligations are to be settled directly; and
- Adjusted for the net change of any surplus derecognized.

The Corporation recognizes all actuarial remeasurements in the reporting year in which they arise, through OCI on the consolidated statement of comprehensive loss.

Certain current and former employees of the Corporation who were formerly employed in the Motor Vehicle Branch are members of a separate plan, the BC Public Service Pension Plan. This is a multi-employer defined benefit plan for which the Corporation applies defined contribution accounting. Since the BC Public Service Pension Plan pools risks amongst the current and former members of many employers, there is no consistent or reliable basis for allocating the Corporation's portion of the obligation, assets, and costs. As a result, the Corporation expenses the contributions made. Contributions are subject to change in the future, depending on the funded status of the plan, and are split equally between all participating employers and all contributing active plan members.

q) Property and equipment

Property and equipment are initially recorded at fair value and subsequently measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the items, including retirement costs. Subsequent costs, such as betterments, are included in the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation. All other subsequent expenditures are recognized as repairs and maintenance. Capitalized software that is an integral part of the equipment is accounted for as equipment. Property and equipment are depreciated when they are available for use, on a straight-line basis over the estimated useful life of each asset, taking into account the residual value, at the following annual rates:

- Buildings — 2.5% to 10%
- Furniture and equipment — 10% to 20%
- Leasehold improvements — Term of the lease

The assets' residual values and useful lives are reviewed annually and adjusted, if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recorded in net loss.

r) Lease assets and liabilities

Policy applicable from April 1, 2019

The Corporation adopted the requirements of IFRS 16, Leases effective April 1, 2019. In accordance with transitional provisions of IFRS 16, comparatives were not restated. Refer to note 2v for details on reclassification of comparative balances and note 5 for the reconciliation of lease assets and liabilities upon adoption of IFRS 16 on April 1, 2019. Below is the accounting policy for lease assets and related liabilities upon adoption of IFRS 16.

At inception of a contract that conveys rights to the Corporation to use an identified asset, the Corporation assesses whether a contract is or contains a lease. This assessment involves exercising judgment to determine whether the Corporation has the right to obtain substantially all the economic benefits from the use of the specified asset, and has the right to direct the use of asset. If the arrangement is, or contains a lease, the Corporation recognizes a lease asset and a lease liability at the commencement of the lease. Lease assets include both tangible and intangible assets.

The lease asset is initially measured based on the present value of future lease payments plus directly attributable cost, less any lease incentive received. Directly attributable costs are incremental costs of obtaining a lease that would not have otherwise been incurred and that are directly attributable to negotiating and securing a lease. The lease asset is amortized on a straight-line basis over the lesser of the lease term or the asset's useful life. The lease asset is subject to testing for impairment if there is an indicator for impairment.

Lease liability consists of fixed payments less incentive receivable, variable lease payments that depend on an index or a rate, residual value guarantee, and purchase options price less termination costs. Lease liability is measured at the present value of the remaining lease payments using the incremental borrowing rate implicit in the lease.

When the lease contains an extension or purchase option that the Corporation considers reasonably certain to be exercised, the cost of the option is included in the lease liability.

Policy applicable before April 1, 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to net loss on the consolidated statement of comprehensive loss on a straight-line basis over the period of the lease. Where substantially all of the risks and rewards of ownership have been transferred to the lessee, the lease is classified as a finance lease. In these cases, an obligation and an asset are recognized based on the present value of the future minimum lease payments and balances are amortized over the lease term or useful life of the asset, as applicable.

s) Intangible assets

Capitalized software that is not an integral part of the equipment is accounted for as an intangible asset. Software development costs, which are comprised of labour and material costs for design, construction, testing, and other costs directly attributable to bringing the asset to a condition where it can be applied in its intended use, are capitalized for projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable.

Finite life intangible assets are initially recorded at fair value and subsequently carried at cost less accumulated amortization and impairment losses. Intangible assets with finite useful lives are amortized over their estimated useful lives when they are available for use on a straight-line basis at 10% to 20%, taking into account the residual value.

Indefinite life and not available for use intangible assets are not subject to amortization, but are assessed for indicators of impairment at each reporting date.

t) Impairment of assets

Impairment of financial assets

Financial assets not carried at FVTPL are assessed at each reporting date to determine if there is objective evidence of impairment such as deterioration in the financial health of the investee, industry and sector performance, changes in technology, financing and operational cash flows, and the significance of deterioration in the fair value of the asset below cost. In addition, for equity and other financial investments, a prolonged decline is also considered objective evidence of impairment. Where objective evidence of impairment exists, an impairment loss will be recognized as follows:

- For AFS financial assets, the related unrealized loss charged to OCI is reclassified to impairment loss.
- For Loans, the related difference between the amortized cost carrying amount and the fair value, calculated as the present value of the estimated future cash flows, directly from the loan or the sale of collateral, discounted at the asset's original effective interest rate, is recognized in investment income.

If the fair value of a previously impaired debt instrument classified as AFS or a financial asset measured at amortized cost increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed in investment income. Impairment losses on equity and other financial investment instruments are not reversed.

Impairment of non-financial assets

The Corporation's non-financial assets consist primarily of investment properties, property and equipment, intangible assets and lease assets. An impairment review is carried out at the end of each reporting year to determine if there are any indicators of impairment. When indicators of impairment exist, the Corporation assesses the asset for impairment. Investment properties are assessed for impairment as separate and identifiable cash-generating units, distinct from the other operations of the Corporation. All other assets are assessed as a group as their cash flows are generated from the operations of the Corporation. If an asset is impaired, the Corporation's carrying amount is written down to its estimated recoverable amount when material. The recoverable amount is the higher of fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. If there is a change in estimate of the recoverable amount, an impairment loss is reversed to net loss on the consolidated statement of comprehensive loss only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognized.

u) Current and non-current classification of assets and liabilities

Assets are classified as current when expected to be realized within one year of the reporting date. Liabilities are classified as current when expected to be settled within one year of the reporting date. All other assets and liabilities are classified as non-current.

v) Reclassification of prior year balances

As at March 31, 2019, the Corporation included assets leased under finance lease arrangements of $17.7 million in property and equipment and intangible assets, and related lease obligations of $11.9 million in bond repurchase agreements, investment-related, and other liabilities on the consolidated statement of financial position. These balances were reclassified as lease assets and lease liabilities, respectively, to provide the comparatives to lease assets and lease liabilities recognized upon adoption of IFRS 16. See note 5 for further information on the adoption of IFRS 16.

In the year ended March 31, 2020, the impairment loss on financial investments and investment properties is classified as a separate item in the consolidated statement of comprehensive loss, to segregate and separately present significant impairment loss from the underwriting results and insurance operations of the Corporation, in order to provide more relevant, reliable and understandable financial information to the users of the consolidated financial statements. Subtotal of net income (loss) before impairment loss, and total net loss are provided. To provide comparatives, impairment loss for the year ended March 31, 2019 of $23.7 million, previously aggregated with investment income, is presented in a separate line item in the consolidated statement of comprehensive loss.

3. Critical Accounting Estimates and Judgments

In preparation of the consolidated financial statements, the Corporation makes judgments in applying the Corporation's accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements include the assessment of impairment indicators in determining the impairment, if any, in the financial investment portfolio and non-financial investments. In addition, management makes assumptions in developing estimates in preparing the consolidated financial statements. Estimates subject to uncertainty include the provision for unpaid claims, the valuation of level 3 investments, and the valuation of pension and post-retirement benefit obligations. Management believes its estimates and judgments to be appropriate; however, due to estimation uncertainty the actual results may be materially different. Particular sources of estimation uncertainty include the effects of the COVID- 19 pandemic on the future development of the Corporation's assets and liabilities, and the impacts of product reform and the related savings on the provision for unpaid claims and deferred premium acquisition costs. These areas of judgment and critical accounting estimates are described below.

Significant accounting estimates and judgments include:

Areas of Judgment

a) Impairment of financial assets

Judgment is required to determine if there is objective evidence of impairment of financial assets. The Corporation evaluates, among other factors, the financial health of the investee, industry and sector performance, changes in technology, financing and operational cash flows, and the significance of deterioration in the fair value of the asset below cost. In addition, for equity and other investments, a prolonged decline is considered objective evidence of impairment (note 13).

b) Significant influence

The Corporation owns more than 20% of the nominal voting interests in an investment in a limited partnership for real estate. The factors the Corporation considered in making the determination that the Corporation does not have significant influence include the following:

- The Investment Committee of this investment is responsible for overseeing the investing activities and setting the Statement of Investment Policy. The Corporation does not have any influence over the Investment Committee; and
- Although the Corporation has one of five seats on the Governance Committee, the Governance Committee itself has no power over the Investment Committee. The role of the Governance Committee is to provide protective rights and is to ensure the investments are compliant with the Statement of Investment Policy. Further, the Governance Committee does not have any influence over the investing activities or over the management and operation of the partnership.

Estimates Subject to Uncertainty

c) Provision for unpaid claims

The provision for unpaid claims is established according to accepted actuarial practice in Canada. Methods of estimation have been used which the Corporation believes produce reasonable results given current information (note 17).

The Corporation's provision for unpaid claims is an estimate subject to volatility, which could be material in the near term. The estimation of claims development involves assessing the future behaviour of incurred claims, taking into consideration changes to the insurance product, as well as the closure rates, payment patterns, consistency of the Corporation's claims handling procedures, the amount of information available at the time of the valuation, including the legal representation status of claims, and historical delays in reporting of claims. In general, the more time required for the settlement of a group of claims, the more uncertain the estimates will be. Variability can be caused by receipt of additional information, significant changes in the average cost or complexity of claims over time, significant changes in the Corporation's claims operations, the timing of claims payments, product and legal reforms with limited or no experience, and future rates of investment return.

The ultimate cost of claims that settle over a long period of time is particularly challenging to forecast for several reasons, which include changes in the legal environment, case law or legislative amendments, and periods of time between the occurrence date of a claim and the date it is reported to the Corporation. The Corporation is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the provision for unpaid claims and other liabilities. Provisions for such liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate to reflect ultimate loss expectations based upon historical experience patterns, current socio-economic trends and for certain claims, structured settlements that are provided in the form of consistent periodic payments as opposed to lump-sum payments.

To recognize the uncertainty in establishing a best estimate of the provision for unpaid claims, and consistent with the requirements of the Standards of Practice of the Canadian Institute of Actuaries, the Corporation includes a PfAD, consisting of three elements: an interest rate margin, a reinsurance margin, and a claims development margin. The interest rate margin reduces the expected investment rate of return used for discounting to make allowance for i) asset liability mismatch risk, ii) uncertainty in the timing of claims settlement, and iii) credit risk within the investment portfolio. The reinsurance margin makes allowance for the collectability of recoverable amounts from reinsurers and is a reduction in the expected amount of reinsurance recoverable. The claims development margin makes allowance for the various factors that can create greater uncertainty in the estimates of ultimate claims costs, including i) changes in the Corporation's operations (e.g. claims practices), ii) the underlying data upon which the unpaid claims estimates are based, and iii) the nature of the lines of business written. The claims development margin is a percentage of the unpaid claims, gross of reinsurance, and is larger for injury lines that generally require more time for claims to settle and close.

The Corporation also assesses the adequacy of its insurance liabilities at the end of each reporting period to ensure that they are sufficient to capture expected future cash outflows. All changes to the estimate since the end of the last reporting period are recorded in the current period as a 'Change in estimates for losses occurring in prior years' in the consolidated statement of comprehensive loss.

The Corporation has considered the impact of COVID-19 in the estimation of the provision for unpaid claims. The impact of COVID creates additional sources of estimation uncertainty as the estimation of claim frequency and severity may be affected by the reduction of vehicles on the road, changes in the timing of reporting claims, and delays in legal, medical, and vehicle repair services; and as the discount rate may be affected by changes in investment values and cash flows.

d) Pension and post-retirement benefits

The cost of pension and post-retirement benefits earned by employees is actuarially determined using the Projected Unit Credit Method and management's best estimate of future compensation levels and healthcare costs.

The key assumptions used in calculating the cost of pension and post-retirement benefits are the discount rate, rate of compensation increase, inflation rate, life expectancies and extended healthcare cost trends. Together with plan member data, these and other assumptions are used to estimate future benefit eligibility, amount and duration of payments. The rate determined for each of the key assumptions is disclosed in note 20.

The discount rate is used to calculate the present value of the expected future benefit payments and to calculate interest on the net liability. The discount rate is based on high-grade corporate bond yields at the measurement date.

The rate of compensation increase reflects individual job progression, general price level increases, productivity, seniority, promotion, and other factors.

The inflation rate assumption is based on an assessment of historical data, the Bank of Canada target inflation range and the inflation expectations implied by the Government of Canada nominal and real return long-term bond yields.

Life expectancies are based on Canadian mortality tables, and contain a provision for future longevity improvements.

The extended healthcare trend rate is based on an analysis of plan experience, assumptions about the trend in total healthcare costs, and the proportion that will be covered by private plans.

With the exception of the discount rate, which is based on market conditions at the financial statement date, all other assumptions are management’s best estimate (note 20).

The long-term impact of COVID-19 on the assumptions listed above is uncertain and introduces additional estimation uncertainty. As a result of the uncertainty, actual results may differ materially from the Corporation's estimates. The valuation of pension assets and the discount rate were determined at the reporting date based upon the best available information. The Corporation has considered if COVID-19 would have an impact on any of the other assumptions and has concluded, based on the information currently available, that the long-term assumptions remain appropriate. As new information emerges, assumptions will be updated as necessary and the consequential impact will be recorded in future reporting periods.

e) COVID-19 Economic Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on local and global commerce are anticipated to be far-reaching. To date, there have been significant stock market declines and volatility, significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on the B.C. economy, the investment portfolio of the Corporation, claims costs (frequency and severity), premium revenues and receivables, post-retirement benefit obligations (fair value of investments and the obligation for pension benefits and the related funding requirements).

f) Product reform

Legislation was enacted on May 17, 2018 to reform the Basic insurance product to limit pain and suffering payouts for minor injuries and create an independent dispute resolution process for injury claims effective April 1, 2019 (note 25). The product reform significantly decreased claims costs associated with accidents occurred on or after April 1, 2019. Key factors that contributed to the overall reduction in claims cost pressures include: a) the limit on general damages of $5,500 apply to minor injuries, b) the enhancements in accident benefits coverage are used, c) other insurance (collateral benefits) are primarily for most medical and wage loss amounts when it is available and, d) 50% of bodily injury claims have disputes resolved by the Civil Resolution Tribunal (CRT) instead of the Supreme Court of B.C. As a result, the premium deficiency from the beginning of fiscal year 2019 was eliminated and deferred premium acquisition costs continue to be recognized and amortized in future years, as outlined in note 22.

The estimated impact of the product reform has been reflected in the current year claims costs resulting in improvement in the Corporation’s financial stability. Both the estimate of claims costs and the asset associated with the deferred premium acquisition costs are materially affected by the estimated impact of the product reform. Given the limited history of the product reform, there is material estimation uncertainty in the measurement of these costs.

g) Fair value of level 3 investments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques and relying on significant unobservable inputs. In these cases, the fair values are estimated from observable data in respect of similar financial instruments, unobservable data using models or both. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

Inherently there is significant estimation uncertainty arising from the judgments and assumptions in determining fair value of these investments. The degree of uncertainty has increased as a result of the COVID-19 pandemic.

4. New Accounting Pronouncements

a) Standards and interpretations effective for the year ended March 31, 2020

The Corporation has adopted the standards and interpretations that are relevant to the operations of the Corporation and effective for the year ended March 31, 2020. There were no material impacts to the Corporation's consolidated financial statements from the adoption of new standards except for IFRS 16, which is disclosed in note 5.

b) Standards and interpretations issued but not yet effective and not early adopted

Standards and interpretations issued that are relevant to the operations of the Corporation, but not yet effective include:

- IFRS 9 *Financial Instruments*. Effective for annual periods beginning on or after January 1, 2018; early adoption is permitted. The Corporation will defer the implementation of IFRS 9 until its fiscal year beginning April 1, 2023, as allowed under the amendments to IFRS 4 *Insurance Contracts*. IFRS 9 brings together the classification and measurement, impairment and hedge accounting to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity’s business model and the nature of the cash flows of the asset. All financial assets are measured at FVTPL, fair value through OCI or amortized cost.

For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets at amortized costs. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks and requires additional disclosures. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

- IFRS 17 *Insurance Contracts.* Effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted for entities that apply IFRS 9 and IFRS 15 on or before the initial application of IFRS 17. The standard establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4. The standard was issued in May 2017 and requires all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values. The information will be updated regularly, providing more useful information to users of financial statements. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Effective for annual periods beginning on or after January 1, 2020; early adoption is permitted. Amends the existing requirements to update the definition of "material" and to clarify certain aspects of the definition in order to improve disclosure effectiveness in the financial statements. The standard will be effective for the Corporation on April 1, 2020, and reflected in the Corporation's financial statements for the year ending March 31, 2021. The adoption of this amendment is not expected to have a material impact to the Corporation's consolidated financial statements.

- IAS 1 *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*. Effective for annual periods beginning on or after January 1, 2022; early adoption is permitted. Amends to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period, the classification is unaffected by expectations of the entity or events after the reporting date, and the definition of settlement. The standard will be effective for the Corporation on April 1, 2022, and reflected in the Corporation's financial statements for the year ending March 31, 2023. The adoption of this amendment is not expected to have a material impact to the Corporation's consolidated financial statements.

- IFRS 10 *Consolidated Financial Statements* and IAS 28 *Long term Interests in Associates and Joint Ventures* (Amendment). Effective for the annual periods beginning on or after a date to be determined by IASB; early adoption is permitted. Changes to these standards amend the accounting for sales or contribution of assets between an investor and its associate or joint ventures, and accounting guidance for a parent in the loss of control of a subsidiary. The adoption is not expected to have a material impact on the Corporation's consolidated financial statement.

5. Adoption of IFRS 16 *Leases*

The Corporation adopted IFRS 16 using the modified retrospective approach, under which the right-of-use (lease) assets and related lease liabilities were recognized on the arrangements effective as of April 1, 2019 that are or contain a lease, with no restatement of comparative information. The adoption resulted in recognition of lease assets and related lease liabilities previously classified as operating leases, mainly real estate leases, where the Corporation is a lessee of office and service locations across the province.

At the transition date, the lease assets balance was measured at the amount of the lease liability calculated using the incremental borrowing rate at the time. The weighted-average rate applied was approximately 3.4%. As at April 1, 2019, the lease assets and related lease liabilities of $51.1 million were recognized in the consolidated statement of financial position, respectively.

The Corporation has elected to apply several practical expedients available upon adoption, as provided by IFRS 16:

- grandfather the lease definition for all existing contracts on transition and carry forward balances from leases previously classified as finance lease under IAS 17 *Leases* instead of reassessing them;
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exempt recognition of short-term leases (12 months or less);
- exempt recognition of low-value assets;
- exclude initial direct costs from the measurement of the leased asset at the date of initial application; and
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Lessor accounting remains largely unchanged with previous classification of operating and finance lease being maintained. The Corporation is a lessor of the investment properties held for the purpose of generating rental income.

The following table is a reconciliation of operating lease commitments under IAS 17 and recognized lease liabilities under IFRS 16.

($ THOUSANDS)		
		April 1, 2019
Operating lease commitments (rental properties) as at March 31, 2019	$	91,872
Current leases with a lease term of 12 months or less (short-term leases)		(267)
Leases of low-value assets (low-value leases)		(71)
Non-lease components[1]		(39,558)
Leases not yet commenced but committed		(1,304)
Reasonably certain extension or termination options		5,799
Operating lease obligations (rental properties) as at April 1, 2019 (gross, without discounting)		56,471
Operating lease obligations (rental properties) as at April 1, 2019 (net, discounted)		49,861
Other operating leases commitments		1,270
Lease liabilities due to initial application of IFRS 16 as at April 1, 2019		51,131
Lease liabilities from finance leases under IAS 17 as at April 1, 2019		11,939
Total lease liabilities as at April 1, 2019	$	63,070

[1] Non-lease components include fees for activities or costs that transfer goods and services to the tenant such as cleaning and maintenance services, parking costs, and other fees related to shared spaces or facilities.

6. IFRS 9 deferral disclosure

The Corporation has elected to defer implementation of IFRS 9 to the fiscal year commencing April 1, 2023, based on an assessment of the Corporation's consolidated financial statements as at December 31, 2015, as permitted by the amendments to IFRS 4.

The Corporation qualifies for this deferral as IFRS 9 has not previously been applied and the carrying amount of its liabilities arising from insurance contracts was significant (greater than 90%) when compared to the total amount of liabilities of the Corporation as at December 31, 2015. The Corporation's predominant business activity therefore continues to be in connection with insurance contracts and the eligibility to defer IFRS 9 implementation remains.

The following table distinguishes the Corporation's financial assets that give contractual rise to cash flows that are solely payments of principal and interest (SPPI), excluding those held for trading, and all other financial assets. The assets are presented at fair value for the year ended March 31, 2020.

($ THOUSANDS)		2020	2019
	Classification under IFRS 9	**Fair Value**	**Fair Value**
Financial assets			
SPPI (excluding held for trading)			
Cash and cash equivalents	AC	$ 52,446	$ 76,393
Accrued interest	AC	69,214	66,875
Other receivable[1]	AC	380,760	31,365
Type 2 structured settlements	AC	19,097	25,435
Money market securities	FVOCI	20,077	119,887
Bonds[2]	FVTPL	9,690,993	9,025,385
Mortgages[2]	FVTPL	1,211,414	2,055,694
		11,444,001	11,401,034
Other financial assets			
Non-SPPI bonds[2]	FVTPL	101,436	240,928
Pooled funds classified as debt instruments	FVTPL	6,229,037	4,559,158
Investments held through fully owned investment entities	FVTPL	124,474	-
Equities	FVTPL	121,927	164,685
		6,576,874	4,964,771

[1] *Given the short-term nature of other receivable, the carrying amount has been used as a reasonable approximation of fair value.*

[2] *The Corporation intends to designate bonds and mortgages at fair value through profit or loss on the basis such measurement would significantly reduce an accounting mismatch that would otherwise result through alternate measurement.*

Credit risk

IFRS 9 will require the Corporation to recognize a loss allowance for expected credit losses on financial assets that meet the SPPI conditions and are held for the purpose of collecting contractual cash flows. The credit risk rating for money market securities and bonds in the above table that meet these conditions (SPPI, excluding held for trading) can be found in note 12b. Mortgages and other receivables (including type 2 structured settlements) are assessed for significant increases to credit loss based on past due analyses. All directly held mortgages are current as at March 31, 2020. See note 12b for an aging table for other receivables.

7. Investments

a) Financial investments

($ THOUSANDS)	Classification	Investments In Pooled Funds	Investments Held Directly	Investments Held Through Fully Owned Investment Entities	Total Carrying Value
		Financial Investments			
March 31, 2020					
Fixed-income investments					
Money market securities	AFS	$ 353,505	$ 20,077	$ -	$ 373,582
Mortgages	Loans	-	1,208,955	-	1,208,955
Mortgage funds	AFS	664,759	-	-	664,759
Bonds					
Federal	AFS	-	3,422,993	-	3,422,993
Provincial	AFS	-	3,083,936	-	3,083,936
Municipal	AFS	-	71,751	-	71,751
Corporate	AFS	-	3,213,749	-	3,213,749
Total bonds		-	9,792,429	-	9,792,429
Total fixed-income investments		1,018,264	11,021,461	-	12,039,725
Equity investments					
Domestic	AFS	1,116,240	121,902	-	1,238,142
Global	AFS	2,730,993	25	-	2,731,018
Total equity investments		3,847,233	121,927	-	3,969,160
Other financial investments					
Domestic real estate	AFS	407,849	-	-	407,849
Global real estate	AFS	-	-	124,474	124,474
Global infrastructure	FVTPL	350,946	-	-	350,946
Global mezzanine debt	AFS/FVTPL	343,052	-	-	343,052
Other	AFS	261,693	-	-	261,693
Total other financial investments		1,363,540	-	124,474	1,488,014
Total financial investments		$ 6,229,037	$ 11,143,388	$ 124,474	$ 17,496,899
March 31, 2019					
Fixed-income investments					
Money market securities	AFS	$ -	$ 119,887	$ -	$ 119,887
Mortgages	Loans	-	2,041,110	-	2,041,110
Bonds					
Federal	AFS	-	3,383,363	-	3,383,363
Provincial	AFS	-	2,238,921	-	2,238,921
Municipal	AFS	-	213,282	-	213,282
Corporate	AFS	-	3,430,747	-	3,430,747
Total bonds		-	9,266,313	-	9,266,313
Total fixed-income investments		-	11,427,310	-	11,427,310
Equity investments					
Domestic	AFS	1,238,619	164,685	-	1,403,304
Global	AFS	2,655,108	-	-	2,655,108
Total equity investments		3,893,727	164,685	-	4,058,412
Other financial investments					
Domestic real estate	AFS	161,724	-	-	161,724
Global infrastructure	FVTPL	153,943	-	-	153,943
Global mezzanine debt	AFS/FVTPL	180,451	-	-	180,451
Other	AFS	169,313	-	-	169,313
Total other financial investments		665,431	-	-	665,431
Total financial investments		$ 4,559,158	$ 11,591,995	$ -	$ 16,151,153

The Corporation's investment in pooled funds are denominated 89.1% (2019 – 92.7%) in Canadian dollars. The above equity and other financial investment disclosure presents the Corporation's interest in pooled funds by looking through the funds, and classifying by the type of the underlying investments.

Money market securities, bonds, mortgage funds, equity and other financial investments are carried at their fair value. The fair value of directly held mortgages is determined to be consistent with Level 3 investments based on the inputs to the valuation technique used (note 2i). Directly held mortgages are measured at amortized cost and have an estimated fair value of $1.21 billion (2019 – $2.06 billion). The fair value of the directly held mortgages is determined by applying a discount rate ranging from 3.1% to 5.7% (2019 – 3.2% to 5.0%).

Pooled funds and investment held through fully owned investment entities

The Corporation invests in several pooled funds and investments held through four fully owned investment entities; the investment strategies of some of these funds and investments include the use of leverage. As at March 31, 2020, the Corporation's interests range from 1.4% to 29.9% (2019 – 1.8% to 92.0%) of the net assets of the respective funds and investments. The funds and investments are managed by external asset managers. The Corporation has a percentage ownership in each of the pooled funds and investments that entitle the holder to a proportional share in the respective fund's net assets. The carrying value of the Corporation's investments in pooled funds (including investments held through fully owned investment entities) as at March 31, 2020 is $6.35 billion (2019 – $4.56 billion).

The change in fair value of each AFS pooled fund is included in the OCI section within the consolidated statement of comprehensive loss in 'Net change in available for sale financial assets'. Three of the pooled fund investments are designated as FVTPL and as a result, the change in fair value is recorded in investment income on the consolidated statement of comprehensive loss.

The Corporation's maximum loss exposure from its interests in the pooled funds is equal to the total fair value of these investments.

Asset-backed securities

The Corporation purchases bonds that are secured by various assets as part of its investment strategy. The majority of the bonds are issued by Canadian corporate entities and are secured by credit card, auto, or equipment receivables. Also, the Corporation invests in AAA rated senior securities issued by securitization trusts that have a first lien on assets. The weighted-average duration of the asset-backed securities in the Corporation's portfolio is 2.3 years (2019 – 1.7 years) and the coupon interest rates range from 1.7% to 2.7% (2019 – 1.8% to 2.6%).

As at March 31, 2020, the carrying value of asset-backed securities included in financial investments in the consolidated statement of financial position is $123.4 million (2019 – $184.3 million). This amount also represents the maximum exposure to losses at that date.

The Corporation also has one mortgage backed security with a carrying value of $17.7 million (2019 – one at $18.1 million) and an estimated fair value of $18.6 million (2019 – $19.3

million). The mortgage backed security is included in financial investments as a mortgage and is secured by a first priority mortgage charge on a Class A real estate property. The fixed interest rate on the mortgage backed security is 4.9% (2019 – 4.9%) and the mortgage will mature in less than 4 years.

b) Investment properties

The movement in the carrying value of investment properties is as follows:

($ THOUSANDS)		2020		2019
Cost				
Balance, beginning of year	$	992,771	$	1,289,644
Capital improvements		2,478		9,626
Reclassification to assets held for sale		(238,650)		(66,278)
Disposals		(5,824)		(230,051)
Impairment loss		(19,039)		(10,170)
Balance, end of year		731,736		992,771
Accumulated depreciation				
Balance, beginning of year		121,559		155,945
Depreciation		24,189		31,241
Disposals		(1,832)		(50,508)
Reclassification to assets held for sale		(22,262)		(15,119)
Balance, end of year		121,654		121,559
Carrying value, end of year	$	610,082	$	871,212

The fair value of investment properties is $0.81 billion (2019 – $1.16 billion) and has been categorized as a Level 3 investment based on the inputs to the valuation technique used. As at March 31, 2020 and March 31, 2019, the estimated fair value is based on independent appraisals, by professionally qualified external valuators or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager. During fiscal year 2020, three investment properties were reclassified to assets held for sale. As at March 31, 2020, these three investment properties remain in assets held for sale. The Corporation intends to sell these properties to third parties within 12 months from date of reclassification.

Five investment properties that were reclassified to assets held for sale were sold during fiscal 2020 for a net gain of $52.1 million (2019 – $104.5 million) (note 13).

c) Lease income

The Corporation leases out its investment properties. As of March 31, 2020, the future minimum lease cash receipts under non-cancellable leases over the next five years and beyond is as follows:

($ THOUSANDS)	2020		2019	
	Lease Income	Net Present Value	Lease Income	Net Present Value
Up to 1 year	$ 36,277	$ 35,241	$ 40,119	$ 38,699
Greater than 1 year, up to 5 years	100,988	92,069	116,974	104,065
Greater than 5 years	55,580	46,711	60,029	48,355
	$ 192,845	$ 174,021	$ 217,122	$ 191,119

8. Entities with Non-Controlling Interest

The following table presents the summarized financial information for the NCI in the Corporation's Canadian limited partnership subsidiaries. The amounts disclosed are based on those amounts included in the consolidated financial statements before inter-company eliminations.

($ THOUSANDS)	Canadian Limited Partnership I	Canadian Limited Partnership II	Canadian Limited Partnership III	Total
March 31, 2020				
NCI percentage	**10.0%**	**10.0%**	**10.0%**	
Revenue	$ 8,699	$ 18,978	$ 9,263	$ 36,940
Expenses	7,626	19,817	7,219	34,662
Net income (loss)	$ 1,073	$ (839)	$ 2,044	$ 2,278
Net income (loss) attributable to NCI	**$ 107**	**$ (84)**	**$ 98**	**$ 121**
Current assets	$ 1,491	$ 6,625	$ 1,930	$ 10,046
Non-current assets	102,428	160,392	85,751	348,571
Current liabilities	(1,801)	(5,961)	(1,696)	(9,458)
Non-current liabilities	(52,671)	(91,594)	(39,669)	(183,934)
Net assets	$ 49,447	$ 69,462	$ 46,316	$ 165,225
Net assets attributable to NCI	**$ 4,945**	**$ 6,946**	**$ 2,320**	**$ 14,211**

Canadian Limited Partnership III and the Corporation have agreed to financing on the mortgage payments of this property, therefore the net income and net assets attributable to NCI will not equal the NCI percentage.

($ THOUSANDS)	Canadian Limited Partnership I	Canadian Limited Partnership II	Canadian Limited Partnership III	Total
March 31, 2019				
NCI percentage	**10.0%**	**10.0%**	**10.0%**	
Revenue	$ 8,322	$ 18,296	$ 8,808	$ 35,426
Expenses	8,001	19,171	7,911	35,083
Net income (loss)	$ 321	$ (875)	$ 897	$ 343
Net income (loss) attributable to NCI	**$ 32**	**$ (88)**	**$ (20)**	**$ (76)**
Current assets	$ 1,378	$ 7,499	$ 1,791	$ 10,668
Non-current assets	104,870	163,486	87,724	356,080
Current liabilities	(1,816)	(4,554)	(1,602)	(7,972)
Non-current liabilities	(53,553)	(91,470)	(40,333)	(185,356)
Net assets	$ 50,879	$ 74,961	$ 47,580	$ 173,420
Net assets attributable to NCI	**$ 5,088**	**$ 7,496**	**$ 2,346**	**$ 14,930**

9. Financial Assets and Liabilities

a) Fair value hierarchy

The following table presents the fair value hierarchy for financial assets and liabilities measured at fair value in the consolidated statement of financial position. During fiscal years 2020 and 2019, there were no transfers between Level 1, Level 2 and Level 3. The Corporation's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

($ THOUSANDS)	Fair Value Measurements at Reporting Date			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
March 31, 2020				
Cash	$ 52,446	$ -	$ 52,446	$ -
Fixed-income investments, excluding mortgages	10,830,770	-	10,166,011	664,759
Equity investments	3,969,160	121,927	3,847,233	-
Other financial investments	1,488,014	-	-	1,488,014
Total financial assets	$ 16,340,390	$ 121,927	$ 14,065,690	$ 2,152,773
March 31, 2019				
Cash	$ 76,393	$ -	$ 76,393	$ -
Fixed-income investments, excluding mortgages	9,386,200	-	9,386,200	-
Equity investments	4,058,412	164,685	3,893,727	-
Other financial investments	665,431	-	-	665,431
Total financial assets	$ 14,186,436	$ 164,685	$ 13,356,320	$ 665,431

Cash (Level 2) is valued using the end of day exchange rates. Level 2 money market securities within fixed-income investments and equity investments (pooled funds) are valued using net asset value or pricing matrices derived from yield quotations, or if one does not exist, cost plus accrued interest. Bonds and money market pooled fund within level 2 fixed-income investments are valued using the quoted market price or dealer quotes for similar instruments exchanged in active markets.

The following table shows the movement of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3). Level 3 investments consist of four investments in Canadian real estate pooled funds, four investment entities with investments in global real estate funds, two global mezzanine debt funds, two global infrastructure funds and an investment in a Canadian private fixed-income fund and an investment in fixed rate mortgage fund. The fair values of the real estate pooled funds are provided by the investment managers and are based on the appraised or calculated market value plus the net assets and liabilities combined with any cash flows. The global mezzanine debt funds and the global infrastructure funds values are provided by the investment managers and are based on the discounted cash flow method using yields of assets with similar characteristics combined with cash flows. The private fixed-income fund valuation is provided by the investment manager and is based on the observed external price, if one exists, or if one does not exist, discounted cash flows using the yields of externally priced comparable private or public fixed-income assets. The fixed rate mortgage fund's value is provided by the investment manager and is based on a discounted cash flow that uses a risk-free rate of return and a mortgage credit spread for each mortgage in the fund.

($ THOUSANDS)	Fair Value Measurements using Level 3 Inputs
	Equities and Other Financial Investments
March 31, 2020	
Balance, beginning of year	$ 665,431
Additions	1,443,696
Disposals	(24,762)
Market value adjustment	68,408
Balance, end of year	$ 2,152,773
March 31, 2019	
Balance, beginning of year	$ 268,457
Additions	381,888
Disposals	(9,040)
Market value adjustment	24,126
Balance, end of year	$ 665,431

The fair value of derivative instruments not designated as accounting hedges is as follows:

($ THOUSANDS)	2020				2019			
		Notional Amount		Fair Value Assets (Liabilities)		Notional Amount		Fair Value Assets (Liabilities)
Non-designated derivative instruments								
Assets								
Interest rate swap - investment properties	$	-	$	-	$	91,850	$	889
Interest rate swap - repo		720,000		1,807		-		-
Foreign exchange swap		89,315		1,400		-		-
	$	809,315	$	3,207	$	91,850	$	889
Liabilities								
Forward contracts	$	499,875	$	(34,365)	$	333,618	$	(1,114)
Interest rate swap - investment properties		91,850		(1,418)		-		-
	$	591,725	$	(35,783)	$	333,618	$	(1,114)

The Corporation uses foreign exchange forward contracts to naturally hedge the foreign exchange risks associated with its foreign currency financial investments. The Corporation also uses interest rate swaps to naturally hedge the interest rate risks associated with its bond repo liabilities and one of the investment properties' mortgages. Other than the interest rate swap associated with one of the investment properties' mortgages, all forward contracts and swaps have settlement dates within one year, and the Corporation intends to settle them on a net basis.

The non-designated derivative financial instruments are classified as Level 2 and are valued based on the difference between the forward rate at the contract initiation date and the remaining forward term rate on the reporting date.

b) Other financial assets

Other financial assets include accrued interest, premiums and other receivables, and reinsurance assets. The fair values of the majority of other financial assets approximate their carrying values due to their short-term nature. The non-current portion of these other financial assets is $54.5 million (2019 – $50.5 million).

c) Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, bond repurchase agreements, lease liabilities, and investment-related and other liabilities. All financial liabilities are carried at cost or amortized cost. Except for lease liabilities, investment-related and other liabilities, the fair values of financial liabilities approximate their carrying values due to their short-term nature. The assumptions used in estimating the fair value of investment-related and other liabilities are discussed in note 10.

As at March 31, 2020, the general ledger bank balances representing cash inflows were $163.8 million (2019 – $178.1 million) and the general ledger bank balances representing cash outflows were $237.0 million (2019 – $236.8 million), netting to a cheques outstanding balance of $73.2 million (2019 – $58.7 million) on the consolidated statement of financial position.

10. Bond Repurchase Agreements, Investment-Related, and Other Liabilities

($ THOUSANDS)	2020		2019 [1]	
	Carrying Value		Carrying Value	
Bond repurchase agreements	$	1,834,901	$	1,449,455
Investment-related liabilities		238,189		241,677
Other liabilities		297,051		21,754
Total bond repurchase agreements, investment-related, and other liabilities	$	2,370,141	$	1,712,886
Non-current portion	$	236,205	$	240,321

[1] *Prior year amounts have been re-classed for comparative purposes (note 2v)*

Investment-related liabilities are comprised of mortgages payable of $238.2 million (2019 – $241.7 million) with repayment terms ranging from two to nine years and interest rates ranging from 2.6% to 5.4% (2019 – 2.6 % to 5.4%). The fair value of investment-related liabilities approximates carrying value. Other liabilities consist of accrued interest payable and unsettled trades. All of these liabilities are classified as Level 3 under the fair value hierarchy.

Estimated principal repayments for investment-related and other liabilities are as follows:

($ THOUSANDS)	2020		2019 [1]	
Up to 1 year	$	299,035	$	23,110
Greater than 1 year, up to 5 years		121,621		119,867
Greater than 5 years		114,584		120,454
	$	535,240	$	263,431

[1] *Prior year amounts have been re-classed for comparative purposes (note 2v)*

11. Lease Liabilities

Lease liabilities are as follows:

($ THOUSANDS)	2020	
Up to 1 year	$	11,536
Greater than 1 year, up to 5 years		37,542
Greater than 5 years		12,134
Total undiscounted lease liabilities balance, end of year	$	61,212
Total discounted lease liabilities balance, end of year	$	54,417
Current	$	10,941
Non-current	$	43,476

As at March 31, 2020, the Corporation did not have any leases committed to but not yet commenced. As at March 31, 2020, the Corporation has committed to facilities-related expenses associated with leased properties, over the next five years and beyond, at a net present value of $35.4 million.

12. Management of Insurance and Financial Risk

As a provider of vehicle insurance products, effective risk management is fundamental in protecting earnings, cash flow, and ultimately the financial stability of the Corporation. The Corporation is exposed to various types of insurance and financial risks.

The World Health Organization's declaration of the COVID-19 virus as a pandemic on March 11, 2020 and the subsequent declaration of a state of emergency by the Government of British Columbia on March 17, 2020 have disrupted the Corporation's business activities. Some of the major disruptions to the Corporation include lower premium revenue as a result of customers cancelling policies and changing rate classes, a decline in claims cost as a result of fewer drivers on the road due to stay at home orders, and downward and volatile investment income given the downturn in equity markets and the lack of availability of certain market data used to determine fair value of financial investments, in particular level 3 investments. Given the uncertainty around the duration of the pandemic and the lasting impact on driver behaviour and the economy of British Columbia, it is difficult to predict the ultimate impact on the Corporation's business.

a) Insurance risk

The principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events have an element of randomness and the actual number and amount of claims and benefits will vary each year from the level established using statistical techniques. Current legal challenge (note 25c) to product reforms (note 3e) represent a meaningful risk to the severity of claims incurred since April 1, 2019.

The COVID-19 pandemic has increased uncertainty around insurance risk as a result of changes in claims costs and driver behaviour as discussed above. Given the close proximity of the start of the pandemic to the Corporation's financial year end, there were no significant changes to the Corporation's exposure to insurance risk, and no significant changes to the framework used to monitor, evaluate and manage underwriting risk as at March 31, 2020. The impact of COVID-19 pandemic on sources of estimation uncertainty included in the provision for unpaid claims is discussed in note 3a above.

Frequency and severity of claims

Frequency is the average number of claims per policy, calculated by dividing the total number of claims by the total number of policies. Severity is the average cost of a claim calculated by dividing the total cost of claims by the total number of claims. There are a number of factors that influence the frequency and severity of claims.

Some factors are affected by the actions of the Corporation and a number of strategies are used to try and reduce cost pressures created by these factors, including claims operational changes, road safety programs, programs to influence driver behaviour such as impaired driving and distracted driving programs, public awareness campaigns, auto crime reduction initiatives, and fraud detection and investigation.

There are other factors that the Corporation has little or no control over, including weather, demographics, court issued settlement awards, plaintiff legal fees, pandemic events, and economic changes, including vehicle parts/repair inflation and medical expense inflation that influence the cost of claims.

Sources of uncertainty in the estimation of the provision for unpaid claims

To manage the uncertainty associated with estimating the provision for unpaid claims, the Corporation's Chief Actuary employs standard actuarial methods. The estimation of the provision for unpaid claims is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied (note 3a).

There is an inherent uncertainty regarding the assumptions to estimate the amount and timing of future claims payments that make up the provision for unpaid claims. The Corporation is liable for all insured events that occurred during the term of the insurance contract, even if the loss is reported after the end of the contract term. In addition, injury claims may take a long period of time to settle.

Injury claims include bodily injury, accident benefits, and death benefits, which account for approximately 64% (2019 – 68%) of total claims costs. The timing of payments of injury claims can be extended due to delayed reporting, and the timing and amount of injury payments can exhibit considerable uncertainty because of the complex bodily injury claims environment, the subjective nature of pain and suffering damages, internal claims operational changes, the judicial environment, and settlement awards.

The Corporation's provision for unpaid claims can be affected by the frequency and severity of claims, the discount rate, and actuarial methods and assumptions. The frequency and severity of claims are discussed above, while the discount rate and the actuarial methods and assumptions are discussed in notes 3 and 17.

Concentration of insurance risk

The Corporation has a diverse customer base as the sole provider of Basic insurance to all drivers in British Columbia. The Corporation operates in one provincial jurisdiction and provides vehicle insurance only, so there is a concentration of insurance risk with respect to geography, jurisdiction, and product type.

The impact of the concentration of insurance risk is quantified through Catastrophe modeling that the Corporation's reinsurance broker updates annually. This testing allows the Corporation to assess, monitor and manage these risks effectively. The concentration of insurance risk is also managed through an Automobile property damage catastrophe reinsurance treaty, a casualty catastrophe reinsurance treaty, and road safety programs such as road improvement strategies, the graduated licensing program, and the distracted driving campaign. As the sole provider of Basic insurance, the Corporation invests in and benefits the most from these programs.

Premium pricing risk

The Corporation is the sole provider of Basic insurance and is not subject to competitive risk for its Basic insurance product. Basic insurance rates are set to cover costs after considering investment returns. Because the insurance rates are determined based on forward looking estimates of costs, the unfavourable variance in costs, in particular claims costs, may result in Basic insurance premiums not being sufficient to cover costs.

The Corporation is subject to regulations over its Basic insurance and applies to BCUC for approval to change its Basic insurance rate. The Corporation is required to make Basic insurance rate applications on an annual basis, and BCUC is required to approve rates set according to accepted actuarial practice. These aspects of regulation mitigate the underwriting risk associated with pricing for the Basic insurance product. For the 2020 policy year, the Province of B.C. exempted the Corporation from filing the revenue requirement application (note 26).

The Province of B.C. may direct income transfers from Optional insurance to Basic insurance in order to keep Basic rates as low as possible. In addition, the Province of B.C. may direct capital transfers from Optional insurance to bolster Basic insurance capital. In fiscal year 2020, the Province of B.C. announced legislation to repeal the transfer of capital to government from the Corporation's excess Optional insurance capital. This legislation is expected to pass in fiscal year 2021 (note 28).

Regulation establishes the rate smoothing framework for Basic insurance rates that allows for the use of capital to reduce volatility. As a result, Basic rates may be set below those required to cover costs, as constrained by the ceiling of the rate smoothing corridor. Product reform, implemented as part of Rate Affordability Action Plan and effective April 1, 2019, reduced claims costs. In fiscal year 2020, upcoming Basic rate was established below the floor of the smoothing corridor as no rate change was made (0% change) for policy year 2020, while BCUC had approved a 6.3% increase in basic insurance rate for policy year 2019.

The Corporation's Optional insurance products compete with other insurers and are subject to underwriting risk and competitive risk.

b) Financial risk

Concentration of financial risk

The Corporation establishes investment portfolio level targets and limits with the objective of ensuring that portfolios are diversified across asset classes and individual investment risks. The Corporation monitors actual investment positions and risk exposures for concentration risk.

As at March 31, 2020, the equity and other financial investments portfolios were 14.1% (2019 – 17.1%) invested in the financial sector, 19.6% (2019 – 15.2%) in the real estate sector, and 11.3% (2019 – 10.3%) in the information technology sector. The bond portfolio was 66.4% (2019 – 63.0%) invested in the government sector and 16.9% (2019 – 18.6%) invested in the financial sector. See credit risk for a discussion of the government bonds.

Concentration of geographical risk

Geographical concentration risks arises when the investments are located in the same geographical region. The Corporation reduces geographical concentration risk by dispersing the investments in more than one geographical region. The Corporation has contracted external investment managers to manage its foreign investments in diversified global pooled funds. As at March 31, 2020, the investment portfolio was 79.1% (2019 – 81.1%) invested in Canada, 14.7%

(2019 – 12.4%) invested in the United States, and 6.2% (2019 – 6.5%) was invested elsewhere around the world.

Price risk

General economic conditions, political conditions, and other factors affect the equity markets, thereby also affecting the fair value of the equity securities and other financial investments (including all pooled funds) held by the Corporation. Fluctuations in the value of these securities impact the recognition of both unrealized and realized gains and losses on equity securities and on the units of funds held. As at March 31, 2020, the impact of a 10% change in prices, with all other variables held constant, would result in an estimated corresponding change to OCI for AFS equities and other financial investments of approximately $587.6 million (2019 – $445.6 million) and to profit or loss for FVTPL equities of approximately $59.9 million (2019 – $26.7 million). As discussed above, the COVID-19 pandemic increases future volatility and uncertainty in the fair value of financial instruments, and as a result increases the exposure to price risk, which may further result in impairment loss on the Corporation's equities and other financial investments.

The Corporation holds a widely diversified portfolio, diversified geographically, by sector, and by company, and has policies in place to limit and monitor total equity exposure and individual issuer exposure.

Interest rate risk

When interest rates increase or decrease, the market value of fixed-income securities (excluding investments held in pooled funds) will decrease or increase respectively with a larger market value impact on instruments with a long duration compared to instruments with a short duration. Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed-income portfolio. A natural hedge exists between the Corporation's fixed-income portfolio and the provision for unpaid claims, as the Corporation's investment yields are used to derive the discount rate for the provision for unpaid claims (note 12a).

The Corporation has policies in place to limit and monitor its exposure to interest rate risk in relation to the duration of its claims liabilities. The impact of COVID-19 has not significantly changed the policies in place as at March 31, 2020.

The carrying values reported in the consolidated statement of financial position for cash and cash equivalents, premiums and other receivables, and accounts payable and accrued charges approximate their fair values and are not significantly impacted by fluctuations in interest rates.

In fiscal years 2020 and 2019, the Corporation did not use material derivative financial instruments to hedge interest rate risk on its investment portfolio.

	2020		2019	
	Average Yield (%)	Duration (Years)	Average Yield (%)	Duration (Years)
Bonds				
Canadian				
Federal	0.8	4.2	2.0	3.9
Provincial	1.4	4.6	2.5	5.2
Municipal	0.9	1.5	2.6	4.7
Corporate	2.6	3.6	2.7	3.1
Total bonds	1.6	4.1	2.4	4.0
Mortgages	3.7	1.8	3.9	2.2
Total bonds and mortgages	1.8	3.8	2.7	3.6

As at March 31, 2020, a 100 basis point change in interest rates would result in a change of approximately $400.5 million (2019 – $365.9 million) in fair value of the Corporation's bond portfolio and a corresponding impact of approximately $400.5 million (2019 – $365.9 million) to OCI. A 100 basis point change in interest rates would result in a change of approximately $22.1 million (2019 – $43.8 million) in fair value of the Corporation's mortgage, however there would be no impact to OCI as the mortgage portfolio is measured at amortized cost. Interest rate changes would also result in an inverse change to the provision for unpaid claims and the corresponding claims costs (note 12a). With the increase in uncertainty given the current economic environment, there may be volatility in investment yields in the future, and any interest rate changes may have an impact on discount rates used by the Corporation.

Credit risk

Credit risk is the potential for financial loss to the Corporation if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents, fixed-income securities (excluding investments held in pooled funds), accounts receivable, reinsurance receivables and recoverables, and structured settlements. The Corporation's exposure to credit risk increased due to the potential effects of the COVID-19 pandemic on the Corporation's customers, reinsurers and the underlying issuers of the Corporation's investment in bonds. As at March 31, 2020, the COVID-19 pandemic has not had a significant impact on the Corporation credit risk. The total credit risk exposure is $9.84 billion (2019 – $9.91 billion).

Fixed-income securities

Fixed-income securities are comprised of Canadian investment grade bonds and directly held mortgages. The Corporation mitigates its overall exposure to credit risk in its fixed-income securities by holding the majority of its fixed-income portfolio in investment grade bonds, and by limiting mortgages to a maximum of 14.5% (2019 – 14.5%) of total investment assets. Credit risk in mortgages is mitigated by the security of the underlying mortgaged property. Risk is also mitigated through investing in mortgages with conservative loan to value ratios and requiring additional collateral and guarantees from borrowers.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

The maximum credit risk exposure for fixed-income securities pertain to all bond investments and to directly held mortgage investments; however, the Corporation considers Canadian government bonds to be risk-free. Therefore, the total carrying amount is $7.58 billion (2019 – $7.92 billion). There is minimal credit risk exposure to cash.

The counterparty risk associated with repurchase agreements for 2020 and 2019 is not material.

The Corporation's money market securities and bonds by credit quality according to Standard and Poor's are as follows:

($ THOUSANDS)		2020		2019
Money market securities				
AAA	$	20,077	$	119,887
Bonds				
AAA	$	3,695,348	$	3,941,367
AA		1,701,369		1,429,381
A		3,390,492		2,925,921
BBB		1,005,220		969,644
	$	9,792,429	$	9,266,313

Premiums and other receivables

The Corporation has a diverse customer base as it is the sole provider of Basic insurance to all drivers in British Columbia. While there is no significant individual concentration of credit risk, the Corporation's premiums and other receivables are comprised of customers with varying financial conditions.

The credit risk for premiums receivables is mitigated as a customer's policy may be cancelled if the customer is in default of a payment. The maximum credit risk for all other receivables equals their carrying amount. As at March 31, 2020, the Corporation considered $93.7 million (2019 – $79.9 million) of its premiums and other receivables to be uncollectible and has provided for them. The allowance was determined by applying a percentage derived from five to six years of collection experience by receivable type to the total of current and prior periods' customer billings. The impact of the COVID-19 pandemic was considered in determining the allowance and there was no significant impact as at March 31, 2020.

The following table outlines the aging of premiums and other receivables as at March 31, 2020 and at March 31, 2019:

($ THOUSANDS)	Current	Past Due 1 – 30 days	Past Due 31 – 60 days	Over 60 days	Total
March 31, 2020					
Premiums and other receivables	$ 2,127,001	$ 5,539	$ 5,406	$ 135,337	$ 2,273,283
Provision	(2,600)	(2,422)	(2,587)	(86,092)	(93,701)
Total premiums and other receivables	$ 2,124,401	$ 3,117	$ 2,819	$ 49,245	$ 2,179,582
March 31, 2019					
Premiums and other receivables	$ 1,761,338	$ 4,532	$ 3,870	$ 112,633	$ 1,882,373
Provision	(2,057)	(1,919)	(2,168)	(73,755)	(79,899)
Total premiums and other receivables	$ 1,759,281	$ 2,613	$ 1,702	$ 38,878	$ 1,802,474

The movements in the provision for premiums and other receivables are as follows:

($ THOUSANDS)	2020	2019
Balance, beginning of year	$ (79,899)	$ (70,188)
Charges for the year	(32,737)	(27,750)
Recoveries	5,573	5,334
Amounts written off	13,362	12,705
Balance, end of year	$ (93,701)	$ (79,899)

Reinsurance assets

Failure of reinsurers to honour their obligations could result in losses to the Corporation. The maximum credit risk exposure equals the carrying amount of $32.1 million (2019 – $28.8 million). The Corporation has policies that require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 25% of the total reinsurers' share of the provision for unpaid claims and adjusting expenses in a contract year. Both these items mitigate the Corporation's exposure to credit risk. No amount owing from the reinsurers was considered impaired as at March 31, 2020 or March 31, 2019.

($ THOUSANDS)		2020		2019
Reinsurance recoverable (note 17)	$	28,142	$	22,078
Reinsurance receivable		4,007		6,676
Reinsurance assets	$	32,149	$	28,754

Liquidity risk

A significant business risk of the insurance industry is the uncertain ability to match the cash inflows from premiums and the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The timing of most policy liability payments is not known, may take considerable time to determine precisely, and may be paid in partial payments. COVID- 19 has increased uncertainty and may adversely impact the Corporation's cash flows in the near term, in particular where the Corporation has allowed customers the opportunity to defer monthly premium payments for 90 days and extended payment plans for customers who need to extend at the end of their deferral period.

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, except for the provision for unpaid claims, pension and post-retirement benefits, lease liabilities, and investment-related, are due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities. Where overall cash flows are negative, the Corporation maintains sufficient liquid assets (money market securities) to cover any shortfall from operations. In addition, the Corporation has a netting arrangement with its banks that permits positive bank balances to be offset against negative bank balances.

Liquidity risk is primarily controlled by holding government bonds and other highly liquid investments, which can be readily sold. In addition, the Corporation takes into account the overall historical liability settlement pattern and the historical cash in-flows as a basis to broadly define diversification and duration characteristics of the investment portfolio. The following table summarizes the maturity profile of the Corporation's fixed-income investments by contractual maturity or expected cash flow dates:

($ THOUSANDS)	Within One Year	One Year to Five Years	After Five Years	Total
March 31, 2020				
Bonds				
Canadian				
Federal	$ 105,401	$ 2,226,448	$ 1,091,144	$ 3,422,993
Provincial	-	1,437,487	1,646,449	3,083,936
Municipal	-	71,751	-	71,751
Corporate	371,919	2,025,533	816,297	3,213,749
Total bonds	477,320	5,761,219	3,553,890	9,792,429
Mortgages	330,519	866,896	11,540	1,208,955
	$ 807,839	$ 6,628,115	$ 3,565,430	$ 11,001,384
March 31, 2019				
Bonds				
Canadian				
Federal	$ 312,581	$ 1,961,138	$ 1,109,644	$ 3,383,363
Provincial	11,178	893,552	1,334,191	2,238,921
Municipal	8,546	97,573	107,163	213,282
Corporate	131,316	2,445,168	854,263	3,430,747
Total bonds	463,621	5,397,431	3,405,261	9,266,313
Mortgages	428,286	1,551,378	61,446	2,041,110
	$ 891,907	$ 6,948,809	$ 3,466,707	$ 11,307,423

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation has direct foreign exchange risk on its US pooled fund investments. A 10% change in the US exchange rate as at March 31, 2020 would change the fair value of the US pooled fund investments and result in a change to OCI of approximately $9.5 million (2019 – $6.7 million) and to profit or loss of $59.9 million (2019 – $26.7 million). However, this is mitigated by the use of forward contracts (note 8a). The Corporation does not have direct foreign exchange risk on its global equity portfolio, however the Corporation is exposed to indirect foreign exchange risk.

The Corporation has policies in place to limit and monitor its exposure to currency risks.

13. Investment Income and Impairment Loss

($ THOUSANDS)		2020		2019[3]
Interest				
Fixed-income investments	$	300,445	$	281,074
Equity investments		11,851		4,544
		312,296		285,618
Gains on investments				
Fixed-income investments		119,653		(72,154)
Equity investments		497,289		100,174
Other financial investments		(8,165)		5,576
Net unrealized fair value changes [1]		19,980		3,391
		628,757		36,987
Dividends, distributions and other income				
Equity investments		70,809		149,360
Other financial investments		2,883		9,998
Income from investment properties		19,395		32,535
Investment management fees [2]		(12,600)		(9,745)
Other		36,302		76,463
		116,789		258,611
Total investment income	$	1,057,842	$	581,216

[1] *Includes changes in unrealized foreign exchange gains and losses on monetary AFS/FVTPL assets*

[2] *Includes internal and external fees*

[3] *Prior year amounts have been re-classed for comparative purposes (note 2v)*

($ THOUSANDS)		2020		2019[2]
Amounts recognized in investment income for investment properties				
Rental income	$	90,991	$	121,265
Direct operating expenses that generated rental income		(67,907)		(82,996)
Direct operating expenses that did not generate rental income		(3,689)		(5,734)
Income from investment properties		19,395		32,535
Gain on sale of investment properties [1]		58,822		104,165
Total amount recognized in investment income	$	78,217	$	136,700

[1] *2020 balance includes a net gain of $51,956 (2019 - $104,481) for investment properties that were reclassified to assets held for sale*

[2] *Prior year amounts have been re-classed for comparative purposes (note 2v)*

($ THOUSANDS)		2020		2019
Impairment loss - equity investments	$	(297,973)	$	(13,506)
Impairment loss - investment properties		(19,039)		(10,170)
Total impairment loss	$	(317,012)	$	(23,676)

As at March 31, 2020, the ‘Net change in available for sale financial assets’ portion of other components of equity (OCE) is comprised of $305.2 million (2019 – $238.4 million) in unrealized gains and $665.6 million (2019 – $95.3 million) in unrealized losses.

14. Property and Equipment

($ THOUSANDS)	Land	Buildings	Furniture & Equipment	Leasehold Improvements	Total
March 31, 2020					
Cost					
Balance, beginning of year[1]	$ 30,699	$ 176,609	$ 118,073	$ 24,274	$ 349,655
Additions	-	2,985	10,355	4,798	18,138
Disposals	-	(183)	(3,420)	(3,668)	(7,271)
Balance, end of year	30,699	179,411	125,008	25,404	360,522
Accumulated depreciation					
Balance, beginning of year[1]	-	147,864	83,232	9,255	240,351
Disposals	-	-	(3,420)	-	(3,420)
Depreciation charge for the year	-	2,921	10,190	2,191	15,302
Balance, end of year	-	150,785	90,002	11,446	252,233
Net book value, end of year	$ 30,699	$ 28,626	$ 35,006	$ 13,958	$ 108,289
March 31, 2019					
Cost					
Balance, beginning of year[1]	$ 30,699	$ 173,005	$ 114,120	$ 20,456	$ 338,280
Additions	-	3,604	7,845	4,275	15,724
Disposals	-	-	(3,892)	(457)	(4,349)
Balance, end of year	30,699	176,609	118,073	24,274	349,655
Accumulated depreciation					
Balance, beginning of year[1]	-	144,683	77,789	7,330	229,802
Disposals	-	-	(3,881)	-	(3,881)
Depreciation charge for the year	-	3,181	9,324	1,925	14,430
Balance, end of year	-	147,864	83,232	9,255	240,351
Net book value, end of year	$ 30,699	$ 28,745	$ 34,841	$ 15,019	$ 109,304

[1] Opening balances of property and equipment and accumulated depreciation exclude existing finance leases which were separated out from prior year balance subsequent to the adoption of IFRS 16 as at April 1, 2019

The balances in property and equipment include $2.6 million (2019 – $9.0 million) in assets under development.

15. Lease Assets

($ THOUSANDS)	Leased Facilities	Leased Equipment	Leased Computer Hardware	Leased Computer Software Intangibles	Total
March 31, 2020					
Cost					
Balance, beginning of year[1]	$ -	$ 2,677	$ -	$ 19,288	$ 21,965
Additions	50,882	68	1,127	3,955	56,032
Disposals	(339)	-	-	-	(339)
Balance, end of year	50,543	2,745	1,127	23,243	77,658
Accumulated depreciation					
Balance, beginning of year[1]	-	1,561	-	2,656	4,217
Disposals	(46)	-	-	-	(46)
Depreciation charge for the year	8,039	547	300	2,648	11,534
Balance, end of year	7,993	2,108	300	5,304	15,705
Net book value, end of year	$ 42,550	$ 637	$ 827	$ 17,939	$ 61,953

[1] Opening balances of leased cost and accumulated depreciation as at April 1, 2019 were from existing finance leases and separated out from prior year balance subsequent to the adoption of IFRS 16

16. Intangible Assets

($ THOUSANDS)	2020	2019
Cost		
Balance, beginning of year[1]	$ 475,314	$ 434,201
Additions	38,803	44,455
Disposals	(12,488)	(3,342)
Balance, end of year	501,629	475,314
Accumulated amortization		
Balance, beginning of year[1]	191,535	149,467
Disposals	(4,346)	(911)
Amortization charge for the year	46,348	42,979
Balance, end of year	233,537	191,535
Net book value, end of year	$ 268,092	$ 283,779

[1] Opening balances of intangible assets and accumulated amortization exclude existing finance leases which were separated out from prior year balance subsequent to the adoption of IFRS 16 as at April 1, 2019

The Corporation's intangible assets consist of externally purchased software and any directly attributable costs required to bring the software to a condition where it is available for use.

The balance of intangible assets includes $23.3 million (2019 – $45.7 million) in assets under development.

There were no indefinite life intangible assets as at March 31, 2020 and March 31, 2019.

17.Provision for Unpaid Claims

a) Actuarial methods and assumptions

The Corporation typically employs three standard actuarial methods to analyze the ultimate claims costs, augmented by more in-depth analyses as needed:

- The incurred development method;
- The paid development method; and
- The Bornhuetter-Ferguson method.

The standard methods call for a review of historical loss and count development patterns. As part of this review, the Corporation calculates loss and count development factors, which represent the period-to-period changes in a given loss year's incurred loss amount. Based on an examination of the loss development factors, the Corporation's Chief Actuary selects a best estimate of development factors that forecast future loss development.

A key assumption that the loss and count development factors rely on is a selected baseline. The baseline for the majority of the coverages is the average of the most recent four loss years. The use of a baseline helps maintain consistency in the loss and count development factors from one reserve review to another. Circumstances may arise when the standard methods are no longer appropriate to use. In these cases, and in accordance with accepted actuarial practice, modifications to the methods are made or alternative methods are employed that are specific and appropriate to the circumstances. Circumstances may include a change in the claims settlement environment, a change in the handling or reserving of claims, or an emerging trend in the statistical data used in the analysis.

An additional method is employed to address the increasingly complex bodily injury claims environment, which includes a growing legal representation rate, a shifting frequency mix of bodily injury claims by severity of injury, and a slowdown in the settlement of claims. This additional method uses legal status, injury type and claim severity to separate bodily injury claims data into segments of similar complexity and is based on the Adler-Kline claim closure model. It has allowed the Corporation's Chief Actuary to capture changes in the claim settlement rates within each segment, and changes in the mix of claims by segment, which impacts the bodily injury severity trend rate.

An additional method is used to estimate the cost of injury claims associated with accidents occurring on or after April 1, 2019. These claims are subject to product reforms (note 3e), and are therefore expected to follow different patterns from the historical loss and count development patterns on which the three standard methods rely. Assumptions were made for the frequency and severity of these claims, consistent with the pricing model used to establish the premium rate for policies effective April 1, 2019, and the level of crash claim frequency experienced during the year.

The timing of when the unpaid ultimate claims costs will be paid depends on the line of business. Bodily injury claims generally take longer to settle than material damage claims and exhibit greater variability as to the timing and amount ultimately paid to settle a claim. Historical patterns of claims payment data are used to estimate the future claims payment pattern. Expected future paid amounts are then discounted, using the discounted cash flow method, to determine a present value as of the reporting date. The discount rate is based upon the expected return on the Corporation's current investment portfolio, the expected asset default risk of its investment portfolio, and assumptions for interest rates relating to reinvestment of maturing investments. These estimates are based on current market returns as well as expectations about future economic and financial developments.

A PfAD is then added to the estimate to recognize sources of uncertainty in the assumptions behind the provision for unpaid claims (note 3a). The PfAD is calculated according to accepted actuarial practice in Canada.

Changes in Assumptions

Discount rate

The Corporation discounts its provision for unpaid claims using a discount rate of 2.9% (2019 – 3.7%). As a result of the decrease in the discount rate, there was an unfavourable adjustment to both current and prior years' unpaid claims provision of $305.3 million (2019 – favourable adjustment of $229.1 million).

Change in loss development assumptions

Actuarial assumptions pertaining to loss and count development for all coverages were reviewed and revised in light of an additional year of actual experience. There were several material changes in development assumptions pertaining to bodily injury claims.

Development assumptions pertaining to the number of large bodily injury claims within the bodily injury segmented analysis were changed. The segmented analysis includes assumptions about the future emergence of large bodily injury claims (those costing in excess of $200,000). In determining best estimates consistent with accepted actuarial practice, which requires assumptions that are independently reasonable and appropriate in aggregate, a modification was made in 2020 to the determination of count development factors.

The emergence of the number of large bodily injury claims was relatively normal in fiscal 2020, but in the previous two fiscal years, 2018 and 2019, an unusually high number of newly large bodily injury claims was observed. Therefore, certain count development factors for large bodily injury claims were revised to put less weight on recent experience (by use of an average of the most recent eight fiscal loss years), relative to the baseline (average of the most recent six fiscal loss years), which reflects that relatively fewer large claims remain to be recognized in the future, relative to the accelerated number that have already been recognized. This represents a change from 2019, where even less weight was put on the experience most recent at that time (by use of an average of the most recent ten fiscal loss years). The change in assumptions from an average of ten fiscal loss year to an average of eight fiscal loss years would have an estimated unfavourable impact to the provision for unpaid claims pertaining to large bodily injury claims of approximately $261.1 million, holding all other assumptions constant.

The Corporation observed substantial reductions in reported claims in the month of March 2020 compared to expected, and projects claims incurred to be reduced by $55.5 million in this period. A contributing factor was the public health emergency declared by the Province of B.C. on March 17, 2020 related to COVID-19 pandemic. This pandemic resulted in a significant reduction in activities around the province and a decrease in vehicle related accidents.

Development assumptions pertaining to bodily injury were adjusted to reflect the Crown decision on October 24th, 2019 regarding limitations on expert reports. This was reflected by the removal of a favourable adjustment made in the 2018/19 financial estimates that reduced the expected future development of bodily injury claims costs by 3.5%. On February 6, 2020, the Government of British Columbia announced the introduction of Bill 9 - *Evidence Act Amendments* which limits the reimbursement of expert report and plaintiff disbursements. The bill has not yet passed into legislation, and the Corporation has not included any savings in the provision for unpaid claims on account of these amendments.

As of April 1, 2019, the fees paid by the Corporation to providers of medical treatments under the mandatory Accident Benefits coverage have increased. As a result of this change, the Corporation will pay higher per-treatment amounts for future treatment on outstanding injury claims, and claimants will no longer have to pay user fees in addition to the Corporation's payment to treatment providers. However, the ability to continue to access treatment under Accident Benefits with no user fee is expected to produce a reduction in future care settlements. Therefore, the Corporation has assumed that the reduction in future care settlements for not-at-fault injured claimants will offset the increase in treatment costs for at-fault injured claimants, so there is no impact to the provision for unpaid claims due to this change to treatment fees.

b) Sensitivity Analysis

The sensitivity to certain key assumptions is outlined below. The analysis is performed for possible changes in the assumptions with all other assumptions held constant, showing the impact on the provision for unpaid claims and net loss in the table below. Movements in these assumptions may be non-linear and may be correlated with one another.

($ THOUSANDS)			2020		2019
Assumption	**Sensitivity**				
Discount rate	+ 1ppt[1]	$	(399,100)	$	(354,300)
Discount rate	- 1ppt	$	421,400	$	373,300
Severity of unpaid bodily injury claims	+ 1%	$	143,500	$	128,000
Future emergence of large bodily injury claims	+ 1%	$	50,000	$	38,000

[1] *ppt = percentage point*

c) Provision for Unpaid Claims

The movements in the provision for unpaid claims and reinsurance recoveries and their impact on claims incurred for the year are as follows:

($ THOUSANDS)	2020 Gross	2020 Reinsurance Recoverable	2020 Net	2019 Gross	2019 Reinsurance Recoverable	2019 Net
Notified claims	$ 9,378,198	$ (22,078)	$ 9,356,120	$ 8,479,993	$ (23,258)	$ 8,456,735
Incurred but not reported	4,909,712	-	4,909,712	3,415,703	-	3,415,703
Balance, beginning of year	14,287,910	(22,078)	14,265,832	11,895,696	(23,258)	11,872,438
Change in liabilities (assets):						
Provision for claims occurring in the current year	4,731,749	(3,488)	4,728,261	5,309,211	(1,362)	5,307,849
Change in estimates for losses occurring in prior years:						
Prior years' claims adjustments	910,870	(7,928)	902,942	1,339,436	(8,158)	1,331,278
Prior years' changes in discounting provision	277,557	(595)	276,962	(110,035)	138	(109,897)
	1,188,427	(8,523)	1,179,904	1,229,401	(8,020)	1,221,381
Net claims incurred per consolidated statement of comprehensive loss	5,920,176	(12,011)	5,908,165	6,538,612	(9,382)	6,529,230
Cash (paid) recovered for claims settled in the year for:						
Claims incurred in current year	(1,542,156)	-	(1,542,156)	(1,486,133)	-	(1,486,133)
Recoveries received on current year claims	100,279	-	100,279	104,140	-	104,140
	(1,441,877)	-	(1,441,877)	(1,381,993)	-	(1,381,993)
Claims incurred in prior years	(2,836,854)	-	(2,836,854)	(2,840,888)	-	(2,840,888)
Recoveries received on prior years' claims	74,379	5,947	80,326	76,483	10,562	87,045
	(2,762,475)	5,947	(2,756,528)	(2,764,405)	10,562	(2,753,843)
Total net payments	(4,204,352)	5,947	(4,198,405)	(4,146,398)	10,562	(4,135,836)
Balance, end of year	$ 16,003,734	$ (28,142)	$ 15,975,592	$ 14,287,910	$ (22,078)	$ 14,265,832
Notified claims	$ 9,518,745	$ (28,142)	$ 9,490,603	$ 9,378,198	$ (22,078)	$ 9,356,120
Incurred but not reported	6,484,989	-	6,484,989	4,909,712	-	4,909,712
Balance, end of year	$ 16,003,734	$ (28,142)	$ 15,975,592	$ 14,287,910	$ (22,078)	$ 14,265,832

The following table shows the effect of discounting and PfADs on the provision for unpaid claims:

($ THOUSANDS)	Undiscounted	Effect of Present Value	PfADs	Discounted
March 31, 2020				
Provision for unpaid claims, net	$ 15,307,662	$ (1,128,516)	$ 1,796,446	$ 15,975,592
Reinsurance recoverable	26,425	(1,969)	3,686	28,142
Provision for unpaid claims, gross	$ 15,334,087	$ (1,130,485)	$ 1,800,132	$ 16,003,734
March 31, 2019				
Provision for unpaid claims, net	$ 13,973,769	$ (1,292,859)	$ 1,584,922	$ 14,265,832
Reinsurance recoverable	20,995	(1,845)	2,928	22,078
Provision for unpaid claims, gross	$ 13,994,764	$ (1,294,704)	$ 1,587,850	$ 14,287,910

d) Claims development table

The top half of the table illustrates how the Corporation’s estimate of total undiscounted claims costs for each loss year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

As a result of the change in year end in fiscal 2017, there are two claims development tables: one as at March 31, 2020 and one as at December 31, 2015. The Corporation changed from a December 31 to a March 31 year end in fiscal 2017, and therefore there are four years of historical data in the first table as at March 31, 2020.

Claims development table as at March 31, 2020:

($ THOUSANDS) Fiscal Loss Year*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of undiscounted ultimate claims costs:											
- At end of fiscal loss year							$ 4,372,966	$ 4,968,820	$ 5,208,101	$ 4,524,433	
- One year later						$ 4,037,775	4,529,126	5,229,618	5,312,311		
- Two years later					$ 3,695,574	4,184,489	4,762,695	5,490,882			
- Three years later				$ 3,313,949	3,757,390	4,450,883	5,015,000				
- Four years later			$ 3,042,291	3,432,710	3,960,331	4,595,394					
- Five years later		$ 2,837,869	3,111,271	3,591,481	4,072,014						
- Six years later	$ 2,863,073	2,888,556	3,194,200	3,633,106							
- Seven years later	2,869,460	2,930,418	3,198,016								
- Eight years later	2,915,502	2,927,467									
- Nine years later	2,909,228										
Current estimate of cumulative claims	2,909,228	2,927,467	3,198,016	3,633,106	4,072,014	4,595,394	5,015,000	5,490,882	5,312,311	4,524,433	41,677,851
Cumulative payments to date	(2,848,427)	(2,851,838)	(3,070,274)	(3,347,162)	(3,304,675)	(3,174,314)	(2,785,557)	(2,430,789)	(1,984,787)	(1,441,877)	(27,239,700)
Undiscounted provision for unpaid claims	$ 60,801	$ 75,629	$ 127,742	$ 285,944	$ 767,339	$ 1,421,080	$ 2,229,443	$ 3,060,093	$ 3,327,524	$ 3,082,556	$ 14,438,151
Undiscounted provision for unpaid claims in respect of 2010 and prior years											$ 161,438
Undiscounted unallocated loss adjustment expense reserve											734,498
Total undiscounted provision for unpaid claims											**$ 15,334,087**
Discounting and PfAD adjustment											669,647
Total discounted provision for unpaid claims (gross)											**$ 16,003,734**

*Fiscal Loss Year refers to the year ended March 31

The table above reflects the total discounted provision for unpaid claims of $16.00 billion (2019 – $14.29 billion) before the amount for reinsurance recoverable. The total discounted provision for unpaid claims after the amount for reinsurance recoverable of $0.03 billion (2019 – $0.02 billion) would be $15.98 billion (2019 – $14.27 billion). The cumulative payments of fiscal loss year 2020 for the year ended March 31, 2020 are $1.44 billion (2019 – $1.38 billion).

The history for six prior periods ending December 31 is shown in the below claims development table as at December 31, 2015 due to the Corporation’s change in year end in fiscal 2017:

($ THOUSANDS) Accident Year	2010	2011	2012	2013	2014	2015
Estimate of undiscounted ultimate claims costs:						
- At end of accident year	$ 2,743,503	$ 2,866,833	$ 3,030,779	$ 3,146,388	$ 3,372,304	$ 3,765,040
- One year later	2,732,070	2,863,942	3,065,562	3,194,080	3,518,858	
- Two years later	2,730,183	2,830,063	2,985,690	3,200,324		
- Three years later	2,699,473	2,815,440	3,024,045			
- Four years later	2,779,267	2,841,115				
- Five years later	2,778,347					

The expected maturity of the provision for unpaid claims is analyzed below (undiscounted and gross of reinsurance):

($ THOUSANDS)	Less than One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	Over Five Years	Total
March 31, 2020	$ 3,842,611	$ 3,177,610	$ 2,752,403	$ 2,162,555	$ 1,391,922	$ 2,006,986	$ 15,334,087
March 31, 2019	$ 3,423,283	$ 2,796,479	$ 2,480,744	$ 2,111,063	$ 1,387,650	$ 1,795,545	$ 13,994,764

The non-current portion of the undiscounted provision for unpaid claims is $11.49 billion (2019 – $10.57 billion).

The weighted-average term to settlement of the discounted provision for unpaid claims as at March 31, 2020 is 2.6 years (2019 – 2.6 years).

18. Unearned Premiums

All unearned premiums are earned within 12 months of the reporting date. The movements in unearned premiums net of reinsurance and the impact on premiums earned for the year are as follows:

($ THOUSANDS)	2020	2019
Balance, beginning of year	$ 2,884,776	$ 2,629,744
Premiums written during the year	6,355,952	6,078,566
Premiums earned during the year	(6,286,220)	(5,823,534)
Balance, end of year	$ 2,954,508	$ 2,884,776

19. Reinsurance

The Corporation maintains casualty and catastrophe reinsurance to protect against significant losses.

The Corporation entered into one year casualty and catastrophe reinsurance contracts beginning January 1, 2020 and 2019 as follows:

a) For catastrophic occurrences, portions of losses up to $225.0 million (2019 – $225.0 million) in excess of $25.0 million (2019 – $25.0 million); and
b) For individual casualty loss occurrences, portions of losses up to $44.0 million (2019 – $45.0 million) in excess of $6.0 million (2019 – $5.0 million).

These reinsurance arrangements do not discharge the Corporation’s obligation as primary insurer. The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant loss from reinsurer insolvency.

20. Pension and Post-Retirement Benefits

Plan information

The Corporation sponsors a defined benefit registered pension plan for its current and former management and confidential employees (the Management and Confidential Plan). Subject to the terms of the plan, the Management and Confidential Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. Employees are required to contribute to the Management and Confidential Plan. Effective January 1, 2019, all Management and Confidential employees will contribute 50% of the current cost benefits.

In addition, the Corporation sponsors two supplemental pension plans for certain employees. The Corporation is the legal administrator of the Management and Confidential Plan and the two supplemental pension plans. Subject to the terms of the plans, pensions are indexed in line with increases in the Consumer Price Index (CPI). Effective January 1, 2019, for the Management and Confidential Plan with respect to inflation protection, when an employee retires, their pensions earned from January 1, 2019 will increase with CPI changes limited by a sustainable rate which is contingent on the availability of assets and future expected contributions to the pension increase account.

The Corporation also contributes to two other defined benefit pension plans for which it is not the sole sponsor. Current and former employees of the Corporation who are or were members of the Movement of United Professionals are members of the MoveUP/Insurance Corporation of British Columbia Pension Plan (MoveUP Plan). Half of the Trustees of the MoveUP Plan are appointed by the Corporation and the other half by MoveUP. The Board of Trustees of the MoveUP Plan is the legal plan administrator. The MoveUP Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. Subject to the terms of the plan, pensions are indexed in line with increases in the CPI. The Corporation’s former Motor Vehicle Branch employees participate in the BC Public Service Pension Plan. The Corporation has no fiduciary responsibility for, or role in the governance of, the MoveUP Plan or the BC Public Service Pension Plan.

The Management and Confidential Plan, MoveUP Plan, and the BC Public Service Pension Plan are subject to the statutory requirements (including minimum funding requirements) of the British Columbia *Pension Benefits Standards Act* (PBSA) and the *Income Tax Act* (Canada). Each plan’s pace of funding is set out in their respective funding policies.

The Corporation pays life insurance premiums, extended healthcare, and dental costs as post-retirement benefits for its qualifying retirees. The benefits are not prefunded. Benefit entitlements differ for management and confidential and bargaining unit employees, as stated within the terms of the plans.

The Corporation measures its defined benefit obligations and the fair value of plan assets for accounting purposes at the end of the Corporation’s fiscal year. Defined benefit obligations are extrapolated from the most recent actuarial valuation date for each of the plans. The Management and Confidential Plan and the post-retirement benefits actuarial valuations are as at

December 31, 2018 and the MoveUP Plan is as at December 31, 2017. Updated actuarial valuations for the Management and Confidential Plan and the MoveUP Plan are expected to be December 31, 2019. These results will be reflected in the financial statements in the year immediately following their preparation.

On its consolidated statement of financial position, the Corporation does not recognize its portion of any surplus assets held by the MoveUP Plan because it cannot realize a future economic benefit in respect of those assets.

An additional liability may be recognized in some instances if minimum future funding requirements are expected to generate a future surplus. These instances are ones where the Corporation would not be able to access or realize a future economic benefit from the future surplus. The Corporation has determined that no additional liability is required to be recognized in respect of solvency funding payments made to the Management and Confidential Plan. This is because the British Columbia PBSA permits the Corporation to secure these payments with a letter of credit in lieu of cash solvency payments or to deposit them in the Plan's Solvency Reserve Account (SRA), for which any surpluses in this account would ultimately be refundable to the Corporation.

The weighted-average durations of the pension plans and post-retirement benefits are shown below, along with the approximate proportions of the defined benefit obligation by membership category:

	Pension Plans		Post-Retirement Benefits	
	2020	2019	2020	2019
Weighted-average duration	20 years	19 years	16 years	17 years
Proportion of obligation in respect of:				
- Active members	51.2%	57.1%	48.9%	57.4%
- Deferred members	6.6%	6.5%	0.0%	0.0%
- Retired members	42.2%	36.4%	51.1%	42.6%

Since pensions are adjusted to changes in the CPI, the pension plans are exposed to changes in levels and volatility in Canada's inflation rate.

In addition, the plans' obligations are exposed to interest rate risk and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares, the Corporation is also exposed to equity market risk.

Contributions to all pension and post-retirement benefit plans

Total contributions for employee future benefits for 2020, consisting of cash contributed by the Corporation to all of the funded pension plans and in respect of benefits paid from its unfunded pension and post-retirement benefits, were $41.3 million (2019– $46.5 million). Estimated employer contributions for the year ending March 31, 2021 are $44.2 million (2019 – $47.2 million). The estimate is based on the plans' most recent actuarial funding valuations. This includes ongoing minimum payments for the solvency deficiency funding as permitted by the B.C. PBSA until June 2018.

As at March 31, 2020, the Corporation secured certain solvency funding requirements through payments made into the SRA totalling $1.6 million (2019 – $5.0 million). The SRA is a separate account, established to hold solvency deficiency payments made under a defined benefit component of a pension plan. The only funds that may be deposited to the SRA are payments made in respect of a solvency deficiency. On May 2, 2019, the Corporation secured a letter of credit for the Management and Confidential Plan for $17.5 million (2019 – $1.6 million) with step increases to $38.9 million by May 30, 2020 instead of making monthly payments into the SRA.

Financial information

These consolidated financial statements include the asset and liabilities of all plans, excluding the BC Public Service Pension Plan, sponsored by the Corporation. The amounts recorded on the statement of financial position are as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Accrued pension benefits	$ 63,455	$ 41,842	$ -	$ -	$ 63,455	$ 41,842
Liabilities						
Pension and post-retirement benefits	(58,021)	(156,051)	(161,210)	(204,145)	(219,231)	(360,196)
Net total liability	$ 5,434	$ (114,209)	$ (161,210)	$ (204,145)	$ (155,776)	$ (318,354)

One of the pension plans is in a net asset position and, as a result, that plan is required to be reported as an asset on the consolidated statement of financial position. The net total liability for all of the Corporation’s pension plans and post-retirement benefits as at March 31, 2020 is $155.8 million (2019 – $318.4 million), which is reflected in the consolidated statement of financial position as a $63.4 million asset and a $219.2 million liability as illustrated in the table above.

Information regarding the pension plans and post-retirement benefits is as follows:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2020	2019	2020	2019
Plan assets				
Fair value, beginning of year	$ 2,446,047	$ 2,302,063	$ -	$ -
Interest on plan assets	80,718	80,431	-	-
Actuarial (loss) gain on assets	(74,304)	75,098	-	-
Employer contributions	36,369	40,187	4,507	5,806
Employee contributions	33,422	26,974	-	-
Benefits paid	(89,257)	(77,806)	(4,507)	(5,806)
Non-investment expenses	(600)	(900)	-	-
Fair value, end of year	2,432,395	2,446,047	-	-
Defined benefit obligation				
Balance, beginning of year	2,560,256	2,375,638	204,145	192,067
Current service cost	105,736	87,060	6,209	5,265
Interest cost	86,866	84,870	6,835	6,805
Remeasurements on obligation				
- due to changes in financial assumptions	(270,952)	95,470	(14,660)	5,814
- due to changes in demographic assumptions	3,285	32,504	(21,823)	-
- due to participant experience	31,027	(37,480)	(14,989)	-
Benefits paid	(89,257)	(77,806)	(4,507)	(5,806)
Balance, end of year	2,426,961	2,560,256	161,210	204,145
Funded status – plans in deficit	(58,021)	(156,051)	(161,210)	(204,145)
Funded status – plan in surplus	63,455	41,842	-	-
Net total liability	$ 5,434	$ (114,209)	$ (161,210)	$ (204,145)

The net total expense for the pension plans and post-retirement benefits is $92.1 million (2019 – $77.5 million). In addition, the Corporation contributed $0.4 million in 2020 (2019 – $0.5 million) to the BC Public Service Pension Plan.

Assets

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2020	2019
Cash and accrued interest	0.9%	0.6%
Equities		
Canadian	22.7%	24.1%
United States	23.6%	21.0%
Global	22.1%	22.5%
Fixed income		
Government	22.9%	24.1%
Corporate	7.8%	7.7%
	100.0%	100.0%

All bonds have quoted prices in active markets and all bonds are rated from BBB to AAA, based on rating agency ratings. All equity securities other than infrastructure, real estate and mezzanine debt funds have quoted prices in active markets.

Pension plan assets generated a return of 0.3% (2019 – 6.8%) for the year ended March 31, 2020.

For the Management and Confidential Plan, the administrator compares the investment performance of the fund against the median investment performance of a peer group of comparable pension funds at least quarterly. In addition, there are monthly and quarterly asset allocation reviews performed to ensure compliance with investment policies. For the MoveUP Plan, the long-term objective is to obtain an investment return that will exceed the investment return assumption used in the actuarial valuation and to provide positive real growth. The Trustees review the fund managers' performance on a quarterly basis.

As at March 31, 2020 and March 31, 2019, the Corporation's pension plans did not hold any of the Corporation's securities or assets nor were any of the plans' assets used by the Corporation during these years.

Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit obligation are as follows (weighted-average assumptions):

	Pension Plans		Post-Retirement Benefits	
	2020	2019	2020	2019
Discount rate	3.90%	3.30%	3.90%	3.30%
Rate of compensation increase	2.63%	2.62%	n/a	n/a
Pension inflation rate	1.75%	1.75%	n/a	n/a

Mortality assumptions are significant in measuring the obligations under the defined benefit plans. Future longevity improvements have been considered and included where appropriate.

The following table summarizes the life expectancy for members, in years, based on the mortality assumption used:

2020		2019	
Life expectancy at 65 for a member currently		Life expectancy at 65 for a member currently	
Age 65	**Age 45**	**Age 65**	**Age 45**
23.8	25.2	23.6	24.9

As at March 31, 2020 and March 31, 2019, the MSP trend rate is reduced to zero due to the 50 per cent reduction in MSP premiums effective January 1, 2018 and subsequent elimination of MSP premiums in their entirety effective January 1, 2020.

As at March 31, 2020, the extended healthcare trend rate is assumed to be six and a half per cent per annum for the first year, decreasing linearly over eight years to four and a half per cent per annum thereafter. As at March 31, 2019, the extended healthcare trend rate is assumed to be six and six tenths per cent per annum for the first year, decreasing linearly over seven years to four and a half per cent per annum thereafter.

The Plans' sensitivity to significant assumptions is shown below:

($ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2020	**2019**	**2020**	**2019**
Estimated increase in defined benefit obligation - end of year due to:				
1ppt[1] decrease in discount rate	$ 482,495	$ 484,522	$ 26,381	$ 35,437
1ppt increase in salary increase rate	$ 76,880	$ 80,947	n/a	n/a
1ppt increase in pension inflation rate	$ 356,006	$ 381,995	n/a	n/a
1ppt increase in healthcare trend rate	n/a	n/a	$ 9,218	$ 9,453
1 year increase in life expectancy	$ 72,501	$ 80,807	$ 3,263	$ 4,411

[1] *ppt = percentage point*

The sensitivity to the significant assumptions has been determined assuming all other assumptions remain unchanged. If multiple assumptions were to change at the same time, there may be correlations between assumptions that could result in different impacts than simply adding the individual sensitivities above.

21. Operating Expenses by Nature

($ THOUSANDS)		2020		2019
Operating expenses – by nature				
Premium taxes and commission expense	$	805,332	$	725,692
Deferred premium acquisition costs adjustment		(33,700)		(388,242)
Employee benefit expense:				
Compensation and other employee benefits		460,100		424,835
Pension and post-retirement benefits (notes 20 and 27)		92,527		77,956
Professional and other services		52,392		45,427
Road improvements and other traffic safety programs		32,811		30,600
Building operating expenses		22,995		28,270
Merchant and bank fees		45,360		43,469
Office supplies and postage		23,353		22,164
Computer costs		31,303		30,580
Depreciation and amortization (notes 14 and 16)		61,650		59,105
Depreciation for leased assets (note 15)		11,534		-
Interest expense on lease liabilities		2,023		-
Other		42,002		37,495
	$	1,649,682	$	1,137,351
Operating expenses – consolidated statement of comprehensive loss				
Premium taxes and commissions – insurance	$	740,768	$	306,070
Claims services		406,473		365,059
Operating expenses – insurance		303,721		279,071
Operating expenses – non-insurance		109,675		101,750
Road safety and loss management services		58,181		54,021
Commissions – non-insurance		30,864		31,380
	$	1,649,682	$	1,137,351

22. Deferred Premium Acquisition Costs and Prepaids and Premium Deficiency

($ THOUSANDS)		2020		2019
Deferred premium acquisition costs, beginning of year	$	307,624	$	-
Acquisition costs related to future years		364,009		307,624
Amortization of prior year acquisition costs		(307,624)		-
Deferred premium acquisition costs, end of year	$	364,009	$	307,624
Deferred premium acquisition costs	$	364,009	$	307,624
Prepaid expenses		45,875		37,295
Deferred premium acquisition costs and prepaids	$	409,884	$	344,919

($ THOUSANDS)		2020		2019
Premium deficiency, beginning of year	$	-	$	(117,623)
Actuarial valuation adjustment		-		117,623
Premium deficiency, end of year	$	-	$	-

The premium tax and commission expenses reflected in the consolidated statement of comprehensive loss are as follows:

($ THOUSANDS)		Commissions		Premium Taxes		Total
March 31, 2020						
Amount payable	$	542,664	$	285,353	$	828,017
Amortization of prior year deferred premium acuisition costs		201,868		105,756		307,624
Deferred premium acquisition costs		(234,011)		(129,998)		(364,009)
Premium taxes and commission expenses	$	510,521	$	261,111	$	771,632
Represented as:						
Insurance	$	479,657	$	261,111	$	740,768
Non-insurance		30,864		-		30,864
	$	510,521	$	261,111	$	771,632
March 31, 2019						
Amount payable	$	490,442	$	272,255	$	762,697
Amortization of prior year premium deficency		16,101		(133,724)		(117,623)
Deferred premium acquisition costs		(201,868)		(105,756)		(307,624)
Premium taxes and commission expenses	$	304,675	$	32,775	$	337,450
Represented as:						
Insurance	$	273,295	$	32,775	$	306,070
Non-insurance		31,380		-		31,380
	$	304,675	$	32,775	$	337,450

23. Related Party Transactions

ICBC is a wholly-owned Crown corporation of the Province of B.C.

All transactions with the Province of B.C.'s ministries, agencies, and Crown corporations occurred in the normal course of providing insurance, registration, and licensing for motor vehicles, which is representative of fair value unless otherwise disclosed in these notes. The Corporation has elected to apply the exemption for government-related entities under IAS 24 *Related Party Disclosures*.

All transactions with the Corporation's subsidiary companies occurred in the normal course of investing in investment properties (note 2k) and pooled funds (note 7a).

The Corporation acts as an agent for the Ministry of Finance regarding the collection of provincial taxes on imported and privately sold used vehicles and motor vehicle-related debts. The Corporation is the sole provider of Basic insurance (note 1) in the Province of B.C. and, therefore, insures, at market rates, vehicles owned or leased by the Province of B.C. and its controlled entities. As a consequence of these relationships, the Corporation has, at any time, amounts owing to or from various government departments or ministries in the ordinary course of business.

The Corporation is also responsible for collecting and remitting in full to the Province of B.C. all driver license fees as well as vehicle-related fees for acquiring and distributing licence plates and decals including permits and other fees and fines. These collections are not revenue to the Corporation. The costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C. are borne by the Corporation. These collections on behalf of and payments to the Province of B.C. are disclosed in the consolidated statement of comprehensive loss under non-insurance operations.

The Corporation has defined key management as members of the Board of Directors and management employees at the Senior Director and equivalent level and above. The compensation for key management is shown below:

($ THOUSANDS)	2020	2019
Key management compensation		
Compensation and other employee benefits	$ 4,912	$ 4,531
Pension and post-retirement benefits	574	680
	$ 5,486	$ 5,211

As at March 31, 2020, $0.3 million (2019 – $0.8 million) was payable to key management.

The Corporation contributes to several defined benefit pension and post-retirement plans. Transactions with these entities are disclosed in note 20. During the year ended March 31, 2020, the Corporation incurred $7.3 million (2019 – $4.9 million) in administrative expenses and investment management fees on behalf of these plans interest-free. In addition, the Corporation provides certain administrative, investment management, and office services to the plans at no charge. As at March 31, 2020, $0.8 million (2019 – $0.6 million) was payable to these plans for employer contributions.

24. Capital Management

The Corporation's capital is comprised of deficit and other components of equity. The Corporation's objectives for managing capital are to maintain financial strength, including the management of ongoing business risks and protection of its ability to meet the obligations to policyholders and others.

The Corporation operates two lines of insurance business, Basic and Optional. As prescribed in *Special Direction IC2 to the British Columbia Utilities Commission* (IC2) for Basic insurance and the *Insurance Corporation Act* (ICA) for Optional insurance, the Corporation has established capital targets based upon the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI), and OSFI's Guideline for the minimum capital test (MCT). The MCT is a ratio of capital available to capital required, and utilizes a risk-based formula to assess the capital adequacy, including financial risk and long-term financial stability, of an insurance company.

For the Basic insurance business, IC2 requires the Corporation to determine capital targets in accordance with a capital management plan approved by the BCUC (note 26) and to set Basic insurance rates in order to maintain an MCT ratio of at least 100%. If the Basic insurance capital is projected to fall below that minimum, a capital restoration plan must be filed with the BCUC. To maintain Basic capital above the regulatory minimum, the Province of B.C. has, in the past, directed transfers from Optional insurance capital to Basic insurance capital (note 26). On February 26, 2018, the Province of B.C. amended IC2 to suspend the requirement for BCUC to fix rates to allow the Corporation to maintain at least 100% Basic MCT up to and including fiscal year 2022 (or policy year 2021). During this suspended requirement period, the Corporation has committed to provide the BCUC with any material changes to the policy and any related management practices for the Basic MCT.

For the Optional insurance business, the ICA requires the Corporation to determine a capital management target that either is calculated by the Corporation based on the MCT guideline and the Guideline on Stress Testing issued by OSFI, or as directed by the Province of B.C. At year end, when Optional capital is in excess of the management target, that amount, less any Treasury Board approved deduction, is to be transferred to the Province of B.C. by July 1 of the following year (note 26). In fiscal years 2020 and 2019, there were no excess capital amounts to be transferred. The government introduced legislation on March 4, 2020 to repeal this requirement and will likely pass in fiscal 2021.

The Corporation's capital has been under pressure due to worsening claims trends and Basic insurance rate increases that were insufficient to cover costs. The Corporation has implemented steps to reduce claims cost pressures (note 3e). The Corporation will also continue to monitor overall impact of the COVID-19 pandemic on its financial results, which will have an impact on the Corporation's capital. As of March 31, 2020, given the uncertainty around the duration of the pandemic, the ultimate impact on the Corporation's capital cannot be determined.

25. Contingent Liabilities and Commitments

a) Structured settlements

Certain injury claims are settled through the use of various structured settlements which require the Corporation to provide the claimant with periodic payments.

The Corporation purchases an annuity from an approved life insurance company to make these payments. In the event the life insurance company fails in its obligation, the risk to the Corporation is mitigated as the claimant will continue to receive payments, up to certain limits, from a not-for-profit organization that is funded by the insurance industry and endorsed by the Federal Government. The Corporation is only responsible for making payments for the excess, if any, between the claimant's annuity payments and the payment from the not-for-profit organization. At present, three federally licensed life insurance companies are approved for use by the Corporation. An insurance company is approved based on an ongoing analysis of total assets, credit rating analysis, and past service history. The present value of these structured settlements as at March 31, 2020 is approximately $1.26 billion (2019 – $1.20 billion), which are not recorded in the consolidated financial statements of the Corporation. Management does not believe any provision for credit risk is required in relation to these annuities as at March 31, 2020, as all approved life insurance companies are rated investment-grade and outstanding balances are backed by the not-for-profit organization. The not-for-profit organization provides guarantees of up to $2,000 a month or 85% of the promised monthly income benefit, whichever is higher. The Corporation's exposure to credit risk beyond the guarantee is insignificant. To date, the Corporation has not experienced any losses resulting from these arrangements.

b) Other

As at March 31, 2020, the Corporation is committed to five (2019 – seven) mortgage funding agreements totalling $39.8 million (2019 – $94.2 million).

In 2020, the Corporation invested into a mortgage fund in which a commitment amount of $608.8 million was made. As at March 31, 2020, $603.9 million of the commitment was funded.

In 2020, the Corporation invested into a global real estate pooled fund in which a commitment of $211.1 million was made. As at March 31, 2020, $104.7 million of the commitment was funded.

In 2019, the Corporation invested into two USD denominated infrastructure funds in which a commitment of $250.0 million USD was made. As at March 31, 2020, $237.5 million USD (2019 – $109.9 million USD) of the commitment was funded.

In 2019, the Corporation committed to a five year software services agreement totalling $16.0 million. As at March 31, 2020, $6.1 million (2019 – $2.8 million) of the commitment was funded.

In 2017, the Corporation invested into a real estate fund in which a commitment of $69.7 million was made. As at March 31, 2020, $69.7 million (2019 – $59.6 million) of the commitment was funded.

In 2017, the Corporation made a commitment to invest $100.0 million in a limited partnership for bonds. In 2019, the Corporation increased its commitment to $250.0 million. As at March 31, 2020, $250.0 million (2019 – $162.3 million) of the commitment was funded.

In 2017, the Corporation made a commitment to invest $150.0 million USD in a limited partnership for mezzanine debt. As of March 31, 2020, $71.6 million USD (2019 – $51.1 million USD) of the commitment was funded.

In 2019, the Corporation made an additional commitment of $175.0 million USD into another limited partnership for mezzanine debt. As at March 31, 2020, $175.0 million USD (2019 – $84.8 million USD) of the commitment was funded.

In 2015, the Corporation entered into an annually managed mainframe hosting services contract until 2022, with a total contract value of $34.5 million.

In 2011, the Corporation entered into a commitment for annual telecommunication services until 2021, with a total contract value of $50.6 million.

c) Pending Litigations

A civil claim was filed in April 2019 against the Province of B.C. regarding legislation amendments over the Corporation's Basic insurance product that became effective on April 1, 2019 (note 3e). Subsequently, four tort plaintiffs and corresponding defendants from the Corporation were added to the action, by way of consent order. The pleadings are closed and the plaintiffs are now seeking to bifurcate the hearing of the s. 96 challenge to the Civil Resolution Tribunal from the balance of the claim. The Corporation and the Ministry of Attorney General are opposing that application. Should the plaintiffs be successful in their claims, this may have a material financial impact on the Corporation, as the continued application of this legislative change has been included as an assumption in the provision for unpaid claims calculation as at March 31, 2020 (note 17a) and in the determination of the amount of DPAC allowable for deferral.

A successful challenge may significantly increase the Corporation's unpaid loss liabilities and potentially eliminate the DPAC asset. At this stage of the proceedings, the probability of success cannot be determined and the financial effect can vary depending on the outcome.

A notice of civil claim was filed in March 2020 against the Corporation and Her Majesty The Queen in Right of the Province of B.C. The proposed class action lawsuit alleges the Corporation has been making payments to the provincial Medical Services Plan contrary to law. It is further alleged that the payments have cost ratepayers hundreds of millions of dollars, driving up insurance costs and have also caused accident victims to receive fewer benefits than they would have received had the Corporation acted lawfully. The Corporation has retained external counsel to defend this matter and at this very early stage of the proceedings, the probability of success cannot be determined and the financial effect can vary depending on the outcome.

26. Regulation over Basic Insurance

As discussed in note 1, the Corporation is subject to regulation by the BCUC. BCUC has jurisdiction over the Corporation's rates and services for Basic insurance, and responsibility for ensuring that the Basic insurance business does not subsidize the Corporation's Optional insurance business.

For the regulation of the Corporation's Basic insurance rates, the BCUC is required to ensure that the rates are just, reasonable, not unduly discriminatory, and not unduly preferential. BCUC is required to approve rates set on the basis of accepted actuarial practice allowing the Corporation to collect sufficient revenue, to pay for costs allocated to Basic insurance line of business using the BCUC approved financial allocation methodology, ensure the Corporation maintains and/or builds the required Basic insurance capital, ensure rates are not based on age, gender or marital status, and to ensure increases or decreases in rates are phased in, in a stable and predictable manner.

BCUC initiates regulatory processes on its own initiative or upon application by the Corporation. It uses oral and written hearings, or negotiated settlement processes to review applications and subsequently issues legally binding decisions. The Corporation is required to reimburse a portion of the BCUC's general operating expenses as well as its costs associated with each ICBC proceeding. BCUC can also order the Corporation to reimburse other proceeding participants for specified costs such as legal and expert witness fees.

As required by the regulatory framework, the Corporation maintains a Basic insurance capital management plan that is reviewed and approved by the BCUC. The rate smoothing framework limits Basic insurance rate increases to a range of allowable rate changes, and uses Basic insurance capital to smooth the volatility in Basic insurance rates (note 12a).

If circumstances should arise where, despite the capital management plan, Basic insurance capital is projected to fall below the regulatory minimum, the Corporation is directed to file a plan with BCUC to address Basic insurance capital levels. Amendments to IC2 in calendar year 2016 suspended the capital build and release provisions of the existing capital management plan and kept the capital maintenance provision stable with no impact on the Basic insurance rate change. These amendments are effective up to and including fiscal year 2021 (or policy year 2020).

On February 26, 2018, the Province of B.C. amended IC2 to suspend the requirement for BCUC to fix rates necessitating the Corporation to maintain at least 100% Basic MCT for years up to and including fiscal year 2022 (policy year 2021). As directed by the Province of B.C., the Corporation filed as a plan with the BCUC a letter indicating it will work with Government to implement possible legislative changes as a way to restore Basic insurance capital levels.

On March 1, 2018, the Corporation filed a plan with the BCUC referring to the suspension of the requirement to meet the regulatory minimum MCT of 100%. During the period in which this requirement is suspended, the Corporation has committed to provide the BCUC with any material changes to the policy and any related management practices for MCT.

On December 14, 2018, the Corporation filed a revenue requirements application with BCUC requesting a 6.3% increase in Basic insurance rate for the policy year 2019 (commencing April 1, 2019). This application was approved by BCUC on August 19, 2019. On February 14, 2020, the BCUC approved a 0% rate change for the 2020 policy year commencing April 1, 2020 as directed by the Province of B.C.

Allocation of Basic and Optional amounts

The Corporation operates its business using an integrated business model. The majority of premium revenues and costs are specifically identifiable as Basic or Optional (see note 1).

The Corporation also delivers non-insurance services on behalf of the Province of B.C. Non- insurance activities include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection all of which are reported as Basic costs.

BCUC requires the Corporation to follow an approved financial allocation methodology with respect to allocating costs between the Basic insurance business, the Optional insurance business, and non-insurance services. For those revenues and costs that are not specifically identified, a pro-rata method is used to allocate to each line of business based on the drivers of those revenues and costs, the degree of causality, and any BCUC directives. BCUC directives have been applied on a prospective basis.

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2020	2019	2020	2019	2020	2019
Net premiums written	$ 3,578,821	$ 3,476,763	$ 2,777,131	$ 2,601,803	$ 6,355,952	$ 6,078,566
Revenues						
Net premiums earned	$ 3,564,581	$ 3,390,016	$ 2,721,639	$ 2,433,518	$ 6,286,220	$ 5,823,534
Service fees and other income	86,580	74,335	61,581	50,829	148,161	125,164
Total earned revenues	3,651,161	3,464,351	2,783,220	2,484,347	6,434,381	5,948,698
Claims and operating expenses						
Provision for claims occurring in the current year (note 17)	2,899,671	3,620,981	1,828,590	1,686,868	4,728,261	5,307,849
Change in estimates for losses occurring in prior years (note 17)	757,219	718,210	422,685	503,171	1,179,904	1,221,381
Claim services, road safety and loss management services	313,705	280,240	150,949	138,840	464,654	419,080
	3,970,595	4,619,431	2,402,224	2,328,879	6,372,819	6,948,310
Operating expenses – insurance (note 21)	132,083	120,031	171,638	159,040	303,721	279,071
Premium taxes and commissions – insurance (notes 21 and 22)	192,495	(136,609)	548,273	442,679	740,768	306,070
	4,295,173	4,602,853	3,122,135	2,930,598	7,417,308	7,533,451
Underwriting loss	(644,012)	(1,138,502)	(338,915)	(446,251)	(982,927)	(1,584,753)
Investment income (notes 2 and 13)	734,142	413,506	323,700	167,710	1,057,842	581,216
Income (loss) – insurance operations before impairment loss	90,130	(724,996)	(15,215)	(278,541)	74,915	(1,003,537)
Loss – non-insurance operations	(133,496)	(126,382)	-	-	(133,496)	(126,382)
Net loss for the year before impairment loss	(43,366)	(851,378)	(15,215)	(278,541)	(58,581)	(1,129,919)
Impariment loss (notes 2 and 13)	(220,006)	(16,844)	(97,006)	(6,832)	(317,012)	(23,676)
Net loss for the year	$ (263,372)	$ (868,222)	$ (112,221)	$ (285,373)	$ (375,593)	$ (1,153,595)
Net loss attributable to:						
Non-controlling interest	$ 84	$ (54)	$ 37	$ (22)	$ 121	$ (76)
Owners of the corporation	(263,456)	(868,168)	(112,258)	(285,351)	(375,714)	(1,153,519)
	$ (263,372)	$ (868,222)	$ (112,221)	$ (285,373)	$ (375,593)	$ (1,153,595)
(Deficit) Equity						
Retained earnings (deficit), beginning of year	$ 64,941	$ 933,109	$ (85,462)	$ 199,889	$ (20,521)	$ 1,132,998
Net loss for the year, owners of the corporation	(263,456)	(868,168)	(112,258)	(285,351)	(375,714)	(1,153,519)
(Deficit) retained earnings , end of year	(198,515)	64,941	(197,720)	(85,462)	(396,235)	(20,521)
Other components of equity, beginning of year	91,653	(112,436)	32,664	(48,904)	124,317	(161,340)
Net change in available for sale assets	(349,401)	218,321	(154,058)	88,546	(503,459)	306,867
Pension and post-retirement benefits remeasurements (note 20)	145,603	(14,232)	68,205	(6,978)	213,808	(21,210)
Other components of equity, end of year	(112,145)	91,653	(53,189)	32,664	(165,334)	124,317
Total (deficit) equity attributable to owners of the corporation	(310,660)	156,594	(250,909)	(52,798)	(561,569)	103,796
Non-controlling interest, beginning of year	9,953	10,373	4,977	5,132	14,930	15,505
Change in net assets for the year, non-controlling interest	(601)	(366)	(239)	(133)	(840)	(499)
Net income (loss) for the year, non-controlling interest (note 8)	84	(54)	37	(22)	121	(76)
Total equity attributable to non-controlling interest, end of year (note 8)	9,436	9,953	4,775	4,977	14,211	14,930
Total (Deficit) Equity	$ (301,224)	$ 166,547	$ (246,134)	$ (47,821)	$ (547,358)	$ 118,726

($ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2020	2019	2020	2019	2020	2019
Liabilities						
Unearned premiums (note 18)	$ 1,650,541	$ 1,636,300	$ 1,303,967	$ 1,248,476	$ 2,954,508	$ 2,884,776
Provision for unpaid claims (note 17)	$ 11,318,107	$ 10,338,132	$ 4,685,627	$ 3,949,778	$ 16,003,734	$ 14,287,910

27. Indirect Method Cash Flow Details

The following table illustrates the details of the consolidated statement of cash flows:

($ THOUSANDS)		March 31 2020		March 31 2019
a) Items not requiring the use of cash				
Bad debt expense	$	9,362	$	7,404
Pension and post-retirement benefits (notes 20 and 21)		92,527		77,956
Amortization and depreciation of:				
Investment properties (note 7)		24,189		31,241
Property, equipment and intangibles (notes 14 and 16)		61,650		59,105
Lease assets (note 15)		11,534		-
Retirement of property, equipment and intangibles (notes 14 and 16)		11,993		933
Impairment loss on financial investments (note 2)		297,973		13,506
Impairment loss on investment properties (notes 2 and 7)		19,039		10,170
Interest on lease liabilities		2,023		309
Interest on mortgages payable		454		350
Unrealized loss on foreign currency investments (note 9)		31,443		1,114
Gain on sale of investment properties (note 13)		(58,822)		(104,165)
Gain on investments		(519,048)		(59,841)
	$	(15,683)	$	38,082
b) Changes in non-cash working capital				
Accrued interest	$	(2,339)	$	(3,878)
Derivative financial instrument asset		(511)		1,855
Derivative financial instrument liability		1,419		-
Premium and other receivables		(34,800)		(180,793)
Reinsurance assets		(3,395)		(5,337)
Accrued pension benefits		(14,130)		(20,214)
Deferred premium acquisition costs and prepaids		(64,965)		(323,942)
Accounts payable and accrued charges		(16,648)		21,463
Bond repurchase agreements and other liabilities		(5,303)		(56)
Premium deficiency		-		(117,623)
Premiums and fees received in advance		(1,535)		15,872
Unearned premiums		69,732		255,032
Pension and post-retirement benefits		(27,167)		(26,240)
Provision for unpaid claims		1,715,824		2,392,214
	$	1,616,182	$	2,008,353
c) Supplemental information				
Interest and dividends received	$	314,213	$	290,552

The table below details the changes in the Corporation's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing are those for which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statement of cash flows as cash flows from financing activities.

($ THOUSANDS)	**March 31, 2019**	Financing cash flows	Non-cash changes	**March 31, 2020**
Bond repurchase agreements (note 10)	$ 1,449,455	$ 393,687	$ (8,241)	$ 1,834,901
Lease liabilities (note 11) [1]	11,939	(11,146)	53,624	54,417
	$ 1,461,394	$ 382,541	$ 45,383	$ 1,889,318

[1] *Lease liabilities were not presented in 2019 as IFRS 16 was adopted on April 1, 2019*

($ THOUSANDS)	**March 31, 2018**	Financing cash flows	Non-cash changes	**March 31, 2019**
Bond repurchase agreements (note 10)	$ 1,310,249	$ 139,206	$ -	$ 1,449,455

28. Subsequent Events

In April 2020, two investment properties held through entities with NCI were sold for $300.2 million, which resulted in a gain of $110.0 million.

In response to the COVID-19 pandemic, the Corporation has taken various measures to provide relief to customers, which include allowing customers to defer monthly payments for 90 days and extend payment plans at the end of their deferral period as needed. The option has resulted in $11.0 million in payment deferred subsequent to year end and up to the approval date of these statements. Furthermore, the pandemic will continue to impact the Corporation's business activity due to change in driving patterns. As a result, premiums written and claims costs are expected to decrease in fiscal 2020/21; however, the exact amounts cannot be determined.

Appendix A: Additional Information

Organizational Overview

The Insurance Corporation of British Columbia is a provincial Crown corporation that provides universal compulsory auto insurance (Basic insurance) to drivers in B.C. with rates regulated by the British Columbia Utilities Commission (BCUC). ICBC also sells Optional auto insurance in a competitive marketplace.

ICBC's insurance products are available throughout B.C. through a network of independent brokers. Claims services are provided at ICBC facilities and approved suppliers located in communities throughout the province. ICBC also invests in road safety programs to reduce traffic-related deaths, injuries and crashes, as well as loss management programs to help reduce auto crime and fraud. In addition, ICBC provides driver licensing, secure B.C. Government photo identification and B.C. Services Cards, vehicle registration and licensing services and fine collection on behalf of the provincial Government at locations throughout the province.

Corporate Governance

ICBC is governed by a Board of Directors, CEO and management team. They are guided by the public sector guidelines for corporate governance, and must act in accordance with the provisions of the *Insurance Corporation Act*, the *Insurance (Vehicle) Act*, the *Motor Vehicle Act* and other legislation applicable to ICBC.

Changes to ICBC's Basic insurance rates are regulated by the BC Utilities Commission. The commission ensures that Basic insurance rates are justified and reasonable.

For additional information, please refer to the Corporate Governance section of ICBC's website.

This includes links to information regarding:

- Executive Committee
- Board of Directors
- ICBC Board of Directors Committees
- ICBC Code of Ethics
- Mandate Letter

Contact Information

- See page 2 for full contact information or visit ICBC's website at icbc.com.

Appendix B: Subsidiaries and Operating Segments

Inactive Subsidiaries

The Corporation does not have any active operating subsidiary companies.

All of the fully-owned nominee holding companies listed below hold investment properties for the purpose of generating investment income. All of the nominee holding companies are consolidated into our financial statements, the basis of which is explained in note 2b in the accompanying consolidated financial statements. A consolidated summary of the income from investment properties can be found in note 13 to the accompanying consolidated financial statements.

Nominee Holding Companies		
596961 B.C. Ltd.	2272811 Ontario Ltd.	SWBC MEC 1 Ltd.
2050376 Ontario Ltd.	2272807 Ontario Ltd.	SWBC MEC 2 Ltd.
1141268 Alberta Ltd.	2277479 Ontario Ltd.	SWBC MEC 3 Ltd.
2091053 Ontario Ltd.	1611527 Alberta Ltd.	SWBC MEC 4 Ltd.
1263146 Alberta Ltd.	2306519 Ontario Ltd.	2543053 Ontario Ltd.
2134529 Ontario Ltd.	1648020 Alberta Ltd.	5757 CSF Inc.
2140940 Ontario Ltd.	2309092 Ontario Ltd.	5757 CSF GP Inc.
2154855 Ontario Ltd.	1662170 Alberta Ltd.	2553178 Ontario Ltd.
2166025 Ontario Ltd.	1672904 Alberta Ltd.	140 Main Hamilton Ltd.
1394626 Alberta Ltd.	2329075 Ontario Ltd.	2599056 Ontario Ltd.
2176758 Ontario Ltd.	1688141 Alberta Ltd.	BCI (IC) US Realty Inc.
1467288 Alberta Ltd.	1685611 Alberta Ltd.	BCI (IC) RPG Investment Corp
1476459 Alberta Ltd.	2353777 Ontario Ltd.	BCI (IC) Mex Realty LP
2210344 Ontario Ltd.	1746615 Alberta Ltd.	BCI (IC) Realty LP
0866691 B.C. Ltd.	1796824 Alberta Ltd.	
2225888 Ontario Ltd.	1884419 Alberta Ltd.	
2232027 Ontario Ltd.	2468434 Ontario Ltd.	
0869391 B.C. Ltd.	1930933 Alberta Ltd.	
1535992 Alberta Ltd.	2496976 Ontario Ltd.	
0879948 B.C. Ltd.	Plaza Tacoma Centre Ltd.	
2228366 Ontario Ltd.	1961735 Alberta Ltd.	
0881157 B.C. Ltd.	2530694 Ontario Ltd.	
1575160 Alberta Ltd.	2542170 Ontario Ltd.	