



INSURANCE CORPORATION OF BRITISH COLUMBIA 2010 EXECUTIVE COMPENSATION DISCLOSURE STATEMENT

Introduction

In keeping with the guidelines provided by the Public Sector Employer's Council (PSEC), the following table outlines the total compensation earned by ICBC's President and Chief Executive Officer (CEO) and the next four highest paid "Named Executive Officers" (NEOs) for services during the 12 months of the fiscal year ended December 31, 2010.

ICBC is the largest auto insurance company and one of the largest property and casualty insurers in Canada. Our vision is to be BC's preferred auto insurer. It is a complex company that requires talented staff. To attract, motivate and retain a high caliber of employees, ICBC seeks to provide competitive compensation and benefits.

Executives of ICBC are responsible for the implementation of ICBC's 2014 Strategy. In support of achieving its corporate strategy, ICBC will revise its pricing system, and introduce a new Claims Management System to improve its ability to serve customers. This requires high caliber leadership, the retention of critical talent and historical knowledge, and the recruitment of new executive level leaders capable of guiding the company through a period of transformational change.

2010 Executive Disclosure Statement

The grid below provides a summary of total compensation for ICBC's CEO and next 4 highest paid NEO's for 2010 (organized by earnings).

Name and Position	Base Salary (a)	Incentive (b)	Pension (c)	Health & Wellness Benefits (d)	All Other Compensation (e)	Grand Total	Previous Year's Total (2009)
Jon Schubert President & CEO	\$ 330,000	\$ 115,500	\$ 61,479	\$ 11,275	\$ 3,923	\$ 522,178 (g)	\$ 507,306
Geri Prior Chief Financial Officer	\$ 294,711	\$ 135,228	\$ 59,332	\$ 13,592	\$ 19,915	\$ 522,777	\$ 514,990
Keith Stewart (f) Chief Information Officer (up to Jan 13, 2010)	\$ 11,335	\$ -	\$ 1,564	\$ 7,958	\$ 477,907	\$ 498,764	NA
Ward Chapin Chief Information Officer (From 14 June 2010)	\$ 103,942	\$ 104,087	\$ 28,708	\$ 4,788	\$ 10,841	\$ 252,366	NA
Craig Horton Senior Vice President Claims	\$ 261,600	\$ 129,741	\$ 54,005	\$ 7,756	\$ 22,423	\$ 475,524	\$ 452,319
Donnie Wing Senior VP Corporate Affairs	\$ 241,600	\$ 109,590	\$ 48,464	\$ 12,465	\$ 29,202	\$ 441,321	\$ 409,846

- (a) Dollar Value of the base salary earned during the year
- (b) Dollar Value of all amounts paid under the Short Term Incentive Plan (STIP) in recognition of performance in the fiscal year specified but paid in the follow
- (c) Pension cost based on average current service cost for Senior Executives, VP & Equivalent and Directors, as determined by Aon Hewitt.
- (d) The dollar value of employer contributions to non-statutory benefits for each NEO such as: Extended Health, Dental, Group Life, Accidental Death and Dismemberment, Long-term disability, MSP Premiums, Other life insurance policy
- (e) All other compensation not reported elsewhere, including:
- Perquisite allowance
 - Severance pay and salary continuance
 - Dollar value of statutory employer contribution such as CPP, EI and Workers Compensation
 - Vacation or leave payouts
- (f) Keith Stewart was put on salary continuance starting January 14, 2010, and ended on December 6, 2010. The amount of salary continuance was \$202,2 severance pay was \$68,446, both reported under "All Other Compensation" which also included a paid time off payout of \$188,864.
- (g) CEO's total compensation changed over 2009 due to the following:
- Increases in MSP premium, health wellness benefits, and change in pensionable earnings

In 2010, the CEO's total compensation was slightly exceeded by the total compensation of the Chief Financial Officer (CFO). Performance at the corporate and divisional level triggered a higher STIP payment to the CFO which resulted in an inversion.

Discussion of Executive Compensation

Responsibilities of Human Resources and Compensation Committee

The Human Resources and Compensation Committee (the "Committee") is a standing Committee of the ICBC Board of Directors.

The purpose of the Committee is to assist the Board of Directors in fulfilling its obligations relating to human resources and compensation policy and related matters and to establish a plan of continuity and development of Executives for the Corporation.

The Committee is responsible for guiding Executives and assisting the Board of Directors in determining appropriate human capital practices and compensation strategies that support Corporate objectives. The Board of Directors approves all compensation matters, but is governed by overall direction provided by the Public Sector Employers' Council (PSEC).

The duties and responsibilities of the Committee include the following, subject to the powers and duties of the Board of Directors:

- Review and recommend the Corporation's compensation and benefits philosophy, strategy, and guidelines and review their compliance with laws and any applicable guidelines established by PSEC.
- Review Executive succession planning and leadership development.
- Review and recommend to the Board of Directors the Corporation's strategy respecting human capital planning, employee development, performance management and related matters and to report to the Board of Directors on the implementation of these strategies at least once a year.
- Review and recommend to the Board of Directors the Corporation's strategy respecting labor relations as required.

Compensation Policy

The Corporation compensates its Executives within a policy that is linked to its strategic business interests and objectives. The policy is intended to sustain a competitive position in the labor market, allowing the Corporation to attract and retain key talent while rewarding performance. The policy applies to all Executives and Management group employees, except the CEO. Annual salary increases and incentive compensation are variable and are based on individual, divisional, and corporate performance.

The Board of Directors sets the CEO's compensation program within the guidelines determined by the Public Sector Employers' Council.

ICBC's Adopted Labor Market Position

ICBC has adopted a labor market position based on the markets in which ICBC competes for talent. That market position is expressed as a Corporate policy and is stated as the market median (P50) for similar positions within the following three, equally weighted comparator groups;

- Canadian Insurance Companies – Assets between \$1 - \$15 billion
- Canadian Broad Industry – Revenue between \$1 - \$10 billion
- Canadian Government, Quasi-Government and Crown Corporations

In the view of the Board, this mix of market comparators most accurately reflects ICBC's role as a Crown Corporation which competes with the private sector in the provision of optional insurance coverage. It is in this market that ICBC competes for the talent necessary to run a company with \$3.7 billion in revenues, \$13.1 billion in assets and 5,200 employees. The median (i.e. typical) comparator in each group has lower annual revenues, fewer assets, and fewer employees than ICBC.

Base Salary

The Committee annually reviews, for recommendation to the Board, adjustments to the salary range structure by referencing a number of compensation outlook surveys to determine current compensation trends. The salary range adjustment allows the Corporation to maintain its desired position in a competitive labor market.

The Board of Directors also adopts an annual salary budget for performance-based salary increases. This budget is based on salary increase trends in the comparable labour market. Salary increases for Executives and Management group employees are based on individual employee performance and salary position in the range. At the beginning of the year, a performance plan is developed for each employee, which outlines the responsibilities and objectives for the year. At the end of the year, the employee is rated against the targets. Movement within the salary range is predicated on the employee's performance.

Short-Term Incentive Pay (STIP)

Short-Term Incentive Pay (STIP) is awarded to the CEO based on corporate and individual performance, while for Executives, STIP is awarded based on corporate, divisional, and individual performance.

For the CEO, Jon Schubert, corporate performance carries a weight of 75%, while individual performance is weighted 25%. The STIP maximum target for the CEO is 35% and the actual award can range from 0% to a maximum of 35% of base salary.

For the named Executives, corporate performance carries a weight of 50%, divisional performance carries a weight of 30%, and individual performance carries a weight of 20%. The STIP target for executives is 35% and the award can range from 0% to a maximum of 52.5% of base salary.

On an annual basis, the Board of Directors approves the corporate performance targets to be used for determining Short-Term Incentive Pay (STIP) for all management group employees.

Corporate performance for 2010 was measured against four components:

- **Customer Experience:** a measure of how customers perceive ICBC after an interaction. It includes satisfaction with service and how customer feels about overall experience and is compiled through the results of externally administered surveys conducted after five moment of truth interactions between customers and ICBC.
- **Customer Advocacy:** a measure of customers' willingness to speak positively about ICBC. It is compiled through the results of externally administered surveys asking whether customers would be willing to speak positively about ICBC after five moment of truth interactions between customers and ICBC, and a public perception survey of randomly chosen customers.
- **Employee Experience:** employee engagement, as measured from an annual employee opinion survey. Employee Engagement is a corporate measure for the VP level and above and a measure at a divisional level for Directors and Managers with staff.
- **Financial Stability:** combined Ratio, an accepted industry measure of financial performance. The Combined Ratio compares the ratio of costs (claims, claims-related costs, administrative costs, premium taxes and commissions, and non-insurance costs) to insurance premium dollars earned.
- **Transformational Change:** achievement of key 2010 milestones on the Transformation Program.

The following table provides a summary of the corporate measures for the 2010 Short-Term Incentive Pay plan.

Corporate Measure	2010 Target	2010 Actual		Objective Weighting	Total Weighting
IMPROVE CUSTOMER PERCEPTION					
Customer Experience	57.80%	59.40%	Exceeded	50%	33% (VP and above 25%)
Customer Advocacy	43.70%	46.00%	Exceeded	50%	
IMPROVE EMPLOYEE EXPERIENCE (VP and above only)					
Employee Engagement	51.00%	55.00%	Exceeded	100%	0% (VP and above 25%)
MAINTAIN FINANCIAL STABILITY					
Simplified Combined Ratio	106.20%	103.30%	Exceeded	100%	33% (VP and above 25%)
ACHIEVE 2014 STRATEGY					
Achieve 2010 goals of Transformation Program	1. Claims Management System Acquired by End Q4; 2. Insurance project milestones completed by Q4: (1) DRM pricing model completed (2) Rating engine vendor selected	150%	Exceeded	100%	33% (VP and above 25%)

ICBC's incentive program is tied to meeting corporate, divisional and individual performance objectives. Despite the economic challenges of 2010, our employees were able to exceed corporate goals in all areas with a significant improvement (up to 6 points) to our annual employee engagement survey. Lower overall claims costs and higher investment income contributed to better financial results.

Divisional and individual performance for NEOs is measured against targets approved by the CEO. STIP awards are made in recognition of performance in the fiscal year specified, but paid in the fiscal year following once all corporate, divisional and individual performance results are finalized.

STIP is one part of an Executive's total annual compensation and is variable and not guaranteed. It is not paid until after the Executive has been evaluated against individual, divisional and corporate performance objectives.

Perquisite Allowance

The perquisite allowance is a taxable cash allowance paid to the NEOs. The CEO does not receive a perquisite allowance. The NEOs have the flexibility to allocate the cash allowance toward various a health spending account, vehicle allowance or fuel. The perquisite allowance is \$18,500 per year for the NEOs.

Vacation

The Corporation provides four weeks of vacation per year to the CEO and NEOs. NEOs are provided with an additional two weeks of vacation in every fifth year.

Unused annual vacation can be carried forward to the following calendar year, which will be paid out if it is not been used by the end of the second calendar year.

Pension

The Corporation provides a contributory defined benefit pension plan for all Executive and Management group employees. The benefit provided is 2% of the best 5 years' average earnings multiplied by years of plan participation. The Plan is integrated with the Canada Pension Plan and provides guaranteed indexing, capped at 3%.

In addition to the basic pension plan, Executive employees are also eligible for the Supplemental Employee Retirement Plan (SERP). The SERP plan compensates for Income Tax Act maximums that apply to the basic pension plan, thus preserving the income replacement objective for higher income employees. Such SERPs are common in both the private and public sectors.

Both the basic pension plan and the SERP are valued at the average current service cost for senior executives, less the average member contributions. Short-Term Incentive Pay (STIP) is treated as pensionable income for senior executive members.

Health and Wellness Benefits

ICBC provides a comprehensive benefit program for executive employees and their immediate families. Programs include provincial medical, extended health, dental, group life, short and long term disability, travel accident insurance, Executive Health Assessment, and an Employee and Family Assistance Program. All programs are paid by the Corporation. Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance, group RRSP and a health spending account.

Activities of Committee in 2010


During 2010, the Committee achieved the following:

- i.) In accordance with Government guidelines, issued the Executive Compensation Disclosure Statement in July 2010.
- ii.) Effective January 1, 2010, implemented a parental leave top up program to maintain market competitiveness and retain talent for Management Group employees:
 - a) 100% for 2 weeks waiting period
 - b) 85% for 15 weeks for maternity leave
 - c) 85% for 10 weeks for parental leave
 - d) 27 weeks maximum total top-up
- iii.) Adjusted the 2011 Management Group salary structure by 2% to align with comparator market movement. As a result of a new intra-pension plan transfer

agreement between the ICBC Management Pension Plan and the ICBC/COPE 378 Pension Plan, ICBC forecasted to save payroll expense liabilities of between \$1.8M and \$3.9M per year going forward. By utilizing the transfer savings, ICBC complied with Government's net zero mandate and obtained approval from PSEC for the course of action.

- iv.) Endorsed the Crown Corporation Employer's Association (CCEA) draft Executive Compensation principles. The principles are intended to serve as an overall framework for the development of Executive compensation programs and philosophy for BC Crown Corporations.
- v.) Amended Code of Ethics (the "Code") to use simple language with practical FAQs for clarity. The Code provides guidance to all ICBC employees, Board members, contractors on their day-to-day behavior to support corporate values of integrity, dedication to customer, accountability and caring.
- vi.) Approved a collective bargaining strategy to align with the 2014 strategy, implementation of transformation programs and government's net-zero mandate for 2010 and 2011.

This disclosure statement has been reviewed and approved by ICBC's Board of Directors. The payments it describes are consistent with ICBC's Board-approved compensation philosophy.

X 
Nancy McKinstry
Chair, ICBC Board of Directors