



INSURANCE CORPORATION OF BRITISH COLUMBIA

2011 EXECUTIVE COMPENSATION DISCLOSURE STATEMENT

Introduction

In accordance 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, 2011.

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 high caliber employees, ICBC seeks to provide competitive compensation and benefits.

Executives of ICBC are responsible for the implementation of ICBC's 2014 Strategy. Through the transformation program and other corporate projects, in 2011, ICBC achieved several major milestones in efforts to renew internal systems and processes and help make ICBC more responsive to customer needs.

In support of achieving its corporate strategy, ICBC will revise its pricing system, and introduce a new Claims Management System in 2013 to improve its ability to serve customers. ICBC will continue working to strengthen relationships with partners and suppliers, invest in initiatives to improve road safety, and upgrade its aging systems. All of these require 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.

2011 Executive Disclosure Statement

The grid below provides a summary of total compensation for ICBC's CEO and next four highest paid NEO's for 2011 (organized by earnings).

Name & Principal Position	Salary (a)	Incentive (b)	Benefits (c)	Pension (d)	All Other Compensation (e)	Total (2011)	Previous Year's Total (2010)	Previous Year's Total (2009)
Jon Schubert President & CEO	\$330,000	\$83,812	\$11,362	\$57,106	Severance: \$0	\$486,541	\$522,178	\$507,306
					Vacation: \$0			
					Leave: \$0			
					Perquisites: \$0			
					Other: \$ 4,261			
					Subtotal \$ 4,261			
Geri Prior Chief Financial Officer	\$294,800	\$77,475	\$14,126	\$51,374	Severance: \$0	\$464,971	\$522,777	\$514,990
					Vacation: \$4,535			
					Leave: \$0			
					Perquisites: \$18,500			
					Other: \$ 4,161			
					Subtotal \$27,196			
Craig Horton Senior Vice President Claims	\$274,448	\$71,111	\$8,062	\$47,687	Severance: \$0	\$423,954	\$475,524	\$452,319
					Vacation: \$0			
					Leave: \$0			
					Perquisites: \$18,500			
					Other: \$ 4,147			
					Subtotal \$22,647			
Camille Minogue Chief Actuary & Vice President of BICC	\$252,600	\$91,594	\$9,761	\$40,085	Severance: \$0	\$414,388	\$421,896	\$402,584
					Vacation: \$0			
					Leave: \$0			
					Perquisites: \$17,000			
					Other: \$ 3,348			
					Subtotal \$20,348			
Sheila Eddin Chief Business Transformation Officer	\$241,279	\$72,823	\$12,126	\$43,346	Severance: \$0	\$410,799	\$435,693	\$368,283
					Vacation: \$18,578			
					Leave: \$0			
					Perquisites: \$18,500			
					Other: \$ 4,147			
					Subtotal \$41,225			

- (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 following fiscal year.
- (c) 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 and other life insurance policy.
- (d) Pension cost based on average current service cost for Senior Executives, VP & Equivalent and Directors, as determined by Aon Hewitt.
- (e) All other compensation not reported elsewhere, including:
- Perquisite allowance
 - Dollar value of statutory employer contribution such as CPP, EI and Workers Compensation
 - Vacation or leave payouts

In general, the 2011 compensation level of the CEO and the NEOs is lower than that of 2010. This is due to lower achievement levels on corporate measures and the amendment of the STIP plan to include a financial trigger that must be met first before any STIP payment is made. The details of the financial trigger are as follow:

- If a net loss is incurred, no STIP is paid.
- If net income is between \$0 and \$35M, no STIP will be paid to the CEO and Executive Committee, and the remaining management group employees will receive a 50% discount on the individual component (no payouts on the corporate and divisional components).
- If net income is between \$35M and less than 75% of budgeted net income, STIP will be discounted at all levels.
- If net income exceeds 75% of budgeted net income then STIP will pay out in accordance with ICBC's performance against corporate targets.

As net income for 2011 was between \$35M and 75% of budgeted income there was a discount applied to incentive pay across the company, with the executive employees taking the largest discount to their incentive payments.

The new financial trigger was approved by the Board and PSEC implemented for 2011 and now applies to the STIP plan going forward. The financial trigger further strengthens the link between performance and reward and increases the rigor of measurement in ICBC's compensation programs commencing 2011.

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 ICBC.

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 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 ICBC'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 ICBC'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 ICBC's strategy respecting labour relations as required.

Compensation Policy

ICBC compensates its Executives within a policy that is linked to its strategic business interests and objectives. Annual salary increases and incentive compensation are variable and are based on individual, divisional, and corporate performance. The policy is intended to sustain a competitive position in the labour 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. The Board of Directors sets the CEO's compensation program within the guidelines determined by PSEC.

ICBC's Adopted Labour Market Position

ICBC has adopted a labour 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 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; and,
- 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 operate a company with \$3.7 billion in revenues, approximately \$12.9 billion in assets and approximately 5,700 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 for Management Group by referencing a number of compensation outlook surveys to determine current compensation trends. The salary range adjustment allows ICBC to maintain its desired position in a competitive labour 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 their 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. Only employees rated "Outstanding" can move beyond the midpoint of the respective salary range.

Short-Term Incentive Pay (STIP)

Short-Term Incentive Pay (STIP) is a variable component of the CEO's and the NEO's total annual compensation. It is awarded to the CEO based on corporate and individual performance, while for the NEOs, 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 Chief Actuary & Vice President of BICC, the corporate, divisional and individual measures carry a weight of 30%, 30% and 40% respectively with a STIP target at 30% and award ranging from 0% to a maximum of 51.0% of base salary. For the remaining NEOs, the corporate measure carries a weight of 50%, divisional measure carries a weight of 30%, and individual measure carries a weight of 20%. The STIP target 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 STIP for all Management group employees.

Corporate performance for 2011 was measured against four components:

1. **Improving customer perception:** provide customers with a positive perception of ICBC which includes the measures of:
 - *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.
2. **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.
3. **Financial Stability:** in 2011, this was based on the Simplified Combined Ratio. The Simplified 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 and excludes discounting and deferred premium acquisition costs (DPAC).
4. **Transformational Change:** achievement of key 2011 milestones on the Transformation Program.

The following table provides a summary of the corporate measures for the 2011 STIP plan.

Corporate Measure	2011 Target	2011 Actual		Objective Weighting	Total Weighting
IMPROVE CUSTOMER PERCEPTION					
Customer Experience	62.00%	60.90%	Not met	50%	30% (VP and above 25%)
Customer Advocacy	48.50%	47.40%	Not met	50%	
IMPROVE EMPLOYEE EXPERIENCE (VP and above only)					
Employee Engagement	55.00%	54.00%	Not met	100%	0% (VP and above 20%)
MAINTAIN FINANCIAL STABILITY					
Simplified Combined Ratio	107.10%	106.50%	Exceeded	100%	30% (VP and above 20%)
ACHIEVE 2014 STRATEGY					
Achieve 2011 goals of Transformation Program	1. DRM BCUC filing, Broker Commission transition strategy and transition plan completed by end of Q3 2. NRUE operational completed by end of Q4 3. CMS implementation plan and business case for Claims solution completed by end of Q3	100%	Met	100%	40% (VP and above 35%)

ICBC's STIP program is tied to meeting corporate, divisional and individual performance objectives. STIP payments are determined by mapping the performance levels onto a calibrated scale ranging from 0% to 150%. Payment for performance below Threshold is 0%, at Threshold is 50%, between Threshold and Target is 51-99%, at Target is 100%, and between and Maximum is 101-150%. Beyond Threshold performance, escalation between payment levels is determined on a straight line progression.

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 approved.

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.

In 2011, the STIP amount paid at all levels decreased from 2010 due to lower achievements on corporate measures and the amendment of our STIP plan to incorporate a financial trigger tied to actual net income level effective for 2011 performance and on a go-forward basis.

Perquisite Allowance

The perquisite allowance is a taxable cash allowance paid to the NEOs. The CEO does not receive a perquisite allowance. The NEOs had the flexibility to allocate the cash allowance toward a health care spending account (HCSA, ended in 2012 due to CRA guidelines), vehicle costs and fuel. For the Chief Actuary & Vice President BICC, the perquisite allowance is \$17,000 per year. For the remaining NEOs, the perquisite allowance is \$18,500 per year.

Vacation

The ICBC 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 subsequent calendar year.

Pension

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

In addition to the basic pension plan, Management group 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. A portion of STIP is treated as pensionable income for senior executive members based on their position.

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 ICBC. Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance and group RRSP.

Activities of Committee in 2011

During 2011, the Committee achieved the following:

- i.) In accordance with Government guidelines, issued the Executive Compensation Disclosure Statement in July 2011.
- ii.) Adopted specific steps and timeline to implement an ongoing CEO succession planning process.
- iii.) Recommended that the Board of Directors approve a revised Executive Employment Agreement with Jon Schubert.
- iv.) Endorsed initiatives and next steps in support to the diversity and inclusion strategy.
- v.) Recommended to the Board approval of amended Terms of Reference for the Human Resources and Compensation Committee.
- vi.) Recommended to the Board of Directors approval to adopt a revised Funding Policy for the ICBC Pension Plan for Management and Confidential Employees
- vii.) Amended ICBC's Code of Ethics for employees, contractors and Board members to complete on an annual basis. The Code of Ethics provides guidance to all ICBC employees, Board members, contractors on its day-to-day behavior to support corporate values of integrity, dedication to customer, accountability and caring.
- viii.) Froze the Management Group salary range structure for 2012 and approved a 3% annual salary budget for in-range performance-based wage increase.
- ix.) Introduced a financial trigger to the STIP plan that activates some or all of the components of the STIP plan based on achievement of certain levels of net income.

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.

A handwritten signature in cursive script, appearing to read "T. Michael Porter". To the left of the signature is a large, stylized "X" mark.

T. Michael Porter
Vice-Chair, ICBC Board of Directors