



Financial Summary – December 2022

Financial Results

ICBC's corporate net income for the first nine months of the 2022/23 fiscal year (April 1, 2022 to December 31, 2022) was \$189 million.

This is \$1.503 lower than the same period last fiscal year (2021/22). A significant decrease in investment income and higher claims costs are the key reasons our net income is lower compared to the end of our third quarter last fiscal year, when investment markets were higher than usual.

This fiscal year, financial markets have been impacted by inflation and rising interest rates, which in turn, has negatively affected our investment income and triggered impairment losses. Accounting standards require ICBC to record what is called an impairment loss when there has been a significant decline in market value for equity investments. This is a "paper loss" as these investments are still owned by ICBC. Year-to-date, we have recognized some impairment losses. If volatility continues in the investments markets, we expect this will lead to further impairment losses in the final quarter of our fiscal year.

Rising inflation this fiscal year along with more sophisticated vehicle technology has contributed to an increase in the cost of repairing vehicles (material damage claims) and that has increased our overall claims costs.

Settling litigation-based injury claims from before the introduction of Enhanced Care also contributed to higher claims costs through Q3 this fiscal year compared to the same period last year.

Our capital levels are measured by the Minimum Capital Test (MCT) ratio. MCT is an important industry measurement used to determine whether a company has sufficient capital to absorb unexpected losses. Our MCT ratio decreased from last fiscal year-end due to a decline in the market values of our investment portfolio from volatility in the investment markets driven by inflation and rising interest rates. While we made significant progress on rebuilding our capital levels last fiscal year, and still have a positive MCT ratio, it is lower than our target due to several years of cumulative net losses in the years prior to fiscal 2020/21, which deteriorated our capital levels.

Our loss and combined ratios are higher than last year as a result of the higher claims costs described above.

Our expense ratio was lower than last year as we continue to keep our operating expenses low.



Statement of Operations

For the Nine Months Ended December 31, 2022 and 2021¹

(\$ Millions)	Basic		Optional		Corporate	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Premiums written	\$ 2,495	\$ 2,497	\$ 1,699	\$ 1,572	\$ 4,194	\$ 4,069
Premiums earned	2,428	2,408	1,586	1,556	4,014	3,964
Service fees and other income	60	53	37	38	97	91
Total earned revenues	2,488	2,461	1,623	1,594	4,111	4,055
Current year claims	1,923	1,768	1,201	1,005	3,124	2,773
Prior years' claims adjustments	(109)	(176)	75	(114)	(34)	(290)
Net claims incurred	1,814	1,592	1,276	891	3,090	2,483
Claims services, road safety and loss management services	237	249	112	117	349	366
Total claims and related costs	2,051	1,841	1,388	1,008	3,439	2,849
Administrative and Insurance expenses	102	93	113	124	215	217
Premium taxes and commissions	163	162	312	363	475	525
Total claims and expenses	2,316	2,096	1,813	1,495	4,129	3,591
Underwriting income (loss)	172	365	(190)	99	(18)	464
Investment income	266	923	119	417	385	1,340
Income (loss) - insurance operations	438	1,288	(71)	516	367	1,804
Provincial licences and fines	495	499	-	-	495	499
Less:						
Licences and fines transferable to the Province	495	499	-	-	495	499
Non-insurance operating expenses	95	91	-	-	95	91
Commissions	28	27	-	-	28	27
Non-insurance other income	(7)	(7)	-	-	(7)	(7)
Total non-insurance expenses	611	610	-	-	611	610
Loss - non-insurance operations	(116)	(111)	-	-	(116)	(111)
Net income (loss) before impairment loss	322	1,177	(71)	516	251	1,693
Impairment loss	(43)	(1)	(19)	-	(62)	(1)
Net income (loss)	\$ 279	\$ 1,176	\$ (90)	\$ 516	\$ 189	\$ 1,692
Net income (loss) attributable to:						
Non-controlling interest ^{2,3}	\$ 2	\$ -	\$ 1	\$ -	\$ 3	\$ -
Owner of the corporation	277	1,176	(91)	516	186	1,692
	\$ 279	\$ 1,176	\$ (90)	\$ 516	\$ 189	\$ 1,692
Insurance Industry Ratios						
%	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Loss ratio	84.5	76.5	87.5	64.7	85.7	71.9
Expense ratio	16.0	15.5	26.0	29.9	19.9	21.1
Combined ratio	100.4	91.9	114.3	96.0	105.9	93.5

¹ The financial results are unaudited and contain a number of estimates and assumptions regarding claims costs and savings. Final year end results will be subject to audit.

² Non-controlling interest net income is income that is attributable to the minority shareholder of a joint venture who has no control over decisions. Under IFRS, ICBC, as the parent, has to reflect 100% of the net income and disclose separately the portion related to non-controlling interest.

³ 2021/22 actual net income attributable to non-controlling interest is reported at zero as it is rounded in millions.



Statement of Financial Position

As at December 31, 2022¹ and March 31, 2022

(\$ Millions)	December 31 2022	March 31 2022
Assets		
Cash and cash equivalents	\$ 18	\$ 30
Accrued interest	40	40
Assets held for sale	32	208
Financial investments	18,865	20,025
Premium and other receivables	2,185	2,067
Reinsurance assets	36	44
Investment properties	324	255
Property, equipment, intangible and lease assets	377	419
Accrued pension benefits	248	245
Deferred premium acquisition costs and prepaids	345	331
	\$ 22,470	\$ 23,664
Liabilities and Equity		
Liabilities		
Current liabilities	\$ 488	\$ 437
Provision for premium rebates/refunds	-	396
Bond repurchase agreements and investment-related liabilities	2,396	2,670
Unearned premiums and premiums and fees received in advance	2,662	2,502
Lease liabilities	53	54
Pension and post-retirement benefits	203	186
Provision for unpaid claims	13,327	13,704
	19,129	19,949
Equity		
Equity	3,534	3,348
Other components of equity	(200)	361
Equity attributable to parent corporation	3,334	3,709
Non-controlling interest	7	6
	3,341	3,715
	\$ 22,470	\$ 23,664
Minimum Capital Test ("MCT")		
Corporate	92%	99%
Basic	90%	92%
Optional	96%	115%

¹ The financial results are unaudited and contain a number of estimates and assumptions regarding claims costs and savings. Final year end results will be subject to audit.



Glossary – December 2022

Current year claims

Current year claims expense is the total costs (paid and expected) to settle claims for all insured losses that have occurred during the current fiscal year, regardless of whether the loss has been reported to ICBC.

Prior years' claims adjustments

Prior years' claims adjustments are the change since the prior fiscal year-end in claims cost estimates for losses that occurred in prior fiscal periods.

Impairment loss

An expense arising due to the decline in the value of an asset where the price that a knowledgeable third party is willing to pay for such asset is below cost.

Non-controlling interest

ICBC's financial reporting standards attribute the total comprehensive income of investment partnerships between the majority and minority partners based on their respective ownership interests. Non-controlling interest represents the portion of ICBC's net income and assets that are attributable to minority partners.

Expense ratio

The ratio of operating expenses (excluding claims costs and claims-related costs), premium taxes and commissions to premiums earned. It excludes the Rate Affordability Action Plan and Enhanced Care Coverage implementation costs as these are one-off projects. A lower expense ratio is better.

Loss ratio

The loss ratio is an industry measure of claims and claims-related costs (claims services, road safety and loss management services) to premiums earned. The lower the percentage, the more profitable the product is.

Combined ratio

A key measure of overall profitability within the insurance industry. It is the ratio of all costs (claims, claims-related costs, operating expenses, premium taxes and commissions, and deferred premium acquisition costs adjustment) to premiums earned. A lower combined ratio is better.

Minimum Capital Test ("MCT") ratio

An industry measure used to determine whether a company has sufficient capital levels, commensurate with the risks within its business. The measure is based on guidelines set by the Office of the Superintendent of Financial Institutions. A higher ratio is better.