



Insurance Corporation of British Columbia

Service Plan

2014 – 2016

February 2014



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Introduction

Purpose

The Insurance Corporation of British Columbia's (ICBC) 2014 – 2016 Service Plan presents an overview of our 3-year plan to fulfill responsibilities for providing vehicle insurance, driver licensing, and vehicle licensing and registration services. In this Service Plan, we set out our performance accountability to the public by describing:

- Where we envision ourselves in three years;
- The objectives and strategies we need to achieve to realize this vision; and
- How we define and measure progress on achieving these objectives and strategies.

In 2015, we will publish our 2014 Annual Report detailing our progress in achieving the objectives set out in this Service Plan. The Service Plan and Annual Report are companion documents and central to the broader accountability framework for Crown corporations. In developing the Service Plan, we have relied on guidance from various sources, including the following:

- The Letter of Expectations between ICBC and government, refer to www.icbc.com.
- The provincial government's *Review of Insurance Corporation of British Columbia*, August 2012, which can be found on http://www.fin.gov.bc.ca/ocg/ias/pdf_docs/ICBC_Review_2012.pdf.
- The provincial government's *Crown Corporation Service Plan 2014/15 – 2016/17 Guidelines*, September 2013, http://www.gov.bc.ca/caro/attachments/2014-15_16-17_Service_Plan_Guidelines_final.pdf.
- The Legislative Assembly of B.C.'s Select Standing Committee on Crown Corporations (SSCCC) in *A Guide to Operations*, April 2003, which can be found on [www.leg.bc.ca/cmt/37thparl/session-5/cc/media/A_Guide_To_The_Operations_\(28Apr03\).pdf](http://www.leg.bc.ca/cmt/37thparl/session-5/cc/media/A_Guide_To_The_Operations_(28Apr03).pdf).

Balancing Accountability and Commercial Sensitivity

We are committed to providing customers and the public with information needed to understand our plans and to evaluate our performance against those plans. This is fundamental to the governance of any Crown corporation.

We compete with other insurance companies in the sale of optional vehicle insurance products in British Columbia (B.C.). Due to commercial concerns, this Service Plan does not provide specific competitive information pertaining to our Optional insurance business.

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Letter from the Chair of the Board

The Honourable Todd Stone
Minister of Transportation and Infrastructure
Government of British Columbia

Dear Minister Stone,

On behalf of ICBC's Board of Directors and employees, I am pleased to present our 2014 – 2016 Service Plan.

This Service Plan is prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan, as well as with ICBC's mandate, vision, and strategic objectives. The Board is accountable for the contents of the plan, including how it will be reported. The performance measures and targets focus on aspects critical to ICBC's performance within its operating environment, and have been developed with due consideration of forecast conditions, risk assessments, and past performance. To the best of our knowledge the significant assumptions, policy decisions, events, and identified risks are current and have been considered in preparing this plan.

ICBC has a responsibility to offer our customers the best insurance coverage for the lowest possible cost. To do this, we adapt to the changes that face all property and casualty insurance companies, including continuing to respond to both the increases in bodily injury claims costs, as well as the effects of a low interest rate environment.

Our customers expect and value low rates, consistent quality customer service, fair, reliable and timely claims handling, and access to online and mobility services. They also look to ICBC to play a leadership role in keeping our roads safe. Customers also expect that ICBC operates in an efficient manner.

The most significant pressure on customers' insurance rates is the rising costs of bodily injury claims. As a result, a key element of ICBC's strategy is to keep rates as low as possible by managing increasing claims costs. ICBC is also focused on addressing the quality, consistency, and timeliness of our claims handling. Our Transformation Program will modernize and streamline systems and processes for both claims and insurance services. We will also begin to implement the online and mobility services that customers expect. These changes will make ICBC more effective and efficient over time.

Our customers want ICBC to limit the degree of rate volatility. To support this, ICBC worked with government to implement a new rate setting framework that will help moderate rate fluctuations year over year.

Working with key industry partners, ICBC remains committed to reducing injury and death on B.C. roads by addressing the issues relating to distracted driving, enforcement, and road improvements. We also continue to support key government ministries on implementing government's priorities on a number of fronts, including actively supporting the BC Services Card implementation.

ICBC's vision is to build trust with British Columbians to provide consistent, quality auto insurance services when they need them. The ICBC team is committed to meeting the needs of our customers today and into the future. We thank our customers for their business and look forward to continuing to provide them excellent service.



Jatinder Rai
Interim Chair, Board of Directors

Overview of ICBC

The Insurance Corporation of British Columbia is a provincial Crown corporation established in 1973 to provide universal auto insurance to B.C. motorists. We are also responsible for driver licensing, and vehicle licensing and registration.

ICBC's aim is to provide accessible and competitive auto insurance for all British Columbians. ICBC continues to be the agent for Driver Licensing and fine collection as directed by the provincial government. Road safety initiatives and Driver Licensing services contribute to reducing crashes and loss on B.C. roads and assist in managing claims costs.

Vision

- Building trust with British Columbians to provide consistent, quality auto insurance services when they need them.

This Service Plan reflects our updated Corporate Strategy, which includes the above revised vision statement, to align with our renewed focus to provide customers with the best insurance coverage for the lowest possible cost.

Values

Integrity

- Our business is based on trust. We are honest, ethical, straightforward, and fair.

Dedication to Customers

- We exist to serve our customers. We listen actively and are responsive to their needs.

Accountability

- We hold ourselves and each other accountable for our actions and the success of our business.

Caring

- We care about our customers' well-being and ensure they feel supported by treating them with dignity and respect.
- We care about each other's well-being and create an environment that promotes personal growth.
- We care about our communities by supporting road safety programs and being environmentally responsible.

Insurance Services

ICBC is the sole provider of universal, compulsory auto insurance (Basic insurance) in the province. Our Basic rates and service are regulated by the British Columbia Utilities Commission (BCUC). We also sell Optional auto insurance products in the competitive marketplace.

Under Basic insurance, private passenger and certain commercial vehicle owners are provided with up to:

- \$200,000 in third party liability protection;
- \$150,000 for medical and rehabilitation costs for each injured person; and
- \$1 million at-fault underinsured motorist protection.

Buses, taxis, limousines, and extra-provincial trucking and transport vehicles have higher mandatory levels of insurance. ICBC also offers various Optional insurance coverages including, but not limited to, extended third party liability, collision, comprehensive, and vehicle storage. For a complete list of our Optional insurance products, please visit www.icbc.com.

Auto insurance in B.C. is based on a full tort system, which means that an at-fault driver or vehicle owner may be taken to court to seek an order for the at-fault driver to compensate the other person for the full amount of damages. In addition, an injured party has access to accident benefits coverage regardless of fault. This coverage includes medical and rehabilitation expenses and up to \$300 per week for wage loss. In other provinces in Canada, auto insurance may be based on tort with caps, no-fault, or a mixed no-fault and tort system. In these auto insurance systems, compensation may be based on predetermined benefit schedules regardless of fault, thresholds and/or caps or deductibles on pain and suffering awards, and little or no ability to sue for further damages. These differences, and different driving conditions and traffic density, make inter-provincial comparisons difficult since the insurance products, services, and cost structures of each are unique.

ICBC operates as an integrated company that provides significant benefits to customers in terms of cost efficiencies and convenience.¹ With annual earned premiums of approximately \$3.9 billion,² approximately \$15 billion in assets, and approximately 4,800 full-time equivalent employees (excluding contractors), we are one of the largest property and casualty insurers in Canada. For more information on our products and the auto insurance system in B.C., please visit www.icbc.com.

¹ The 2013 Expense Ratio was 20.4%. From the 2012 ICBC Annual Report. "Our expense ratio which, unlike the insurance industry, includes non-insurance costs is still considerably lower than the 2011 P&C industry benchmark of 29.7%. For insurers who predominantly write auto insurance, the ratio is approximately 28.2%. Our expense ratio is lower than industry due to our ability to achieve economies of scale, the benefits of integrated operations, and lower marketing, underwriting, acquisition and general administration costs."

² Please refer to the Summary Financial Outlook on page 25.

Loss Management Programs

ICBC invests in road safety improvements and fraud prevention that support reducing claims costs, and in turn, help to keep rates as low as possible. We work with a network of partners across the province to deliver road safety programs that help protect customers from risks on the road by preventing and minimizing the impact of crashes and crime. We minimize the adverse effect on premiums caused by fraud through various programs, as well as work with law enforcement to prevent, detect, and investigate fraud. Our partners include the Ministry of Justice and Attorney General, the enforcement community, the Ministry of Transportation and Infrastructure, municipalities, community groups, and volunteers. For more information, please visit www.icbc.com under *Road Safety*.

Non-Insurance Services

In addition to the Basic insurance and Optional insurance lines of business, we provide driver licensing services, vehicle licensing and registration services, and fines collection on behalf of the provincial government. We refer to the provision of these services as our non-insurance line of business. These non-insurance services are outlined in the Service Agreement between ICBC and the Province, and their costs are funded through Basic insurance premiums.

ICBC is collaborating with government on creating a framework and, consistent with direction from the ministry responsible for ICBC, implementing a work-plan for delivering on priority non-insurance projects that are essential to government's mandate. Examples of these projects include BC Services Card and Off-Road Vehicle Registration and Licensing.

There have not been any other significant shifts from our last Service Plan (*ICBC Revised Service Plan 2013 – 2015*) in relation to our provision of insurance and non-insurance services, and in the delivery of loss management programs.

Key Business Partners and Stakeholders

ICBC delivers its services in partnership with:

- Independent insurance brokers who provide auto insurance products and vehicle licensing and registration services to the public and are guided by the agreement with ICBC's broker partners;
- A broad base of suppliers in the automotive industry, guided by performance-based agreements with individual suppliers;
- The medical community to assist injured customers in recovery;
- Government agents and appointed agents that provide driver and vehicle licensing and registration services, as well as sell ICBC insurance products in a number of rural communities;
- The Office of the Superintendent of Motor Vehicles and Police Services within the Ministry of Justice and Attorney General, with whom we work together in a number of areas, including driver licensing and road safety;
- Road authorities (for example, the Ministry of Transportation and Infrastructure) and municipalities to share costs of road improvements that decrease the frequency and severity of crashes;
- Police and enforcement agencies to enhance road safety; and
- A host of diverse community organizations that support the delivery of our safety and auto crime programs.

For more information, please visit the *Business Partners* page on www.icbc.com.

ICBC Points of Service

ICBC offers insurance products to approximately 3.4 million policyholders each year through a province-wide network of approximately 900 independent brokers, government agents, and appointed agents. Over a year, ICBC handles approximately 1.4 million calls and 20,000 emails from brokers and customers.

Our claims-handling services process approximately 900,000 claims per year through our province-wide network of 38 claims servicing locations and the various Express Glass and repair facilities across the province. During a year, ICBC answers over 800,000 claims-related telephone calls

and roughly 20,000 web claims. Further information about the claims process can be found through www.icbc.com.

We also provide driver licensing services through 118 offices, including driver licensing offices, government agents, and appointed agents throughout the province. Our Driver Licensing call centre answers approximately 550,000 calls and 7,000 e-mails from customers during the year.

For further information on our points of service in British Columbia, please visit www.icbc.com.

Operating Structure

Basic and Optional Operations

We operate our business through an integrated business model, providing Basic and Optional insurance products and services. This model provides benefits to our customers such as ease of service and economies of scale, which in turn leads to lower rates. While we operate and manage the company on an integrated basis, from a regulatory perspective we are required to identify or allocate premium revenues and costs as either Basic or Optional. This allocation is regulated by the British Columbia Utilities Commission (BCUC). More information on the role of BCUC can be found in the next section, *Governance*.

In our effort to operate more efficiently, we have streamlined our organizational structure to support reducing operating costs to become a smaller and more efficient organization

over time. In November 2012, ICBC underwent a significant downsizing and restructuring, reducing its workforce by over 260 positions, of which more than 80% were Management and Confidential positions.

Operating Subsidiaries

A portion of ICBC's investment portfolio is held in real estate. ICBC holds each of its investment properties in fully-owned nominee holding companies. ICBC does not have any other active operating subsidiary companies.

Governance

ICBC's governance is defined through legislation applicable to all Crown corporations, and legislation specific to the company itself. ICBC's corporate governance is further defined by the Government's Letter of Expectations between the minister responsible for ICBC as a representative of the Government of British Columbia, and the chair of ICBC's Board of Directors as a representative of ICBC. The Minister of Transportation and Infrastructure is the minister responsible for ICBC.

Legislative Framework

ICBC is a Crown corporation continued under the *Insurance Corporation Act*. Its mandate is to provide universal, compulsory auto insurance, as well as competitive optional auto insurance in B.C. It is also responsible for driver licensing, vehicle licensing and vehicle registration. ICBC is subject to the *Budget Transparency and Accountability Act (BTAA)* and the *Freedom of Information and Protection of Privacy Act*. Under these provincial laws, we are accountable for making public our strategic plan through our Service Plan and performance against the plan through our Annual Report. In addition, we are required to provide financial and other information in accordance with the requirements of applicable legislation. In terms of providing Basic and Optional insurance and non-insurance services on behalf of government, ICBC must adhere to a number of acts, including:

- *Insurance (Vehicle) Act*
- *Motor Vehicle Act*
- *Commercial Transport Act*
- *Motor Vehicle (All Terrain) Act*

ICBC as a Regulated Crown Entity

The British Columbia Utilities Commission (BCUC), as the independent regulator for ICBC, approves Basic insurance rates and ensures that our provision of service for our Basic product is adequate, efficient, and reasonable. As we are the sole provider of Basic insurance, this regulatory environment is important for B.C., providing customers with an independent and transparent review of our Basic insurance rates and an opportunity to be heard and involved in the review.

The BCUC's regulation of ICBC's Basic insurance business includes regular reviews of revenue requirements for Basic insurance, Basic insurance rate design and financial allocation between Basic and Optional insurance lines of business. Although the majority of premium revenues and costs are specifically identifiable as Basic or Optional, certain costs are not tracked separately. For those revenues and costs that are not specifically attributable to Basic or Optional, a pro-rata method of allocation is used to allocate the revenues and costs between the two lines of business. This method allocates revenues and costs to each line of business based on the drivers of those revenues and costs, the degree of causality, and any directives from the BCUC. Directives are applied on a prospective basis.

A breakdown of actual revenues and allocated costs can be found in the *Notes to Consolidated Financial Statements* section in our Annual Report. This can be found at www.icbc.com. Information on the allocation methodology can be found in BCUC's decisions on our submissions, which can be viewed at www.bcuc.com.

We continue to work with the BCUC to contribute to an open and transparent regulatory process for the setting of Basic insurance rates. More information on the BCUC is available on its website, www.bcuc.com. ICBC's current regulatory proceedings can be found on www.icbc.com under *About ICBC*.

Government's Letter of Expectations

The Government's Letter of Expectations between the Government of British Columbia and the corporation outlines their respective roles and responsibilities, and on the corporate mandate including high-level strategic priorities, public policy matters, and performance expectations. It is reviewed and updated annually. For specific information, please refer to the section on *Alignment with Government's Letter of Expectations* in this Service Plan.

ICBC Board Governance

The Board of Directors guides ICBC in fulfilling its mandate and sets our corporate direction. The Board, with input from the Executive Team, approves our vision and values that guide us, and the corporate objectives and strategies upon which accountability and performance are evaluated. Performance against these objectives and strategies is reviewed and reported regularly.

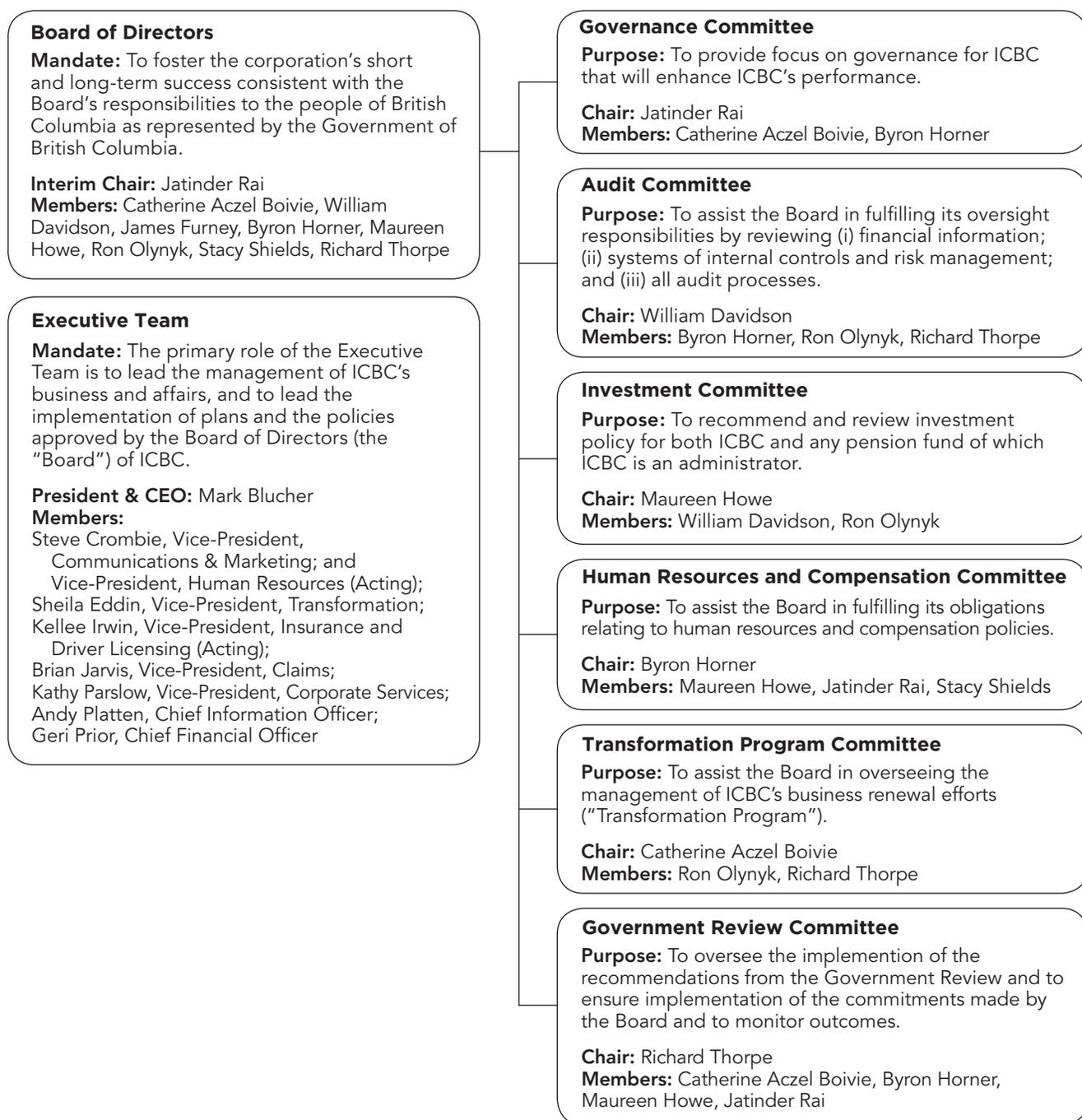
As a Crown corporation, ICBC Board members are appointed by the Lieutenant Governor-in-Council. The Board of Directors consists of members with a broad range of expertise and experience. The individual members each play an important role and also contribute as members of committees of the Board.

The governance processes and guidelines outlining how the Board will carry out its duties of stewardship and accountability are set out in the *Board Governance Manual*, which is updated annually by the Board's Governance Committee. ICBC's Board complies with the *Board Resourcing*

and *Development Office Guidelines* and has adopted the guiding principles included in the provincial government's *Governance Framework for Crown Corporations: Best Practices Governance and Disclosure Guidelines* (www.fin.gov.bc.ca/brdo/governance/corporateguidelines.pdf). For more detail on these governance principles, please refer to the Annual Report.

Further information on Board policies and members is available on our website, www.icbc.com under *About ICBC*.

Board Governance Structure



Strategic Context

The context of the external issues faced by ICBC and the industry has been taken into consideration in the development of ICBC's 2014 – 2016 Service Plan.

Industry Context — Property and Casualty Insurance

The insurance industry, which includes property and casualty (P&C) insurance, as well as life insurance, is affected by external factors, including natural disasters, the economy, and regulatory trends, which impact profitability and rate stability. The following section provides an overview of recent events that may pose risks to the insurance industry and its consumers.

For the first nine months of 2013, the P&C insurance industry results are another reminder of the increasing impact of climate change and that weather-related events are becoming more extreme and prevalent. The industry experienced strong financial results but were negatively impacted by the June 2013 Alberta floods, the country's largest catastrophic loss, as well as the Alberta hail storms and Toronto floods. Without yet being calculated, 2013 catastrophic losses will surpass even the record setting 1998 Quebec ice storm, which cost insurers approximately \$1.5 billion.³ It is estimated that once tallied, 2013 will be the fifth consecutive year for catastrophic losses in excess of \$1 billion for the industry.⁴ Natural catastrophes and variability in investment markets due to interest rates at historically low levels continue to be risks to the P&C industry in 2014.

Automobile Insurance in Canada

Automobile insurance is the largest class of insurance in the Canadian P&C industry, accounting for approximately half of direct premiums written within the industry.⁵ The automobile insurance product offered in each province differs, varying from full tort system in B.C., to no-fault or mixed threshold no-fault and tort systems.

Increasing bodily injury claims costs continue to be a challenge and a significant cost driver in the B.C. auto insurance market, and other Canadian auto jurisdictions. ICBC looks to other jurisdictions to understand how they are responding to changes within the insurance market.

- Ontario auto insurance market appears to be stabilizing with bodily injury (third party liability) loss ratio no longer climbing and accident benefit loss ratio appearing to be under control.⁶ In August 2013, the Ontario government announced plans to reduce auto insurance rates by 15% within two years, with an average 8% reduction target by August 2014.⁷
- Alberta auto insurance market is experiencing the deterioration in third party liability bodily injury claims experience after several years of calm. In July 2013, for the second year in a row, the Automobile Insurance Rate Board (AIRB) once again permitted premium levels for mandatory auto insurance to increase by up to 5% over the next three years, effective November 1, 2013. This is far short of the double-digit increase recommendation made by AIRB's independent consultant.⁸

The provincial insurance system reviews and reforms elsewhere in Canada are not expected to directly impact the auto insurance industry in B.C. However, B.C. continues to be affected by low interest rates and rising bodily injury claims costs.

³ Mills, Carys. "Toronto's July flood listed as Ontario's most costly natural disaster." The Star. 14 August 2013.

http://www.thestar.com/business/2013/08/14/july_flood_ontarios_most_costly_natural_disaster.html

⁴ Langton, James. "Increasing catastrophes the new reality for P&C insurers, says OSFI head." Investment Executive. 23 September 2013.

<http://www.investmentexecutive.com/-/increasing-catastrophes-the-new-reality-for-p-c-insurers-says-osfi-head>

⁵ MSA Researcher.

⁶ Baker, Joel. "Six Months Results – A Soggy Start." MSA Quarterly Outlook Report Q2 2013. September 2013.

⁷ "Ontario government announces plan to reduce auto insurance rates by 15% within two years." Canadian Underwriter. 23 August 2013.

<http://www.canadianunderwriter.ca/news/ontario-government-announces-plan-to-reduce-auto-insurance-rates-by-15-within-two-years/1002547688>.

⁸ "Alberta auto insurance rates revving up." Edmonton Sun. 25 July 2013. <http://www.edmontonsun.com/2013/07/25/alberta-car-insurance-rates-revving-up>

Regulatory Environment

The key regulatory highlights relevant to the insurance industry include the following:

- On August 30, 2013, ICBC filed its 2013 Revenue Requirement Application (RRA) with the British Columbia Utilities Commission (BCUC) requesting, and being approved on an interim basis, a rate increase of 4.9% for the Basic insurance business, effective November 1, 2013. BCUC will review the assumptions underlying the interim rate and will make a final determination in early 2014. In conjunction with the RRA, ICBC filed for approval a new Basic Capital Management Plan (CMP), which continues to protect the solvency of Basic insurance while incorporating a rate smoothing framework as set out in the revised *Special Direction IC2 to the British Columbia Utilities Commission* under the *Insurance Corporation Act*.
- All financial information and metrics are prepared in accordance to International Financial Reporting Standards (IFRS).
- ICBC's calculation of minimum capital test (MCT) adheres to the *Guideline for Minimum Capital Test (MCT) for Federally Regulated Property and Casualty Insurance Companies* as issued by the Office of the Superintendent of Financial Institutions Canada (as amended or replaced from time to time), as required by *Special Direction IC2 for the British Columbia Utilities Commission* under the *Insurance Corporation Act* for the respective time period in which the guidelines apply. This guideline represents accepted industry practice.

Economic Environment

Natural catastrophes, volatility in investment markets, historically low interest rates, and global economic uncertainty continue to be risks to the P&C industry. Insurance companies are shifting to depend less on investment income. To improve profitability, insurers are paying closer attention to business fundamentals such as improvements to underwriting, claims handling, and cost control.

Key Strategic Issues and Risks

Looking ahead to 2014 – 2016, we have identified a number of risks that could impact future performance.

ICBC's Corporate Risk Management Framework is approved by the Board of Directors and defines the approach used to assess and manage corporate risk from an organization-wide perspective.

The Corporate Risk Management Framework considers both external and internal environments and the risks and challenges associated with each. The framework is used by the Board of Directors and ICBC executives to discuss and monitor strategic risks and mitigation strategies. Managing corporate risk is an ongoing process as new risks emerge, existing risks evolve, the external environment changes, and risks may be reduced or eliminated through mitigation strategies or changes in the risk profile.

Our risk management practices encompass management, system, and financial controls designed to provide reasonable assurance that ICBC is in compliance with relevant legislation and regulations, that tangible and intangible assets are safeguarded, and that transactions are properly authorized and recorded. The controls include written policies and procedures, a common understanding of the level of risk that will be tolerated in operating ICBC, an organizational structure that segregates duties, and a comprehensive program of periodic risk-based audits by the internal auditors who independently review and evaluate these controls. Policies and processes have been instituted to require employees to maintain the highest ethical standards. We continually monitor these internal controls, modifying and improving them as business conditions and operations change.

ICBC recognizes the inherent limitations in all risk management frameworks and believes the current framework provides an appropriate balance between costs and desired benefits. We believe that the systems of management controls provide reasonable assurance that the strategic business risks have been appropriately addressed. The quarterly review of these strategic business risks by the Board of Directors and the ICBC Executive provides a regular review process to ensure mitigation strategies are in place to reduce these risks to acceptable levels.

The key strategic risks and mitigation strategies identified on the following pages are considered and incorporated into our corporate strategy, as outlined in this Service Plan, and into detailed operational plans. The risks presented below are in alignment with our strategic objectives, which are discussed in the Corporate Strategy section on page 13.

Description of Risks:	Mitigation Strategies:
Strategic Objective: Improve Value and Service for Customers	
<ul style="list-style-type: none"> • Stakeholder Management The risk that key stakeholders who influence customers hinder the ability to achieve ICBC’s strategy and business model. 	<ul style="list-style-type: none"> • We will continue to take proactive steps to work with key stakeholders and suppliers to build strong, collaborative relationships to enhance customers’ experiences and a shared commitment to achieving common business objectives. • The Strategic Broker Accord and the Broker Customer Experience Award (a performance-based incentive program) allow ICBC to recognize brokers’ performance and contributions to customer experience. • ICBC is committed to having a timely and consistent relationship with the minister responsible for ICBC and other government ministries and agencies, to maintain collaborative relationships.
<ul style="list-style-type: none"> • Privacy The risk that ICBC, its employees, contractors, or business partners breach customers’ privacy. 	<ul style="list-style-type: none"> • ICBC’s privacy obligations and policies relating to the disclosure of our customers’ personal information to third parties, including access to and handling of that information, are documented in the corporate privacy policy available on icbc.com. The policy is reviewed on an annual basis to ensure compliance with legislation and consistency with leading privacy practices. In addition, a clear privacy governance structure is in place that ensures responsibility for managing privacy exists at ICBC. • Annual completion of the Information Security and Privacy tutorial is mandatory for all employees and contractors to understand ICBC’s expectations for protecting customer and corporate data. ICBC stakeholders also complete a privacy tutorial. • An enhanced, mandatory Privacy Impact Assessment (PIA) program is embedded within the governance and approval processes for all projects and other business change.
<ul style="list-style-type: none"> • Access to Systems The risk that system-dependent operations could be intentionally or accidentally compromised due to unauthorized access to and/or use of ICBC’s systems/ data. 	<ul style="list-style-type: none"> • An enterprise-wide Information Technology Security Program is in place, which provides directive, preventive, deterrent, and detective controls over access to information and technology assets. • Policies and procedures are in place to initiate, authorize, and grant access to ICBC systems and data by employees, as well as certain business partners (for example, brokers) and other third parties (for example, government ministries). • System access controls include layered defenses, encryption of data on portable media, and access granted on a ‘least privilege’ principle (and revoked when employees change positions), and strong passwords. • Proactive monitoring is in place to detect potentially inappropriate access to data and customer information managed by ICBC. • Annual completion of Information Security and Privacy tutorial is mandatory for all employees and contractors to understand ICBC’s expectation in terms of protecting customer and corporate data. • Security requirements are considered in the acquisition and implementation of any new software packages.

Description of Risks:	Mitigation Strategies:
Strategic Objective: Maintain Financial Stability	
<ul style="list-style-type: none"> • Bodily Injury Claims Costs The risk that insurance rates increase at a rate that is unacceptable to customers due to rising bodily injury claims costs. 	<ul style="list-style-type: none"> • Managing increasing bodily injury claims costs is critical to offer our customers the best insurance coverage for the lowest possible cost. Strategies and initiatives to address rising bodily injury claims costs are a corporate-wide priority for ICBC. • Improving the consistency and quality of claims handling is a major area of focus. This includes the implementation of the new Claims system to provide better tools to our staff, litigation strategies to manage legal costs, and other customer service improvements that help to increase customer confidence in our claims processes. • In addition to this, ICBC will pursue a multi-pronged strategy working in collaboration with industry partners, government, and other stakeholders to reduce the frequency of crashes, injuries, and deaths on B.C. roads. These include road safety initiatives and programs such as those that help to combat distracted driving.
<ul style="list-style-type: none"> • Financial Markets The risk that market value of investments and/or investment income is negatively impacted by adverse changes in market credit or liquidity conditions, equity prices, interest rates, or currency. 	<ul style="list-style-type: none"> • ICBC's <i>Statement of Investment Policy and Procedures</i> addresses ICBC's risk tolerance and investment goals, and specifies a long-term investment asset mix and fixed income duration consistent with these objectives. The policy is based on prudence and regulatory requirements, and provides guidelines for balancing the levels of risk and return in ICBC's investment portfolio. • ICBC follows a long-term strategy and diversifies its investment holdings to manage investment return fluctuations. • ICBC closely matches bond duration to its liabilities, which reduces ICBC's overall interest rate risk. • ICBC's Corporate Credit Policy manages credit risk from an enterprise-wide perspective.
Enabling Objective: Aligned People and Business Capabilities	
<ul style="list-style-type: none"> • Workforce Planning The risk that ICBC cannot deliver its core business, complete its change initiatives, or adapt to the needs of its customers and stakeholders because it cannot attract, retain, and motivate leadership, key subject matter talent, and employees with the experience, skills, competencies, capability, readiness and ability to align their goals with that of ICBC. 	<ul style="list-style-type: none"> • As we are undergoing business renewal efforts, we are also actively managing the retirement risk of key employees, workforce capacity, and readiness of our leaders and employees to support delivery of our core business and change initiatives. • We have implemented an organization design policy, which will restructure executive and management responsibilities, reduce certain staff functions, increase span of control for some managers, and consolidate key staffing functions. • As we review executive and management responsibilities, we will continue to focus on ensuring we have the right talent and training for the future. • We will attract and retain the required skills, talent, and experience to continuously improve the efficiency of ICBC operations. ICBC is leveraging technology and capability investments to support becoming a smaller, more efficient organization over time.
<ul style="list-style-type: none"> • Business Renewal The risk that ICBC does not deliver on the core capabilities of ICBC's business strategy (for example, Transformation Program and other corporate projects underway) due to its size, complexity, and inter-dependency with other corporate risks. 	<ul style="list-style-type: none"> • We have a comprehensive governance model with a strict approval process that provides oversight on scope, timelines, and budget. ICBC's internal and external oversight bodies (for example, Board of Directors, Executive Committee, a third party independent risk advisor to the Board) ensure decisions align to corporate strategy to support the business transformation underway and other corporate projects. • Delivery of government-requested projects is subject to Treasury Board approval and these projects have oversight from steering committees with government and ICBC participation. • Changes to ICBC's systems and business are carefully coordinated to consider the impact on customers and stakeholders, as well as to provide adequate and timely training to employees on new systems so that customer service is not impacted.

Description of Risks:	Mitigation Strategies:
Enabling Objective: Focused Operational Excellence	
<ul style="list-style-type: none"> • Technology The risk that information technology solutions and services required to support the changing business environment cannot be delivered in a timely and cost-effective manner. 	<ul style="list-style-type: none"> • We are using proven methods, tools, and experienced technology partners to deliver our technology solutions in a timely and cost-effective manner (for example, principle of acquiring configurable, commercial off-the-shelf (COTS) technology rather than custom-building solutions to speed deployments). • ICBC has established strategies to manage the workforce transition into the new environment, which includes training, knowledge transfer, recruitment, and resource planning. • Technology alignment governance exists to ensure that decisions made today regarding ICBC's technology and solutions will meet current business needs, but also position ICBC for the future. • We will focus our ability to make continuous business improvements to enhance the return on foundational technology investments underway through business transformation.
Other Significant Corporate Risks	
<ul style="list-style-type: none"> • Business Interruption The risk that operations cannot be maintained or essential products and services cannot be provided due to business interruption arising from workforce, physical, and/or technical events. 	<ul style="list-style-type: none"> • ICBC's business interruption risk is managed through three related programs: Emergency Response Program (employee safety, building evacuations), Business Continuity planning (continued essential customer services during interruption), and IT disaster recovery planning (ICBC's Data Centre). • ICBC's Essential Service Designation mitigates business interruption risk by continuing to provide essential customer service through any labour disruptions. • ICBC conducts an annual test of the IT Disaster Recovery Program and a sample of Business Continuity plans to ensure a successful recovery program. • ICBC's offsite data centre provides a secure and stable environment for our information systems and corporate data. Critical systems and applications are replicated at a second site so that they are ready in the unlikely event of disaster at the primary site. • Implementation of our second site data centre provides capacity and capabilities to support disaster recovery of new systems and technology that ICBC is implementing.
<ul style="list-style-type: none"> • Catastrophic Loss The risk that ICBC's capital strength is eroded in the event of a major disaster. 	<ul style="list-style-type: none"> • In the event of claims losses resulting from catastrophes such as an earthquake, ICBC has financial protection through a reinsurance program that is reviewed and renewed annually by the Board of Directors. Losses experienced in excess of a specified amount will be covered by the reinsurance policy up to the policy limits. • In addition to protection against individual catastrophic events, the reinsurance program protects ICBC against abnormally large claims losses by limiting the amount for which it is liable in any single event and in any given year.

Corporate Strategy

At ICBC, we have a responsibility to provide our customers with the best insurance coverage for the lowest possible cost. In order to do this, ICBC has to adapt to the changes facing the insurance industry. This includes continuing to respond to increasing bodily injury claims costs and the impacts to investment income from a low interest rate environment.

We understand what our customers expect and value. This includes: low and predictable rates, access to online and mobility options, quality, consistent and timely customer service, fair, reliable and timely claims handling, safer roads, and universal auto insurance coverage to British Columbians, and that ICBC operates in an efficient manner.

New Vision:

Building trust with British Columbians to provide consistent, quality auto insurance services when they need them.

Old Vision:

ICBC will be B.C.'s preferred auto insurer, providing protection and peace of mind.

As well, in an effort to provide more focus for ICBC, support our commitment to universal auto insurance to British Columbians, as well as ICBC's need to be efficient

As the environment changes, ICBC must work hard to meet these evolving customer expectations, and for those reasons we have updated our strategy to reflect these current realities.

The updated corporate vision reflects a renewed focus on building trust with British Columbians by demonstrating our commitment to consistently provide customers with quality auto insurance products and services when they need them. This change was made to reflect the corporation's explicit commitment to deliver on elements of value and service that are important to customers.

and competitive in the optional auto insurance market, the corporate mission statement has been retired and replaced with a business statement.

New Business Statement:

Accessible and competitive auto insurance for all British Columbians.

Retired Mission Statement:

We deliver quality auto insurance products and services at competitive prices through a knowledgeable team committed to our customers.

ICBC's strategy is based on making deliberate choices on where we will prioritize efforts. Over the next three years, the strategy addresses the following key elements:

- Managing increasing bodily injury costs.
- Keeping rates as low as possible while moderating rate fluctuations.
- Improving the quality, consistency, and timeliness of claims handling.
- Implementing online and mobility services that customers expect.

To achieve this, ICBC will:

- Complete the transformation of systems and processes for its claims and insurance services.
- Work in partnership with stakeholders to reduce the number of crashes due to high-risk driving behaviours, such as distracted driving.
- Operate the corporation in an efficient and effective manner and to continuously improve the quality, consistency, and timeliness of our business.

Our objectives and strategies have been updated to reflect the above considerations.

Objectives		Strategies
Strategic	1. Improve Value and Service for Customers ⁹	a. Keep rates as low as possible while moderating rate fluctuations b. Improve quality, consistency, and timeliness of claims handling c. Increase online and mobility services d. Reduce injury and death on B.C. roads
	2. Maintain Financial Stability	a. Manage increasing bodily injury claims costs
Enablers	3. Focused Operational Excellence ¹⁰	a. Operate the corporation in a low-cost manner b. Focus our ability to make continuous business improvements more efficiently
	4. Aligned People and Business Capabilities ¹¹	a. Develop accountable, aligned, enabled, and motivated leaders and employees b. Leverage business value from technology investments c. Align with our shareholder to support government priorities

The next sections discuss how ICBC will measure and report the performance of the corporate strategy.

Performance Management and Reporting

Our performance measures align to our revised corporate strategy and related strategic and enabling objectives. Our strategic plan and performance against our plan are reported publicly through the Service Plan and Annual Report.

In the setting of performance targets, we consider ICBC's unique business model relative to other insurers in the P&C industry. Some of these unique traits include:

- Setting premiums to achieve and maintain our capital target rather than to maximize our return on capital;
- Operating under a full tort environment wherein the cost of settling a claim may be higher than in the other Canadian jurisdictions that operate under different systems;
- Working under a mandate to provide automobile insurance to all drivers in B.C.;
- Providing auto insurance rates that are not based on age, gender, or marital status; and
- Delivering a wide range of non-insurance services such as driver licensing, vehicle licensing and registration, and fines collection on behalf of the provincial government, including managing card production and issuance services for the BC Services Card.

Due to these traits, we do not use industry benchmarks to set our corporate performance targets. However, we use industry standard performance measures and information for analysis and comparison purposes.

Our financial performance measures are derived from actual financial information, forecasted trends, and assumptions.

Key corporate performance metrics such as the combined ratio, loss ratio, and expense ratio are analyzed against industry benchmarks and reported in the Annual Report.

Non-financial performance measures are generated by external sources. Independent firms are retained to conduct ongoing surveys of customers for the purposes of monitoring satisfaction and experience. Other benchmarking studies focusing on specific areas of operation are also undertaken to support improvement in management practices internally.

Corporate accountabilities and performance measures are cascaded to individual employee performance plans as appropriate. This is accomplished through the alignment of corporate and individual accountabilities, measures, and targets to corporate strategy.

To review and monitor performance, we provide a regular performance update to ICBC's Board of Directors and we hold monthly corporate performance updates with the Executive Team. Over the year, these updates include a review of all strategic performance measures, a forecast of year-end results, and a review of the corporate risk profile and potential issues impacting the corporate strategy.

The Audit Committee, composed of members of the Board of Directors, oversees the corporate financial reporting and risk management process. The committee meets no less than quarterly with Executive, our internal auditors, and representatives of our external auditors, to discuss auditing, financial reporting, risk management, and internal control matters. Our financial statements are in accordance with International Financial Reporting Standards (IFRS) and are audited by our independent auditors on this basis.

Each of our strategic objectives and their performance measures are discussed in more detail in the following sections.

⁹ Formerly *Improve Customer Experience* Objective.

¹⁰ New Objective.

¹¹ Formerly *Improve Employee Experience* Objective.

Improve Value and Service for Customers

Based on customers' expectations of value, ICBC has the strategic objective to *Improve Value and Service for Customers* by focusing on:

Universal Coverage:	<i>Maintaining the provision of universal auto insurance coverage to British Columbians with the protection they need and want.</i>
Claims:	<i>Providing fair, reliable, and timely claims offers, with a focus on getting customers back to their lives as quickly as possible.</i>
Price:	<i>Keeping rates as low as possible while moderating rate fluctuations.</i>
Service:	<i>Maintaining consistency in the delivery of communicated customer service commitments, meeting customer expectations and needs.</i>
Access:	<i>Maintaining many physical locations, augmented by online and mobility options.</i>
Safer Roads:	<i>Reducing injury and death on B.C. roads.</i>

Over the next three years, it is critical that ICBC completes the transformation of systems and processes for both claims and insurance services to support these results. To realize these changes, ICBC is continuing to implement the Transformation Program that is introducing new business improvements and tools. It is delivering many of the core systems and foundational capabilities that will help us deliver on our long-term strategy. Ultimately it will help ICBC to provide better customer service, settle claims faster, mitigate future rate changes, and lower operating costs. The Transformation Program is being delivered as planned.

ICBC will also implement additional initiatives to improve the quality, consistency, and timeliness of our claims handling. This will improve the level of service that our customers will receive. Leveraging the new systems and processes will also position ICBC to provide online and mobility services that will improve customer convenience and reduce costs.

We know that customers do not appreciate a decrease in insurance rates one year, followed by a significant increase the next. To support this, ICBC has implemented a new framework for setting rates as directed by government that will contribute to moderating rate fluctuations year over year.

We will continue to partner with law enforcement and other stakeholders on intersection safety cameras and support enhanced enforcement to raise awareness about the risks, consequences, and choices regarding high-risk driving behaviours such as distracted driving. Distracted driving is now one of the leading causes of fatal crashes in B.C. with an average of 91 deaths per year.

These considerations have been summarized into the following table.

Strategic Objective	Strategies
1. Improve Value and Service for Customers	a. Keep rates as low as possible while moderating rate fluctuations b. Improve quality, consistency, and timeliness of claims handling c. Increase online and mobility services d. Reduce injury and death on B.C. roads

Performance Measures and Targets

Maintaining our current high levels of customer satisfaction is the outcome we aim to achieve as a result of improving value and service for customers. ICBC measures customer service performance based on the percentage of satisfied customers for each major transaction type: insurance product purchase, driver licensing, and claims.

The design of ICBC's measures and targets reflects the inherent differences of these three key transactions. An independent research firm is retained to conduct ongoing surveys of customers for the purposes of monitoring transactional satisfaction.

Satisfaction targets for ICBC's Insurance Services, Driver Licensing, and Claims Services are set as core service standards for providing service to our customers. ICBC works to meet or exceed these strong service standards to ensure customers are receiving positive experiences while interacting with ICBC.

Performance Measures	2012 Actual	2013 Outlook	2014 Target	2015 Target	2016 Target
Insurance Services Satisfaction	97%	96%	≥ 95%	≥ 95%	≥ 95%
Driver Licensing Satisfaction	95%	94%	≥ 95%	≥ 95%	≥ 95%
Claims Services Satisfaction	90%	89%	≥ 85%	≥ 90%	≥ 91%

Insurance Services Satisfaction

Independent insurance brokers process over 3 million policies each year. The insurance services satisfaction measure represents the percentage of customers satisfied with a recent insurance purchase transaction and is based on surveys of approximately 100,000 customers over the course of a year. This measure is typically over 90% and indicates the positive relationship ICBC and its brokers enjoy with customers.

The 2013 outlook is 96%.

Driver Licensing Satisfaction

Each year, ICBC conducts approximately 1.5 million transactions relating to the issuance of driver licenses and driver exams, including renewing a licence, taking a knowledge test, or undergoing a road test. This measure is weighted by the number of transactions for each type of service and is drawn from a sample of over 3,000 customers surveyed throughout the year.

The 2013 outlook is 94%.

Claims Services Satisfaction

Approximately 900,000 claims are processed each year through ICBC’s call centre, claims centres, and specialty departments such as commercial claims and rehabilitation services. The claims services satisfaction measure represents the percentage of customers satisfied with a recent ICBC claims transaction and is drawn from a sample of over 12,000 customers surveyed throughout the year.

Targets for 2015 and 2016 have been increased to reflect the customer benefits that will be realized through the completion of the implementation updates to our claims systems in 2014.

The 2013 outlook is 89%.

Maintain Financial Stability

As the trend of rising claims costs continues, ICBC is aware of the pressure this places on rates. The largest impact to customers' insurance rates comes from increasing bodily injury claims costs, with approximately 88 cents of every premium dollar collected going to pay claims and claims-related costs. Therefore, our objective *Maintain Financial Stability* focuses on managing increasing bodily injury costs, and as a result, helping keep insurance rates more stable.

Bodily injury costs are a major challenge for all auto insurers across North America and beyond, in particular due to the increase in the average cost of claims over the past several years. Our bodily injury claims costs, which cover payouts for pain and suffering, future care, and loss of wages, totaled \$1,930 million for 2013 outlook, up by \$73 million from the previous year and more than \$500 million from 5 years ago.

There are various factors contributing to the increasing cost of injury claims, including higher rates of legal representation than we have seen in the past, and more claimants obtaining legal representation early in the claim process. While many external factors are beyond our control, we continue to look for ways to help stem the increase in injury costs. In October 2013, ICBC launched a multi-language claims information campaign focused on dispelling myths about access to medical benefits and the settlement process. The campaign includes print, radio, and TV ads, and provides customers with easier access to the information that they need about the claims processes when an injury is involved.

In earlier years, these bodily injury cost increases were partially offset by decreases in the number of claims. However, since 2010 this long-term trend in decreasing bodily injury claims has stopped. As a result, the claims costs, and ultimately the Basic rates, are being driven by the increase in the average cost of bodily injury claims.

In years past, customers have benefited from our strong financial performance. In the last 10 years, ICBC has kept overall rate increases to an annual total average of below 1.0% for those customers buying both the Basic and Optional insurance from ICBC.

However, due to increasing bodily injury costs, the effects of a low interest rate environment, as well as a new rate smoothing framework that was worked on with government, ICBC has filed, and had Basic rates of 4.9% approved on an interim basis effective November 1, 2013. ICBC has also decreased Optional insurance rates by 4% on average to moderate the impact on the majority of customers. Approximately 80% of our customers purchase their full personal vehicle insurance with ICBC, and they will see a combined average increase of approximately \$11 per year.

ICBC is determining and implementing ways to address the current upward trend of bodily injury claims costs. Contributing to this will be:

- Investments in data analysis and predictive analytics that will refine our understanding of the causes of increasing bodily injury claims costs and contribute to reducing fraud.
- Collaborating with industry partners, government, and other stakeholders to reduce injuries and deaths on B.C. roads, including additional support to combat distracted driving.
- A new claims system that will support the quality, consistency, and timeliness of claims handling.

Bodily injury claims may take a number of years to close; therefore, the benefits may not materialize until the medium and long term when these claims are settled.

These considerations have been summarized into the following table.

Strategic Objective	Strategies
2. Maintain Financial Stability	a. Manage increasing bodily injury claims costs

Performance Measures and Targets

The following measures will be used to measure the performance of our financial objective. They are described in the paragraphs that follow.

Performance Measures ¹	2012 Actual ²	2013 Outlook	2014 Target	2015 Target	2016 Target
Minimum Capital Test ³	200%	203%	175%	175%	175%
Combined Ratio	107.0%	109.3%	110.1%	108.2%	107.6%
Loss Ratio	86.0%	87.5%	89.8%	88.6%	88.1%
Investment Return (Market Return)	Benchmark + 0.21%	policy market benchmark return			
Insurance Expense Ratio	16.9%	16.7%	16.4%	16.1%	15.8%
Transformation Program Expense Ratio	0.6%	0.7%	1.0%	0.7%	0.8%
Non-insurance Expense Ratio	3.2%	3.0%	3.0%	3.0%	2.9%
Expense Ratio (excluding DPAC adjustment) ⁴	20.7%	20.4%	20.4%	19.8%	19.5%
Non-recurring Expenses — Restructuring Costs Expense Ratio	0.7%	n/a	n/a	n/a	n/a

Notes

1. Financial information for all years was prepared based on International Financial Reporting Standards (IFRS).
2. 2012 has been restated for comparative purposes to reflect the adoption of IAS 19 (Amendment) Employee Benefits.
3. Minimum Capital Test (MCT) calculation adheres to the Guidelines for MCT for Federally Regulated Property and Casualty Insurance Companies as issued by the Office of the Superintendent of Financial Institutions Canada for the respective time period in which the guidelines apply. The existing Corporate MCT management target of 175% is subject to change based on approval of the revised Basic Capital Management Plan, which is currently before the BCUC.
4. The deferred premium acquisition cost (DPAC) adjustment is the result of an actuarial evaluation to determine the amount of acquisition costs allowable for deferral.

Minimum Capital Test (MCT)

MCT is an industry measure set by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies across Canada. The MCT is used to determine whether a company has sufficient capital levels to protect policyholders from financial risk and provide long-term financial stability.

Each year, ICBC reassesses its capital position and the appropriateness of its management targets for MCT through actuarial dynamic capital adequacy testing (DCAT). DCAT is a risk management technique to evaluate potential effects corresponding to exceptional but plausible events and encompasses the quantifiable events in ICBC's corporate risk profile. As a result of the most recent evaluation, the MCT targets for the 2014 – 2016 forecast period are set at a minimum of 175%.

The existing Corporate MCT management target is 175%. Subject to the BCUC approval of the revised Basic Capital Management Plan in the second quarter of 2014 of the proposed Basic management target of 150%, the Corporate MCT management target will be revised from 175% to 190%.

Pursuant to legislative change effective April 2010, ICBC transfers its excess Optional capital, less any other deduction from any amount payable as approved by the Treasury Board, to the Government of British Columbia on an annual basis.

Combined Ratio

The combined ratio is a key measure of overall profitability within the insurance industry. This measure is calculated as the ratio of all costs (claims costs, claims-related costs, administrative costs, acquisition costs, and non-insurance costs) to all insurance premium dollars earned. A ratio below 100% indicates an underwriting profit while a ratio above 100% indicates an underwriting loss. ICBC's combined ratio is typically higher than the industry average. This is partially due to ICBC's mandate to deliver non-insurance services on behalf of government and these costs are reflected in the combined ratio. Also, ICBC uses its investment income to offset costs for its customers rather than to generate a return for shareholders as private insurers do. As a result of lower required premiums, our combined ratio is higher.

¹² 2012 has been restated for comparative purposes to reflect the adoption of IAS 19 (Amendment) Employee Benefits.

The 2013 outlook for the combined ratio is 109.3%. This is higher than the 2012 actual of 107.0%¹² due to higher claims costs and an unfavourable DPAC (deferred premium acquisition costs) adjustment.

Premiums earned in the 2013 outlook reflect the flow-through of rate adjustments from the prior year, the interim rate adjustments effective November 1, 2013, and the growth in policies. Overall, the 2013 premiums earned increased by approximately 2.9% from 2012. The increase in premiums earned impacts the combined ratio, the loss ratio, and the expense ratio since insurance premium dollars earned is the denominator in all cases.

For the years 2014–2016, combined ratio targets reflect current expectations regarding claims cost trends and operating costs. Operating costs reflect a continuing culture of cost containment, while at the same time, account for our investment in business renewal and replacement of aging technology. For the forecast, premiums earned assume rate changes for both the Basic and Optional insurance businesses. Any proposed changes to Basic insurance rates are subject to regulatory approval.

Loss Ratio

The loss ratio is a key performance indicator within the insurance industry measuring profitability of the insurance product — the lower the percentage, the more profitable the product. This measure is calculated as the ratio of the total of claims costs and claims-related costs, including loss management costs, to total insurance premium dollars earned.

ICBC's loss ratio is typically higher than the P&C industry because our premiums are set to recover costs and to achieve and maintain capital targets. ICBC uses its investment income to help offset costs for its customers, thereby allowing rates to be lower than they would be if ICBC had to generate an underwriting profit as private insurers do. As reflected in the expense ratio, we have lower relative operating costs and can pay more of each premium dollar towards claims and claims related costs; this results in a higher loss ratio. In addition, ICBC is also mandated to provide Basic insurance to all drivers in B.C., including the category of high-risk drivers whose claims costs are proportionately higher. This results in a higher loss ratio for ICBC relative to those insurers who may limit their exposure to such drivers.

For the 2014–2016 forecast period, the loss ratio targets reflect current expectations regarding claims cost trends.

Expense Ratio

The expense ratio is a standard industry measure for assessing the percentage of each premium dollar that goes to an insurer's expenses. This measure is calculated as the ratio of non-claims costs to total insurance premium dollars earned. It includes operating costs that are not directly related to servicing claims such as general administration, commissions paid to brokers, taxes paid on premiums written, product design (underwriting), our investment in new systems and processes, and non-insurance costs such as those associated with driver and vehicle licensing and vehicle registration. To enable comparisons with industry benchmarks, the expense ratio excludes the impact of one-time, non-recurring items.

ICBC's expense ratio consists of three key components: the insurance expense ratio, the Transformation Program expense ratio and the non-insurance expense ratio. Segregating expenses in this manner allows ICBC to better manage the costs of operating its insurance and non-insurance businesses, and to reflect the costs of technology renewal and changes to business processes associated with our Transformation Program.

ICBC's costs are lower than other automobile insurers. The overall P&C industry expense ratio for 2012 was 30.3%.¹³ For insurers who predominantly write auto insurance, the ratio was 29.4%.¹⁴ ICBC's 2013 outlook expense ratio of 20.4% is lower than the industry average due to its ability to achieve economies of scale by focusing on auto insurance in B.C., the benefits of integrated operations, and lower marketing, underwriting, acquisition, and general administration costs. ICBC's expense ratio is reflective of our determined efforts to address operating cost control, to reduce staffing levels, and to manage discretionary spending.

As part of its operations, ICBC incurs non-insurance expenses in providing driver licensing, vehicle licensing and registration, and fines collection on behalf of government. The non-insurance expense ratio represents the ratio of the operations and administration costs of ICBC's non-insurance business to total insurance premium dollars earned.

In spite of higher depreciation associated with capital expenditures from prior years, non-claims suppliers' costs, and acquisition costs in the future years, ICBC's expense ratio targets are still expected to be in the range of 19% to 20%, lower than industry average. Benefits anticipated from the Transformation Program have been reflected in the target values of the forecast period.

¹³ MSA Benchmark Report, Property & Casualty, Canada 2013 (Expense Ratio for Total Canadian Property Casualty Industry (including Lloyd's, excluding ICBC and Saskatchewan Auto Fund (SAF)).

¹⁴ MSA Benchmark Report, Property & Casualty, Canada 2013 (Expense Ratio for Auto Writers (excluding ICBC and SAF)).

Investment Return

Investment income is typically a significant component of any insurer's overall net income and plays an important part in reducing the cost of insurance. ICBC investment assets arise from funds set aside for unpaid claims, unearned premiums, and retained earnings. At the end of 2013, ICBC's investment portfolio had a carrying value of approximately \$13.5 billion.

In accordance with Section 492 of the *Insurance Companies Act*, ICBC has established policies and procedures to allow for the prudent management of its investment portfolio. A *Statement of Investment Policy and Procedures* details the risk and return profile of ICBC's investments. This policy establishes guidelines for ICBC to manage the level of risk and return in the investment portfolio. The majority of investments are held in the form of fixed income investments such as bonds. Equity and real estate investments are held to enhance returns. The asset mix was developed with the corporation's liability profile and cash flow needs in mind to cover future claims payments, whereas the investment income generated is used to reduce the premiums that would otherwise need to be collected from our policyholders.

Investment returns, which incorporate both change in market value of assets and income generated, are closely monitored. Individual asset class returns are measured relative to the performance of standard market benchmarks. As well, the return of the overall portfolio is measured against a policy benchmark, calculated as the average of individual asset class benchmark returns, weighted according to the portfolio's strategic asset mix. Asset class benchmarks and strategic asset mix are outlined in the *ICBC Statement of Investment Policy and Procedures*.

Like other property and casualty insurers, ICBC invests heavily in fixed income instruments and is therefore subject to interest rate risk. To mitigate this risk, ICBC invests in short-term bonds, which are closely matched to the duration of its claim liabilities. ICBC's investment income is very sensitive to the general level of interest rates such that an extended period of low interest rates will have a negative impact on future investment income.

ICBC's fixed income portfolio is subject to credit risk. To mitigate this risk, it is ICBC's investment policy to hold extensive investments in government and investment grade bonds. ICBC also performs its own internal credit analysis to supplement the analysis provided by external credit rating agencies.

Investment results are expected to be impacted by an extended period of subdued economic growth, low interest rates, and ongoing financial market volatility, resulting in a less predictable return on investments. ICBC has been proactively working to modify our investment strategy to reduce these risks while limiting the impact on investment returns.

The 2014 – 2016 investment portfolio performance targets are set at the policy market benchmark return, net of fees and operating expenses. For performance measurement purposes, ICBC does not forecast the policy market benchmark return as it is the result of market forces beyond the company's control.

An external performance measurement service independently calculates returns at the portfolio, asset class, and investment manager levels.

Focused Operational Excellence

ICBC remains committed to operating in an efficient manner. To accomplish this, ICBC is leveraging technology and capability investments to support becoming a smaller and more efficient organization over time. Our objective of *Focused Operational Excellence* highlights our approach to continue to be disciplined and focused in how we do things.

Our administrative costs have always been low compared to the industry average, representing approximately five cents of every premium dollar collected. ICBC is looking beyond administrative cost savings to create focused operational excellence by improving the efficiency of our business processes and governance structure.

ICBC is improving business processes and ensuring the employees with the right skills and abilities are aligned with the right types of claims. For example, the most experienced and skilled adjusters deal with the most complex claims. As well, transformational changes that are occurring within our claims and insurance systems and processes will provide ICBC the ability to make faster, improved service changes.

ICBC is committed to ensuring that our approach to business is driven by creating value for our customers and looking for ways to do things more effectively. Changes will not occur unless it can be demonstrated that there is both a benefit for customers, as well as financial efficiency.

These considerations have been summarized into the following table.

Enabling Objective	Strategies
3. Focused Operational Excellence	a. Operate the corporation in a low-cost manner b. Focus our ability to make continuous business improvements more efficiently

Performance Measures and Targets

The following measure will be used to measure the performance of our focused operational excellence objective.

Performance Measures	2012 Actual	2013 Outlook	2014 Target	2015 Target	2016 Target
Gross Expenses (Insurance Business) per Policy ¹	\$343.00	\$338.90	\$347.70	n/a	n/a

Notes

1. Operating cost targets are not planned in detail beyond the current year.

Gross Expenses (Insurance Business) per Policy

Gross Expenses (Insurance Business) per Policy measures the average cost per policy to run ICBC's insurance business. The measure is calculated as costs divided by number of Basic policies. Gross expenses include costs to service claims (staffing and external costs), administrative costs,

commissions paid to brokers, premium taxes, our investment in new systems and processes, and investment portfolio management fees. It excludes costs incurred by ICBC to deliver non-insurance services.

Aligned People and Business Capabilities

Critical to achieving our corporate strategy is having the right people with the required business capabilities in place. Our objective of *Aligned People and Business Capabilities* supports the development and implementation of the right initiatives to make this happen.

Foundational to enabling the overall corporate strategy of improving customer value and service, as well as maintaining financial stability, is developing and sustaining accountable, aligned, enabled, and motivated leaders and employees. We will improve and align leadership accountability and capabilities to deliver on the corporate objectives. We will strengthen the connection between strategy objectives and performance management, as well as our talent management and organizational framework to enable acquisition of people to fill business roles and sustain leadership talent.

With the implementation of both the new claims system and business model, and the new insurance system, we will improve workforce planning and sustainment in key business

areas of claims, insurance, and IT support. We will optimize learning in the organization by developing and sustaining the capabilities and commitment of people to demonstrate behaviours that are aligned to the core business and the corporate strategy.

Critical to the success of the strategy is managing technology costs while delivering new capabilities required to support the strategic objectives. ICBC is well on its way to completing a major business process and systems upgrade, which is replacing 30 to 40-year old “end-of-life” systems.

Having aligned people and business capabilities will also be critical to supporting the priorities of the provincial government. We have developed a framework with ICBC’s reporting ministry that ensures a coordinated, focused approach to managing government priorities.

These considerations have been summarized into the following table.

Strategic Enabler	Strategies
4. Aligned People and Business Capabilities	<ul style="list-style-type: none"> a. Develop accountable, aligned, enabled, and motivated leaders and employees b. Leverage business value from technology investments c. Align with our shareholder to support government priorities

Performance Measures and Targets

Performance Measures	2012 Actual	2013 Outlook	2014 Target	2015 Target	2016 Target
Employee Engagement Index	33%	34%	Under Development	Under Development	Under Development
2014 Government Mandated Work Identified in Government’s Letter of Expectations ¹	n/a	n/a	100% Complete	n/a	n/a

Notes

1. This is an annual measure based on the annual Government’s Letter of Expectations. Targets are not set beyond the current year.

Employee Engagement Index

The employee opinion survey was provided to all ICBC employees (excluding contractors). Participation in the 2013 survey, at 71%, was up from 65% in 2012 and just below the average of 76% over the previous 5 years.

The 2013 index score was 34%, slightly above the 2012 score of 33%. ICBC continued to experience significant change in 2013 as it modernized the company and came through the downsizing and restructuring of late 2012. Aligning capable people with business objectives remains a priority. In 2014, we are introducing a new approach to improve our ability to capture and measure employee opinion.

2014 Government Mandated Work as Identified in the Government’s Letter of Expectations¹⁵

This new measure reflects ICBC’s role in delivering on the priorities of the provincial government. The Government’s Letter of Expectations outlines the initiatives that ICBC will undertake in the upcoming year. The goal for 2014 is to complete 100% of the identified initiatives.

¹⁵ Refer to section Alignment with Government’s Letter of Expectations on page 24 for more information.

Strategy Summary

ICBC's current objectives and targets on its strategies are contained in the following table.

Objective	Strategies	Measures	Outlook	Target		
			2013	2014	2015	2016
Strategic Objective: Improve Value and Service for Customers	<ul style="list-style-type: none"> Keep rates as low as possible while moderating rate fluctuations Improve quality, consistency, and timeliness of claims handling Increase online and mobility services Reduce injury and death on B.C. roads 	Insurance Services Satisfaction	96%	≥95%	≥95%	≥95%
		Driver Licensing Satisfaction	94%	≥95%	≥95%	≥95%
		Claims Services Satisfaction	89%	≥85%	≥90%	≥91%
Strategic Objective: Maintain Financial Stability	<ul style="list-style-type: none"> Manage increasing bodily injury claims costs 	Minimum Capital Test ¹	203%	175%	175%	175%
		Combined Ratio				
		<ul style="list-style-type: none"> Claims & Claims-related Expenses & Insurance Expenses 	106.3%	107.1%	105.2%	104.7%
		<ul style="list-style-type: none"> Non-insurance Expenses 	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>2.9%</u>
		Total	109.3%	110.1%	108.2%	107.6%
		Loss Ratio	87.5%	89.8%	88.6%	88.1%
		Expense Ratio				
<ul style="list-style-type: none"> Insurance Expense Ratio Transformation Program Expense Ratio Non-insurance Expense Ratio 	16.7%	16.4%	16.1%	15.8%		
	0.7%	1.0%	0.7%	0.8%		
	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>2.9%</u>		
Total	20.4%	20.4%	19.8%	19.5%		
		Investment Return	policy market benchmark return	policy market benchmark return	policy market benchmark return	policy market benchmark return
Enabling Objective: Focused Operational Excellence	<ul style="list-style-type: none"> Operate the corporation in a low-cost manner Focus our ability to make continuous business improvements more efficiently 	Gross Expenses (Insurance Business) per Policy ²	\$338.90	\$347.70	n/a	n/a
Enabling Objective: Aligned People and Business Capabilities	<ul style="list-style-type: none"> Develop accountable, aligned, enabled, and motivated leaders and employees Leverage business value from technology investments Align with our shareholder to support government priorities 	Employee Engagement Index	34%	under development	under development	under development
		2014 Government Mandated Work Identified in Government's Letter of Expectations ³	n/a	100% Complete	n/a	n/a

Notes

Financial information for all years was prepared based on International Financial Reporting Standards (IFRS).

¹ The existing Corporate MCT management target of 175% is subject to change based on approval of the revised Basic Capital Management Plan, which is currently before the BCUC.

² Operating cost targets are not planned in detail beyond the current year.

³ This is an annual measure based on the annual Government's Letter of Expectations. Targets are not set beyond the current year.

Alignment with Government's Letter of Expectations

The 2014 Government's Letter of Expectations affirms ICBC's mandate to provide Basic and Optional vehicle insurance to B.C. motorists, provide driver licensing and vehicle licensing and registration, and administer violation tickets and provide fee and fines collection services on behalf of the Province.

In addition to outlining government's general reporting framework and general directions, the 2014 letter also provides specific direction to ICBC, including the following:

2014 Government's Letter of Expectations	ICBC Alignment
<ul style="list-style-type: none"> Comply with Treasury Board direction on the capital management frameworks for Basic and Optional insurance. 	<ul style="list-style-type: none"> ICBC is complying with the revised capital management frameworks for Basic and Optional insurance established by the government.
<ul style="list-style-type: none"> Continue to invest in ICBC's systems, processes, and products as part of a Transformation Program to meet increasing customer expectations, better ensure the reliability of systems and improve options for customers, and implement more streamlined processes for employees that will improve customer service. The Transformation Program is expected to be completed by 2017. 	<ul style="list-style-type: none"> ICBC is undertaking its multi-year Transformation Program, which includes multiple projects that will collectively help ICBC improve services and options for customers and will provide employees with the tools they need to be successful and better meet customers' expectations. As part of this Transformation Program, ICBC has begun the implementation of a new claims system in parts of the province.
<ul style="list-style-type: none"> Collaborate with government on creating a framework and, consistent with direction from the Ministry, implement a work plan for delivering on priority non-insurance projects that are essential to government's mandate. These projects include, but are not limited to: the Off-Road Recreational Vehicle Strategy, the BC Services Card, and road safety systems, including the digital self-service foundation and e-ticketing. 	<ul style="list-style-type: none"> ICBC is collaborating with government on creating a framework and work plan for delivering on priority non-insurance projects that are essential to government's mandate.
<ul style="list-style-type: none"> Continue to invest in road safety initiatives by collaborating with stakeholders to aid in managing claims costs. 	<ul style="list-style-type: none"> ICBC works with government and stakeholders to implement road safety initiatives and supports these initiatives through public education and awareness strategies.
<ul style="list-style-type: none"> Continued focus on achieving high customer satisfaction levels for Insurance Services, Claims Services, and Driver Licensing. 	<ul style="list-style-type: none"> ICBC continues to focus on achieving high customer satisfaction levels for Insurance Services, Claims Services, and Driver Licensing. In 2014, we continue to implement a new claims management system and associated changes to business processes to improve services and options for customers.
<ul style="list-style-type: none"> Maintain momentum on completion of any ongoing items from the August 2012 crown review completed by Internal Audit and Advisory Services to sustain ICBC focus on efficient service delivery and continued fiscal prudence. 	<ul style="list-style-type: none"> ICBC is focused on containing growth in operating costs while ensuring customer service remains a priority.
<ul style="list-style-type: none"> Work with the Ministry to ensure financial targets and reporting requirements, as identified in the Ministry budget letter to ICBC, are met. Inform the Ministry in a timely manner of any pressures in meeting these financial targets and the related mitigation strategies. 	<ul style="list-style-type: none"> ICBC will continue to work with the Ministry to ensure all financial targets and reporting requirements are met. Any pressures in meeting financial targets will be conveyed to the Ministry in a timely manner.
<ul style="list-style-type: none"> Comply with all legislation and policies applicable to the Corporation, including Government's requirements to be carbon neutral under the Greenhouse Gas Reduction Targets Act. 	<ul style="list-style-type: none"> ICBC will continue to meet the requirement to be carbon neutral by tracking and reporting our greenhouse gas emissions and purchasing offsets, and is on track to meet its greenhouse gas reduction target by 2020.

Any additional direction will be incorporated throughout the year and reported in the Annual Report.

Summary Financial Outlook

The financial forecasts take into consideration ICBC's plans to address the key strategic issues and risks facing the organization and changes in the external environment. Based on these plans, planning assumptions (refer to page 27) are developed and used to develop the financial forecasts below.

The net income for 2013 outlook is \$368 million, as compared to the 2012 actual of \$229 million.¹⁶ The increase in net income is primarily due to higher premiums earned and investment income, partially offset by higher claims costs and a higher deferred premium acquisition cost adjustment, primarily as a result of the higher claims costs.

Premium revenues earned are higher than 2012 by \$110 million due to an increase in vehicle growth, as well as the Basic rate increase of 11.2% offset by the Optional rate decrease of 6.0%, both effective February 1, 2012.

Net claims incurred are higher than prior year by \$159 million largely due to an increase in bodily injury claims costs. The representation rate of these types of claims has been accelerating and is a significant factor contributing to higher costs. The historical declining trend of the frequency of bodily injury claims reported to ICBC has flattened and is no longer assisting to offset the rising average cost per claim. Rising bodily injury claims costs have been an issue in the auto insurance industry for many years, especially increases in pain and suffering awards for minor injuries, and legal costs.

The deferred premium acquisition costs (DPAC) adjustment is unfavourable as compared to the 2012 actual by approximately \$64 million as a result of higher bodily injury claims costs, which reduce the allowable amount of acquisition costs to be deferred.

Investment income is expected to increase by \$233 million from 2012, primarily due to an early realization of equity gains, which were the result of the transition from segregated equity funds to pooled funds to reduce income volatility. Over the last several years, investment income has been negatively impacted by interest rates at historically low levels. For the foreseeable future, these market dynamics are not expected to change and, as a result, ICBC's investment returns cannot be relied upon to the same extent as in the past.

The forecast for 2014–2016 is based on ICBC's status quo business model and reflects current expectations of claims costs trends and investment market conditions. As a result of these observations, claims costs are expected to be higher based on longer term claims cost trends. Investment income will be challenged by low interest rates. Capital expenditures, primarily consisting of Transformation Program costs and the ongoing renewal of information technology and facilities, will change in the forecast period. Operating expenses in 2014 reflect management's continued focus on cost containment, application of tight discretionary spending policies, and reduced staffing. Premiums earned will be impacted by changes in Basic insurance rates, which are subject to regulatory approval. For the purpose of this forecast, rate changes are assumed for both the Basic and Optional insurance businesses.

The Office of the Chief Justice of the B.C. Supreme Court is considering a reduction of the discount rate, for future care and future wage loss claims, which would increase the amount awarded for these types of claims. The forecast for 2014–2016 does not reflect the impact of a potential change to the discount rates used (as defined in the *Law and Equity Act* of B.C.) in the present value of future claims costs. Based on current assumptions, if enacted, the changes could have an estimated impact to claims costs of \$60 million annually and a one-time impact of \$200 million. In addition, if interested parties were successful in recommending an even lower discount rate than the rate currently assumed, negative impact on claims costs, future net income and customer rates would be even more significant.

¹⁶ 2012 has been restated for comparative purposes to reflect the adoption of IAS 19 (Amendment) Employee Benefits.

Summary Financial Outlook

\$ millions ¹	2012 Actual ²	2013 Outlook	2014 Forecast	2015 Forecast	2016 Forecast
Premiums earned	\$3,811	\$3,921	\$4,104	\$4,276	\$4,426
Service fees	54	57	57	58	58
Investment income	443	676	608	478	484
Total revenue	4,308	4,654	4,769	4,812	4,968
Claims incurred (including prior years' claims adjustments)	2,953	3,112	3,353	3,462	3,575
Claims services & loss management	323	320	331	327	323
Insurance operations expenses	169	165	169	169	168
Transformation program	25	29	41	32	35
Acquisition costs (including DPAC adjustments)	463	542	499	510	533
Non-insurance expenses	121	118	124	127	129
Total expenses before additional items	4,054	4,286	4,517	4,627	4,763
Non-recurring expenses – restructuring costs	25	-	-	-	-
Total expenses	4,079	4,286	4,517	4,627	4,763
Net income	229	368	252	185	205
Other comprehensive income (loss)					
Net change in available-for-sale financial assets	82	242	(199)	(55)	(2)
Pension and post-retirement benefits actuarial gain (loss)	10	16			
Total comprehensive income	321	626	53	130	203
Total equity – beginning of year	2,926	3,247	3,636	3,489	3,464
Transfer of excess Optional capital to the Government of British Columbia		(237)	(200)	(155)	(125)
Total equity – end of year	3,247	3,636	3,489	3,464	3,542
Represented by:					
Retained earnings – end of year	3,014	3,145	3,197	3,227	3,307
Other components of equity	233	491	292	237	235
Total equity – end of year	\$3,247	\$3,636	\$3,489	\$3,464	\$3,542
Capital expenditures³	\$74	\$78	\$91	\$40	\$40
Total liabilities	\$10,608	\$11,507	\$12,038	\$12,584	\$13,067

Notes

- Financial information for all years was prepared based on International Financial Reporting Standards (IFRS).
- 2012 has been restated for comparative purposes to reflect the adoption of IAS 19 (Amendment) Employee Benefits.
- Major categories of capital expenditure include: facilities (land, building, and leasehold), furniture and equipment, IT systems (computer equipment and software). Looking ahead, ICBC expects capital expenditures will change in the forecast period as the company maintains or replaces aging infrastructure, including replacement or upgrade of facilities, and as critical business systems are renewed.

Operating Costs By Nature

\$ millions	2012 Actual ¹	2013 Outlook	2014 Forecast	2015 Forecast	2016 Forecast
Premium taxes and commissions	\$502	\$516	\$532	\$549	\$560
DPAC adjustments	(11)	53	(5)	(10)	2
Salaries and employee benefits	445	434	442		
Professional and other services	42	39	42		
Road improvements and other traffic safety programs	32	32	33		
Building operating expenses	32	32	30	626 ²	626 ²
Office administration	17	19	19		
Computer costs	23	24	30		
Depreciation and amortization	24	29	37		
Other expenses	(5)	(4)	4		
Total operating costs before additional items	1,101	1,174	1,164	1,165	1,188
Non-recurring expenses – restructuring costs	25	-	-	-	-
Total operating costs	\$1,126	\$1,174	\$1,164	\$1,165	\$1,188

Notes

- 2012 has been restated for comparative purposes to reflect the adoption of IAS 19 (Amendment) Employee Benefits.
- Operating cost targets are not planned in detail beyond the current year.

Assumptions

- The actual is based on the status quo business model and the company's expected investment in the renewal of existing systems.
- These results reflect the overall operations of the business, including Basic and Optional insurance and non-insurance activities.
- For the 2014 – 2016 forecast period, rate changes are assumed for both the Basic and Optional insurance businesses. Any proposed changes to Basic insurance rates are subject to regulatory approval.
- Investment income, as shown, includes the expected interest, dividends, and other income and realized gains/losses from the investment portfolio.
- Claims incurred reflect current claims trends, vehicle population growth, and inflation.
- Prior years' claims reflect changes in the discounted value of unpaid claims.
- The forecast does not reflect potential changes to the discount rates used in the present value of future claims damages included in the *Law and Equity Act* of B.C., and these could have significant impact on claims costs.
- 2013 outlook includes the 2013 pension and post-retirement actuarial gain, primarily due to the increase in the discount rate from the prior year-end and to a higher than expected return from plan assets. The financial forecast does not reflect any impact of changes in pension contribution due to the COPE/ICBC Pension Plan.
- The transfer of excess Optional capital to the Government of British Columbia is the amount of Optional capital in excess of the management target MCT, and the estimated costs for the total Transformation Program and any other deductions as approved by Treasury Board. For the year 2013, government instructed ICBC to transfer \$237 million to government as per the Revised 2013 – 2015 Service Plan, with the remainder being transferred to the Basic business. The 2014 – 2016 forecasts assume a resumption of the transfers of excess Optional capital to the Government of British Columbia.
- Changes in unrealized gains and losses continue to impact Other Components of Equity (OCE) in 2014 – 2016 until proposed changes in the accounting standard are in effect.
- The amount of Driver Penalty Point premiums and/or Driver Risk Premiums included in the forecast is based on current estimates.

Forecast Risks and Sensitivities

Premiums

- 1% fluctuation means \$39 – \$44 million in net premiums.

Claims

- 1% fluctuation means \$32 – \$36 million in claims costs.
- 1% fluctuation in the unpaid claims balance means \$70 – \$88 million in claims costs.
- 1% fluctuation in the rate used to discount claims means about \$175 million in claims costs.

Investments

- 1% fluctuation in return means \$123 – \$148 million in investment income.
- 1% change in investment balance means \$5 – \$7 million in investment income.

Market share

- 1% change in market share represents a \$4 – \$6 million impact on net income.

Summary Financial Outlook

Major Capital Projects

ICBC is committed to the modernization of the company through the Transformation Program, which includes the replacement of our aging technology and helps put the right systems and business processes in place to support the services customers expect, and to deliver on future financial savings.

For risks associated with the Transformation Program, please see the *Business Renewal* risk under the Key Strategic Risks section on page 11.

Major Capital Projects¹

\$ millions	Cumulative Prior Years (Actual)	2013 (Actual)	2014 (Forecast)	2015 (Forecast)	2016 (Forecast)	Projected Costs to Complete	Total Project Cost (Forecast)
Transformation Program	\$104	\$62	\$71	\$13	-	-	\$250

Notes

1. This table reflects projects with capital expenditures over \$50 million. The capital expenditures in this table are a subset of the capital expenditures reported in the Summary Financial Outlook on page 26.

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ADDITIONAL INFORMATION

Additional information about ICBC is available at www.icbc.com

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