

# **ICBC First Quarter 2020/21 COVID-19 Report**

Sept 10, 2020



## Overview

The COVID-19 pandemic continues to impact ICBC and its customers. As outlined in [ICBC's previous report](#) on the impact of COVID-19, the key variables affecting the corporation's financial results include claims costs, premium revenue and investment income.

This report<sup>1</sup> focuses on how the pandemic has impacted those variables during the first quarter (April 1 to June 30) of ICBC's current 2020/21 fiscal year. The province was in Phases 1 and 2 of its [Restart Plan](#) through most of ICBC's first quarter. People were encouraged to stay close to home and avoid travel between communities unless essential. As a result, there were fewer collisions and fewer claims. The estimated impact of fewer claims in Q1 is \$329.5 million less than what ICBC had expected for the period.

During this time, ICBC also took in lower premium revenue as customers made changes to their insurance policies, held off on getting new policies or cancelled their policies resulting in an estimated \$136 million reduction in written premium compared to what would normally be received for that period.

ICBC's investment portfolio has rebounded after a sharp decline in the final two weeks of the corporation's last fiscal year (end of March 2020). However, there is continued uncertainty around global investment markets related to the COVID-19 pandemic and so it is not clear what ICBC's investment income will look like in future quarters. ICBC is also closely monitoring the outcome of the current constitutional challenge to the mandate of the Civil Resolution Tribunal (CRT) to review minor injury accident claims.

---

<sup>1</sup> ICBC released its first COVID-19 report on May 14. It looked at seven weeks of data from mid-March when the British Columbia government declared a state of emergency to May 2<sup>nd</sup>. The intent was to give the public a better idea of the impact the COVID-19 pandemic was having on ICBC and its customers. Moving forward, these reports will align with ICBC's quarterly updates with the next report released when ICBC issues its second quarter results in November.

## The path forward

ICBC is still recovering from the recent consecutive years of net losses of more than a billion dollars. The corporation's capital levels have been severely depleted, leaving it with little financial cushion to absorb volatility. After reporting a net loss of \$376 million at the end of fiscal 2019/20, a net income of \$311 million (including minority interests) at the end of Q1 2020/21 is a step in the right direction that ICBC hopes to build on over the remainder of the fiscal year.

ICBC is also awaiting a BC Supreme Court decision regarding the expanded scope of the Civil Resolution Tribunal (CRT) for certain types of ICBC disputes as part of the constitutional challenge contesting the April 2019 product reforms that also introduced a limit on pain and suffering payouts for minor injuries. Should the plaintiffs be successful in their arguments, there is likely to be a negative financial impact to ICBC's bottom line, which could be significant.

At the close of Q1, there were still too many uncertainties associated with the pandemic and other risks to develop a revised year-end forecast. Although ICBC saw some positive claim trends due to fewer crashes as a result of COVID-19 travel restrictions at that time, it also experienced lower premium revenue due to fewer customers buying or renewing policies and more customers changing or cancelling their policies, continued uncertainty in investment markets and the risk of an unfavourable outcome for the CRT constitutional challenge. ICBC will continue to provide an up-to-date year-end forecast when releasing quarterly results, even though the forecast may not have changed for the reasons noted above.

While significant risks remain, ICBC is hopeful that the net income gain posted for Q1 is not eroded by those risks. Any gains for the full year will be to the benefit of customers. Options on use of higher than planned net income could include providing a one-time relief payment to customers, rebuilding the financial health of ICBC to stabilize rates in the future, or a combination of both. Any decisions on the use of any higher than planned net income of ICBC for the year will be made by the end of the fiscal year.

## Relief for BC drivers

Through Q1, ICBC implemented a number of measures to help customers facing financial hardship stemming from the COVID-19 pandemic. Those measures included:

- Offering 90-day deferrals with options for customers to set up extended payment plans. In Q1, this allowed 40,000 customer deferrals with \$14 million in payments deferred.
- Temporarily waiving cancelation fees, saving British Columbians \$2.9 million.\*
- Waiving re-plating fees, saving British Columbians \$2.2 million.
- Temporarily allowing fleet customers to suspend insurance on vehicles they are not driving.\*
- Providing a temporary exemption to customers insured for personal use, to allow them to deliver food and medical products.\*
- Waiving the fee for the first knowledge test required for customers whose Class 5-8 Learner Driver's Licences (LDLs) expired.

As a result of these measures, along with additional steps taken in response to the COVID-19 pandemic, ICBC customers have saved millions of dollars.

\*Note: these measures ended August 20th.

## Our continued focus on delivering customer service

In addition to financial relief for BC drivers, ICBC has also been working closely with its broker, collision and glass repair shop, medical service provider, and government partners to implement a number of measures to help British Columbians through this difficult time, including:

- Enabling customers to renew and make adjustments to their insurance by phone and email.
- Providing on-line and phone-based service delivery extension options that helped reduce the need for BC residents to have physically visited a driver licensing office during the initial months of the pandemic.
- Offering telehealth services in place of standard in-person treatments and extending pre-authorized health treatments, as well as increasing grants to community non-profit organizations providing support to injured British Columbians.
- Paying for vehicle cleaning at repair shops, which continue to operate, helping to get vehicles back on the road in a timely manner.
- Following enhanced safety measures at all ICBC driver licensing offices, including during road tests.
- Developing a new online appointment booking system for in-person driver licensing visits to help maintain physical distancing measures at driver licensing offices.

# Q1 Financial impacts - Lower premium revenue

In Q1, ICBC experienced a decrease in insurance premium revenue, seeing a decline of \$136 million in written premium compared to what would normally be received for that time period. The decrease is mainly attributed to customers cancelling insurance and changing rate classes (how they use their vehicle). In addition, ICBC received fewer new insurance policies and fewer renewals compared to Q1 of last fiscal year.

Key statistics:

- 141,483 insurance cancellations, a 10% increase compared to Q1 19/20.
- 262,829 new insurance policies processed, an 8% decrease from Q1 19/20.
- 1,138,469 insurance policies renewed, a 3% decrease from Q1 19/20.
- 56,594 new storage policies were purchased, a 92% increase compared to Q1 19/20, and 18,805 storage policies were renewed, a 93% increase compared to Q1 19/20.



**fewer claims**



decrease in  
**claims**



**reduced revenues**

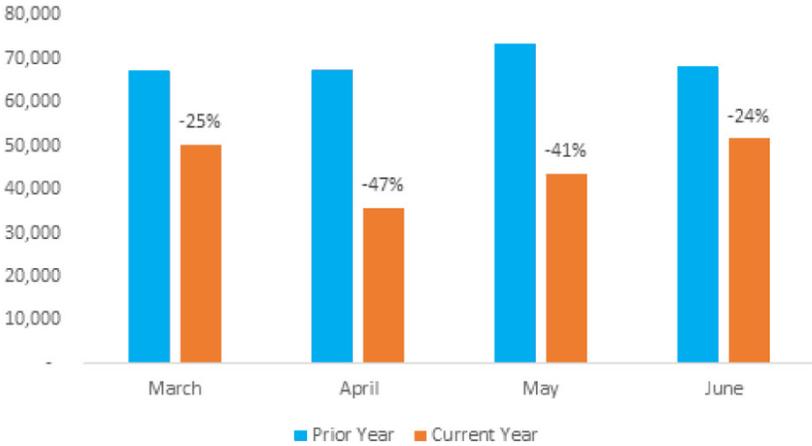


decrease in  
**written premiums**

# Claims costs

With fewer drivers on BC roads during the first quarter, there were fewer claims filed than the same period the year before. The trend started midway through March when the Province declared a state of emergency, and continued through Q1 with the biggest drop in April when there were 47% fewer claims than April of the previous year.

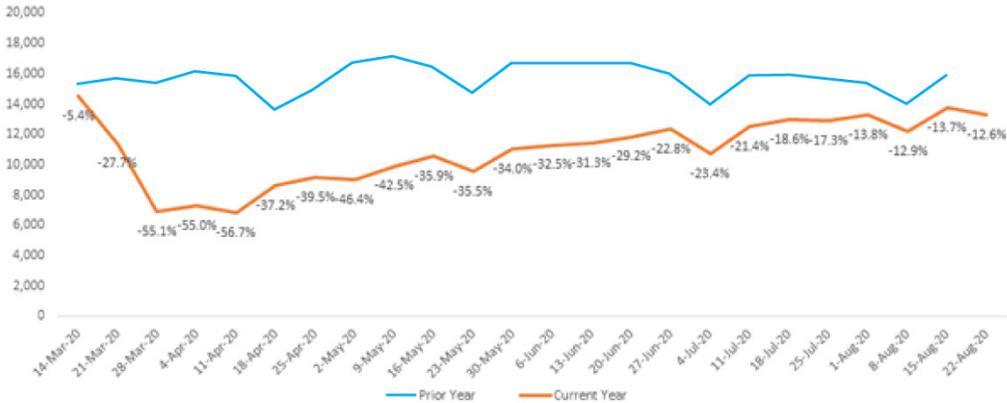
## Overall Claims Intake



As BC moved through Phases 1 and 2 into Phase 3 of its restart plan toward the end of the quarter, the number of claims increased, although they were still below the same time frame of the previous year.

Overall, ICBC opened 37% fewer accident claims between April 1 and June 30 (including claims for both damage to vehicles and for injuries) compared to the same period last year, with an average weekly reduction of 6,000 claims. ICBC estimates that the value of that reduction in claims during this Q1 is approximately \$329.5 million.

## Overall Claims Intake



Taking a broader view of the claims picture, it's clear the announcement of the state of emergency had an immediate impact as shown by the sharp drop in claims filed at the end of March. However, through Q1 and into the months of July and August, ICBC's claims intake numbers increased to levels more similar to last year.

## Investment income

ICBC's equity investments rebounded after a significant drop at the end of fiscal 2019/20 due to the downturn in global markets driven by the COVID-19 pandemic. Lower interest rates during this time led to the realization of bond gains through trading activities. Those factors, along with the disposition of real estate, resulted in higher investment income in Q1 this fiscal year compared to last year.

Moving forward, there is continued uncertainty around investment markets and so it is not clear what ICBC's investment income will look like in future quarters. We do, however, continue to closely monitor and manage our investments prudently.

## Summary

The COVID-19 pandemic continues to have a range of impacts on ICBC, both positive and negative, and at the close of the first quarter, there remains a lot of uncertainty about how the pandemic and other risks will affect ICBC's 2020/21 full year net income.

Government and ICBC have stated that if ICBC's net income results are better than forecast for 2020/21, any additional net income will benefit customers. This could mean rebuilding ICBC's capital to reduce longer-term pressure on rates, or providing a one-time direct relief to customers or any combination.

ICBC's next COVID-19 update will be released in Q2.