



Financial Summary – December 2020

Financial Results

At the end of its third quarter, ICBC is forecasting a year-end net income of \$709 million, an increase of \$623 million from the Service Plan year-end net income of \$86 million.

Changes in driving behaviour stemming from the COVID-19 pandemic has led to a reduction in claims costs through the first nine months of ICBC's fiscal year. During this time, ICBC received about 30% fewer crash claims than would have been expected without the pandemic, including fewer injury claims. In addition, a further reduction in frequency of crashes in British Columbia is the continuation of a non-COVID 19 related trend observed prior to the pandemic.

While ICBC took in lower premium revenue as a result of customers cancelling their policies or reducing insurance coverage during the more restrictive phases of the COVID-19 pandemic, the impact of these changes were more than offset by the reduction in claims costs during this period.

The product reform implemented in April 2019 that introduced a limit on pain and suffering payouts for minor injuries also continues to reduce claims costs.

ICBC's corporate net income at the end of Q3 was \$1,276 million, which includes \$11 million in income attributed to non-controlling interest and the remainder attributed to ICBC. This figure does not take into account the \$600 million distributed to eligible customers in April, 2021 as a COVID-19 rebate, which will be reflected in the Q4 financials.

ICBC's equity investments have 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 investment properties and higher dividend income resulted in higher investment income compared to the same period last year.

ICBC's Minimum Capital Test ratio is higher than last year primarily due to the recovery of the financial markets from COVID-19 since our previous year-end and also due to our positive net income. ICBC's Minimum Capital Test ratio continues to be low, which impacts the ability to absorb any unanticipated adverse impacts.

ICBC continues to have a stable and low expense ratio.



Statement of Operations

For the Nine Months Ended December 31, 2020 and 2019¹

(\$ Millions)	Basic		Optional		Corporate	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Premiums written	\$ 2,728	\$ 2,833	\$ 2,328	\$ 2,160	\$ 5,056	\$ 4,993
Premiums earned	2,653	2,714	2,165	2,054	4,818	4,768
Service fees and other income	62	65	47	44	109	109
Total earned revenues	2,715	2,779	2,212	2,098	4,927	4,877
Current year claims	1,960	2,180	1,461	1,410	3,421	3,590
Prior years' claims adjustments	(234)	521	52	171	(182)	692
Net claims incurred	1,726	2,701	1,513	1,581	3,239	4,282
Claims services, road safety and loss management services	218	230	106	115	324	345
Total claims and related costs	1,944	2,931	1,619	1,696	3,563	4,627
Administrative and Insurance expenses	91	98	120	128	211	226
Premium taxes and commissions	167	174	443	409	610	583
Deferred premium acquisition costs adjustment	-	(34)	-	-	-	(34)
Total claims and expenses	2,202	3,169	2,182	2,233	4,384	5,402
Underwriting income (loss)	513	(390)	30	(135)	543	(525)
Investment income	582	474	257	193	839	667
Income - insurance operations before impairment loss	1,095	84	287	58	1,382	142
Provincial licences and fines	460	487	-	-	460	487
Less:						
Licences and fines transferable to the Province	460	487	-	-	460	487
Non-insurance operating expenses	77	80	-	-	77	80
Commissions	24	24	-	-	24	24
Non-insurance other income	(3)	(5)	-	-	(3)	(5)
Total non-insurance expenses	558	586	-	-	558	586
Loss - non-insurance operations	(98)	(99)	-	-	(98)	(99)
Net income (loss) before impairment loss	997	(15)	287	58	1,284	43
Impairment loss	(6)	(16)	(2)	(7)	(8)	(23)
Net income (loss)	\$ 991	\$ (31)	\$ 285	\$ 51	\$ 1,276	\$ 20
Net income (loss) attributable to:						
Non-controlling interest ²	\$ 7	\$ -	\$ 4	\$ -	\$ 11	\$ -
Parent corporation	984	(31)	281	51	1,265	20
	\$ 991	\$ (31)	\$ 285	\$ 51	\$ 1,276	\$ 20
Insurance Industry Ratios						
%	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Loss ratio	73.3	108.0	74.8	82.6	74.0	97.0
Expense ratio	13.6	13.8	25.2	25.3	18.8	18.8
Combined ratio	86.8	120.6	100.7	108.7	93.1	115.5

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

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



Statement of Financial Position

As at December 31, 2020¹ and March 31, 2020

(\$ Millions)	December 31 2020	March 31 2020
Assets		
Cash and cash equivalents	\$ 24	\$ 52
Accrued interest	50	69
Assets held for sale	28	216
Financial investments	20,173	17,501
Premium and other receivables	2,314	2,180
Reinsurance assets	27	32
Investment properties	586	610
Property, equipment, intangible and lease assets	453	438
Accrued pension benefits	59	64
Deferred premium acquisition costs and prepaids	433	410
	<u>\$ 24,147</u>	<u>\$ 21,572</u>
Liabilities and Equity (Deficit)		
Liabilities		
Current liabilities	\$ 330	\$ 399
Bond repurchase agreements and investment-related liabilities	1,953	2,406
Unearned premiums and premiums and fees received in advance	3,243	3,037
Lease liabilities	58	54
Pension and post-retirement benefits	233	219
Provision for unpaid claims	16,439	16,004
	<u>22,256</u>	<u>22,119</u>
Equity (Deficit)		
Equity (Deficit)	869	(396)
Other components of equity	1,015	(165)
Equity (Deficit) attributable to parent corporation	1,884	(561)
Non-controlling interest	7	14
	<u>1,891</u>	<u>(547)</u>
	<u>\$ 24,147</u>	<u>\$ 21,572</u>
Minimum Capital Test ("MCT")	52%	-30%

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Glossary – December 2020

Combined ratio

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

Current year claims

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

Deferred premium acquisition costs ("DPAC") Adjustment

The deferred premium acquisition costs adjustment is an accounting adjustment that limits the amount of commissions and premium taxes that can be deferred and recorded in the income statement over the policy term based on the future profitability. If the business is unprofitable, no deferral of expenses is permitted and these costs must be immediately recognized as expenses. If the business becomes profitable, then this accounting treatment is reversed.

Expense ratio

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

Impairment Loss

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

Loss ratio

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

Minimum Capital Test ("MCT")

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

Non-controlling interest

ICBC's financial reporting standards attribute the total comprehensive income of investment partnerships between the majority and minority partners based on their respective ownership

interests. Non-controlling interest represents the portion of ICBC's net income and assets that are attributable to minority partner.

Prior years' claims adjustments

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