



## Financial Summary – September 2022

### Financial Results

ICBC's corporate net income for the first half of our 2022/23 fiscal year (April 1, 2022, to September 30, 2022) was \$117 million.

This was \$327 million lower than the same period last fiscal year (2021/22) when investment markets were higher than usual, surpassing expectations and resulting in better-than-expected investment income. This fiscal year there has been volatility in investment markets, driven largely by inflation and rising interest rates, leading to lower investment income and impairment losses.

Like other insurers, we use an investment portfolio to help offset claims costs and reduce premiums. Our accounting standards require us to record what is called an impairment loss when there has been a significant decline in market value for equity investments. This is a "paper loss" as these investments are still owned by ICBC. In September 2022, some of our equity funds depreciated to the point where we had to recognize significant impairment losses.

If volatility continues in the investments markets, we expect this could lead to further impairment losses in the second half of our fiscal year which would impact our net income.

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

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



## Statement of Operations

For the Six Months Ended September 30, 2022 and 2021<sup>1</sup>

(\$ Millions)	Basic		Optional		Corporate	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Premiums written	\$ 1,727	\$ 1,750	\$ 1,178	\$ 1,096	\$ 2,905	\$ 2,846
Premiums earned	1,621	1,620	1,047	1,060	2,668	2,680
Service fees and other income	38	36	24	25	62	61
<b>Total earned revenues</b>	<b>1,659</b>	<b>1,656</b>	<b>1,071</b>	<b>1,085</b>	<b>2,730</b>	<b>2,741</b>
Current year claims	1,195	1,314	729	716	1,924	2,030
Prior years' claims adjustments	(44)	(50)	83	(8)	39	(58)
Net claims incurred	1,151	1,264	812	708	1,963	1,972
Claims services, road safety and loss management services	159	162	74	80	233	242
Total claims and related costs	1,310	1,426	886	788	2,196	2,214
Administrative and Insurance expenses	66	61	75	84	141	145
Premium taxes and commissions	110	110	206	254	316	364
<b>Total claims and expenses</b>	<b>1,486</b>	<b>1,597</b>	<b>1,167</b>	<b>1,126</b>	<b>2,653</b>	<b>2,723</b>
<b>Underwriting income (loss)</b>	<b>173</b>	<b>59</b>	<b>(96)</b>	<b>(41)</b>	<b>77</b>	<b>18</b>
Investment income	155	345	69	157	224	502
<b>Income (loss) - insurance operations</b>	<b>328</b>	<b>404</b>	<b>(27)</b>	<b>116</b>	<b>301</b>	<b>520</b>
<b>Provincial licences and fines</b>	<b>334</b>	<b>339</b>	<b>-</b>	<b>-</b>	<b>334</b>	<b>339</b>
Less:						
Licences and fines transferable to the Province	334	339	-	-	334	339
Non-insurance operating expenses	62	59	-	-	62	59
Commissions	19	19	-	-	19	19
Non-insurance other income	(5)	(5)	-	-	(5)	(5)
Total non-insurance expenses	410	412	-	-	410	412
<b>Loss - non-insurance operations</b>	<b>(76)</b>	<b>(73)</b>	<b>-</b>	<b>-</b>	<b>(76)</b>	<b>(73)</b>
<b>Net income (loss) before impairment loss</b>	<b>252</b>	<b>331</b>	<b>(27)</b>	<b>116</b>	<b>225</b>	<b>447</b>
Impairment loss	(75)	(2)	(33)	(1)	(108)	(3)
<b>Net income (loss)</b>	<b>\$ 177</b>	<b>\$ 329</b>	<b>\$ (60)</b>	<b>\$ 115</b>	<b>\$ 117</b>	<b>\$ 444</b>
<b>Net income (loss) attributable to:</b>						
Non-controlling interest <sup>2,3</sup>	\$ 2	\$ -	\$ 1	\$ -	\$ 3	\$ -
Owner of the corporation	175	329	(61)	115	114	444
	<b>\$ 177</b>	<b>\$ 329</b>	<b>\$ (60)</b>	<b>\$ 115</b>	<b>\$ 117</b>	<b>\$ 444</b>
<b>Insurance Industry Ratios</b>						
%	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2021/22</b>
Loss ratio	80.9	88.1	84.6	74.3	82.3	82.6
Expense ratio	15.8	15.3	26.0	30.6	19.8	21.2
Combined ratio	96.7	103.4	111.5	106.2	102.5	104.5

<sup>1</sup> 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.

<sup>2</sup> 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.

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



# Statement of Financial Position

As at September 30, 2022<sup>1</sup> and March 31, 2022

(\$ Millions)	September 30 2022	March 31 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 19	\$ 30
Accrued interest	46	40
Assets held for sale	49	208
Financial investments	18,562	20,025
Premium and other receivables	1,753	2,067
Reinsurance assets	33	44
Investment properties	355	255
Property, equipment, intangible and lease assets	397	419
Accrued pension benefits	246	245
Deferred premium acquisition costs and prepaids	356	331
	<u>\$ 21,816</u>	<u>\$ 23,664</u>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Current liabilities	\$ 528	\$ 437
Provision for premium rebates/refunds	4	396
Bond repurchase agreements and investment-related liabilities	1,966	2,670
Unearned premiums and premiums and fees received in advance	2,739	2,502
Lease liabilities	56	54
Pension and post-retirement benefits	192	186
Provision for unpaid claims	13,411	13,704
	<u>18,896</u>	<u>19,949</u>
<b>Equity</b>		
Equity	3,462	3,348
Other components of equity	(548)	361
Equity attributable to parent corporation	2,914	3,709
Non-controlling interest	6	6
	<u>2,920</u>	<u>3,715</u>
	<u>\$ 21,816</u>	<u>\$ 23,664</u>
<b>Minimum Capital Test ("MCT")</b>		
Corporate	81%	99%
Basic	78%	92%
Optional	89%	115%

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



## Glossary – September 2022

### **Current year claims**

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

### **Prior years' claims adjustments**

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

### **Impairment Loss**

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

### **Non-controlling interest**

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

### **Expense ratio**

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

### **Loss ratio**

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

### **Combined ratio**

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

### **Minimum Capital Test ("MCT")**

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