



# Financial Summary – December 2021

## Financial Results

ICBC's corporate net income for the first nine months of our current fiscal year – April 1 to December 31, 2021 – was \$1.692 billion.

Investment income from ICBC's investment portfolio was the primary driver of our positive net income for the first three quarters of this fiscal year, with an investment income of \$1.340 billion.

Many British Columbians have started driving more over the past nine months and the number of crash claims reported to ICBC has returned to pre-pandemic levels. At the end of our third quarter, uncertainty remains as to how the COVID-19 pandemic will affect the remainder of our fiscal year. We continue to closely monitor the pandemic's impact on traffic volumes and crash frequency.

ICBC transitioned to the Enhanced Care model on May 1, 2021, providing British Columbians with more affordable auto insurance and some of the best care, recovery and wage loss benefits available in Canada. Under Enhanced Care, auto insurance costs less. As a result, ICBC has recorded lower premiums from customers purchasing insurance in Q3 compared to the same period last year. Claims costs are also lower than under the previous auto insurance system largely due to fewer dollars being spent on legal costs.

ICBC's higher net income so far this fiscal year has led to an improvement in our capital levels, as measured by the Minimum Capital Test (MCT) ratio, compared to fiscal 2020/21. MCT is an important industry measurement used to determine whether a company has sufficient capital to absorb unexpected losses. While we continue to make gains in this area, our MCT ratio still needs more time to recover after several years of cumulative net losses in the years prior to fiscal 2020/21, which deteriorated capital levels.

Our expense ratio increased in Q3 under the Enhanced Care model. This is a ratio of our operating expenses (excluding claims costs and claims-related costs), premium taxes and commissions to premiums earned. Since ICBC took in lower premiums compared to the same period last year under the previous model, we expected our expense ratio to increase slightly. Meanwhile, our loss and combined ratios are fairly in line with last year due to the lower claims costs associated with Enhanced Care.



## Statement of Operations

For the Nine Months Ended December 31, 2021 and 2020<sup>1</sup>

(\$ Millions)	Basic		Optional		Corporate	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Premiums written	\$ 2,497	\$ 2,728	\$ 1,572	\$ 2,328	\$ 4,069	\$ 5,056
Premiums earned	2,408	2,653	1,556	2,165	3,964	4,818
Service fees and other income	53	62	38	47	91	109
<b>Total earned revenues</b>	<b>2,461</b>	<b>2,715</b>	<b>1,594</b>	<b>2,212</b>	<b>4,055</b>	<b>4,927</b>
Current year claims	1,768	1,960	1,005	1,461	2,773	3,421
Prior years' claims adjustments	(176)	(234)	(114)	52	(290)	(182)
Net claims incurred	1,592	1,726	891	1,513	2,483	3,239
Claims services, road safety and loss management services	249	218	117	106	366	324
Total claims and related costs	1,841	1,944	1,008	1,619	2,849	3,563
Administrative and Insurance expenses	93	91	124	120	217	211
Premium taxes and commissions	162	167	363	443	525	610
<b>Total claims and expenses</b>	<b>2,096</b>	<b>2,202</b>	<b>1,495</b>	<b>2,182</b>	<b>3,591</b>	<b>4,384</b>
<b>Underwriting income</b>	<b>365</b>	<b>513</b>	<b>99</b>	<b>30</b>	<b>464</b>	<b>543</b>
Investment income	923	582	417	257	1,340	839
<b>Income - insurance operations before impairment loss</b>	<b>1,288</b>	<b>1,095</b>	<b>516</b>	<b>287</b>	<b>1,804</b>	<b>1,382</b>
<b>Provincial licences and fines</b>	<b>499</b>	<b>460</b>	<b>-</b>	<b>-</b>	<b>499</b>	<b>460</b>
Less:						
Licences and fines transferable to the Province	499	460	-	-	499	460
Non-insurance operating expenses	91	77	-	-	91	77
Commissions	27	24	-	-	27	24
Non-insurance other income	(7)	(3)	-	-	(7)	(3)
Total non-insurance expenses	610	558	-	-	610	558
<b>Loss - non-insurance operations</b>	<b>(111)</b>	<b>(98)</b>	<b>-</b>	<b>-</b>	<b>(111)</b>	<b>(98)</b>
<b>Net income before impairment loss</b>	<b>1,177</b>	<b>997</b>	<b>516</b>	<b>287</b>	<b>1,693</b>	<b>1,284</b>
Impairment loss	(1)	(6)	-	(2)	(1)	(8)
<b>Net income</b>	<b>\$ 1,176</b>	<b>\$ 991</b>	<b>\$ 516</b>	<b>\$ 285</b>	<b>\$ 1,692</b>	<b>\$ 1,276</b>
<b>Net income attributable to:</b>						
Non-controlling interest <sup>2,3</sup>	\$ -	\$ 7	\$ -	\$ 4	\$ -	\$ 11
Owner of the corporation	1,176	984	516	281	1,692	1,265
	<b>\$ 1,176</b>	<b>\$ 991</b>	<b>\$ 516</b>	<b>\$ 285</b>	<b>\$ 1,692</b>	<b>\$ 1,276</b>
<b>Insurance Industry Ratios</b>						
%	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Loss ratio	76.5	73.3	64.7	74.8	71.9	74.0
Expense ratio	15.5	13.6	30.2	25.2	21.1	18.8
Combined ratio	91.9	86.8	96.0	100.7	93.5	93.1

<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 December 31, 2021<sup>1</sup> and March 31, 2021

(\$ Millions)	December 31 2021	March 31 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 23	\$ 20
Accrued interest	37	60
Assets held for sale	64	59
Financial investments	20,714	20,544
Premium and other receivables	1,603	1,985
Reinsurance assets	39	28
Investment properties	406	558
Property, equipment, intangible and lease assets	430	460
Accrued pension benefits	81	90
Deferred premium acquisition costs and prepaids	325	378
	<u>\$ 23,722</u>	<u>\$ 24,182</u>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Current liabilities	\$ 351	\$ 353
Provision for premium rebates/refunds	3	1,186
Bond repurchase agreements and investment-related liabilities	2,084	2,271
Unearned premiums and premiums and fees received in advance	2,538	2,466
Lease liabilities	54	61
Pension and post-retirement benefits	491	458
Provision for unpaid claims	14,852	15,520
	<u>20,373</u>	<u>22,315</u>
<b>Equity</b>		
Equity	2,823	1,131
Other components of equity	519	729
Equity attributable to parent corporation	3,342	1,860
Non-controlling interest	7	7
	<u>3,349</u>	<u>1,867</u>
	<u>\$ 23,722</u>	<u>\$ 24,182</u>
<b>Minimum Capital Test ("MCT")</b>	89%	51%

<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 – December 2021

### **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.

### **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.