



## Financial Summary – June 2021

### Financial Results

ICBC's corporate net income for the first quarter, which ended June 30, 2021, was \$294 million.

ICBC transitioned to Enhanced Care on May 1, 2021, one month into the first quarter of fiscal 2021/22, resulting in the majority of policy renewals in Q1 being under the Enhanced Care model. Enhanced Care offers British Columbians more affordable insurance with average savings of 20 per cent for customers renewing Basic and Optional ICBC auto insurance. As expected, earned premium revenue for the first quarter was \$174 million lower compared to the same period last year due to the cost difference between Enhanced Care coverage and the previous insurance system.

The impact of lower premium revenue was partially offset by investment income and lower current year claims costs in the first quarter. Investment income was primarily driven by the realization of equity gains from a rebalancing of ICBC's investment portfolio that occurred during the quarter. Further, Enhanced Care coverage is a lower cost model so lower current year claims costs were expected.

The positive bottom line result of \$294 million net income continues to improve ICBC's equity on the statement of financial position.

ICBC's Minimum Capital Test ratio is also showing an improvement from fiscal 2020/21 mainly due to the realized equity gains and equity market appreciation. ICBC's Minimum Capital Test ratio continues to be low due to several years of consecutive losses that led to deterioration of capital levels.

The increase in ICBC's loss, expense and combined ratios compared to last year is due to the expected lower premiums as a result of the Enhanced Care model as stated above.



## Statement of Operations

For the Three Months Ended June 30, 2021 and 2020<sup>1</sup>

(\$ Millions)	Basic		Optional		Corporate	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Premiums written	\$ 897	\$ 928	\$ 554	\$ 789	\$ 1,451	\$ 1,717
Premiums earned	813	863	561	685	1,374	1,548
Service fees and other income	19	19	13	15	32	34
<b>Total earned revenues</b>	<b>832</b>	<b>882</b>	<b>574</b>	<b>700</b>	<b>1,406</b>	<b>1,582</b>
Current year claims	695	697	396	480	1,091	1,177
Prior years' claims adjustments	(12)	(20)	(13)	7	(25)	(13)
Net claims incurred	683	677	383	487	1,066	1,164
Claims services, road safety and loss management services	81	74	42	37	123	111
Total claims and related costs	764	751	425	524	1,189	1,275
Administrative and Insurance expenses	29	31	42	40	71	71
Premium taxes and commissions	50	54	133	140	183	194
<b>Total claims and expenses</b>	<b>843</b>	<b>836</b>	<b>600</b>	<b>704</b>	<b>1,443</b>	<b>1,540</b>
<b>Underwriting (loss) income</b>	<b>(11)</b>	<b>46</b>	<b>(26)</b>	<b>(4)</b>	<b>(37)</b>	<b>42</b>
Investment income	255	210	115	93	370	303
<b>Income - insurance operations before impairment loss</b>	<b>244</b>	<b>256</b>	<b>89</b>	<b>89</b>	<b>333</b>	<b>345</b>
<b>Provincial licences and fines</b>	<b>170</b>	<b>144</b>	<b>-</b>	<b>-</b>	<b>170</b>	<b>144</b>
Less:						
Licences and fines transferable to the Province	170	144	-	-	170	144
Non-insurance operating expenses	28	26	-	-	28	26
Commissions	13	8	-	-	13	8
Non-insurance other income	(3)	(1)	-	-	(3)	(1)
Total non-insurance expenses	208	177	-	-	208	177
<b>Loss - non-insurance operations</b>	<b>(38)</b>	<b>(33)</b>	<b>-</b>	<b>-</b>	<b>(38)</b>	<b>(33)</b>
<b>Net income before impairment loss</b>	<b>206</b>	<b>223</b>	<b>89</b>	<b>89</b>	<b>295</b>	<b>312</b>
Impairment loss	(1)	(1)	-	-	(1)	(1)
<b>Net income</b>	<b>\$ 205</b>	<b>\$ 222</b>	<b>\$ 89</b>	<b>\$ 89</b>	<b>\$ 294</b>	<b>\$ 311</b>
<b>Net income attributable to:</b>						
Non-controlling interest <sup>2,3</sup>	\$ -	\$ 8	\$ -	\$ 3	\$ -	\$ 11
Owner of the corporation	205	214	89	86	294	300
	<b>\$ 205</b>	<b>\$ 222</b>	<b>\$ 89</b>	<b>\$ 89</b>	<b>\$ 294</b>	<b>\$ 311</b>
<b>Insurance Industry Ratios</b>						
%	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>
Loss ratio	93.9	87.1	75.7	76.4	86.5	82.4
Expense ratio	14.8	13.8	29.8	25.6	20.8	19.0
Combined ratio	108.7	100.8	107.1	102.7	108.0	101.7

<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 June 30, 2021<sup>1</sup> and March 31, 2021

(\$ Millions)	June 30 2021	March 31 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 25	\$ 20
Accrued interest	37	60
Assets held for sale	61	59
Financial investments	20,576	20,544
Premium and other receivables <sup>2,3</sup>	1,674	1,985
Reinsurance assets	30	28
Investment properties	490	558
Property, equipment, intangible and lease assets	452	460
Accrued pension benefits	87	90
Deferred premium acquisition costs and prepaids	363	378
	<u>\$ 23,795</u>	<u>\$ 24,182</u>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Current liabilities	\$ 373	\$ 353
Provision for premium rebates/refunds <sup>2,3</sup>	357	1,186
Bond repurchase agreements and investment-related liabilities	2,181	2,271
Unearned premiums and premiums and fees received in advance <sup>2</sup>	2,529	2,466
Lease liabilities	60	61
Pension and post-retirement benefits	469	458
Provision for unpaid claims	15,520	15,520
	<u>21,489</u>	<u>22,315</u>
<b>Equity</b>		
Equity	1,425	1,131
Other components of equity	874	729
Equity attributable to parent corporation	2,299	1,860
Non-controlling interest	7	7
	<u>2,306</u>	<u>1,867</u>
	<u>\$ 23,795</u>	<u>\$ 24,182</u>
<b>Minimum Capital Test ("MCT")</b>	58%	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.

<sup>2</sup> Provision for premium rebates/refunds reflects the COVID-19 rebates and the Enhanced Care refund to ICBC customers. In 2020/21, ICBC made a reclassification of Enhanced Care refund from unearned premiums to provision for premiums rebates/refunds and premium and other receivables. For non-payment plan customers, the refund was to be issued by cheques and included in the provision for premium rebates/refunds and for payment plan customers, the refund will reduce the premium and other receivables.

<sup>3</sup> In 2021/22, for non-payment plan customers, ICBC issued the cheques and for payment plan customers, ICBC reduced the premiums and other receivables.



## Glossary – March 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.