



## Financial Summary – September 2021

### Financial Results

ICBC's corporate net income for the first six months of our current fiscal year – April 1 to September 30, 2021 – was \$444 million.

Equity gains from ICBC's investment portfolio were the primary driver of ICBC's positive net income for the first two quarters of this fiscal year.

In ICBC's second quarter (July 1 to September 30, 2021), the Government of B.C. moved to Step 3 of its restart plan and removed travel restrictions. Many British Columbians started driving more and the number of crash claims reported to ICBC returned to pre-pandemic levels. Uncertainty remains as to how the COVID-19 pandemic will affect the rest of ICBC's fiscal year, which is why ICBC continues 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 savings for customers renewing basic and optional ICBC insurance. As expected, current year claims costs have been lower due to the implementation of Enhanced Care. However, this positive impact to net income was offset by expected lower premiums earned due to Enhanced Care's lower rates. The improved 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, which is mainly due to realized equity gains and equity market appreciation. While improving, ICBC's Minimum Capital Test ratio continues to be low due to several years of consecutive losses prior to fiscal 2020/21, which deteriorated capital levels.

The increase in ICBC's expense and combined ratios compared to last year is expected due to the lower premiums of the Enhanced Care model, as stated above. The loss ratio is fairly in line with last year due to the lower claims costs.



## Statement of Operations

For the Six Months Ended September 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	\$ 1,750	\$ 1,898	\$ 1,096	\$ 1,631	\$ 2,846	\$ 3,529
Premiums earned	1,620	1,769	1,060	1,422	2,680	3,191
Service fees and other income	36	39	25	30	61	69
<b>Total earned revenues</b>	<b>1,656</b>	<b>1,808</b>	<b>1,085</b>	<b>1,452</b>	<b>2,741</b>	<b>3,260</b>
Current year claims	1,314	1,447	716	907	2,030	2,354
Prior years' claims adjustments	(50)	38	(8)	61	(58)	99
Net claims incurred	1,264	1,485	708	968	1,972	2,453
Claims services, road safety and loss management services	162	143	80	70	242	213
Total claims and related costs	1,426	1,628	788	1,038	2,214	2,666
Administrative and Insurance expenses	61	63	84	80	145	143
Premium taxes and commissions	110	112	254	291	364	403
<b>Total claims and expenses</b>	<b>1,597</b>	<b>1,803</b>	<b>1,126</b>	<b>1,409</b>	<b>2,723</b>	<b>3,212</b>
<b>Underwriting (loss) income</b>	<b>59</b>	<b>5</b>	<b>(41)</b>	<b>43</b>	<b>18</b>	<b>48</b>
Investment income	345	289	157	127	502	416
<b>Income - insurance operations before impairment loss</b>	<b>404</b>	<b>294</b>	<b>116</b>	<b>170</b>	<b>520</b>	<b>464</b>
<b>Provincial licences and fines</b>	<b>339</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>339</b>	<b>300</b>
Less:						
Licences and fines transferable to the Province	339	300	-	-	339	300
Non-insurance operating expenses	59	49	-	-	59	49
Commissions	19	16	-	-	19	16
Non-insurance other income	(5)	(1)	-	-	(5)	(1)
Total non-insurance expenses	412	364	-	-	412	364
<b>Loss - non-insurance operations</b>	<b>(73)</b>	<b>(64)</b>	<b>-</b>	<b>-</b>	<b>(73)</b>	<b>(64)</b>
<b>Net income before impairment loss</b>	<b>331</b>	<b>230</b>	<b>116</b>	<b>170</b>	<b>447</b>	<b>400</b>
Impairment loss	(2)	(4)	(1)	(2)	(3)	(6)
<b>Net income</b>	<b>\$ 329</b>	<b>\$ 226</b>	<b>\$ 115</b>	<b>\$ 168</b>	<b>\$ 444</b>	<b>\$ 394</b>
<b>Net income attributable to:</b>						
Non-controlling interest <sup>2,3</sup>	\$ -	\$ 8	\$ -	\$ 3	\$ -	\$ 11
Owner of the corporation	329	218	115	165	444	383
	<b>\$ 329</b>	<b>\$ 226</b>	<b>\$ 115</b>	<b>\$ 168</b>	<b>\$ 444</b>	<b>\$ 394</b>
<b>Insurance Industry Ratios</b>						
%	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Loss ratio	88.1	92.0	74.3	73.0	82.6	83.5
Expense ratio	15.3	13.6	30.6	25.4	21.2	18.8
Combined ratio	103.4	105.6	106.2	99.1	104.5	102.7

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

(\$ Millions)	September 30 2021	March 31 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 26	\$ 20
Accrued interest	48	60
Assets held for sale	83	59
Financial investments	20,405	20,544
Premium and other receivables	1,685	1,985
Reinsurance assets	31	28
Investment properties	465	558
Property, equipment, intangible and lease assets	440	460
Accrued pension benefits	84	90
Deferred premium acquisition costs and prepaids	346	378
	<u>\$ 23,613</u>	<u>\$ 24,182</u>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Current liabilities	\$ 404	\$ 353
Provision for premium rebates/refunds	3	1,186
Bond repurchase agreements and investment-related liabilities	2,125	2,271
Unearned premiums and premiums and fees received in advance	2,617	2,466
Lease liabilities	57	61
Pension and post-retirement benefits	480	458
Provision for unpaid claims	15,414	15,520
	<u>21,100</u>	<u>22,315</u>
<b>Equity</b>		
Equity	1,575	1,131
Other components of equity	931	729
Equity attributable to parent corporation	2,506	1,860
Non-controlling interest	7	7
	<u>2,513</u>	<u>1,867</u>
	<u>\$ 23,613</u>	<u>\$ 24,182</u>
<b>Minimum Capital Test ("MCT")</b>	65%	51%

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## Glossary – September 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.