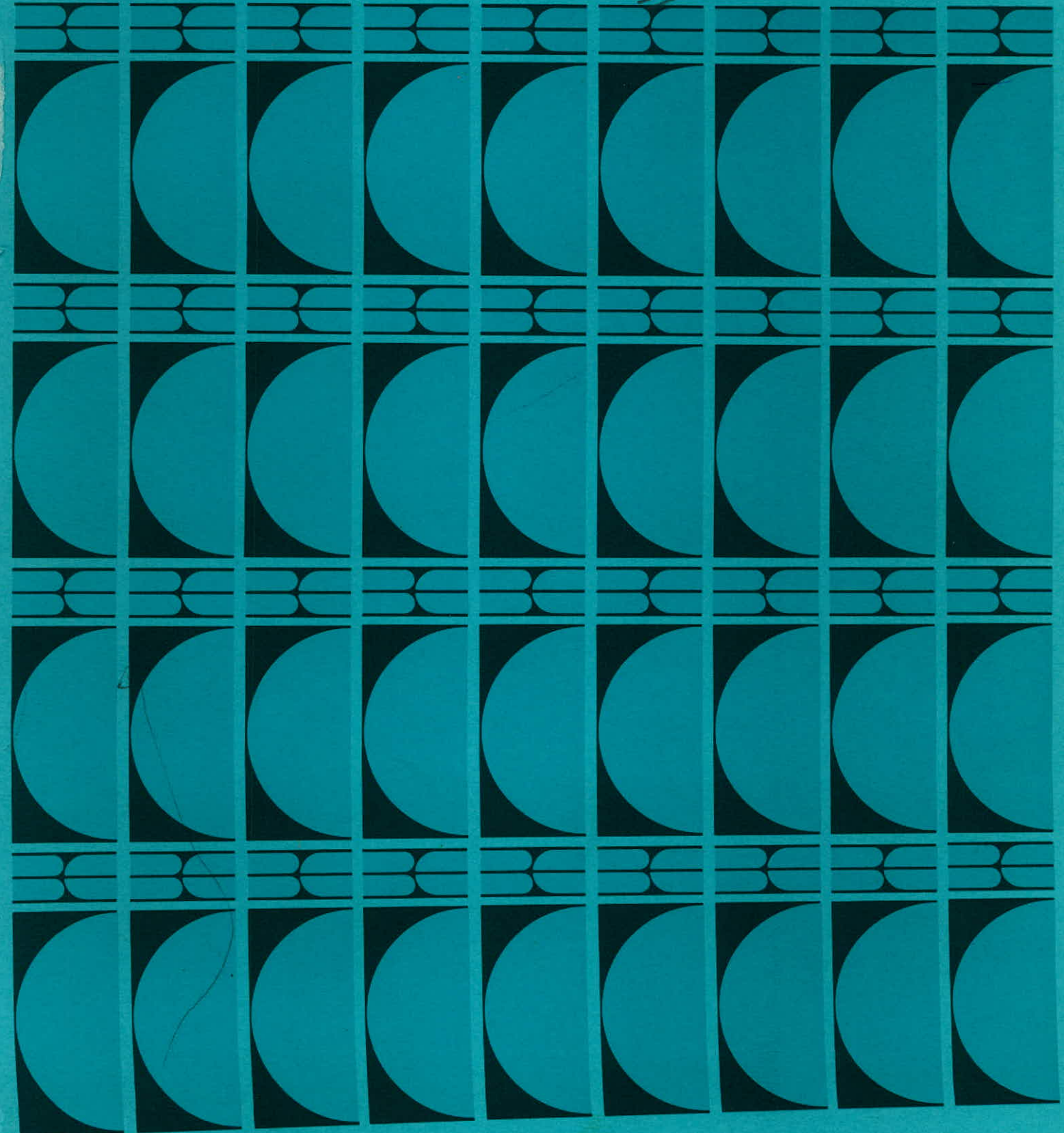


Insurance
Corporation of
British Columbia

FIRST ANNUAL REPORT 1974



Insurance Corporation of British Columbia

Board of Directors

The Honourable Robert M. Strachan,
Chairman, Minister of Transport
and Communications.

The Honourable Dennis G. Cocke,
Vice-Chairman, Minister of Health.

Joseph H. Corsbie,
General Manager, C.U. and C.
Health Services Society.

David M. Korbin,
President, British Columbia
Development Corporation.

Norman Bortnick,
Vice-President and General Manager,
Insurance Corporation of British Columbia.

President

The Honourable Robert M. Strachan,
Minister of Transport and Communications.

Vice-President and General Manager

Norman Bortnick

Head Office

Insurance Corporation of British Columbia
1055 West Georgia Street,
Vancouver, B.C. V6E 3R4.

Auditor

J.W. Minty, C.A.
Comptroller-General,
Province of British Columbia.

Banker

Royal Bank of Canada,
Royal Tower, Vancouver, B.C.



*The Honourable Robert
M. Strachan*



*The Honourable
Dennis G. Cocke*



Norman Bortnick



David M. Korbin



Joseph H. Corsbie

President's Report

The Insurance Corporation of British Columbia (ICBC) is a crown corporation created by the Insurance Corporation of British Columbia Act, S.B.C. 1973 (1st Session), Chapter 44, passed by the Provincial Legislature in April, 1973.

The basic function of the Corporation is to operate and administer a comprehensive plan of universal automobile insurance in the Province of British Columbia under the regulations of the Automobile Insurance Act, S.B.C. 1973 (1st Session), Chapter 6.

Automobile Insurance Act

The plan of comprehensive universal automobile insurance—commonly referred to as AUTOPLAN — came into effect on March 1, 1974, and inaugurated an exciting new era of service for the motoring public of British Columbia.

The plan provides, separately, basic insurance coverage for all vehicles and for all drivers of the Province, with extended coverage available on an optional basis.



All licensed motor vehicles in British Columbia — an estimated 1.4 million this year — are protected by AutoPlan, the Province's comprehensive universal automobile insurance program launched on March 1, 1974.

The task of implementing the provisions of the Automobile Insurance Act and translating them into a dynamic and effective insurance program has been the prime and principal project of the Insurance Corporation during the past year. In the short period of eleven months between April, 1973 and March, 1974, the task of designing and developing a single program to serve every licensed vehicle and driver in the Province has been a tremendous undertaking.

In order to facilitate the administration of Autoplan by the Insurance Corporation, a special fund, designated as the AUTOMOBILE INSURANCE ACT FUND, was established as a separate financial entity for accounting purposes.

The Automobile Insurance Act Fund is, in



The task of creating a single insurance program to serve every licensed vehicle and driver in B.C. in 11 months included establishment of one of the largest computer systems in Western Canada.

fact, a motorists' fund operated and administered by the Corporation for, and on behalf of, the motorists of British Columbia. The Fund will be credited with income from automobile premiums and charged with the cost of claims, commissions and operating expenses, including start-up and development costs.

Autoplan premium rates are set with the objective of providing insurance coverage at the lowest possible cost consistent with the finest service and fullest consideration for the interests of all motorists.

Income from Autoplan premiums invested in the Corporation's investment program will also belong to the Fund and will help to reduce the cost of automobile insurance to the British Columbia public, as well as contributing to the financial well being of the Province in the meaningful ways discussed under the financial section of this report.

Under the provisions of the Automobile Insurance Act, all vehicles registered in British Columbia had to be insured under Autoplan at March 1, 1974, and on that date one million Autoplan vehicle policies were in force with a total premium of \$133,000,000. It is estimated that, for the fiscal year ending February 28, 1975, a total of 1,400,000 Autoplan vehicle policies will have been issued for a total premium revenue of \$179,000,000.

Effective July 1, 1974, every licensed driver in British Columbia must carry a driver certificate issued by the Insurance Corporation at a premium based on the driver's demerit point record, with a minimum annual premium of \$10. It is estimated that during the fiscal year to February 28, 1975, 1,300,000 Driver Certificates will be issued for a total consideration of \$28,000,000.

The vehicle policies and the driver certificates combine to provide the total automobile insurance coverage that went into effect on March 1, 1974.

The cost of automobile insurance is a direct economic result of automobile accident experience and Autoplan is designed to encourage driving practices that will produce, in British Columbia, the lowest possible rates for automobile insurance anywhere in the country.

General Underwriting

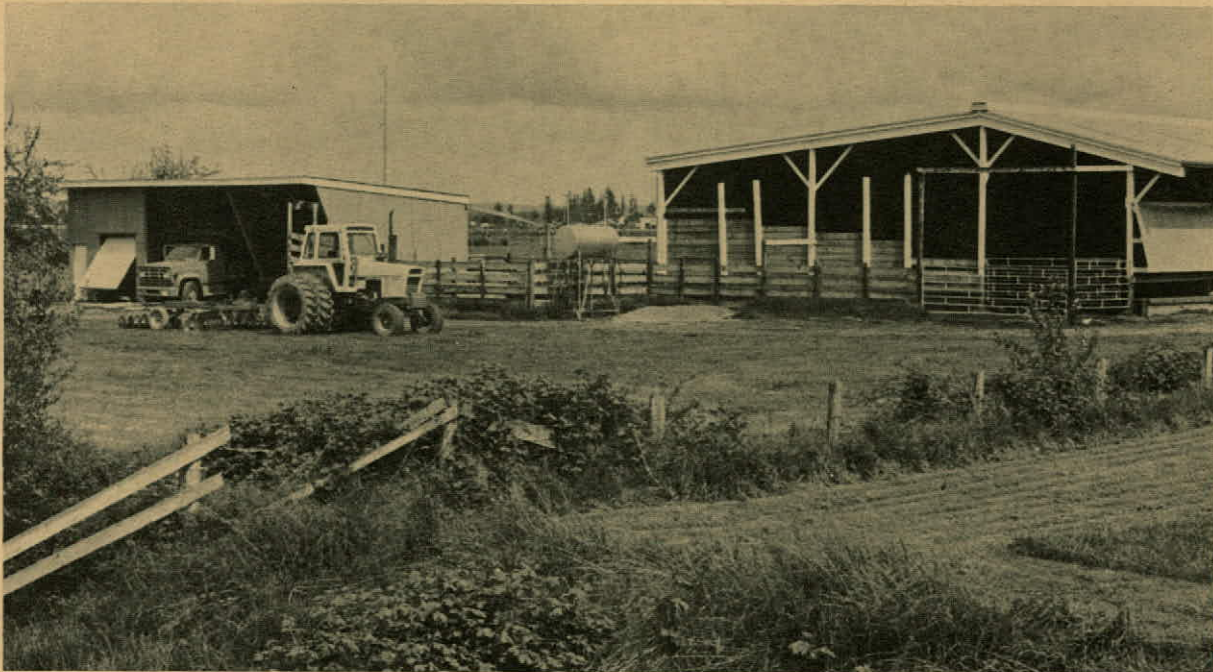
In addition to its basic function as the administrator of the insurance program under the Automobile Insurance Act, another important function of the Corporation is to develop and promote a full range of general lines insurance coverage in competition with other insurance companies operating within the Province of British Columbia.

It was in this area of its activities that the Corporation commenced operations when,

on October 1, 1973, the General Underwriting Division sold its first insurance policy. By the end of February, 1974, the Corporation had underwritten over 10,000 general lines policies with a total premium of \$2,110,000, as shown in the Corporation's Statement of Operations (Statement 1).

The Corporation is adopting an aggressive attitude and broad approach in its activities in the general insurance business. It plans to initiate and innovate and to provide insurance protection to meet the needs of both the private and public sectors of the population and to fulfill the requirements of business organizations, large and small.

The Corporation is providing competitive coverage at competitive rates and is not restricting itself to preferred risks but is accept-



The Insurance Corporation of B.C. went into business selling general insurance lines in October, 1973. It offers a full range of policies — including coverage of farm buildings.

ing coverage on all types of insurable risks in the general insurance field.

The Corporation is equipped to write insurance risks covering fire, liability, burglary, robbery, fidelity, multi-peril, ocean marine and boiler and machinery. At the present time current policies cover private dwellings, personal contents, pleasure boats, mobile homes, farm buildings, schools, churches; as well as public, commercial and industrial buildings and contents; also ocean and inland cargos, domestic and international vessels.

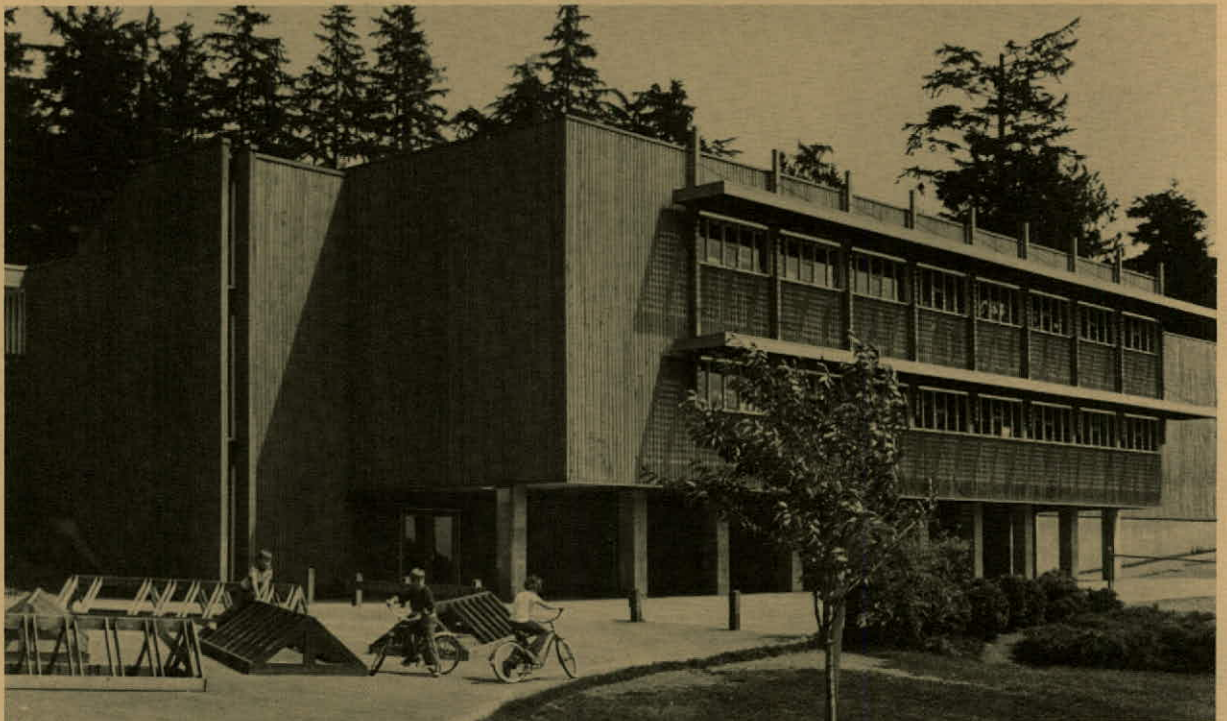
The General Underwriting Division markets its insurance program primarily in British Columbia through independent agents and brokers, but in its arrangements for reinsurance of risks, the Corporation deals with insurance organizations throughout the world.

Based on the present trend of activities, and the gratifying support its program has received, the Corporation expects to attain in the coming year a premium volume in the general insurance business greater than any of its competitors in British Columbia.

Operations

At the present time the two main functions of the Corporation are: (a) to operate and administer the comprehensive plan of universal automobile insurance, on behalf of the motorists of British Columbia, and (b) to engage in, on its own behalf, the business of underwriting risks in the field of general insurance.

The automobile insurance plan did not become effective until March 1, 1974, and operations relating to the Automobile Insurance



A major project of ICBC's General Underwriting Division has been the establishment of a property insurance program to cover all schools in B.C. by the end of 1974. Included is a comprehensive fire prevention and loss control system.

Act Fund are reflected in the accounts and statements of the Corporation at February 28, 1974, only as amounts due to and due from the Fund as shown on the Balance Sheet, and as referred to in the notes to the financial statements.

The Statement of Operations in this Annual Report presents only the results of the General Insurance Underwriting operations of the Corporation.

On the basis of the actual Underwriting activities of the Corporation, the loss for the reporting period was \$417,000, due to the high ratio of commissions and selling costs to earned premiums experienced by insurance companies in periods of rapid expansion. However, the Statement of Operations reports a net loss on operations for the period ended February 28, 1974, of \$946,000, because of legislative requirements peculiar to insurance operations. Thus, included in this reported loss, is an amount of \$529,000 representing certain accounts receivable, inventories and prepaid charges, which are usually considered, under generally accepted accounting practice, as assets and shown as such on the Balance Sheet. Under the provisions of the Insurance Act of British Columbia these assets are required to be shown in the accounts as operating expenditures.

Claims

In order to service the expected annual volume of 350,000 claims, the Claims Division has placed over 500 qualified personnel at nineteen strategically placed drive-in claims centres, six branches and six resident adjuster locations throughout the Province. The \$14,638,000 figure on the Balance Sheet under the heading PROPERTY represents, mainly, the investment to February 28, 1974, in the land and construction costs for these claims centres.

The modern style buildings planned for the claims centres are specially designed with



Offering full protection for business and industry, ICBC sold more than 10,000 general insurance policies in the first five months of operations with total premiums of \$2.1 million.

drive-in facilities and fully equipped to provide the finest and fastest claims adjustment service possible for B.C. motorists.

In March, 1974, the first month of Autoplan operations, over 24,000 automobile claims were reported, with estimated losses of approximately \$11,335,000. While this is a substantial volume of claims in one month it is still less than the average monthly claims projected for the coming fiscal year.

Financial

The notes to the financial statements provide an analysis and explanation of the principal accounts shown on the Balance Sheet and the Source and Application of Funds Statement.

The Corporation's initial working capital was provided, as it was required, through loans from the Provincial Treasury to a total of \$18,000,000. The Corporation's financial indebtedness to the Provincial Government for these advances was repaid in full prior to March 1, 1974, including interest at chartered bank prime rates.

In the current fiscal year, it is anticipated that the corporation's working capital requirements will be met through the flow of premium income from the automobile insurance plan. However, the Corporation is empowered to fulfill any short-term cash requirements through bank borrowings or other available sources of funds, or to apply to the Provincial Government for temporary advances.

Between January 1 and March 1, 1974, the Corporation accumulated funds of approximately \$100,000,000 from premium income, which is invested in short-term securities over terms ranging, generally, from 30 to 120 days. At an average yield of 9% the income from such investments totalled \$422,000 at February 28, 1974.

It is estimated that for the fiscal year to February 28, 1975, vehicle and driver insur-



Marine insurance, including coverage of pleasure craft, is an important element of the Corporation's general lines business.

ance premiums will generate a total cash flow of \$207,000,000, but the amount available for investment will depend to a large degree on the amount and incidence of claims payments.

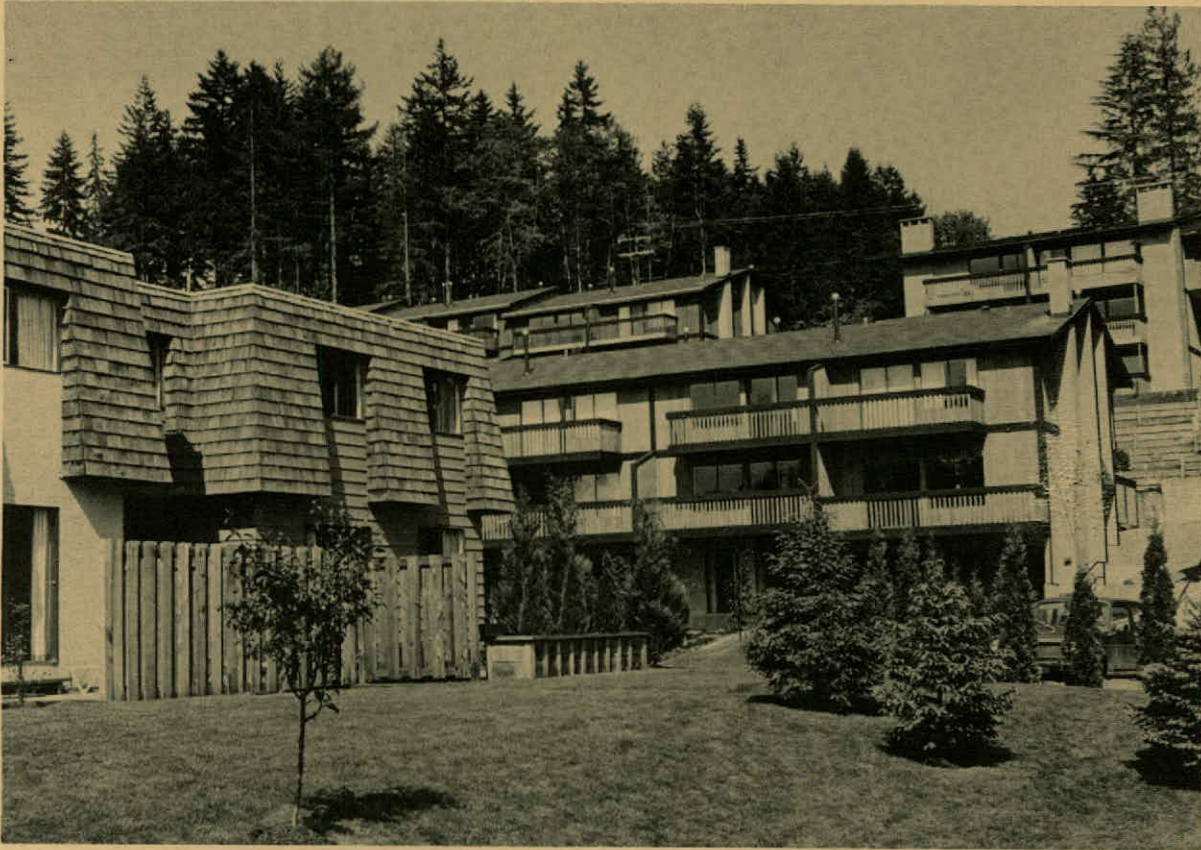
It is the policy of the Corporation to invest all income within the Province of British Columbia whenever feasible, and all funds from the Automobile Insurance Plan will be used for the benefit of British Columbia motorists.

The investment policy of the Board of Directors is to maintain corporate funds in as li-

quid and as flexible an investment portfolio as possible until the demand on corporate funds by claims payments during the first year of operations can be accurately determined.

As funds become available for longer term investment, the Corporation will seek opportunities to expand and improve its contribution to the growth and development of the British Columbia economy through the investment of reserve funds.

Whatever the British Columbia motorist pays for automobile insurance under the auto-



ICBC offers fire, burglary, liability and other types of general insurance protection for homeowners and tenants.

mobile insurance plan, the portion of the premium dollar returned to him in benefits will be far greater than it has ever been in the past.

The automobile insurance plan is a non-profit, self-sustaining motorists' fund. Premium rates are set without any provision for profit and all revenues to the fund are used to satisfy incurred claims, meet administrative costs and provide prudent reserves.

The level and fluctuation of premium rates from year to year will directly depend on the over-all safe driving record of all drivers in the Province.



Close to 1,500 ICBC employees were involved in the demanding task of building the Corporation and are dedicated to providing excellent service to the people of British Columbia.

In order to substantially minimize the economic consequences and, most important, the personal deprivations from traffic accidents, the Corporation is actively researching means and methods of reducing the number and severity of losses on the Province's highways.

In all its operations, the aim and objective of the Corporation is to serve the public of British Columbia and to strengthen the financial fabric and economic base of the Province.

Acknowledgement

The Corporation acknowledges the support of the people of British Columbia whose responsive attitude to the policies, plans and problems of the Corporation in its inaugural year has contributed so significantly to the success that both the automobile insurance and general insurance programs have achieved.

To the members of the staff of the Corporation and its agencies who showed such outstanding determination and diligence in making the Corporation a reality, the Board of Directors extends its most sincere appreciation.

R.M. Strachan
Chairman & President

Statement of Operations

For the Period October 1, 1973 to February 28, 1974

Statement 1

INCOME

Gross premiums written	\$2,110,000	
Less reinsurance ceded	<u>644,000</u>	
Net premiums written		\$1,466,000
Less unearned portion of net premiums written		<u>971,000</u>
Net premiums earned		495,000

EXPENDITURES

Claims and adjustment expenses	255,000	
Underwriting expenses	<u>657,000</u>	<u>912,000</u>
Underwriting loss		417,000
Non-admitted assets written off (note 2)		529,000
Net loss on operations		<u>\$946,000</u>

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at February 28, 1974

Statement 2

ASSETS

Cash		\$ 2,756,000
Investments (note 2)		99,606,000
Accounts receivable		2,129,000
Recoverable from Automobile Insurance Act Fund (schedule A)		15,134,000
Property — at cost — (note 2)		
Land	\$9,045,000	
Building	456,000	
Construction in progress	<u>5,137,000</u>	14,638,000
		<u>\$134,263,000</u>

Signed on behalf of the Board:

A. M. Strachan.
Dennis Cook

LIABILITIES

Accounts payable and accrued expenses	\$ 5,839,000
Unearned premiums (note 2)	971,000
Unpaid claims (note 2)	232,000
Automobile Insurance Act Fund (note 5)	<u>128,167,000</u>
Total Liabilities	135,209,000

DEFICIT

Net loss on operations (statement 1)	946,000
	<u><u>\$134,263,000</u></u>

The accompanying notes form an integral part of these financial statements.

Statement of Source and Application of Funds

For the Period April 18, 1973 to February 28, 1974

Statement 3

Source of Funds:

Advances from Province of British Columbia	\$ 18,000,000
Automobile Insurance Act Fund receipts (note 5)	128,167,000
Accounts payable and accrued expenses	5,839,000
Unearned premiums	971,000
Unpaid claims	232,000
	<u>153,209,000</u>

Use of Funds:

Repayment of advances from Province of British Columbia	18,000,000
Purchase of investments	99,606,000
Automobile Insurance Act Fund expenditures (schedule A)	15,134,000
Purchase of property	14,638,000
Accounts receivable	2,129,000
Net loss on operations	946,000
	<u>150,453,000</u>

Balance of cash February 28, 1974	<u>\$ 2,756,000</u>
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The accompanying notes form an integral part of these financial statements.

Automobile Insurance Act Fund Expenditures

For the Period April 18, 1973 to February 28, 1974

Schedule A

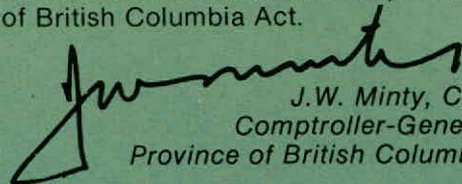
Start-up costs (schedule B)	\$11,548,000
Prepaid operating expenses	1,627,000
Furniture and equipment	1,280,000
Inventory of stationery and supplies	414,000
Leasehold improvements	265,000
	\$15,134,000

Auditor's Report

The Honourable R.M. Strachan,
Minister of Transport & Communications,
Province of British Columbia.

I have examined the balance sheet of the Insurance Corporation of British Columbia at February 28 1974 and the statements of operations and source and application of funds for the period from its inception on April 18 1973 to February 28 1974. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Corporation as at February 28 1974 and the results of its operations and the source and application of funds for the period from its inception on April 18 1973 to February 28 1974, in accordance with the requirements of Section 18 of the Insurance Corporation of British Columbia Act.


J.W. Minty, C.A.
Comptroller-General
Province of British Columbia
Victoria, British Columbia
April 23 1974

The accompanying notes form an integral part of these financial statements.

Start-up Costs

For the Period April 18, 1973 to February 28, 1974

Schedule B

Salaries and employee benefits	\$ 3,037,000
Computer systems	2,934,000
Services provided by Province of British Columbia	942,000
Public information	833,000
Consulting services	707,000
Printing, postage, and supplies	655,000
Interest payments to Province of British Columbia	729,000
Staff recruitment	495,000
General expense — net	49,000
Rent — furniture and equipment	207,000
Office facilities	130,000
Interim Automobile Plan (note 4)	830,000
	<u>\$11,548,000</u>

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements

1. Status of the Corporation

The Insurance Corporation of British Columbia (ICBC) is incorporated as a crown corporation under the Insurance Corporation of British Columbia Act, S.B.C. 1973 (1st Session), Chapter 44, assented to April 18, 1973. By subsequent approval of the Lieutenant — Governor in Council, and in accordance with the Act, ICBC has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the plan of automobile insurance described in the Automobile Insurance Act (AIA).

The Corporation commenced General Insurance operations on October 1, 1973, and the automobile insurance plan commenced operations on March 1, 1974.

By regulation under the Automobile Insurance Act, S.B.C. 1973 (1st Session), Chapter 6, the plan of automobile insurance is to be administered as a fund. A statement of the operations of the fund is to accompany the annual report of ICBC. Any surplus in the fund will not be taken into the surplus of ICBC but will

be carried forward in the AIA fund to the subsequent year.

2. Significant Accounting Policies

Basis of Reporting

The financial statements of the Corporation are presented on the basis of reporting requirements prescribed by Section 18 of the Insurance Corporation of British Columbia Act which differ in some respects from generally accepted accounting principles commonly followed by business enterprises other than insurance companies. The principal difference is that certain expenditures and assets (non-admitted assets) must be treated as operating expenses in the period in which the expenditure was incurred. Under generally accepted accounting principles such items would be capitalized in the period in which the expenditure was incurred and amortized or charged against income in subsequent years.

Non-admitted assets charged to operations of the General Insurance business in the period to February 28, 1974 were:

Start-up costs	\$129,000
Prepaid underwriting expense	166,000
Inventory of stationery and supplies	94,000
Accounts receivable from agents for business written prior to December 1, 1973	140,000
	<u>\$529,000</u>

Unearned Premiums—Unearned premiums are determined by pro-rating premiums over the terms of the policies. In accordance with the Insurance Act, the unearned premium liability is 80% of the premiums applicable to the unexpired terms of the policies in force.

Claims— The provision for unpaid claims is established on the basis of reported losses and includes an estimate of \$35,000 for losses incurred but not reported.

Depreciation—No depreciation has been charged on buildings prior to occupation or under construction by the Corporation. Commencing March 1, 1974, completed buildings will be depreciated on a straight-line basis over 20 years.

Investments—The Corporation has invested its funds in short-term certificates of deposit and notes. The investments are carried at cost, which at February 28, 1974 was equivalent to market value.

3. Commitments

In addition to the \$14,638,000 cost of fixed assets included in the Balance Sheet, an estimated further amount of \$19,150,000 has been committed in respect of the building and land acquisition program for claims and salvage centres and equipment. The Corporation is also committed to make the following payments on properties it has leased for periods of more than one year:

1974-1975	\$1,200,000
1975-1976	1,100,000
1976-1977	1,050,000
1977-1978	1,050,000
1978-1979	1,000,000

4. Interim Automobile Plan

In order to guarantee that all motorists could acquire automobile insurance upon expiry of policies prior to March 1, 1974, the Corporation entered into an agreement with the British Columbia Motorist Insurance Company (BCMI). The Corporation agreed to indemnify BCMI against losses and additional expenses incurred to provide the necessary insurance coverage and to pay management and service fees.

Provision has been made in the financial statements of the Corporation for all known and anticipated claims under the Interim Automobile Plan. The Corporation has guaranteed the agreement by providing BCMI with a letter of credit to a maximum of \$1,000,000 which expires November 1, 1974.

5. Automobile Insurance Act Fund

The amount of \$15,134,000 reflected in the Balance Sheet as recoverable from the Automobile Insurance Act Fund as required by B.C. Reg. 131/74 represents expenditures apportioned by the Corporation to the Fund in accordance with Section 5 of the Automobile Insurance Act. The amount shown on the Balance Sheet of \$128,167,000 is due to the Automobile Insurance Act Fund and represents the unallocated receipts received in respect of automobile insurance, motor vehicle licences and sales tax. It is not possible to allocate the gross cash received until processing of documents is completed. In the meantime payments on account have been made on an estimated basis.

Gross Automobile Insurance Act Fund premiums and fees received	\$151,390,000	
Interest income	422,000	
		151,812,000
Deduct Payments—		
Sales Tax	\$24,000	
Motor Vehicle Fees	19,656,000	
Agents commissions	3,965,000	23,645,000
Net unallocated receipts		<u>\$128,167,000</u>

6. Purchase of Fruit Growers Mutual Insurance Company

On September 11, 1973, the Corporation signed a letter of intent with Fruit Growers Mutual Insurance Company (FGMIC) to acquire its operations and related assets, liabilities, reserves and insurance portfolio at January 1, 1974, for a consideration of \$737,000, equal to the issued share capital at December 31, 1973. As the final purchase agreement has not yet been concluded, the assets and liabilities to be acquired and results of operations since January 1, 1974, have not been consolidated or provided for in the Corporation's financial statements at February 28, 1974.

The Corporation has assumed certain liabilities to policyholders under some of the policies of FGMIC.

The financial statements and accompanying notes, together with the Report of the President included in the Annual Report of the Insurance Corporation of British Columbia for the fiscal period ended February 28, 1974, were submitted to the Legislative Assembly of the Province of British Columbia on April 29, 1974, in accordance with the requirement of section 18 of the Insurance Corporation of British Columbia Act.



Construction was well advanced in the spring on several ICBC claims centres located in key population areas of B.C. The centres will provide fast, efficient claims service for the motoring public.

