

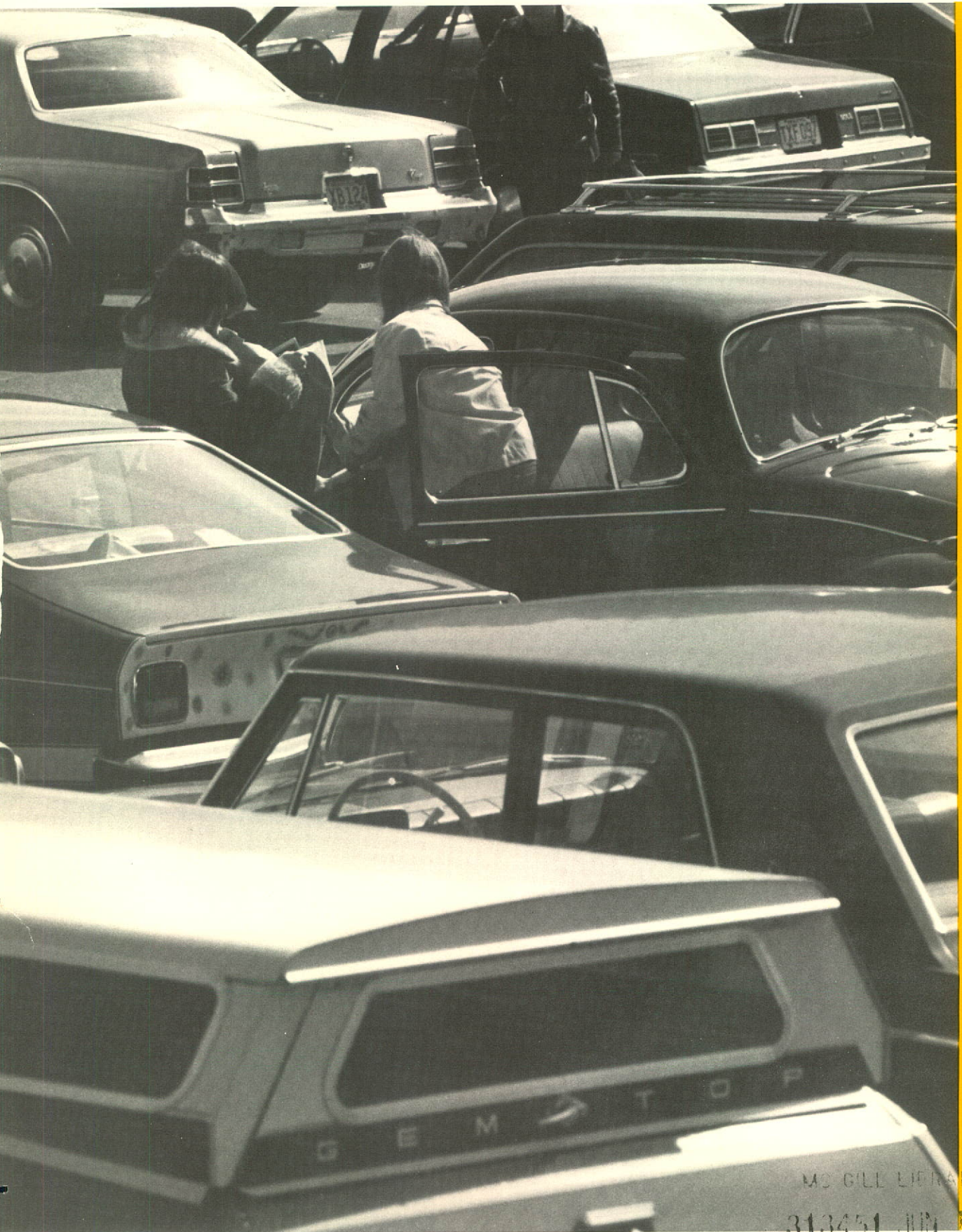


INSURANCE CORPORATION OF BRITISH COLUMBIA
FOURTH ANNUAL REPORT
For the year ending February 28, 1977

**INSURANCE CORPORATION
OF BRITISH COLUMBIA,
ANNUAL REPORT 1977**

TABLE OF CONTENTS

Board of Directors	2
President's Report	5
Report on Operations	6
Financial Statements	11
Auditors' Report	11
Notes to Financial Statements	16
Claims Facilities	18



MO GILL LIBRARY

313451 JUN 1 1973

COV. DOCS. DEPT.



Members of the Board of Directors of the Insurance Corporation of British Columbia

Standing, left to right: N. Bortnick, N.H. Manning, D.N. Watson.

Seated, left to right: R.L. Gillen, Dr. P.L. McGeer, G.B. Gardom, Miss C.L. Corrigall, Assistant Corporate Secretary.



*Missing from
upper photograph:
W.E.S. Tennant.*

BOARD OF DIRECTORS

The Honourable Dr. P.L. McGeer,
President and Chairman of the Board.
Minister of Education of
the Province of British Columbia

R.L. Gillen,
Vice-Chairman of the Board.
Vice-President,
MacMillan Bloedel Ltd.,
Vancouver, B.C.

N. Bortnick,
Executive Vice-President
and General Manager

The Honourable G.B. Gardom,
Attorney General of
the Province of British Columbia

W.E.S. Tennant,
President,
William Tennant Ltd.,
Vancouver, B.C.

D.N. Watson,
Chairman,
Canadian Cellulose Co. Ltd.,
Vancouver, B.C.

N.H. Manning,
Victoria, B.C.
Formerly Chief Executive,
Guardian Union Group of
Insurance Companies

ADMINISTRATIVE OFFICE

1055 West Georgia Street,
Vancouver, B.C. V6E 3R4

AUDITORS

Deloitte, Haskins & Sells,
Chartered Accountants,
Vancouver, B.C.

BANKER

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



PRESIDENT'S REPORT

In my report a year ago, I announced measures that were being instituted by the new Directors to reverse the situation which had produced losses of over \$185 million since the Corporation's inception. I am happy to report now that your company's performance over the past 12 months has demonstrated the validity of those measures.

The highlights of the report are as follows:

- A provision for unpaid claims of \$188.7 million is available to fulfill anticipated obligations to claimants.
- A reserve of \$52.3 million has been appropriated to absorb the impact of the 17.5% Safe Driving Discount which is deductible from the 1977/78 Autoplan premiums.
- Rate stabilization reserves have been established totalling \$11.5 million for Autoplan and \$500,000 for General Insurance, as well as a catastrophe reserve of \$300,000 for General Insurance.

At the outset of the year, the new Government assisted the Corporation by transferring \$181.5 million to offset the operating losses of prior years. At the same time, the Government indicated to the Corporation that it could not expect any Government assistance in the future. As a consequence, it was necessary to establish new insurance rates. These rates, based on the actuarial experience of the Corporation, were set to cover the full costs of anticipated claims and expenses. They brought B.C.'s automobile insurance rates more into line with those of other non-subsidized insurance programs across the country.

The performance of the Corporation ran well ahead of the budget based on these rates. Most importantly there were only 370,000 claims for the 1976/77 policy year compared with 614,000 for the prior policy year 1975/76. This decrease was substantially greater than was forecast. While

it is not possible to define specifically the extent to which this reduction can be attributed to more careful driving habits, the motoring public should receive commendation for its efforts in this regard.

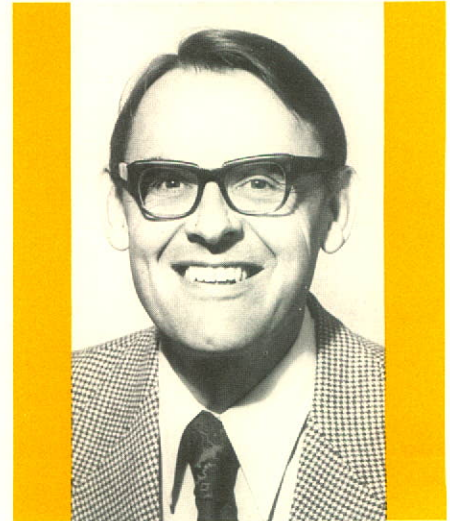
As a further stimulus for safer driving, the Corporation provided in 1976/77 the Under-25 Safe Driver Incentive Grant amounting to approximately \$5 million. This incentive plan, completely underwritten by the Corporation, is believed to have helped significantly in reducing accidents in this high-risk group. I hope the trend can continue.

Another factor which contributed to the surplus position was the higher than expected earnings on the Corporation's investment portfolio. Autoplan's investment income increased to \$30.2 million from \$3.8 million in the previous year.

Finally, an unusually mild winter resulted in a highly favourable claims experience in the fourth quarter. This contributed in substantial part to the \$4.2 million unappropriated surplus remaining in the Autoplan Fund.

More efficient management practices permitted the Corporation to operate at a staff level 200 below budget. Further efficiencies are planned for the future. For example, the cyclical renewal system for Autoplan will be introduced next year. This will spread the work flow more evenly and will reduce the present requirement for peak staffing during the renewal period.

Impressive gains were made in the General Insurance Division of the Corporation. A profit of \$1.5 million was recorded in 1976/77 compared with a loss in the 1975/76 fiscal year of \$4.1 million. Again, this result was achieved by higher investment income, a more realistic approach to rate setting, an improved loss experience, and more efficient management.



The success of the Corporation in the 1976/77 year is due in large part to the hard work of our dedicated staff and the enthusiastic support of our extremely active Board of Directors. I take this opportunity to thank them all.

During the past year we have undergone a period of rigorous change to meet our objective of providing the most cost-effective insurance program in Canada. The results indicate that we are on a solid course. But, in the final analysis, only improved driving will cut down on the tragedy and cost of automobile accidents. That is why we are committed to doing all we can to promote highway safety in British Columbia.

A handwritten signature in black ink that reads "P.L. McGeer". The signature is written in a cursive style.

*The Honourable Dr. P.L. McGeer,
Chairman and President*

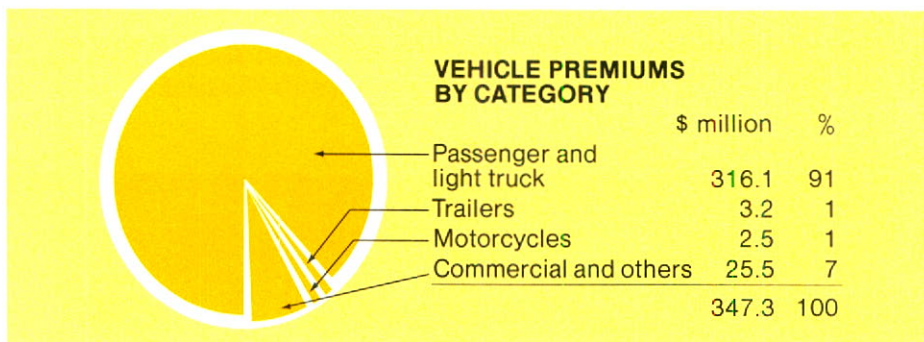
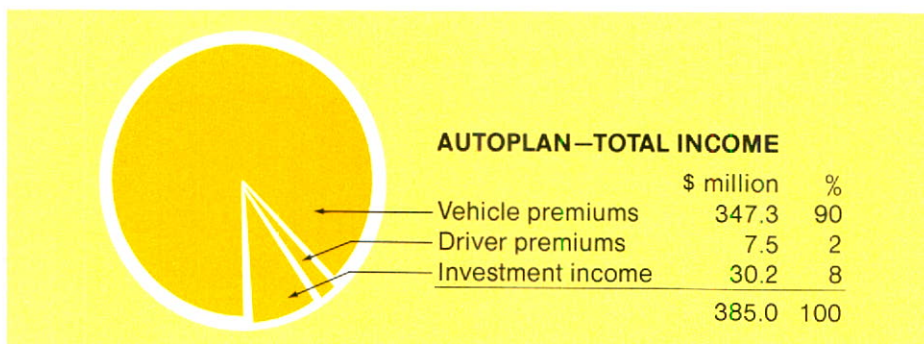
REPORT ON OPERATIONS

THE CORPORATION

The Insurance Corporation of British Columbia is a Provincial Crown Corporation created in April 1973 to engage in and carry on the business of insurance in all classes.

The Corporation's primary function, outlined in the Automobile Insurance Act, is to provide and administer Auto-plan, a complete automobile insurance plan for the motorists of British Columbia. The Plan is operated and administered by the Corporation through the Automobile Insurance Act Fund, which is a separate entity for financial accounting purposes.

Besides administering Autoplan, the Corporation provides a full line of General Insurance services including home owners, personal property, burglary, robbery, fire, fidelity, liability, multi-peril, and boiler and machinery. Major classes of property insured include homes, boats, inland cargoes, contractors' equipment, farm, commercial and industrial buildings, schools and churches.



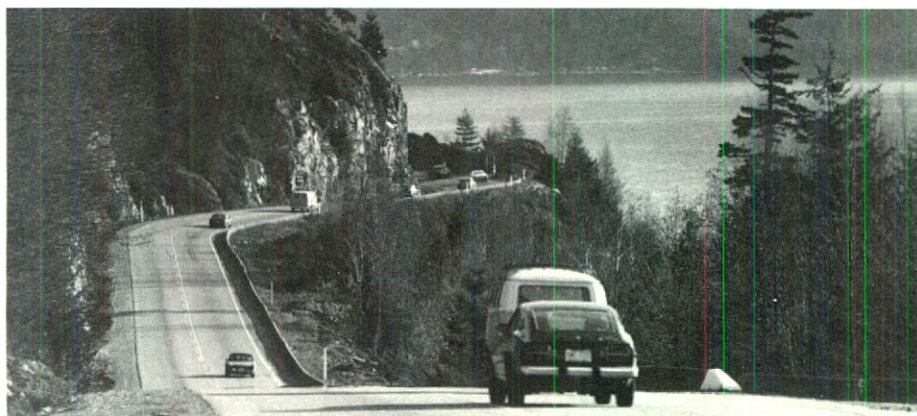
COVERAGE AND RATE CHANGES

For the licence year 1976/77, Autoplan rates were substantially increased in all categories with the objective of placing Autoplan on a break-even basis. To assist the public in paying their premiums, an instalment plan was instituted requiring a 25% down payment and three instalments payable at two-month intervals.

The mandatory insurance coverage of the Plan continued to include third party legal liability of \$50,000 and no-fault accident benefits. However, collision and comprehensive coverages

were made optional with a choice of deductible amounts in both categories. Higher amounts of third party coverage and specified perils insurance continued to be optional.

A new and separate Vehicle Owner category was introduced providing a 25% premium discount on compulsory coverage for senior citizens qualifying as "pleasure drivers", and for handicapped drivers operating vehicles with approved hand-operated driving controls.



FINANCIAL

The negative factors which influenced Autoplan's operations and financial results so adversely in 1975/76 were absent or substantially overcome during 1976/77.

Operating efficiencies and internal economies coupled with a reduced inflation rate helped the Corporation to hold operating costs in check. Expenses for such services as autobody repair, towing and storage—although at higher rates—were in line with realistic cost of living increases.

The deficit-producing automobile insurance rates of earlier years were adjusted to levels more typical of industry rates throughout North America. These were designed to achieve a break-even position for Autoplan. However, the number of claims on which these rates were based proved materially lower than forecast and consequently a substantial underwriting surplus was realized.

During the fiscal year ended February 28, 1977 these factors helped to produce a total surplus of \$71,752,000 in the Automobile Insurance Act Fund. The surplus is comprised of an underwriting income of \$41,576,000 plus investment income of \$30,176,000.

Of the available surplus \$52,300,000 has been set aside for the 17.5% Safe Driving Discount. An additional \$11,500,000 has been placed in a rate

stabilization reserve to reduce the impact on future years' premium increases which could result from unfavourable claims experience.

Total premiums reflect the higher automobile insurance rate structure: \$354,776,000 against \$179,668,000 for 1975/76. The higher premium rates for the licence year 1976/77 were based on an anticipated 490,000 claims. However, the claims for the current policy year will number only 370,000 for a total cost of \$215,611,000—a 16% reduction in the cost of claims incurred compared with last year.

Claims operations expense totalled \$23,049,000 for the year, an increase of \$5,690,000 over the preceding year. A large portion of this comparative increase was a result of the suspension of operations due to the strike from May to September, 1975, when compensation was not being paid and other costs were naturally lower.

Administrative expenses in 1976/77 amounted to \$32,731,000, an increase of \$2,024,000 or 6.6% over the prior year. Salaries and benefits increased \$3,634,000 while other administrative expenses were down \$1,610,000. Much of the salary increase was attributable to the elimination of salary expenditures during the 1975 strike.

INVESTMENTS

Autoplan's investment income for the fiscal year increased significantly, from \$3,754,000 in the prior year to

\$30,176,000. This reflects the additional funds available for investment and a favourable yield that averaged 9.53% for the year.

It is corporate policy to invest most of its available funds in short-term securities of credit-worthy financial institutions and other companies, with maturities ranging from one day to one year. The Corporation is an active lender in British Columbia to the fullest extent possible consistent with its responsibility to protect the public's financial interest in the AIA Fund.

MARKETING

Autoplan is available to the motoring public through 116 Motor Vehicle Branch (MVB) offices and 780 independent insurance agents. Training in Autoplan procedures was provided at 75 seminars which were attended by approximately 2,000 insurance agency and MVB personnel.

Even though commission rates in 1976/77 were reduced from the previous year, compensation paid to agents increased approximately 50% to \$27,128,000 because of higher premiums. The commission structure for 1977/78 has been amended to bring total agent remuneration to a level more in line with the indicated cost of the services provided.

AUTOPLAN—TOTAL CLAIMS AND EXPENSES

	\$ million	%
Claims	215.6	69
Claims expenses	23.1	7
Commissions	27.1	9
Administration	32.7	10
Start-up costs	14.7	5
	313.2	100

CLAIMS

The payment and administration of claims is by far Autoplan's largest expense and consequently the Claims Department's ability to improve its effectiveness is vital to the Corporation's successful operation. Major improvements during the year include:

- An emphasis on training to reduce costs and improve service, a product of a more knowledgeable staff.
- A concerted effort by the Special Investigation Unit to diminish the number of fraudulent claims and improve liaison with the police and fire departments.
- A pilot installation of an on-line computer information system to promote the speed and effectiveness of claims service.

The Claims Department, employing 1,000 people or 38% of the total corporate staff, remains the largest organizational unit in the Corporation, despite a staff reduction of more than 150 during 1976/77.

During the year, the Corporation's network of facilities throughout the province was expanded to better serve the public. Four new Claims Centres were opened at North Vancouver, Richmond, Surrey and Langley, and the New Westminster centre was closed. The Department now operates 26 Claims Centres and Branch Offices and in addition employs 15 Resident Adjusters to investigate and settle claims in remote areas.

Two important agreements for outside services were arranged during the year at rates which the Corporation believes were both equitable to the suppliers and beneficial to the motoring public.

On July 30, 1976 the Corporation arrived at an agreement with autobody repair shops for an increase of 8% in labour rates from \$18.50 to \$20.00 per hour. In August, the Corporation signed a letter of intent with Unitow Services Ltd. for towing and storage requirements in Vancouver City for an amount almost half of an earlier bid rejected by the Corporation. This

initial four month contract was valid through December 1976 and is being renewed on a monthly basis.

During the year Autoplan experienced a considerable reduction in the number of claims. The 40% reduction from 614,000 claims for the 1975/76 policy year to 370,000 for 1976/77 can be attributed to several factors—the introduction of the safe driving incentive programs, improved driving habits, favourable weather conditions and reduced coverage.

SALVAGE

Claim vehicles classified as "total losses" are sold for salvage to licenced auto wreckers and bonded dealers on a sealed bid basis.

During the year 18,800 vehicles were sold from the Corporation's salvage depots, located throughout the province, resulting in recoveries approximating \$5,400,000.

LABOUR RELATIONS

Staff relations remained stable throughout the year. On September 30, 1976, the first collective agreement negotiated between the Corporation and Local 378 of the Office and Technical Employees Union expired. Agreement has not yet been reached on a new contract.

INFORMATION SERVICES

The Corporation operates one of the largest and most sophisticated computer systems in Canada. The computer operations are maintained on a 24 hour a day, seven day a week basis to optimize the cost and efficiency of this equipment. The system provides on-line terminals that allow for the instant retrieval of the recorded information, and can be utilized by the Motor Vehicle Branch and other regulatory agencies.

It also processes the large volume of data associated with 2,800,000 policy transactions per year for 1,500,000 registered motor vehicles and over 1,000,000 claims transactions each year.

ACCIDENT PREVENTION

Once again the Corporation was active in traffic safety and accident prevention programs. The Road Safety Department hosted the Second Safety Workshop Conference in September 1976 and welcomed 150 delegates to a far-ranging study and discussion seminar on driving problems. Six workshops examined such topics as driver licencing, standards of performance, the aging problem, the young driver, impairment, courts and court processes, street and highway safety, road safety activities, and seat belts and other driver restraint devices.

The Corporation continues to play a leading role in the recently-organized Road Safety Co-ordinating Council.

To encourage new drivers to complete an approved driver training course the Driver Education Incentive Program was maintained. The 10,600 new drivers who completed the prescribed courses during the year received rebates of \$50 each totalling \$530,000.

In September, the Corporation launched a province-wide seat belt bumper sticker program. Over 110,000 stickers were distributed bearing slogans selected from an employee contest. Reactions from safety authorities, police departments and the general public were favourable and encouraging. This promotion was followed during the December/January holiday season by an advertising program emphasizing the dangers of drinking and driving. Police reported a substantially reduced number of impaired drivers at their road blocks during their one-month control period, and it is felt that the Corporation's promotional activities were a contributing factor.

GENERAL INSURANCE—UNDERWRITING

In addition to its basic function as administrator of Autoplan, the Corporation is also in the general insurance business in competition with other insurers and may now be the largest general insurer in the province.

The General Insurance Division accepts coverage on all types of insurable risks in the property and casualty areas and does not restrict coverage to preferred risks. The Corporation will continue to initiate, innovate and provide insurance protection which satisfies the requirements of both the private and the public sectors of British Columbia. In the previous two years the general insurance industry suffered large losses, with the result that many insurers reduced risks by refusing new business. Your company, however, continued to service British Columbians especially in lines which serve the needs of individuals and small businesses. The General Insurance Division markets its product line through local independent agents.

In order to provide coverage on large risks and protection against catastrophic losses the Corporation is active in the international reinsurance markets. These arrangements for spreading large risks and losses maintain the financial security of the Corporation and of its policyholders.

The Corporation covers such risks as fire, liability, crime, inland marine, boiler and machinery as well as miscellaneous surety bonds. Current policies range from personal and residential to business and commercial establishments and include all the schools in the Province.

Policies in force exceeded 100,000 by year end and gross premiums written were \$21,659,000. During the year the public school program was revised to provide a higher degree of self insurance by the Ministry of Education. Consequently this resulted in a return to the Ministry of Education of unearned premiums amounting to \$8,400,000. Were this amount included in premium income, gross premiums written would have been \$30,059,000 compared to \$25,200,000 last year.

The public school program for 1976/77 was based on a \$1,000,000 claims deductible which was assumed by the Ministry of Education on behalf of all school districts. The losses under this deductible which amount to \$6,300,000 are paid directly by the Ministry. In addition, claims in excess of \$1,000,000 paid through ICBC amount to \$5,800,000 making total school losses \$12,100,000. These losses, predominantly caused by arson and vandalism, represented the worst experience in B.C.'s history.

GENERAL INSURANCE—FINANCIAL

The General Insurance operation reported net earned premiums of \$15,809,000 in its third full year, an increase of 44% over 1976. Net claims incurred amounted to \$7,461,000, for a loss ratio of 47% to net earned premiums. This is a vast improvement from a 97% loss ratio in the previous year.

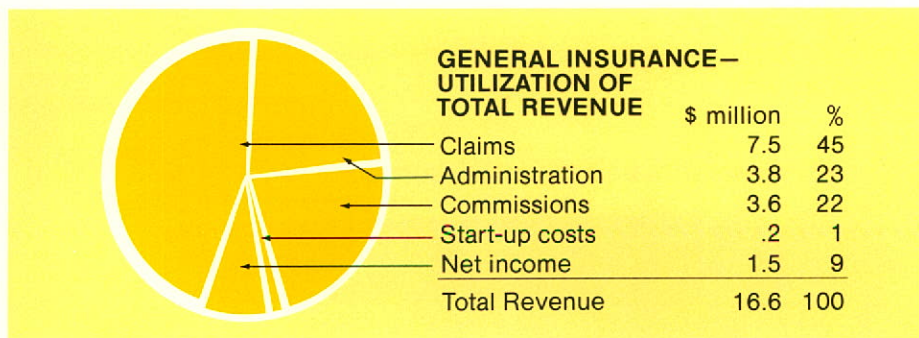
Gross commissions to agents before reinsurance were \$4,595,000, an increase of 44% over the \$3,192,000 in 1975/76. Commission recoveries from reinsurers declined to \$947,000 from \$1,333,000 mainly due to the reduction in the school premiums reinsured. This resulted in net commissions of \$3,648,000 for the year.

Administrative expenses which amount to 24% of net premiums written increased to \$3,876,000 from \$2,859,000. This is attributable to higher activity, increased salaries and the impact of the strike in 1975.

An underwriting income of \$644,000, combined with investment income of \$836,000 resulted in a net income for the year 1976/77 of \$1,480,000 compared to the loss of \$4,067,000 last year.

The Corporation appropriated from retained earnings a rate stabilization reserve of \$500,000 to be used to reduce the impact on premiums of future adverse claims experience.

In addition, a catastrophe reserve of \$300,000 was established to reflect the potential losses that might arise from a disaster. Catastrophes such as earthquakes and storms occur infrequently and at random and the Corporation is accumulating this reserve in accordance with industry practice to allow sufficient retained earnings to cover potential non-reinsured catastrophe losses.



PUBLIC INFORMATION

The service to the public provided by this department continues to be one of the most important facets of the Corporation's activities. During fiscal 1976/77, this unit responded to over 11,000 written enquiries and some 220,000 telephone calls. Customer contact at this level, therefore, averaged about 1,000 per working day.

In addition, this department maintains a constant output of information through advertising, publications, news releases and speeches. One of the major projects in the past year was the production of a comprehensive, plain language guide to all the aspects of Autoplan insurance.

AUTOPLAN AUTOBODY

The Corporation continues to seek and test new automobile repair equipment and techniques to reduce repair costs and consequently premiums. Its two autobody shops also have served as training centres for claims estimators who may observe repairs performed by skilled tradesmen using innovative methods and modern equipment. Reflecting the reduced claims experience, the Corporation has decided to close the Prince George shop. However, the Surrey shop will continue to operate as a research facility to provide data on repair costs.

PROSPECTS

The higher insurance rates of 1976/77 may well have had a favourable influence on driving habits by creating a renewed awareness of the ever-growing cost of automobile accidents. The safe driving incentives introduced for 1977/78, ideally, will provide the motivation to maintain the trend.

The Corporation enters a new fiscal year operating on sound economic principles and without government subsidy. It is confident that it can continue to provide reliable, comprehensive and equitably-priced insurance services to the people of British Columbia at rates which are lower than those in most other parts of Canada.



AUTOMOBILE INSURANCE ACT FUND Year ended February 28, 1977 (with prior year figures for comparison)

	1977	1976
Revenue		
Vehicle premiums	\$347,309,000	\$ 165,319,000
Driver premiums	7,467,000	14,349,000
Total premiums	354,776,000	179,668,000
Investment income (Note 3)	30,176,000	3,754,000
Total revenue	384,952,000	183,422,000
Claims		
Claims incurred	215,611,000	256,282,000
Claims operations expense	23,049,000	17,359,000
	238,660,000	273,641,000
Expenses		
Administrative	32,731,000	30,707,000
Commissions	27,128,000	18,351,000
Amortization and write-off of start-up costs (Note 3)	14,681,000	4,904,000
	74,540,000	53,962,000
Total claims and expenses	313,200,000	327,603,000
Income (loss) for the year	71,752,000	(144,181,000)
Deficit at beginning of the year	(178,360,000)	(34,179,000)
Contribution from the Government of British Columbia	174,564,000	—
Appropriation for:		
Safe Driving Discount reserve	(52,300,000)	—
Rate stabilization reserve	(11,500,000)	—
Unappropriated surplus (deficit) at end of the year	\$ 4,156,000	\$(178,360,000)

The accompanying notes are an integral part of the financial statements.

AUDITORS' REPORT

The Honourable Dr. P.L. McGeer,
Minister of Education,
Province of British Columbia

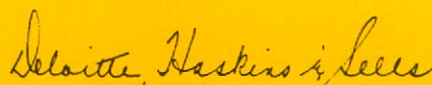
We have examined the balance sheet of the Insurance Corporation of British Columbia as at February 28, 1977 and the statements of general operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the

Corporation as at February 28, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the changes in the methods of accounting for investments and start-up costs referred to in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Our examination also included the statement of operations of the Automobile Insurance Act Fund for the year ended February 28, 1977. In our opinion this statement presents fairly the results of the operations of the Fund in accordance with

generally accepted accounting principles applied, except for the changes in the methods of accounting for investments and start-up costs referred to in Note 3 to the financial statements, on a basis consistent with that of the preceding year.



Deloitte, Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
April 15, 1977

INSURANCE CORPORATION OF BRITISH COLUMBIA**GENERAL OPERATIONS** Year ended February 28, 1977 (with prior year figures for comparison)

	1977	1976
Revenue		
Net premiums written	<u>\$16,428,000</u>	<u>\$15,442,000</u>
Net premiums earned	<u>\$15,809,000</u>	<u>\$10,968,000</u>
Claims incurred and adjustment costs	<u>7,461,000</u>	<u>10,614,000</u>
Expenses		
Administrative	3,876,000	2,859,000
Commissions	3,648,000	1,859,000
Amortization and write-off of start-up costs (Note 3)	180,000	60,000
	<u>7,704,000</u>	<u>4,778,000</u>
Total claims and expenses	<u>15,165,000</u>	<u>15,392,000</u>
Underwriting income (loss)	644,000	(4,424,000)
Investment income (Note 3)	<u>836,000</u>	<u>357,000</u>
Income (loss) on general insurance operations	1,480,000	(4,067,000)
Loss on other operations	<u>(97,000)</u>	<u>(326,000)</u>
Income (loss) for the year	1,383,000	(4,393,000)
Deficit at beginning of the year	(7,097,000)	(2,704,000)
Contribution from the Government of British Columbia	6,946,000	—
Appropriation for:		
Catastrophe reserve	(300,000)	—
Rate stabilization reserve	<u>(500,000)</u>	<u>—</u>
Unappropriated retained earnings (deficit) at end of the year	<u>\$ 432,000</u>	<u>\$ (7,097,000)</u>


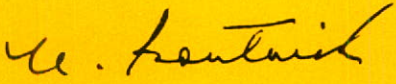
The accompanying notes are an integral part of the financial statements.

INSURANCE CORPORATION OF BRITISH COLUMBIA**CHANGES IN FINANCIAL POSITION** Year ended February 28, 1977 (with prior year figures for comparison)

	1977	1976
Resources Provided		
Premiums in advance	\$255,942,000	\$240,603,000
Collected for Motor Vehicle Branch	53,446,000	62,360,000
Bank loan	—	28,471,000
Contribution from the Government of British Columbia	181,510,000	—
Collected on finance plan	38,639,000	—
From Operations		
Automobile Insurance Act Fund	108,985,000	—
General Operations	3,668,000	2,356,000
	<u>642,190,000</u>	<u>333,790,000</u>
Resources Applied		
Transfer of premiums received in advance to the Automobile Insurance Act Fund	240,603,000	112,700,000
To Operations		
Automobile Insurance Act Fund	—	62,936,000
Finance plan	42,259,000	20,504,000
Property and equipment	4,263,000	9,469,000
Remitted to Motor Vehicle Branch	57,000,000	54,801,000
Repayment of bank loan	—	28,471,000
	<u>344,125,000</u>	<u>288,881,000</u>
Increase in resources for the year	298,065,000	44,909,000
Cash and Investments at beginning of the year	<u>179,886,000</u>	<u>134,977,000</u>
Cash and Investments at end of the year	<u>\$477,951,000</u>	<u>\$179,886,000</u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET as at February 28, 1977 (with prior year figures for comparison)

ASSETS	1977	1976
Cash in hands of agents and banks	\$ 52,527,000	\$ 69,405,000
Investments(Notes 3 and 4)	425,424,000	110,481,000
Receivables	20,156,000	28,035,000
Finance plan receivables	24,124,000	20,504,000
Premium acquisition expenses(Note 3)	18,010,000	19,839,000
Property and equipment (Notes 3 and 5)	41,882,000	39,974,000
Unamortized start-up costs (Note 3)	—	14,829,000
Recoverable from the Automobile Insurance Act Fund representing its deficit at end of the year	—	178,360,000
 <i>Approved by the Board:</i>		
Director: 		
Director: 		
	<u>\$582,123,000</u>	<u>\$481,427,000</u>

INSURANCE CORPORATION OF BRITISH COLUMBIA

LIABILITIES	1977	1976
Accounts payable and accrued charges	\$ 36,374,000	\$ 48,404,000
Motor Vehicle Branch	15,735,000	19,289,000
Premium taxes payable	503,000	612,000
Premiums in advance (Notes 3 and 8)	255,942,000	240,603,000
Unearned premiums (Notes 3 and 6)	15,658,000	11,740,000
Unpaid claims (Note 3)	<u>188,723,000</u>	<u>167,876,000</u>
	<u>512,935,000</u>	<u>488,524,000</u>
Due to the Automobile Insurance Act Fund (Notes 8 and 9) representing its:		
Safe Driving Discount reserve	52,300,000	—
Rate stabilization reserve	11,500,000	—
Unappropriated surplus at end of the year	<u>4,156,000</u>	<u>—</u>
	<u>67,956,000</u>	<u>—</u>
	<u>580,891,000</u>	<u>488,524,000</u>
RETAINED EARNINGS (DEFICIT)		
Retained earnings (deficit) at end of the year (Note 9)		
Catastrophe reserve	300,000	—
Rate stabilization reserve	500,000	—
Unappropriated retained earnings (deficit)	<u>432,000</u>	<u>(7,097,000)</u>
	<u>1,232,000</u>	<u>(7,097,000)</u>
	<u>\$582,123,000</u>	<u>\$481,427,000</u>

The accompanying notes are an integral part of the 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).

By regulation under the AIA, the plan of automobile insurance is administered as a Fund which is an entity for financial accounting purposes. Also by regulation, a statement showing the results of the operation of the Fund is included with the financial statements of ICBC and the balance of the Fund, which represents its net operating position, is reflected in the balance sheet of ICBC. The Fund consists of the revenues and expenses attributable to the AIA Fund operations. All assets and liabilities are held by ICBC.

The Government of the Province of British Columbia has provided the opportunity for private insurers to re-enter the field of automobile insurance extension coverage in British Columbia in competition with the Corporation.

Effective March 1, 1976 the Superintendent of Insurance commenced licencing private insurance companies to offer extension automobile coverage in British Columbia.

2. BASIS OF REPORTING

As prescribed by Section 18(3) of the Insurance Corporation of British Columbia Act, the financial statements of ICBC are presented in accordance with generally accepted accounting principles. In this respect, the reporting generally conforms to that suggested in the 1974 research study "Financial Reporting for Property and Casualty Insurers" of the Canadian Institute of Chartered Accountants. Not all property and casualty insurance companies in Canada report on this basis.

Certain 1976 comparative figures have been reclassified to conform with the classifications used in the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are carried as follows:

Short-term deposit	— at cost or amortized receipts, call loans and notes	cost plus accrued interest.
Bonds	— at amortized cost plus accrued interest.	
Equities	— at cost.	

Provisions for permanent decline in values of investments are made where appropriate (none during 1976/77 and 1975/76).

ICBC adopted the above method of determining the carrying value of investments effective March 1, 1976. Previously investments had been carried at market value, which for short-term notes and loans represented a recalculated yield to maturity using the current interest rate for such investments at the year end date. This method, however, did not necessarily reflect the realizable or market value of these investments as there was not a ready trading market nor a readily available quoted market value. Market quotations were used to determine the carrying value of bonds and equities. The practice of carrying investments at market value was susceptible to the influence of sudden changes in interest rates and other fluctuations in the money market and resulted in the recording of unrealized gains or losses as part of investment income. Had the market value method been applied for the current year, investments at February 28, 1977 would have been decreased by approximately \$1,000,000, and investment income for the year in the AIA Fund and General Operations would have decreased by approximately \$950,000 and \$50,000 respectively.

Premium Acquisition Expenses

Premium taxes and commissions, including those relating to subsequent year's Automobile Insurance Act Fund premiums, are charged to expense over the terms of the insurance contracts to which such costs relate.

Unpaid Claims

Unpaid claims includes a provision for reported and unpaid claims, based on the claims settlement experience of ICBC, current trends and a detailed review of claims files, and an estimate for unreported claims, as follows:

	1977	1976
Reported and Unpaid Claims		
Automobile Insurance Act Fund	\$164,098,000	\$141,264,000
General Insurance	<u>5,777,000</u>	<u>6,881,000</u>
	<u>169,875,000</u>	<u>148,145,000</u>
Unreported Claims		
Automobile Insurance Act Fund	18,000,000	18,900,000
General Insurance	<u>848,000</u>	<u>831,000</u>
	<u>18,848,000</u>	<u>19,731,000</u>
Total	<u>\$188,723,000</u>	<u>\$167,876,000</u>

The estimate for unreported claims is based on ICBC's experience relating to the delay between the date a loss occurs and the date a related claim is recorded by ICBC, supplemented by a review of claims recorded subsequent to the fiscal year end. These estimates are continuously reviewed against actual reported claims. Significant deviations between estimated and actual claims experience are investigated and the results utilized to refine the estimating procedures.

Depreciation and Amortization

Depreciation is provided on a straight-line basis commencing in the month following that in which assets are placed in service at rates which will amortize the original cost over the useful life of each asset.

Leasehold improvements are amortized over the term of each lease plus the first renewal period where appropriate.

Start-up Costs

Costs associated with the commencement of operations of ICBC and the AIA Fund had been deferred and were being amortized on a straight-line basis from March 1, 1974, or from the date incurred, whichever was later, to February 28, 1979. In view of the re-entry into British Columbia of private insurers in competition with ICBC, the changes in systems design being made and management's determination that the start-up phase of ICBC was complete, this policy was changed in the current year and all unamortized deferred costs at March 1, 1976 have been expensed in the fiscal year. This resulted in an additional charge to operations of \$9,917,000, of which \$9,797,000 has been charged to the AIA Fund and \$120,000 to General Operations.

Premiums in Advance

The liability for premiums in advance consists of vehicle premiums received or financed prior to March 1, 1977 relating to the immediately following fiscal year.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relates to the unexpired term of each general insurance contract, or driver's premium.

INSURANCE CORPORATION OF BRITISH COLUMBIA

4. INVESTMENTS

Investments of temporary cash surpluses held for short-term purposes consist of:

	1977	1976
Short-term Deposit Receipts, Call Loans and Notes (approximates market value)	\$342,923,000	\$ 93,728,000
Bonds (market value, 1977—\$80,762,000; 1976—\$16,630,000)	82,501,000	16,630,000
Equities (market value, 1977—\$ —; 1976—\$123,000)	—	123,000
	<u>\$425,424,000</u>	<u>\$110,481,000</u>

5. PROPERTY AND EQUIPMENT

The cost of major classes of property and equipment and the related accumulated depreciation and depreciation rates are as follows:

	Rates	Cost	Accumulated Depreciation	Net Book Value at February 28 1977	Net Book Value at February 29 1976
Land	—	\$14,344,000	\$ —	\$14,344,000	\$10,038,000
Buildings	5-10%	26,414,000	2,474,000	23,940,000	21,773,000
Advance on Purchase of Property	—	—	—	—	3,978,000
Furniture & Equipment	10-25%	4,529,000	1,858,000	2,671,000	3,136,000
Leasehold Improvements (Note 3)		1,564,000	637,000	927,000	1,049,000
		<u>\$46,851,000</u>	<u>\$4,969,000</u>	<u>\$41,882,000</u>	<u>\$39,974,000</u>

Depreciation expense in the year amounted to \$2,280,000 (1976—\$1,927,000).

6. UNEARNED PREMIUMS

	1977	1976
General Insurance	\$ 9,633,000	\$ 8,598,000
Drivers' Premiums	6,025,000	3,142,000
	<u>\$15,658,000</u>	<u>\$11,740,000</u>

7. COMMITMENTS

ICBC is committed to make the following payments during the next five years on property and equipment leased for periods of more than one year:

Fiscal year to February 28, 1978	\$5,300,000
Fiscal year to February 28, 1979	4,500,000
Fiscal year to February 29, 1980	1,700,000
Fiscal year to February 28, 1981	1,500,000
Fiscal year to February 28, 1982	1,000,000

8. GOVERNMENT OF CANADA ANTI-INFLATION LEGISLATION

The Anti-Inflation Act which became effective on October 14, 1975 provides for the restraint of prices and profits and compensation of employees to December 31, 1978.

ICBC is required to comply with this Legislation as it relates to employee compensation. Management's review of its operations to February 28, 1977 indicates that ICBC has complied with the Legislation in all material respects.

In accordance with the agreement between the Government of British Columbia and the Federal Government, ICBC is comply-

ing with the Legislation related to the restraint of prices and profits, and has committed to distribute a portion of the surplus in the Automobile Insurance Act Fund through the introduction of a Safe Driving Discount during the fiscal year ending February 28, 1978. This Safe Driving Discount program will result in a reduction of approximately \$52,300,000 in 1977/78 vehicle premiums which will be charged against operations of the Fund in that fiscal year. Premiums received in advance for 1977/78 are shown on the balance sheet net of the Safe Driving Discount.

9. RESERVES

AIA Fund

The AIA Fund has appropriated from surplus a Safe Driving Discount Reserve of \$52,300,000 and a Rate Stabilization Reserve of \$11,500,000.

The Safe Driving Discount Reserve has been appropriated to reflect the impact of the Safe Driving Discount program established for the fiscal year ending February 28, 1978.

The Rate Stabilization Reserve has been appropriated to lessen the potential impact of significant variations in claims loss experience in future years, on vehicle insurance premiums charged in British Columbia.

General Operations

ICBC has appropriated from General Operations retained earnings a Catastrophe Reserve of \$300,000 and a Rate Stabilization Reserve of \$500,000.

As is the practice in the industry, a Catastrophe Reserve has been established to reflect the impact of possible losses arising from catastrophic occurrences. Catastrophes such as earthquakes, storms, or conflagration occur at random and the losses arising could be substantial.

The Rate Stabilization Reserve has been appropriated to lessen the potential impact on General Insurance premiums of significant variations in claims loss experience in future years.

10. PENSION PLAN

Certain employees participate in a contributory pension plan and are entitled to vested interests prior to retirement.

Employees contribute specified percentages of salaries. ICBC contributes to the Plan all amounts as are actuarially determined as being required, over and above employee contributions, to fund the benefits earned by employees under the Plan.

As of February 28, 1977 all past service liabilities of the Pension Plan have been fully funded. Contributions by ICBC for the year ended February 28, 1977 were \$255,000 (1976—\$357,000).

CLAIMS FACILITIES

▲ CLAIMS CENTRES

Burnaby
4399 Wayburne Drive
Coquitlam
700 Tupper Avenue
Kamloops
1251 Battle Street
Kelowna
1720 Springfield Road
Langley
6000 Production Way
Matsqui
2885 Tretheway Street
Nanaimo
6460 Applecross Road
North Vancouver
255 Lloyd Avenue
Prince George
4001 15th Avenue
Richmond
7200 Elmbridge Way
Surrey
10262 Birch Drive
Trail
2985 Highway Drive
Vancouver
1311 South Kootenay
Vancouver
999 Kingsway
Vancouver
2256 West Broadway
Vancouver
406 S.W. Marine Drive
Victoria
3300 Douglas Street

△ BRANCH OFFICES

Campbell River
908 Island Highway
Chilliwack
#106 - 45680 Hocking Avenue
Cranbrook
446 Van Horne Street
Dawson Creek
1107 - 103rd Avenue
Duncan
60 Queens Road
Penticton
1662 Main Street
Terrace
4641 Lazelle Street
Vernon
#2 - 4320 - 29th Street
Williams Lake
180 Yorston Street

△ RESIDENT ADJUSTERS

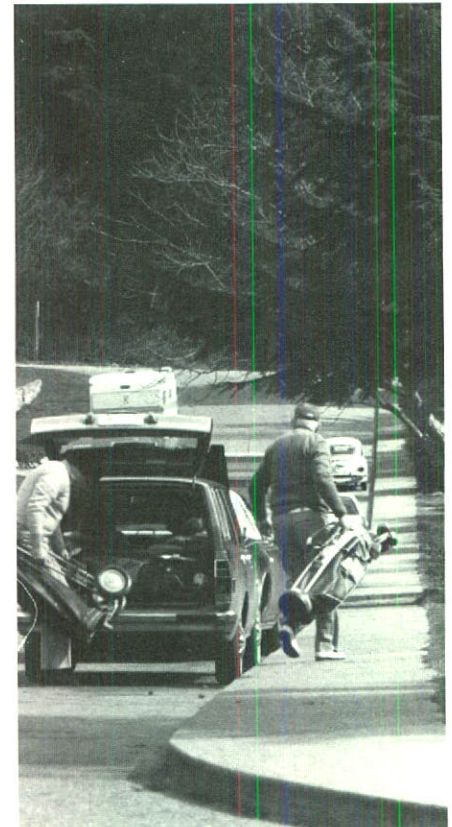
Courtenay
780 Grant Street
Fort St. John
10030 - 103rd Avenue
Nelson
512 Nelson Avenue
Port Hardy
1102 Market Street
Powell River
4313 Alberta Avenue
Prince Rupert
#2 - 956 Saskatoon Avenue
Port Alberni
4505 Gertrude Street
Van Bank Centre
Quesnel
454 Reid Street
Revelstoke
304 - 3rd Street West
Salmon Arm
209 Samara Bldg.
Alexander Avenue
Smithers
1283 Main Street
Sparwood
Greenwood Shopping Mall
Squamish
1907 Diamond Road
100 Mile House
201 7th Avenue West
Golden
#1 - 823 - 10th Avenue South

○ SALVAGE FACILITIES

Kamloops
1251 Battle Street
Nanaimo
Applecross Road
Prince George
Boundary Road
B.C. Rail Industrial Park
Vancouver
1300 South Kootenay Street
Vernon/Armstrong
R.R. 3 Crozier Road
Armstrong
Victoria
979 Dunford Avenue

□ BODY SHOPS

Prince George
2098 Robertson Road
Surrey
13391 King George Hwy





THE CLAIMS CENTRE FACILITY

Throughout North America there is a trend to centralized claims facilities to increase the efficiency of claims handling and improve service to the motoring public. The Insurance Corporation of British Columbia has been a leader in this field with a number of efficient and attractive Claims Centres located throughout the Province.

Claims volume is heaviest in urban areas which are served by drive-in Claims Centres; Branch Offices and Resident Adjusters serve smaller communities. The obvious advantage of the Claims Centre system over the old method of estimating vehicle damage is that the motorist no longer has to obtain two or three competitive quotations before his car can be repaired. Now he merely takes his car to the nearest Claims Centre, where the accident details are recorded, the damage inspected and an estimate prepared.

In a very short time, the motorist is back on the road. He then is free to take his car to the repair shop of his choice.

Claims Centre facilities provide advantages to both the driver and the industry. Motorists are saved time and considerable inconvenience. Estimating procedures are reduced for body shops and claims adjusting expenses are reduced for the Corporation.

The system of Claims Centres is under constant review by the Corporation to ensure that motorists throughout B.C. continue to receive convenient and top quality service.

