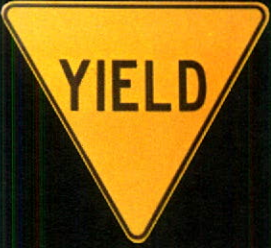


Insurance Corporation of British Columbia
Fifth Annual Report 1978





Insurance Corporation of British Columbia

Fifth Annual Report

for year ended
February 28, 1978

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Norman Bortnick

Norman Bortnick, the man who pioneered in the structure and implementation of Autoplan and the Insurance Corporation, died suddenly on October 19, 1977. He was 52.

At the time of his death, Mr. Bortnick was in London, England, attending annual reinsurance negotiations for the Corporation with major international underwriters.

He came to British Columbia as a special adviser for the research, design and implementation of a government insurance program. Assisted by a small but highly experienced team, Mr. Bortnick succeeded in putting the Insurance Corporation into operation on March 1, 1974, just eleven months after the Automobile Insurance Act was passed.

As Executive Vice-President and General Manager, Mr. Bortnick lived to see ICBC become one of the largest insurance companies in Canada, and the seventh largest company in B.C.

The Minister responsible for the Insurance Corporation, the Honourable Patrick McGeer summed up the life of Norman Bortnick by saying, "He was a seven-days-a-week corporate executive who never spared himself."

Board of Directors

R. L. Gillen,
Chairman of the Board.

Robbie D. Sherrell,
President.

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

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

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

Sandra D. Sutherland,
Partner,
Campney & Murphy,
Vancouver, B.C.

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

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

Administrative Office

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

Auditors

Coopers & Lybrand,
Chartered Accountants,
Vancouver, B.C.

Banker

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



The Honourable G. B. Gardom



Sandra D. Sutherland





R. L. Gillen



Robbie D. Sherrell



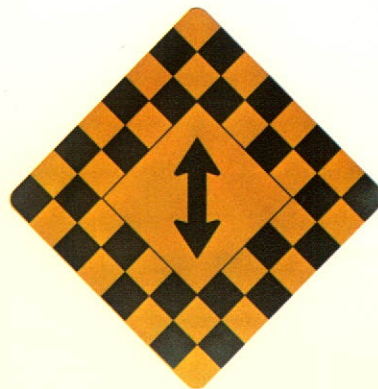
The Honourable Dr. P. L. McGeer



N. H. Manning



W. E. S. Tennant



D. N. Watson

IT GIVES me great pleasure at this time to report that the task of turning around the Corporation and placing it on a sound financial basis has been completed. It is now ready to greet the future as a major insurance company, fully competitive, staffed by highly qualified professionals, and virtually autonomous.


In mid-1977, I stated that my role as Chairman and President of the Insurance Corporation was nearly completed. Effective March 1, 1978, an Order-in-Council designated Ralph L. Gillen as Chairman of the Board and appointed Robbie D. Sherrell as President. A former Executive Director with the European operations of the Hartford Insurance Group, Mr. Sherrell brings to the Corporation a wealth of experience and a new dimension which many British Columbians and members of the insurance industry will appreciate. Mr. Gillen's acceptance of the post of Chairman assures continuity of management and the sustained input of this outstanding executive who has provided much of the leadership and administrative direction during the past year, especially since Norman Bortnick's untimely death.

It has been most rewarding to have participated in bringing ICBC to its present, very satisfactory position. Just over two years

ago when the present Government assumed office, I was forced to announce new, tough measures to reverse a situation which had produced losses of over \$185 million in the Corporation's first two years. The validity of those measures is now apparent.

The Corporation has come to the fore as a leader in providing high-quality, low-cost insurance coverage on a completely non-subsidized basis. It has encouraged responsibility on the roads by introducing a safe driving discount program. Under this program, owners with vehicles having a claims-free record were awarded discounts of approximately \$50 million for 1977 and an estimated \$80 million for 1978. Additional rebates have been given in the high risk group — single male drivers under 25 years of age with a good driving record.

Our automobile insurance plan which has been developed in the face of harsh criticism is not duplicated elsewhere in the world. It comes as a satisfaction to me, and I know it must to our more than two thousand dedicated employees, to know that the success of the Corporation is now attracting international attention. The Corporation will continue to be a leader in developing cost-effective insurance programs designed to encourage motoring safety in British Columbia.

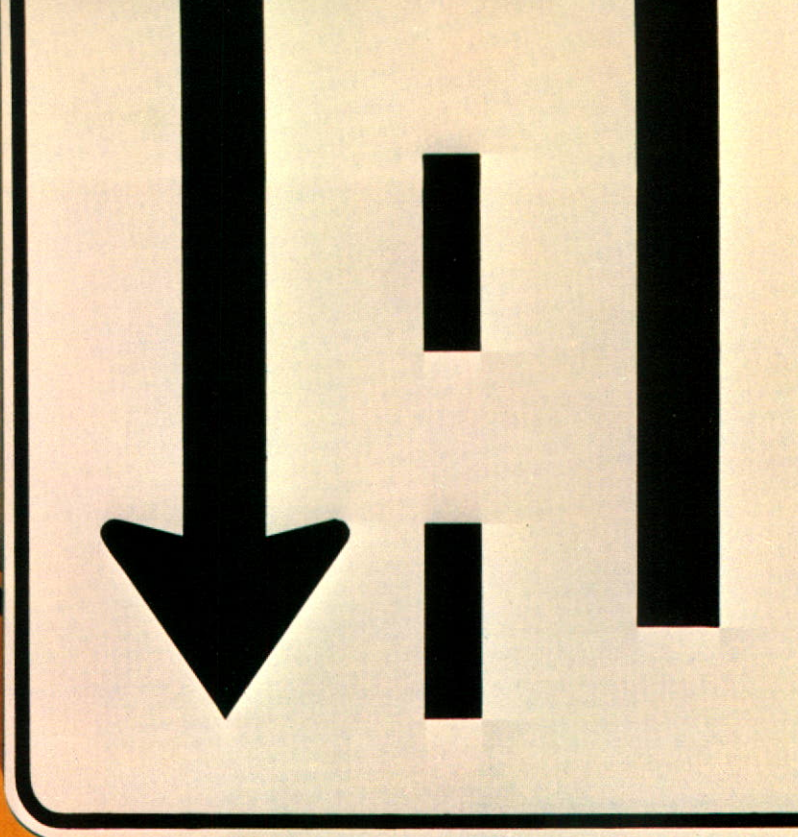


P.L. McGeer,
Minister of Education

The Past Chairman's Report



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THE AUTOPLAN FUND continues in a sound financial condition despite the \$8.6 million deficit from operations which was recorded after deducting \$50 million in Safe Driving Discounts and increasing claims reserves by \$79 million. The rate stabilization reserve combined with the unappropriated surplus at year end was \$59.4 million — a relatively comfortable position.

The primary financial concern, and the reason for the increased reserves for claims, stems from the cost trends for bodily injury cases. The total number of claims of this type increased from 15,100 for the 1976 policy year to 17,400 for the 1977 policy year. At the same time, court-awarded settlements for personal injury claims made dramatic jumps and these, in turn, have forced the Insurance Corporation to reserve for the likelihood of substantially higher payments for bodily injury claims yet to be settled.

During the period 1974 to 1976, as an illustration, awards for

fatalities ranged from \$5,000 to \$100,000 and averaged \$50,000 each. Currently courts are valuing similar cases at much higher figures and some awards have gone as high as \$600,000. As a result, in the last year alone, the average cost per bodily injury claim has increased by 47% from \$4,454 in 1976 to \$6,547 in 1977.

While the Corporation intends to take a number of steps aimed at lessening the impact of these trends, their effect on future premium rates is inescapable. To meet the clearly indicated need, overall average premium rates were increased by 6% for the year beginning March 1, 1978, although this increase was offset by the Safe Driving Discounts received by 9 out of 10 British Columbia motorists. The 1978 program allows 15% discount for a one year safe driving record and 25% for two years, involving about \$80 million in premium discounts. This is the second phase of the program started last year when a discount of 17.5% was given for a one year safe driving

record involving discounts totalling about \$50 million. A further \$5 million was returned in the 1977 policy year in the form of a cash rebate to 55,000 young British Columbians who qualified for the Under-25 Single Male Safe Driver Incentive Grant. This incentive will be continued in the 1978 policy year.

Investment operations contributed to the corporate objective of keeping premiums at the lowest possible level. Total investment income of Autoplan and General Insurance increased by 17% to \$36.4 million in the 1977 fiscal year — 9% of total revenues.

The use of seat belts in British Columbia became mandatory on October 1, 1977. While it is still too early to identify the benefits related to claims and bodily injuries, it is hoped that results will be similar to those of Ontario where initial reports are most encouraging. The Corporation also is actively collaborating with the Ministry of the Attorney-General in its Operation Counter-Attack initiated last May aimed

The Report of the Board of Directors



at the drinking driver problem. The Corporation is very optimistic about the potential of this program to reduce motor vehicle accidents and, in turn, to bring down the number of bodily injuries.

The Corporation's GENERAL INSURANCE operations continued to show a healthy growth in the year ending February 28, 1978. Net premiums earned increased 20% from \$15.8

million in the 1976 insurance year to \$19 million in the year under review. While total claims and expenses increased 15% to \$17.4 million, administrative expenses remained substantially the same. The income for the year was \$2.7 million.

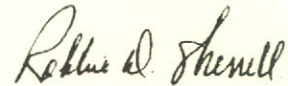
Despite the alarming trend in bodily injury claims levels the year as a whole was most satisfactory. Increased operating efficiencies permitted management to hold the line on administrative costs and similar oper-

ating effectiveness is expected for 1978.

The Board of Directors of the Insurance Corporation wish to express thanks to the 2,300 dedicated staff members of the Corporation, those in related activities and the 1.6 million motor vehicle owners, most of whom drove and operated their vehicles so as to ensure that they could enjoy excellent insurance coverage at the least possible cost.



Ralph L. Gillen,
Chairman of the Board.



Robbie D. Sherrell,
President.

On behalf of the Board of Directors,
Insurance Corporation
of British Columbia.
April 14, 1978.



The Economic Values of ICBC

Investments

Investment income in 1977 reached \$36.4 million, an increase of \$5.4 million or 17% over the previous year. This gain resulted from an increase in the available funds for investment and the adaptation of investment policies to meet changing money market conditions. While short term interest rates were lower than in 1976, the Corporation's investment in longer term securities with higher yields helped ensure that investment income would be maximized, consistent with requirements for safety and liquidity.

The ICBC investment portfolio now approximates \$520 million and represents one of the largest available sources of liquid capital in the province. These funds are reserved for payment of claims for prior years as well as

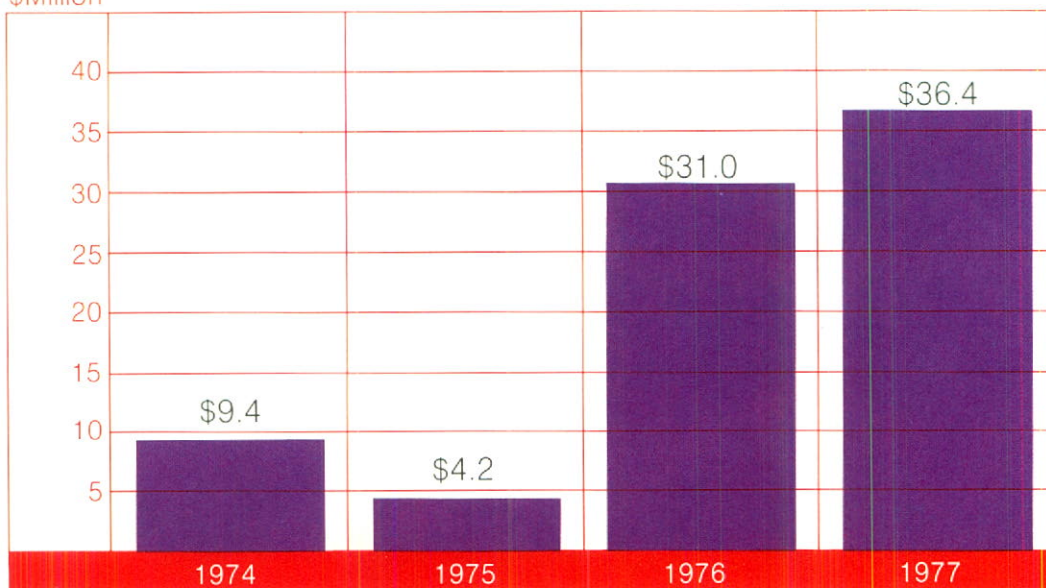
claims and operating expenses for the current year.

The allocation of investments is planned and regularly reviewed to provide liquid funds for the payment of anticipated claims and expenses. It is corporate policy to invest these funds consistent with cash flow requirements in short, medium, and long term securities of governments, business and financial institutions, giving preference to British Columbia organizations.

In the four years the Corporation has been in operation, \$3.2 billion has been invested and reinvested through the British Columbia money market, \$800 million in this fiscal year. This investment activity has materially contributed to the successful development of the local money market.

INVESTMENT INCOME 1974-1977

\$Million



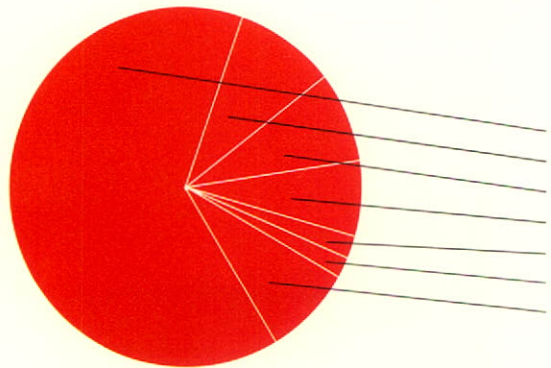
Our People

The Insurance Corporation is the largest automobile insurance company in Canada, and the major insurance company headquartered in British Columbia. As such it provides continuous year-round employment for about 2,300 British Columbians who live in all regions of the province.

Almost 1,000 work in the 39 claim service centres strategically located for driver convenience throughout the province while the remainder work in a

wide variety of jobs in Vancouver. The Corporation employs such skilled people as adjusters, estimators, underwriters, accountants, attorneys, computer operators, data entry operators, analysts, secretaries, typists, microfilm operators and switchboard operators.

By employing this work force, the Corporation injects a payroll of some \$41 million a year into the B.C. economy.



ADMINISTRATIVE AND CLAIMS OPERATION EXPENSES — 1977

\$ Million %

Payroll and Benefits	41.2	64
Building and Rental Expenses	6.0	9
Supplies/Postage/Telephone	5.2	8
Computer Equipment	4.6	7
Property Taxes	1.3	2
Provincial Taxes	1.3	2
Other	4.8	8
Total	64.4	100

Goods and Services

During the year the Corporation purchased goods and services totalling some \$21 million, most of them from 1,800 B.C. firms. Building rental and related supplies accounted for \$4.1 million. Office supplies, postage and

telephone amounted to \$5.2 million and computer equipment rentals were \$4.2 million. Other goods and services totalled about \$5 million. In addition, purchases of furniture and equipment totalled \$2.5 million.

Contribution to Provincial and Municipal Taxes

Every year the Corporation makes grants to the extent of full taxes on its land and buildings to local authorities in the province. In 1977 these totalled \$1.3 million. In addition, a further \$800,000 in Social Services Taxes

(levied on goods and services purchased) and \$640,000 in accordance with the Insurance Premium and Fire Marshall Tax Acts were paid to the provincial government.

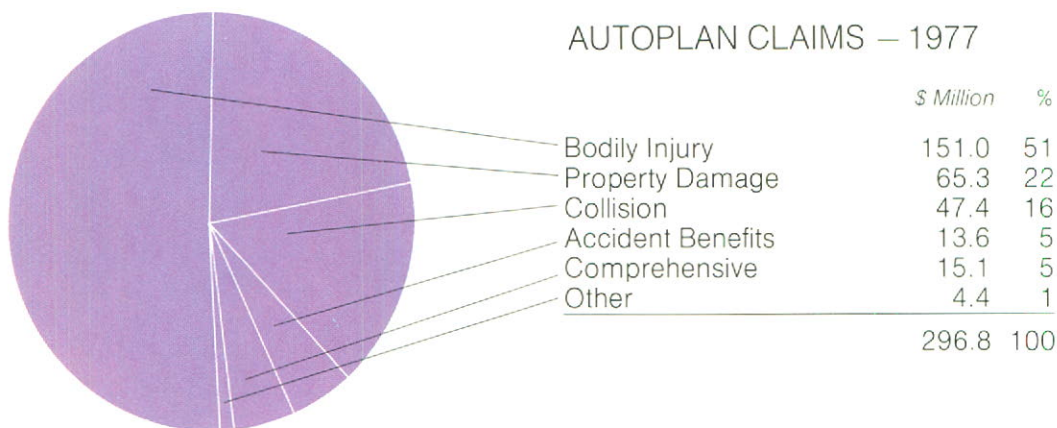
How ICBC Serves the Driver

New Claims Review Committee

During the year under review, the Insurance Corporation received about 400,000 claims from motor vehicle owners. All except a small fraction were recorded, adjusted and settled at claim centres to the satisfaction of those concerned.

To enable the few exceptions to be given further consideration at an executive level and provide public access to senior officials of the Corporation, a special group — the Claims Review Committee — was established.

The Committee is made up of senior officials drawn from a number of departments at head office to ensure that the Claims Department viewpoint can be balanced by that of people who are not directly involved in claims matters. Presentations on disputed issues are made in writing and the group in turn provides a written reply after a thorough review of all aspects of the case. This new Claims Review procedure went into operation January 1, 1978.



Safe Driving Discount

In this, its initial year, the Safe Driving Discount program rewarded vehicle owners with premium discounts totaling \$50 million. In its second year this program has been expanded and a total of \$80 million in discounts is estimated for 1978. Nine out of ten vehicle owners are expected to qualify.

Discounts apply to those owners whose vehicle insurance records are free of

claims for which any payment has been made for collision, property damage or bodily injury.

Designed to encourage careful and safe vehicle operation, the Safe Driving Discounts for 1978 were amended as follows: 25% deducted for two years claim-free status, and 15% for one year claim-free status.

Benefits to Drivers Under Age 25

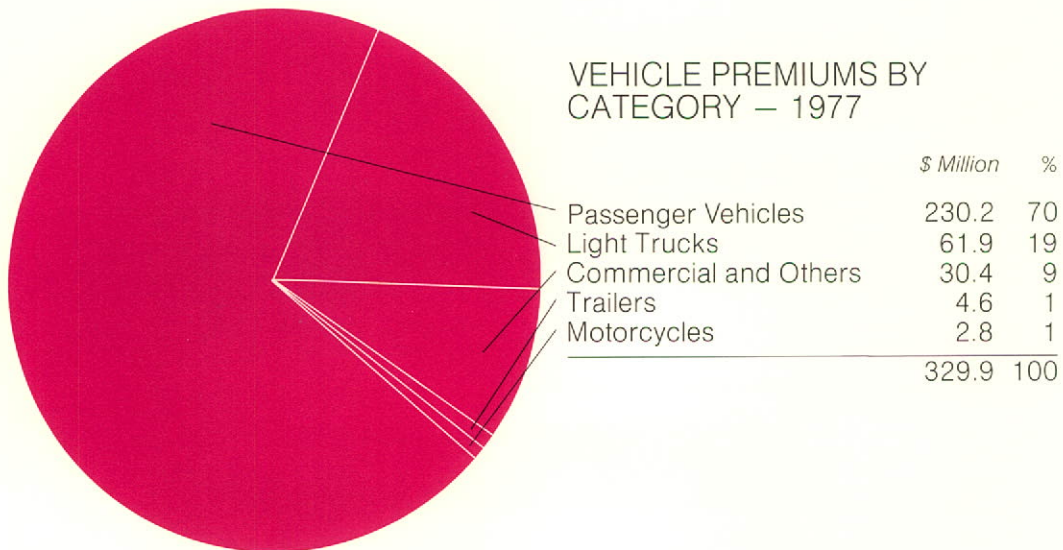
The Insurance Corporation returned \$5 million in incentive grants during the year to those under-25 single male drivers who drove safely, in addition to the safe driving discounts they may have earned. The Insurance Corporation also supports the driver training program conducted by private firms.

The reason for the Corporation's concern and the motivation for these incentives is that single male drivers, under the age of 25, who are principal operators have the worst accident claims record of all classes of drivers.

This accident rate is double that recorded for females under 25.

Drivers who meet the requirements may apply for the Safe Driver Incentive Grant which is equivalent to 25% of their previous year's premiums. In 1977 some 55,000 eligible drivers received the grant.

In order to qualify the applicant must not have accumulated more than five driving penalty points and not had a claim for which he was responsible in the nine months prior to September 30, 1977.



The Past

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 Auto-plan, the Corporation provides a full line of General Insurance Services including policies for 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.

Four Year Comparison

	1977	1976	1975	1974
AUTO INSURANCE				
Vehicle policies	1,560,000	1,504,000	1,450,000	1,390,000
Premium income (\$000)	337,000	355,000	180,000	206,000
Average premium (\$)	216	236	124	147
Number of claims for policy year	395,000*	363,000	614,000	530,000
Cost of claims incurred (\$000)	297,000	216,000	256,000	203,000
Unpaid claims (\$000)	261,000	182,000	160,000	83,000
Investment income (\$000)	35,200	30,200	3,800	9,200
Surplus (Deficit) (\$000)	(8,600)	71,800	(144,200)	(34,200)
GENERAL INSURANCE				
Policies	109,000	103,000	82,000	50,000
Net premium income (\$000)	19,000	16,000	11,000	5,000
Number of claims recorded	7,000	10,000	10,000	5,000
Cost of claims incurred (\$000)	9,700	7,300	10,600	4,800
Unpaid claims (\$000)	9,200	6,600	7,700	2,700
Investment income (\$000)	1,200	800	400	200
Surplus (Deficit) (\$000)	2,700	1,500	(4,100)	(2,200)
CORPORATE				
Average number of employees	2,300	2,250	2,310	1,820
Investments at year end (\$000)	521,000	425,000	110,000	110,000
Total assets (\$000)	674,000	582,000	481,000	250,000
*Estimated				

The Future

The Insurance Corporation will actively investigate methods for controlling the costs of property damage and bodily injury claims through programs aimed at achieving better and safer driver and vehicle performance on the highways.

The Corporation will also continue to explore ways of keeping the administration cost of Autoplan at the lowest acceptable level consistent with providing a high level of service. In this way, the Insurance Corporation will ensure that premiums to the motoring public will be maintained at the lowest possible level balanced with quality service considerations.

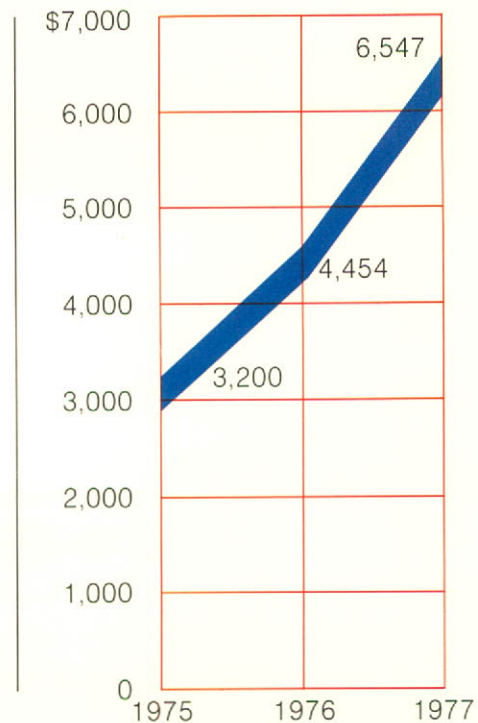
The Safe Driving Discount program, now offering a one and two year discount is expected to expand into a three year program in 1979. It is hoped that the continued expansion of these Safe Driving Discounts will reduce the number of accidents on the roads.

The most disturbing development that affects all vehicle owners in British Columbia is the dramatic increase in court-awarded settlements for personal injury claims. The following graph dramatically illustrates the degree to which the cost of bodily injury claims has increased in the last three years.

It can be seen that the average cost of all bodily injury claims has increased from \$3,200 in 1975 to \$6,547 in 1977, an increase of \$3,347 or 105%.

The Corporation has thousands of claims of this type and therefore faces in the future a potential impact of many millions of dollars. Claims reserves are being expanded to meet this impact.

AVERAGE COST
BODILY INJURY CLAIMS
1975-1977



Autoplan Fund

Financial

The financial condition of the Autoplan Fund continued on a sound basis throughout the year. Due to the \$8.6 million deficit the accumulated surplus, including the Rate Stabilization Reserve, declined to \$59.4 million. This deficit resulted after allowing \$50 million in safe driving discounts and providing \$79 million in increased claims reserves. For the 1977 year, administrative ex-

penses of \$34.6 million and commission expenses of \$24 million totalled \$58.6 million and resulted in an expense ratio of 17%. This compares very favourably with private industry where expenses typically approximate 25% to 30% of earned premiums. This difference represents a saving of at least \$25 million to the B.C. motorist.



The number of claims increased only marginally from 363,000 for the 1976 policy year to 395,000 for the 1977 policy year and about one half of this increase can be attributed to the 4% growth in insured vehicles. In view of the large increase in court settlements for bodily injury claims, however, the Corporation instituted a major review of claims reserve adequacy, particularly for bodily injury claims. This review resulted in a substantial increase in claims reserves and was the primary cause of the increase in claims incurred costs to \$296.8 million from \$215.6 million in the previous year. The Corporation is hopeful that the recent seat belt legislation will make a major impact on the costs, in both financial and human terms, of these bodily injury claims. The Attorney-General's CounterAttack program in which the Corporation is participating also gives promise of contributing to the reduction of drinking driving – the greatest

single cause of motor vehicle deaths and injuries.

The Safe Driving Discount, which has now been established as an ongoing program, is charged against the premiums in the policy year when the discount is allowed. As a result, the Safe Driving Discount Reserve of \$52.3 million, which was set aside last year for the anticipated discount, after providing for \$8.6 million to cover the 1977 operating loss, has been effectively transferred to the Rate Stabilization Reserve. With the addition of this remaining \$44.1 million, the reserve now aggregates \$55.6 million as a cushion against substantial premium increases in future years which could result if the current trend in bodily injury claims continues and inflation magnifies the costs of claims for property damage. The unappropriated surplus remaining at the end of the year was \$3.8 million compared with \$4.2 million at the end of the 1976 year.

Rate Comparisons

A cross-Canada review of auto insurance premiums in January 1978, showed British Columbians with very few exceptions enjoying the lowest rates in the country.

The review was conducted by the Insurance Corporation of B.C. with comparisons based on figures provided by the Insurance Advisory Organization of Canada. The IAO represents a substantial number of private insurance companies across Canada and

each year suggests a complete set of rates to its members, based on data supplied by the industry. Its rates are not mandatory and each member company can set rates higher or lower depending on its own experience.

Even in comparison with Saskatchewan and Manitoba, where government-operated automobile insurance programs are subsidized in some form and where certain benefits to claimants are not as good, ICBC rates are in line and often lower.

Premium Comparison

DRIVER: 30 years and over, or any female or married male over 25. No accidents in B.C. in the last two years, three years elsewhere. Vehicle used for pleasure only.

COVERAGE: Public Liability and Property Damage \$200,000. Collision \$100 deductible. Comprehensive \$50 deductible.

AUTOMOBILES	Vancouver B.C.	Calgary Alta.	Regina Sask.	Winnipeg Man.	Toronto Ont.	Montreal P.Q.
1966 Chevrolet Station Wagon	\$184	\$242	\$124	\$135	\$256	\$322
1975 Volkswagen Beetle	\$210	\$296	\$191	\$147	\$302	\$393
1976 Ford Granada	\$270	\$321	\$224	\$192	\$321	\$424
AUTOMOBILES	Victoria B.C.	Edmonton Alta.	Regina Sask.	Winnipeg Man.	Hamilton Ont.	Quebec City P.Q.
1966 Chevrolet Station Wagon	\$117	\$242	\$124	\$135	\$251	\$305
1975 Volkswagen Beetle	\$131	\$296	\$191	\$147	\$300	\$375
1976 Ford Granada	\$159	\$321	\$224	\$192	\$321	\$406

General Insurance

Underwriting

The Corporation's General Insurance operation, one of the largest in the province, has shown healthy growth in the past year despite increasing competition from other insurers. The General Insurance Division provides a comprehensive range of insurance protection for residential, business and institutional establishments throughout the province, arising from the perils of fire and related hazards, burglary, robbery, liability, dishonesty and the hazards associated with transportation and boiler and machinery.

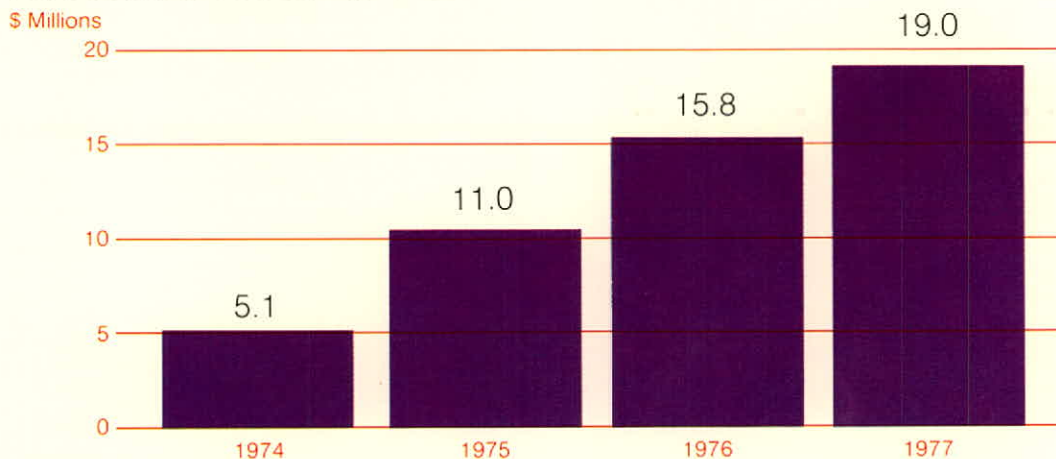
Policies written exceeded 109,000 by year end and net premiums written were \$20.3 million, representing increases of 6% and 24% respectively over 1976.

Favourable claims experience and tighter expense controls have permitted the Corporation to make significant rate reductions in both the Personal and Commercial lines for the coming year. The public schools program was further

revised this past year to achieve a higher degree of self insurance by the Ministry of Education. By assuming a deductible of \$5,000,000 in respect of all fire insurance claims, the Ministry of Education received a rebate for its unearned premiums in the amount of \$3.7 million. The total school fire losses amounted to \$2,125,000 this year as compared to \$12,600,000 in 1976. This dramatic reduction results, in part, from the increased safety precautions and improved loss prevention procedures instituted. Hopefully it is also due to the realization by all of the enormous economic waste and disruptive influence caused by these losses in past years.

The Corporation is continuing its efforts in providing technical expertise in the areas of construction and protective devices for our public schools through its Loss Prevention Services aimed at reducing the impact of arson and vandalism in schools.

Net premiums earned 1974-1977



Financial

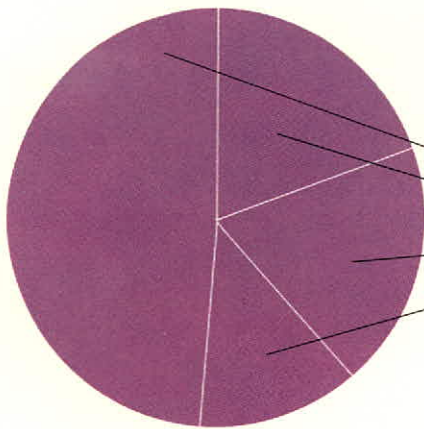
The General Insurance operation reported net earned premiums of \$19.0 million in its fourth full year, an increase of 20% over 1976. Net claims incurred amounted to \$9.9 million, resulting in a loss ratio of 52% to net earned premiums.

Despite an increase in workload and policies written, improved efficiency in the Corporation made it possible to reduce administrative expenses to \$3.7 million from \$3.9 million in the previous year.

An underwriting income of \$1.6 million, together with investment income of \$1.1 million resulted in net income

of \$2.7 million for 1977 compared to \$1.5 million for the prior year. An appropriation from retained earnings of \$1.7 million has been added to the Rate Stabilization Reserve to be used to reduce the impact on premiums of future adverse claims experience. In accordance with industry practice to maintain catastrophe reserves an additional \$550,000 has been appropriated to cushion the impact of potential losses that might arise from a disaster.

These reserves now stand at \$850,000 for the Catastrophe Reserve and \$2,200,000 for the Rate Stabilization Reserve.



GENERAL INSURANCE
Utilization of total revenue — 1977

	\$ Million	%
Claims	9.9	49
Administration	3.7	19
Commissions	3.8	19
Net income	2.7	13
Total revenue	20.1	100

Automobile Insurance Act Fund

STATEMENT OF OPERATIONS

Year ended February 28, 1978

	1978	1977
Revenue		
Vehicle premiums (Note 3)	\$329,908,000	\$347,309,000
Driver premiums	7,275,000	7,467,000
Total premiums	<u>337,183,000</u>	<u>354,776,000</u>
Investment income	35,224,000	30,176,000
Total revenue	<u>372,407,000</u>	<u>384,952,000</u>
Claims		
Claims incurred	296,825,000	215,611,000
Claims operations expense	25,567,000	23,049,000
	<u>322,392,000</u>	<u>238,660,000</u>
Expenses		
Administrative	34,615,000	32,731,000
Commissions	23,973,000	27,128,000
Amortization and write-off of start-up costs	—	14,681,000
	<u>58,588,000</u>	<u>74,540,000</u>
Total claims and expenses	<u>380,980,000</u>	<u>313,200,000</u>
Income (loss) for the year	(8,573,000)	71,752,000
Unappropriated surplus (deficit) at beginning of the year	4,156,000	(178,360,000)
Contribution from the Government of British Columbia	—	174,564,000
Transfer from (appropriation for): (Note 3)		
Safe Driving Discount reserve	52,300,000	(52,300,000)
Rate Stabilization reserve	(44,100,000)	(11,500,000)
Unappropriated surplus at end of the year	<u>\$ 3,783,000</u>	<u>\$ 4,156,000</u>

Insurance Corporation of British Columbia

STATEMENT OF GENERAL OPERATIONS

Year ended February 28, 1978

	1978	1977
Revenue		
Net premiums written	<u>\$20,307,000</u>	<u>\$16,428,000</u>
Net premiums earned	<u>18,956,000</u>	<u>15,809,000</u>
Claims incurred and adjustment costs	<u>9,873,000</u>	<u>7,461,000</u>
Expenses		
Administrative	3,758,000	3,876,000
Commissions	3,770,000	3,648,000
Amortization and write-off of start-up costs	—	180,000
	<u>7,528,000</u>	<u>7,704,000</u>
Total claims and expenses	<u>17,401,000</u>	<u>15,165,000</u>
Underwriting income	1,555,000	644,000
Investment income	<u>1,157,000</u>	<u>836,000</u>
Income on general insurance operations	2,712,000	1,480,000
Loss on other operations	<u>(56,000)</u>	<u>(97,000)</u>
Income for the year	2,656,000	1,383,000
Unappropriated retained earnings (deficit) at the beginning of the year	432,000	(7,097,000)
Contribution from the Government of British Columbia	—	6,946,000
Appropriation for: (Note 3)		
Catastrophe reserve	(550,000)	(300,000)
Rate Stabilization reserve	<u>(1,700,000)</u>	<u>(500,000)</u>
Unappropriated retained earnings at end of the year	<u>\$ 838,000</u>	<u>\$ 432,000</u>

Insurance Corporation of British Columbia

BALANCE SHEET

as at February 28, 1978

	1978	1977
ASSETS		
Cash in hands of agents and banks	\$ 49,390,000	\$ 52,527,000
Investments (Note 4)	521,055,000	425,424,000
Receivables	19,743,000	20,156,000
Finance plan receivables	24,048,000	24,124,000
Premium acquisition expenses	19,134,000	18,010,000
Property and equipment (Note 5)	40,498,000	41,882,000
	<u>\$673,868,000</u>	<u>\$582,123,000</u>

Approved by the Board:

Director: 

Director: 

LIABILITIES

	1978	1977
Accounts payable and accrued charges	\$ 39,882,000	\$ 36,877,000
Motor Vehicle Branch	14,994,000	15,735,000
Premiums in advance	271,305,000	255,942,000
Unearned premiums (Note 6)	14,600,000	15,658,000
Unpaid claims (Note 2)	269,816,000	188,723,000
	<u>610,597,000</u>	<u>512,935,000</u>

Due to the Automobile Insurance Act Fund
representing its: (Note 3)

Safe Driving Discount reserve	—	52,300,000
Rate Stabilization reserve	55,600,000	11,500,000
Unappropriated surplus at end of the year	3,783,000	4,156,000
	<u>59,383,000</u>	<u>67,956,000</u>
	<u>669,980,000</u>	<u>580,891,000</u>

RETAINED EARNINGS (Note 3)

Catastrophe reserve	850,000	300,000
Rate Stabilization reserve	2,200,000	500,000
Unappropriated retained earnings at end of the year	838,000	432,000
	<u>3,888,000</u>	<u>1,232,000</u>
	<u>\$673,868,000</u>	<u>\$582,123,000</u>

Insurance Corporation of British Columbia

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended February 28, 1978

	1978	1977
Resources provided:		
Premiums in advance	\$271,305,000	\$255,942,000
Collected for Motor Vehicle Branch	52,424,000	53,446,000
Contribution from the Government of British Columbia	—	181,510,000
Collected on finance plan	28,774,000	38,639,000
Sale of property and equipment	2,060,000	156,000
From Operations		
Automobile Insurance Act Fund	69,127,000	108,837,000
General Operations	9,417,000	3,660,000
	<u>433,107,000</u>	<u>642,190,000</u>
Resources applied:		
Transfer of premiums received in advance to the Automobile Insurance Act Fund	255,942,000	240,603,000
Finance plan	28,698,000	42,259,000
Purchase of property and equipment	2,808,000	4,263,000
Remitted to Motor Vehicle Branch	53,165,000	57,000,000
	<u>340,613,000</u>	<u>344,125,000</u>
Increase in resources for the year	92,494,000	298,065,000
Cash and Investments at beginning of the year ...	477,951,000	179,886,000
Cash and Investments at end of the year	<u>\$570,445,000</u>	<u>\$477,951,000</u>

Notes to Financial Statements February 28, 1978

1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (ICBC) is a Crown corporation incorporated under the Insurance Corporation of British Columbia Act S.B.C. 1973 (1st session), Chapter 44, assented to April 18, 1973. ICBC has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the Automobile Insurance Act (AIA) Fund.

The AIA Fund is by legislation a separate entity for financial accounting purposes. 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 accumulated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 conforms in all material aspects 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.

Investments

Investments are carried as follows:

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

Provisions for permanent decline in values of investments are made where appropriate (none during 1977/78 and 1976/77).

Premium Acquisition Expenses

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

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.

Premiums in Advance

The liability for premiums in advance consists of vehicle premiums received or financed prior to March 1, 1978 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.

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.

	Feb. 28, 1978	<i>Feb. 28, 1977</i>
Automobile Insurance Act Fund	\$260,648,000	\$182,098,000
General Insurance	9,168,000	6,625,000
Total Unpaid Claims	<u>\$269,816,000</u>	<u>\$188,723,000</u>

3. RESERVES

AIA Fund

In the fiscal year ended February 28, 1977 the AIA Fund appropriated from surplus a Safe Driving Discount reserve of \$52,300,000 in respect of the Safe Driving Discount Program established for the current fiscal year. Subsequently, it was decided that this would be an ongoing program for safe driving in British Columbia. The Safe Driving Discount is offset against premiums in the year the discount is allowed and the net premium received is reported in the AIA Fund Statement of Operations.

As a result of this policy the \$52,300,000 Safe Driving Discount reserve was returned to unappropriated surplus. After providing \$8,573,000 to offset the 1977/78 loss, an amount of \$44,100,000 has been appropriated increasing the Rate Stabilization Reserve to \$55,600,000.

The purpose of this reserve is to lessen the potential impact on vehicle pre-

miums of significant variation in claims loss experience in future years.

General Operations

ICBC has appropriated from General Operations retained earnings a further \$550,000 to the Catastrophe Reserve and an additional \$1,700,000 to the Rate Stabilization Reserve. These appropriations increase these reserves to \$850,000 and \$2,200,000 respectively.

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.

4. INVESTMENTS

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

	Feb. 28, 1978	<i>Feb. 28, 1977</i>
Short-term Deposit Receipts, Call Loans and Notes (approximates market value)	\$393,643,000	\$342,923,000
Bonds (est. market value, 1978 – \$121,551,000; 1977 – \$ 80,762,000)	127,412,000	82,501,000
	<u>\$521,055,000</u>	<u>\$425,424,000</u>

5. PROPERTY AND EQUIPMENT

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

	Rates	Cost	Accumulated Depreciation	Net Book Value at February 28 1978	<i>Net Book Value at February 28 1977</i>
Land		\$13,376,000	\$	\$13,376,000	\$14,344,000
Buildings . . .	5-10%	26,356,000	3,611,000	22,745,000	23,940,000
Furniture & Equipment	10-40%	6,325,000	2,697,000	3,628,000	2,671,000
Leasehold Improvements . .		1,532,000	783,000	749,000	927,000
		<u>\$47,589,000</u>	<u>\$7,091,000</u>	<u>\$40,498,000</u>	<u>\$41,882,000</u>

Depreciation expense in the year amounted to \$2,721,000 (1977 – \$2,280,000).

6. UNEARNED PREMIUMS

	Feb. 28, 1978	Feb. 28, 1977
General Insurance	\$10,984,000	\$ 9,633,000
Drivers Premiums	3,616,000	6,025,000
	<u>\$14,600,000</u>	<u>\$15,658,000</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, 1979	\$4,000,000
Fiscal year to	
February 29, 1980	3,000,000
Fiscal year to	
February 28, 1981	2,500,000
Fiscal year to	
February 28, 1982	900,000
Fiscal year to	
February 28, 1983	100,000

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 October 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, 1978 indicates that ICBC has complied with the Legislation in all material aspects.

In accordance with the agreement between the Government of British Columbia and the Federal Government, ICBC is complying with the Legislation related to the restraint of prices and profits.

9. 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, 1978 the Corporation has fully provided all past service liabilities of the Pension Plan. Contributions by ICBC for the year ended February 28, 1978 were \$792,000. (1977 - \$255,000).

10. COMPARATIVE FIGURES

The financial statements for the year ended February 28, 1977 were reported upon by other auditors.

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, 1978, the statements of general operations and changes in financial position and the statement of operations of the Automobile Insurance Act Fund 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, 1978 and the results of its operations and the changes in its financial position and the results of the operations of the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cripps & Lybrand

Chartered Accountants
Vancouver, British Columbia
April 14, 1978

EXECUTIVE MANAGEMENT COMMITTEE

R. D. SHERRELL	President	R. D. BLACKBURN	Vice President and Corporate Secretary
R. E. HENDERSON	Senior Vice President Finance	C. L. McNAUGHTON	Executive Assistant to the President and Assistant Corporate Secretary
T. E. HOLMES	Senior Vice President Auto Insurance	C. B. PENHALL	Manager – Public Information
J. B. HUTCHINSON	Senior Vice President Administration		



Seated, from left – R. D. Blackburn, T. E. Holmes, R. D. Sherrell, J. B. Hutchinson, C. L. McNaughton.
Standing, from left – R. E. Henderson, C. B. Penhall.

SENIOR MANAGEMENT

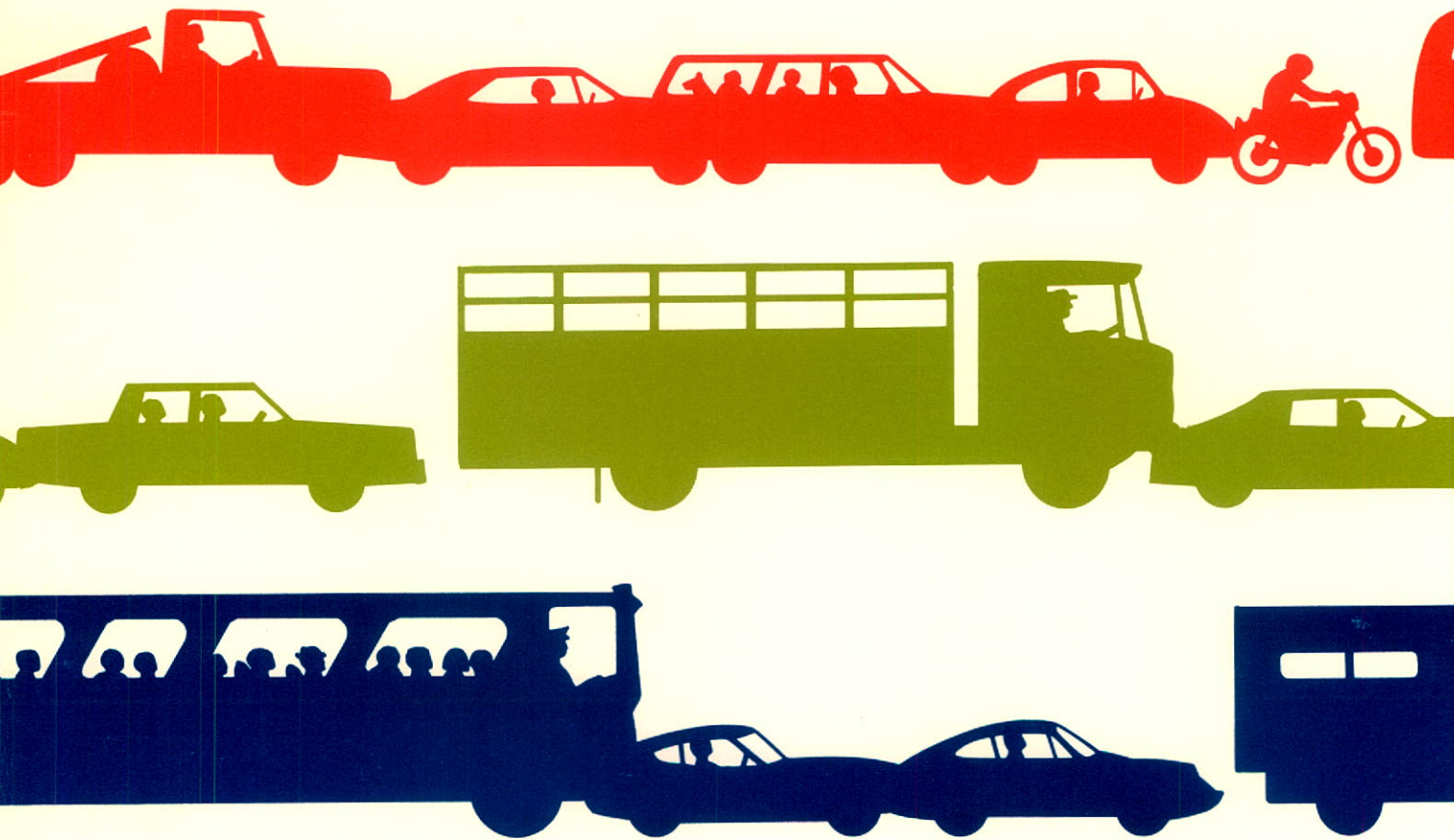
G. D. ADAIR	Corporate Controller	G. McFARLANE	Chief Counsel
H. D. CHIVERS	Manager – Internal Audit	R. W. McMURCHIE	Marketing Manager – General Insurance
S. D. CORCORAN	Underwriting Manager – General Insurance	J. R. NEILSON	Manager – Personnel and Industrial Relations
R. J. DAWSON	Manager – Auto Insurance Rating and Research	B. F. PEARSON	Senior Claims Manager
J. I. FLETCHER	Manager – Investments	G. D. PIDDUCK	Manager – Information Services
W. A. GOURLIE	Accounting Manager – General Insurance	P. PREPCHUK	Manager – Corporate Services
L. N. HYMAN	General Solicitor	L. F. RICE	Manager – Systems Requirements Planning
M. B. McCARTHY	Senior Underwriting Manager	R. C. WINTERHALDER	Claims Manager – General Insurance

CLAIM SERVICE LOCATIONS

Burnaby	W. J. McBRIDE	Campbell River	B. GAW	Smithers	R. ELLIS
North Vancouver	J. E. McCULLOCH	Duncan	B. J. CLARKE	Prince Rupert	L. BARRETT
East Vancouver	H. C. STEVENS	Courtenay	R. H. NYE	100 Mile House	C. PETERSON
West Broadway	G. L. BROADBENT	Port Hardy	B. THURBER	Quesnel	K. HOUGHTON
Kingsway	M. C. BENTLEY	Port Alberni	T. STEPHENS	Kamloops	J. C. NIELSEN
S. W. Marine Dr.	J. P. WEBSTER	Squamish	D. MacLENNAN	Revelstoke	G. KENNEDY
Richmond	G. C. FLEMING	Powell River	M. E. CARLSON	Salmon Arm	D. McKAY
Surrey	G. C. FARQUHARSON	Chilliwack	D. J. A. CLARK	Kelowna	J. A. WILSON
Coquitlam	D. L. VETTESE	Prince George	R. L. McCUIISH	Penticton	J. E. LEDGARD
Matsqui	D. S. McEWAN	Dawson Creek	M. E. HOLOWATUK	Vernon	G. K. DETERS
Langley	N. ARMSTRONG	Terrace	R. E. FOSTER	Trail	J. D. A. GREEN
Victoria	J. A. BELL	Williams Lake	T. P. BULLOCK	Nelson	D. SLESSOR
Nanaimo	G. J. MASON	Fort St. John	P. HABER	Cranbrook	B. L. GARDINER

Insurance Corporation of British Columbia Sixth Annual Report

For the year ended February 28, 1979



The Report of the Board of Directors

The objective of the Insurance Corporation of British Columbia is to provide the highest quality insurance service on a break-even basis with income and expenses in balance. We are pleased that in the fiscal year just ended that objective was virtually achieved with the Automobile Insurance Act Fund reflecting a surplus of \$6.1 million, or 1.5% of the total income of \$410 million.

The key to this very gratifying result stems from the control gained over the average cost of claims — bodily injury claims in particular. The number of recorded claims in total increased by 4% to 418,000 in 1978. The overall average cost per claim, however, declined from \$675 to \$592, compared to an increase of 47% in the previous year. In the case of bodily injury claims, the average cost per claim was reduced from \$6,547 to \$4,441, reversing the threatening trend of recent years. Major contributors to this result were the Corporation's claim cost control programs, the indicated effect of the provincial seat belt law, the Counter-Attack Program developed by the Ministry of the Attorney-General, which program the Corporation actively supports, and most of all a more conscious awareness of safe driving by the public.

As a result of its sound financial condition, the Corporation was able to continue and expand its Safe Driving Vehicle Discount Program which reduces renewal premiums for more than 80% of the vehicle owners. With the introduction of a three year discount of 32.5% on March 1, 1979, the Corporation is able to hold Autoplan premiums level for those who qualify for this discount to a point at which they are paying no more in 1979 for automobile insurance than they did in 1976 — despite substantial increases in auto repair costs, wage rates and other expense factors during this period. This discount program is further supported by the Corporation's capacity to maintain an expense ratio of 17% — one of the lowest operating cost ratios in the insurance industry. This is a record of which management and employees can well be proud.

The measure of the Corporation's ability to provide high-quality cost-effective auto insurance coverage is seen in the fact that 93¢ of every premium dollar taken in was directly related to claims paid out. In addition, the Corporation was able to utilize fully its \$43.5 million auto insurance investment income to offset administrative and other expenses and thereby ensure a maximum return and minimum cost to the vehicle owners of British Columbia.

During the past year, several new features were initiated in an effort to upgrade service and effectiveness. The Corporation implemented the procedures necessary to begin spreading Autoplan policy renewals across the year. Commencing in 1979, some 400,000 renewals will carry expiry dates other than the end of February. This process will continue with the result that in three or four years a relatively even number of policies will expire each month.

During 1978, the Corporation also introduced a phone-in claim service for the convenience of vehicle owners. The "Dial-a-Claim" system was phased in throughout the Province commencing in early spring in Prince George and was fully operational in Greater Vancouver by the end of September. Anyone making a claim can now telephone the details to any Claim Centre and then arrange a convenient appointment if a vehicle requires damage appraisal.

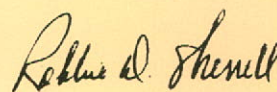
The Board is also pleased to note the successful negotiation of a new two year contract with the Office and Technical Employees Union. Union and management representatives, together with our employees, deserve considerable credit for the responsible and sincere approach they took to the issues involved.

The General Insurance Division of the Corporation has successfully maintained its role of providing a stabilizing influence, in all areas of the Province, in a market that is quite cyclical in nature. The current intense competition for business will undoubtedly subside in time and upward pressure on insurance premium rates will return. The Corporation intends to resist this roller coaster effect on rates and provide more consistently priced insurance packages to the residents of British Columbia.

The Board of Directors would like to express its sincere appreciation to the staff members of the Corporation for their dedicated efforts over the past year.



Ralph L. Gillen
Chairman of the Board



Robbie D. Sherrell
President and Chief Executive Officer

*On behalf of the Board of Directors,
Insurance Corporation of British Columbia,
April 18, 1979.*

A Claim System that Works.

Case History #6632710

THE MINOR CLAIM



The Insurance Corporation of British Columbia is one of the largest automobile insurance companies in Canada. But it is still a "people" business, despite its handling of some 1,622,000 policies and over 400,000 individual claims in the past year. The most critical area of our operations will always be that often brief interface between the claimant and our staff in the Claim Centres around the Province.

Our entire claims operation is keyed to provide fast, fair and friendly service — service that combines operational efficiency with an attitude of caring and concern. That it succeeds is borne out by the fact that about 80% of all claims are handled within 30 minutes to the mutual satisfaction of everyone.

These and the following pages describe briefly the three most common categories handled by the Corporation in 1978: the Minor Claim, the Write-Off, and the Rehabilitation Claim. Each is based on a recent and actual case history.

The settlement procedure for a minor claim is fast and uncomplicated; it takes almost as long to explain as it does to complete. For example, treacherous winter driving conditions bring a rash of accident claims. The damage to Dave Whittall's pick-up (left) is typical.



Dave used the time-saving Dial-a-Claim service to report his claim to an adjuster (above) at his local Claim Centre and to arrange a convenient appointment. Before the appointment a computer check was made to verify the vehicle's identity and insurance coverage.



When Dave brought his car to the Claim Centre, a skilled Estimator (above) evaluated the damage, explained the problems of repairing it and prepared an estimate form outlining the parts and the number of hours required for a shop to complete the work.



Dave was given copies of the estimate to take to the body shop of his choice. When the repairs were completed to his satisfaction, the body shop returned a copy of the estimate to the Claim Centre with supporting invoices for the parts which were purchased.

The estimate and supporting documents were checked, signed off and sent to Head Office for processing. At Head Office each claim estimate is first processed by skilled staff who assign a "batch" number to it for future tracking and reference.



This information is then key-punched into the computer with millions of pieces of similar information. The type and kind of claim will be recorded to become part of Dave's permanent record. In this case he was not at fault.



The last step is to process payment to the body shop. All work done by each body shop is accumulated and a single payment is made to each shop once a month.

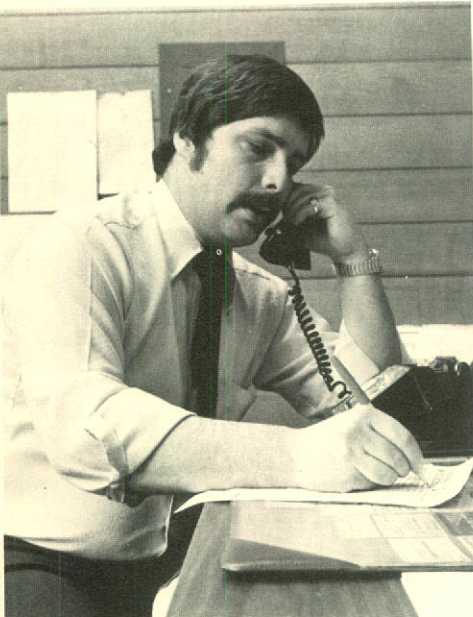


A Claim System that Works

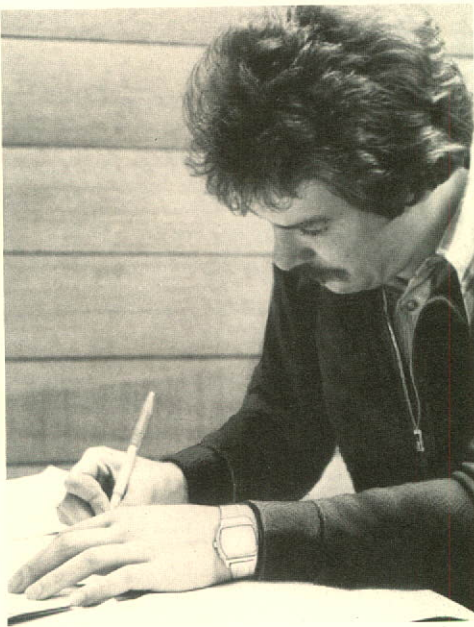
Case History #6630472 THE WRITE-OFF



Gordon Martin was lucky. His vehicle (left) was a total write-off after an accident involving a tractor-trailer. But Gordon walked away unhurt. If he had been injured, claim procedures could have been initiated by a family member or a friend.



Gordon phoned the details of the accident to an Adjuster at a convenient Claim Centre. His insurance coverage was verified and the vehicle towed to the Claim Centre. Examination of the vehicle indicated a total write-off. Determining the actual cash value of a total write-off is a skilled function.



The Estimator wrote out a total loss worksheet. This worksheet and the vehicle were reviewed by a Total Loss Expeditor who took responsibility for the file at this point. He used formal guides to vehicle values published monthly plus an analysis of similar vehicles advertised for sale.



When agreement had been reached with the Expeditor, Gordon signed a release form and received a draft for the amount of the settlement. If agreement had not been reached, discussions would have been held with the Expeditor's Supervisor and, if necessary, the Manager of the Claim Centre.

All information on the write-off was sent to the Salvage Department and the vehicle was towed to an ICBC Salvage Yard. Wrecks are sold once a week on a sealed bid basis to licensed dealers and auto wreckers only. Salvage sales in 1978 returned \$6,000,000 to the Corporation.



All the information regarding this claim is key-punched into the Corporation's computer at Head Office and becomes part of the over-all system for predicting future losses and subsequent insurance rates.



The computer, one of the largest in Western Canada, maintains records not only on claims information but on all financial transactions between the Corporation and its customers.

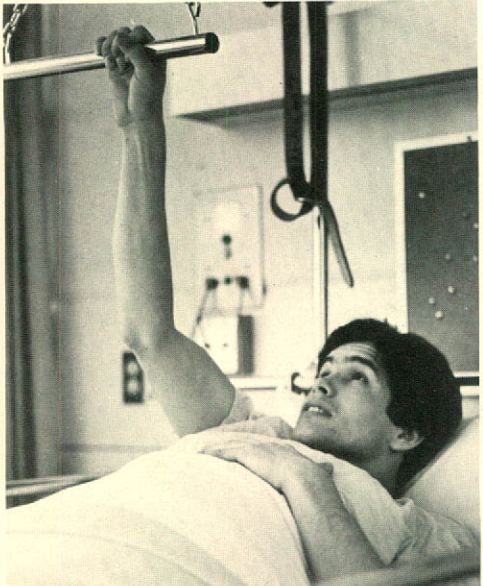


A Claim System that Works

Case History #2219810 REHABILITATION



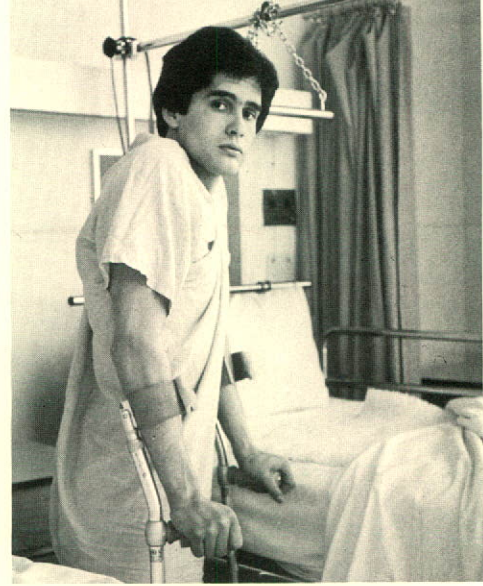
In Canada, ICBC has pioneered in rehabilitation in auto insurance. By late 1978, the Corporation's unique Rehabilitation Unit was involved in 423 current cases, among them 49 quadriplegics, 61 paraplegics and 130 cases of brain damage. The majority were males under 30. Jim Brooks (left) became one of those statistics on the night of August 15, 1975.



Jim, an 18 year old deck hand on a tug was driving a friend's car when he skidded on gravel and rolled the car three or four times. His seat belt was not buckled and he was thrown from the car, sustaining severe injuries including a fractured spine with some paralysis.



While this accident was initially referred to a Claim Centre, because of the circumstances the file was transferred to the Major Loss Department of Head Office. The Rehabilitation Unit was called in and a joint effort was mounted to meet the financial, legal, physical and psychological needs of the injured claimant.

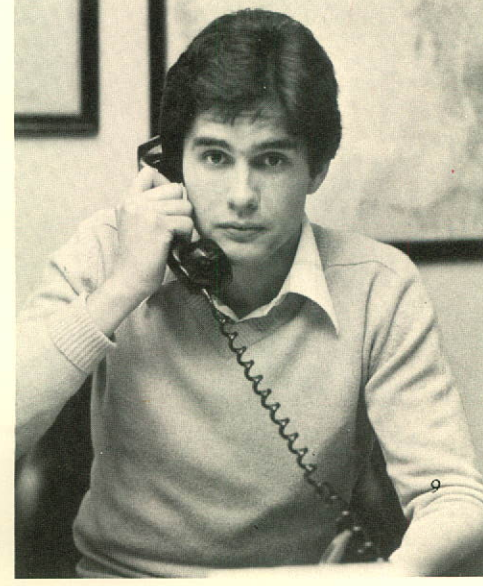


Jim was moved to the newly opened Acute Spinal Cord Injury Unit at Shaughnessy Hospital in Vancouver. ICBC played a coordinating role, working with the hospital staff and with Jim and his family. The Rehabilitation Unit was in contact with Jim within a few days of his admission and throughout his 77 days in the Unit.

Jim was fortunate. His spinal cord had not been completely severed and he was determined to make the best possible physical recovery. He worked hard at his rehabilitation program at the G.F. Strong Rehabilitation Centre and was soon able to walk again with the aid of canes.

Throughout his rehabilitation Jim was paid weekly benefits because he had been working at the time of the accident. All medical expenses were paid, over and above those covered by his medical plan.

Encouraged by the Rehabilitation Unit, Jim returned to school and completed his Grade 12 education. ICBC also funded the cost of his schooling, including books and other required items. Although it was impossible for him to return to his former job, he now works as a dispatcher for a tug company, starting his new career 22 months after his accident.



INVESTMENTS

As at February 28, 1979, the Corporation's investment funds included \$287 million of premiums received for the policy year which commenced on March 1, 1979. These premiums will be taken into income evenly each month over the following twelve months. The balance of the investment fund of \$330 million represents reserves for payment of outstanding current and prior year claims.

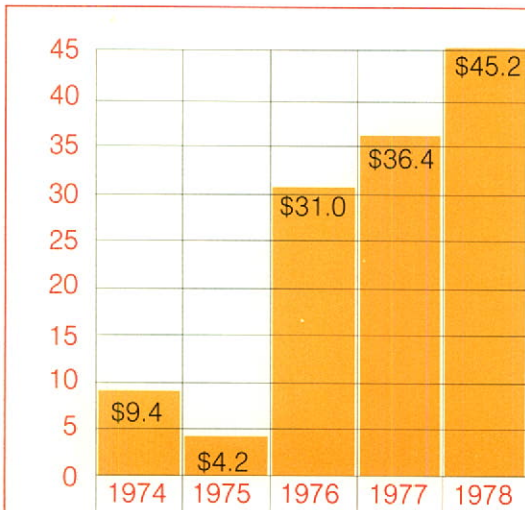
The Corporation's policy is to use each year's policy premiums to provide for payment of all claims and expenses occurring in that year, even though that year's claims may not be reported or payment finally completed until several years later. The funds provided by each year's policy premiums are invested until required for payment of the outstanding claims.

The Corporation's investment portfolio of \$617 million is one of the largest sources of liquid capital in the Province. It is corporate policy to invest these funds in short, medium and long term securities of provincial, federal and municipal governments, business and financial institutions with preference given to organizations in the Province of British Columbia. All funds are in Canadian investments.

In 1978 the investment portfolio provided income of \$45.2 million, an increase of 24% over 1977. The increase was due primarily to a greater amount of funds for investment and the higher Canadian interest rates.

The investment income received in 1978 is the equivalent of \$27 for each Autoplan policy, an amount that would otherwise have to be paid by the vehicle owners of B.C.

**Total Corporate
Investment Income 1974-1978**
\$ Million



Investment Portfolio as at February 28, 1979

	\$ Million	%
Banks	190.8	30.9
Corporations	122.4	19.8
Provincial	95.8	15.5
Federal	69.4	11.3
Finance Companies	61.7	10.0
Credit Unions	30.1	4.9
Municipal	16.1	2.6
Call Loans	13.5	2.2
Canadian Corporation		
Eurobonds	10.8	1.8
Trust Companies	6.3	1.0
	<u>\$ 616.9</u>	<u>100.0</u>

AUTOPLAN FUND

The Autoplan Fund income for the year was \$6.1 million, 1.5% of the total revenue of \$410 million. The total accumulated surplus of the Autoplan Fund now stands at \$65.5 million including the \$61.6 million set aside for the Rate Stabilization Reserve. The current year surplus has been the direct result of a sharp reduction in the severity of Bodily Injury claims and controlled expenses in relationship to premiums.

Total premiums at \$367 million represent an increase of 9% over last year. The average premium after Safe Driving Vehicle Discount was \$226. A Safe Driving Vehicle Discount was applied to more than 80% of vehicle premium renewals received. In total this amounted to \$69 million earned by the vehicles owners of the Province.

The combined cost of administrative expenses of \$36.4 million, and commission expenses of \$25.1 million, was \$61.5 million which enabled the Corporation to maintain the very satisfactory 17% expense ratio achieved last year.

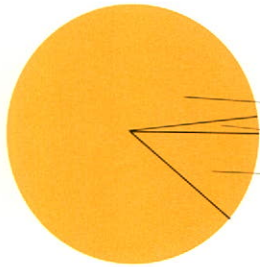
The Corporation has recently introduced a new Productivity Improvement Program which will benefit all operational areas. This program has

already achieved manpower and system cost savings in some of the larger departments.

In the claim operations area, service and efficiency have increased with the introduction of the Dial-a-Claim system at all Claim Centres throughout the Province. This system provides the Corporation with greater productivity in claim handling and also saves valuable time for the motoring public by allowing a claim to be reported from home or work.

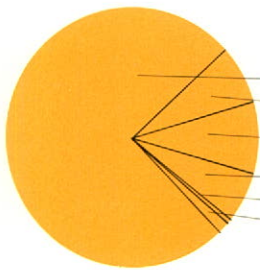
The number of claims increased from 395,000 in the 1977 policy year to 415,000 in the 1978 policy year. The average cost of claims has been dramatically reduced compared with last year's claims experience and is the combined result of the various claim cost control and safety programs introduced by the Corporation and the Provincial Government.

The Autoplan Fund is protected against excessive liability claims and the accumulation of losses arising from one accident or catastrophe, such as earthquake, flood, hurricane, explosion, etc. by annual reinsurance contracts placed on the international reinsurance markets. Fortunately, Autoplan risks are spread throughout the entire Province, mitigating to a considerable extent the likelihood of excessive exposure in any one location.



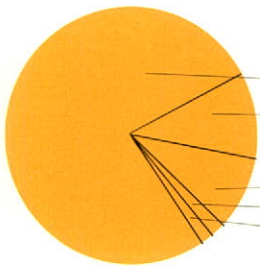
AUTOPLAN INCOME 1978

	<i>\$ Million</i>	<i>%</i>
Vehicle Premiums	355.8	86.8
Driver Premiums	10.9	2.7
Investment Income	<u>43.4</u>	<u>10.5</u>
	\$410.1	100.0



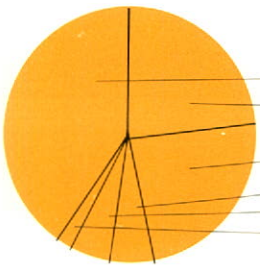
AUTOPLAN INCOME USE 1978

	<i>\$ Million</i>	<i>%</i>
Claims Incurred	313.2	76.4
Claims Operations	27.7	6.8
Administrative	36.4	8.9
Commissions	25.1	6.1
Extraordinary Loss	1.6	.4
Income for the year	<u>6.1</u>	<u>1.4</u>
	\$410.1	100.0



VEHICLE PREMIUMS BY CATEGORY 1978

	<i>\$ Million</i>	<i>%</i>
Passenger Vehicles	274.6	77.1
Light Trucks	38.6	10.9
Commercial and Others	33.5	9.4
Trailers	4.9	1.4
Motorcycles	<u>4.2</u>	<u>1.2</u>
	\$355.8	100.0



AUTOPLAN CLAIMS 1978

	<i>\$ Million</i>	<i>%</i>
Bodily Injury	124.9	39.9
Collision	75.5	24.1
Property Damage	73.2	23.4
Comprehensive	19.2	6.1
Accident Benefits	13.9	4.4
Other	<u>6.5</u>	<u>2.1</u>
	\$313.2	100.0

Unpaid Claims Reserve

The unpaid claims reserves at February 28, 1979, include reserves for claims incurred, but not settled, for each year since the Corporation commenced operation, as follows:

Year	Automobile Insurance Act Fund	General Insurance	Total
1974	\$ 10,837,000	\$ 221,000	\$ 11,058,000
1975	19,156,000	589,000	19,745,000
1976	34,162,000	949,000	35,111,000
1977	88,235,000	1,875,000	90,110,000
1978	170,369,000	7,364,000	177,733,000
Total unpaid claims at February 28, 1979	<u>\$322,759,000</u>	<u>\$ 10,998,000</u>	<u>\$333,757,000</u>

Five Year Comparison

	1978	1977	1976	1975	1974
AUTO INSURANCE					
Vehicle policies	1,622,000	1,560,000	1,504,000	1,450,000	1,390,000
Premium income (\$000)	367,000	337,000	355,000	180,000	206,000
Average premium (\$)	226	216	236	124	147
Number of claims for policy year	415,000	395,000	363,000	614,000	530,000
Cost of claims incurred (\$000)	313,000	297,000	216,000	256,000	203,000
Unpaid claims (\$000)	323,000	261,000	182,000	160,000	83,000
Expense ratio (%)	17	17	17	27	20
Investment income (\$000)	43,500	35,200	30,200	3,800	9,200
Income (loss) (\$000)	6,100	(8,600)	71,800	(144,200)	(34,200)
GENERAL INSURANCE					
Policies	99,000	94,000	89,000	71,000	43,000
Net premiums earned (\$000)	21,000	19,000	16,000	11,000	5,000
Number of claims recorded	8,000	7,000	10,000	10,000	5,000
Cost of claims incurred (\$000)	10,800	9,700	7,300	10,600	4,800
Unpaid claims (\$000)	11,000	9,200	6,600	7,700	2,700
Investment income (\$000)	1,800	1,200	800	400	200
Income (loss) (\$000)	3,300	2,700	1,500	(4,100)	(2,200)
CORPORATE					
Average number of employees	2,345	2,300	2,250	2,310	1,820
Investments at year end (\$000)	617,000	521,000	425,000	110,000	110,000
Total assets (\$000)	759,000	674,000	582,000	481,000	250,000

GENERAL INSURANCE

Operations

In its fifth year of operation the Corporation's General Insurance Division reported net written premiums of \$20.2 million on 99,000 net policies. Growth was less dramatic than in prior years due to a highly competitive marketplace. However, the General Insurance operation has maintained its position as one of the largest in the Province and covers more than one out of every ten residential risks.

The General Insurance operation provides a comprehensive range of insurance products for homes, apartments, mobile homes, and pleasure craft, as well as covering risks for business, industry and institutional establishments throughout the Province and does not restrict acceptance to preferred risks.

The Corporation continues to initiate innovative insurance protection which meets the changing requirements of both the private and public sectors of British Columbia. In the past year the Personal Lines one-write program, policies issued directly to the public through the independent insurance agency system, has been expanded to include many new policies. The residential policy has been improved through the provision of replacement cost coverage with respect to residential contents. In the commercial insurance area, the addition of a one-write store package policy is receiving enthusiastic support.

In order to provide coverage on large risks and also as protection against catastrophic losses the Corporation's General Insurance operation annually purchases protection through the international re-insurance markets. These arrangements for spreading large risks and losses maintain the financial security of the Corporation.

Through co-operation with the Ministry of Education and the school districts throughout the Province, the Corporation's Loss Prevention Department is continuing its efforts to further reduce the potential for major loss in our public schools as a result of arson and vandalism. This year saw an accelerating trend in the installation of protective systems, i.e., intruder and fire alarms and automatic sprinklers, thereby reducing the risk of economic waste and the disruptive influence in the public school system.

The claims frequency increased slightly during 1978 but the claims experience has been extremely good. Emphasis has been to continue to improve the claims service to insureds and agents. In order to provide more efficient claims handling, all Lower Mainland claims are now centrally processed in the Head Office. In addition, the continuance of our building damage appraisal service has proven effective in settlement of large property losses.

Financial

Net earned premiums in the General Insurance operation amounted to \$20.9 million in 1978, an increase of 10% over the previous year. Claims and claims operations expense of \$11.2 million was 53% of the net earned premiums.

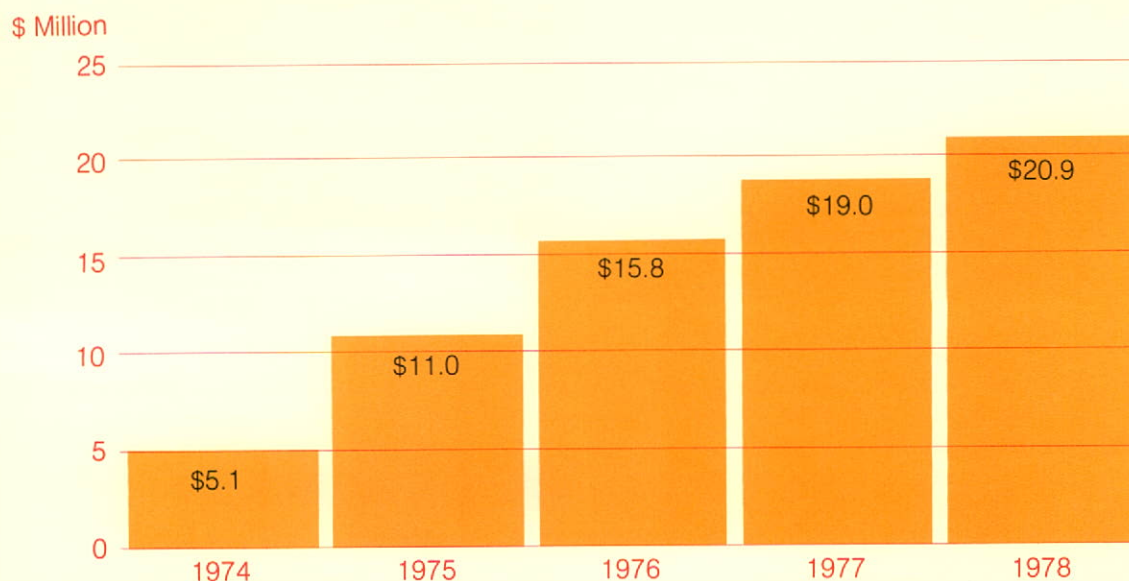
Considerable effort was directed to the installation of an improved "on-line" computer system during the year, contributing to an increase in the administrative expenses from \$3.8 million in 1977 to \$4.3 million in 1978, an increase of 13%. The introduction of this new computer system will assist in controlling costs and increasing efficiency in future years.

Primarily as a result of the excellent claims experience, the underwriting income for the year was \$1.5 million.

Higher investment funds and increased yield on investments during 1978 contributed to the \$1.8 million of investment income resulting in net income of \$3.3 million in 1978, compared to \$2.7 million in 1977.

An appropriation from earnings has been made to strengthen the Catastrophe Reserve from \$850,000 to \$3.2 million to cover the maximum catastrophic potential. In addition, an appropriation of \$600,000 was made to the Rate Stabilization Reserve to increase this fund to \$2.8 million. Unappropriated retained earnings at the year end are \$1.3 million.

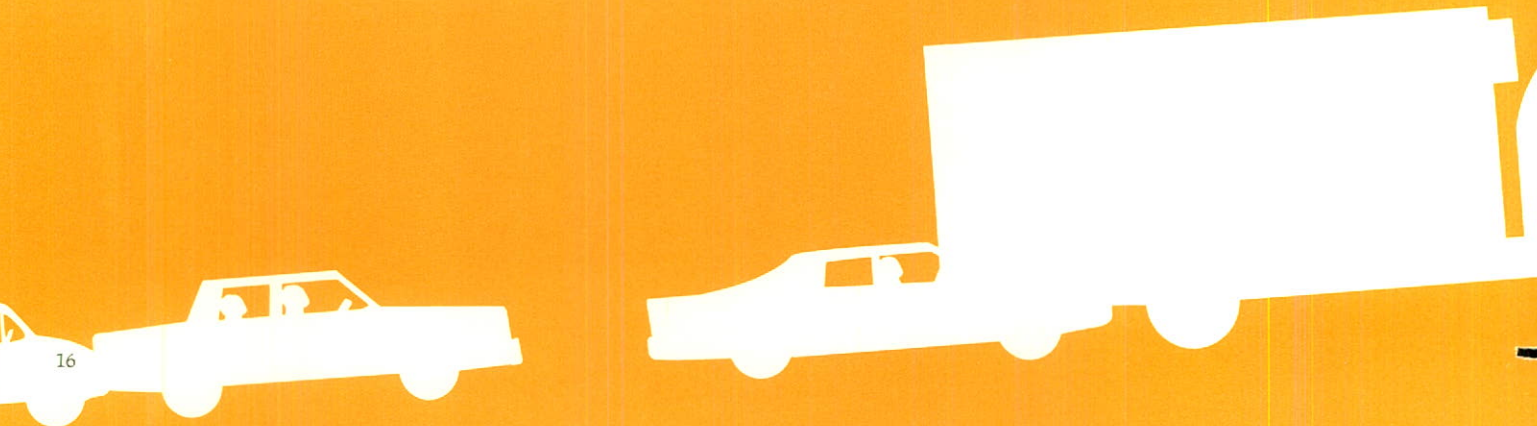
Net premiums earned 1974-1978



Automobile Insurance Act Fund

STATEMENT OF OPERATIONS *Year Ended February 28, 1979*

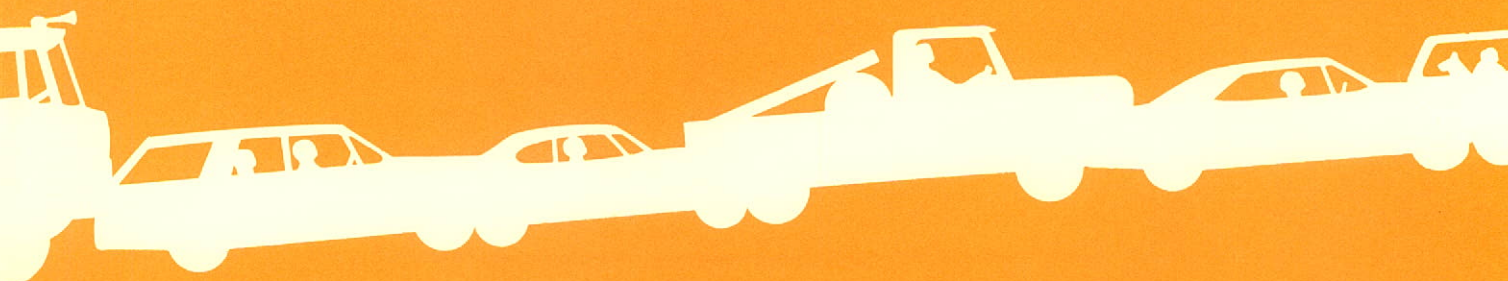
	1979	1978
Revenue		
Vehicle premiums	\$ 355,793,000	\$ 329,908,000
Driver premiums	10,899,000	7,275,000
Total premiums	366,692,000	337,183,000
Investment income	43,450,000	35,224,000
Total revenue	410,142,000	372,407,000
Claims		
Claims incurred	313,210,000	296,825,000
Claims operations expense	27,732,000	25,567,000
	340,942,000	322,392,000
Expenses		
Administrative	36,368,000	34,615,000
Commissions	25,158,000	23,973,000
	61,526,000	58,588,000
Total claims and expenses	402,468,000	380,980,000
Operating income (loss)	7,674,000	(8,573,000)
Extraordinary loss (Note 11)	1,550,000	—
Income (loss) for the year	6,124,000	(8,573,000)
Unappropriated surplus at beginning of the year	3,783,000	4,156,000
Transfer from (appropriation for): (Note 3)		
Safe Driving Discount reserve	—	52,300,000
Rate Stabilization reserve	(6,000,000)	(44,100,000)
Unappropriated surplus at end of the year	\$ 3,907,000	\$ 3,783,000



Insurance Corporation of British Columbia

STATEMENT OF GENERAL OPERATIONS *Year Ended February 28, 1979*

	1979	1978
Revenue		
Net premiums written	\$ 20,221,000	\$ 20,307,000
Net premiums earned	<u>20,910,000</u>	<u>18,956,000</u>
Net claims incurred and adjustment costs	<u>11,154,000</u>	<u>9,873,000</u>
Expenses		
Administrative	4,245,000	3,758,000
Commissions	<u>4,016,000</u>	<u>3,770,000</u>
	<u>8,261,000</u>	<u>7,528,000</u>
Total claims and expenses	<u>19,415,000</u>	<u>17,401,000</u>
Underwriting income	1,495,000	1,555,000
Investment income	<u>1,785,000</u>	<u>1,157,000</u>
Income on General Insurance operations	3,280,000	2,712,000
Income (loss) on other operations	<u>155,000</u>	<u>(56,000)</u>
Income for the year	3,435,000	2,656,000
Unappropriated retained earnings at the beginning of the year	838,000	432,000
Appropriation for: (Note 3)		
Catastrophe reserve	(2,350,000)	(550,000)
Rate Stabilization reserve	<u>(600,000)</u>	<u>(1,700,000)</u>
Unappropriated retained earnings at end of the year	<u>\$ 1,323,000</u>	<u>\$ 838,000</u>



Insurance Corporation of British Columbia

BALANCE SHEET *As at February 28, 1979*

	1979	1978
ASSETS		
Cash in hands of agents and banks.....	\$ 38,002,000	\$ 49,390,000
Investments (Note 4)	616,870,000	521,055,000
Finance Plan receivables.....	26,531,000	24,048,000
Other receivables	20,755,000	19,743,000
Premium acquisition expenses	20,094,000	19,134,000
Property and equipment (Note 5).....	36,633,000	40,498,000

Approved by the Board:

Director: *R.L. Gill*

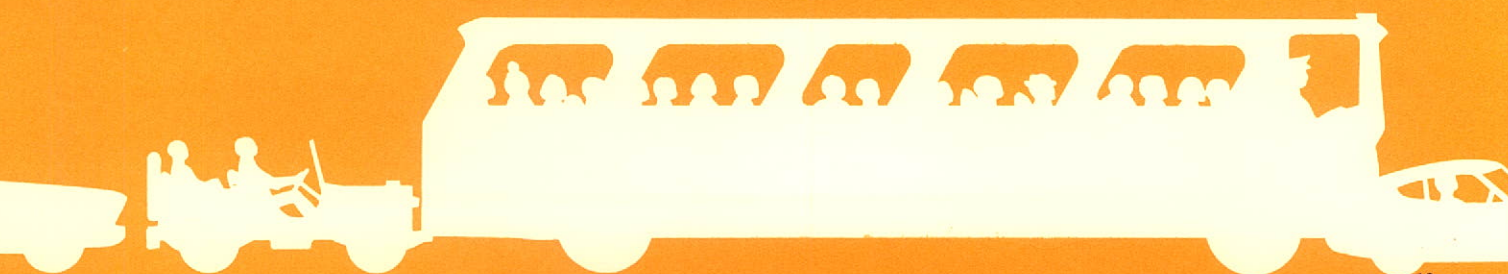
Director: *Robbie D. Shenell*

\$ 758,885,000

\$ 673,868,000



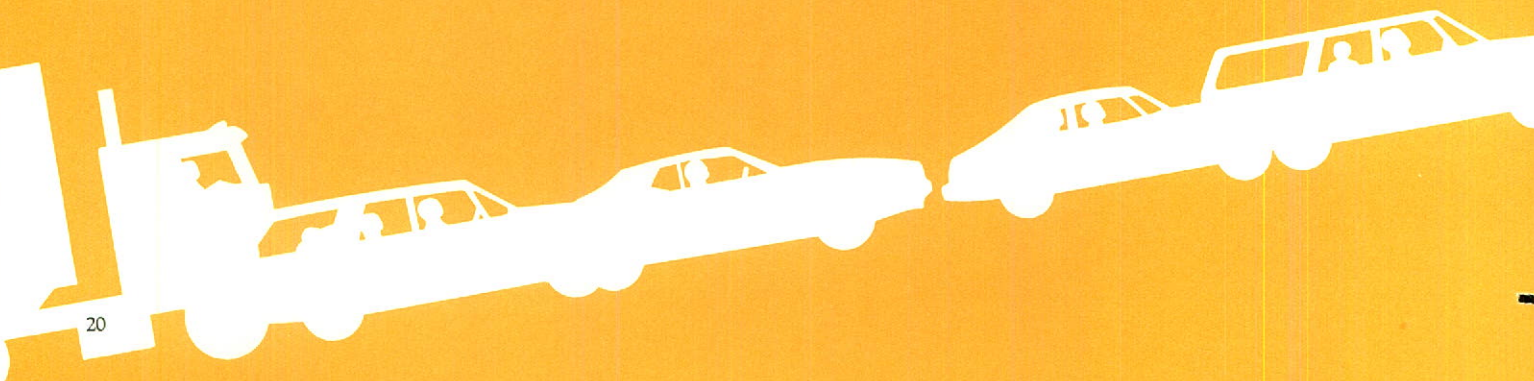
	1979	1978
LIABILITIES		
Accounts payable and accrued charges	\$ 41,017,000	\$ 39,882,000
Motor Vehicle Branch	9,721,000	14,994,000
Premiums in advance	287,443,000	271,305,000
Unearned premiums (Note 7)	14,117,000	14,600,000
Unpaid claims (Note 2)	333,757,000	269,816,000
	<u>686,055,000</u>	<u>610,597,000</u>
Due to the Automobile Insurance Act Fund representing its: (Note 3)		
Rate Stabilization reserve	61,600,000	55,600,000
Unappropriated surplus at end of the year	3,907,000	3,783,000
	<u>65,507,000</u>	<u>59,383,000</u>
	<u>751,562,000</u>	<u>669,980,000</u>
RETAINED EARNINGS (Note 3)		
Catastrophe reserve	3,200,000	850,000
Rate Stabilization reserve	2,800,000	2,200,000
Unappropriated retained earnings at end of the year	1,323,000	838,000
	<u>7,323,000</u>	<u>3,888,000</u>
	<u>\$ 758,885,000</u>	<u>\$ 673,868,000</u>



Insurance Corporation of British Columbia

STATEMENT OF CHANGES IN FINANCIAL POSITION *Year Ended February 28, 1979*

	1979	1978
Resources provided:		
Premiums in advance	\$ 287,443,000	\$ 271,305,000
Collected for Motor Vehicle Branch	57,178,000	52,424,000
Collected on Finance Plan	35,628,000	28,774,000
Sale of property and equipment	8,223,000	2,060,000
From Operations:		
Automobile Insurance Act Fund	71,965,000	69,127,000
General Operations	1,700,000	9,417,000
	<u>462,137,000</u>	<u>433,107,000</u>
Resources applied:		
Transfer of premiums received in advance to the Automobile Insurance Act Fund	271,305,000	255,942,000
Finance Plan	38,111,000	28,698,000
Purchase of property and equipment	5,842,000	2,808,000
Remitted to Motor Vehicle Branch	62,452,000	53,165,000
	<u>377,710,000</u>	<u>340,613,000</u>
Increase in resources for the year	84,427,000	92,494,000
Cash and Investments at beginning of the year	570,445,000	477,951,000
Cash and Investments at end of the year	<u>\$ 654,872,000</u>	<u>\$ 570,445,000</u>



Notes to Financial Statements *February 28, 1979*

1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (ICBC) is a Crown corporation incorporated under the Insurance Corporation of British Columbia Act S.B.C. 1973 (1st session), Chapter 44, assented to April 18, 1973. ICBC has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the Automobile Insurance Act (AIA) Fund.

The AIA Fund is by legislation a separate entity for financial accounting purposes. 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 accumulated 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Investments

Investments are carried as follows:

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

Provisions for permanent decline in values of investments are made where appropriate (none during 1978/79 and 1977/78).

Premium Acquisition Expenses

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

Depreciation and Amortization

Depreciation is provided on a straightline 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.

Premiums in Advance

The liability for premiums in advance consists of vehicle premiums received or financed prior to March 1, 1979 relating to the subsequent 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.

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.

	<u>Feb. 28, 1979</u>	<u>Feb. 28, 1978</u>
Automobile Insurance Act Fund	\$322,759,000	\$260,648,000
General Insurance	10,998,000	9,168,000
Total Unpaid Claims	<u>\$333,757,000</u>	<u>\$269,816,000</u>

3. RESERVES

AIA Fund

A further \$6,000,000 has been appropriated from surplus to the Rate Stabilization Reserve which now stands at \$61,600,000 (1978 — \$55,600,000).

The purpose of this reserve is to lessen the potential impact on vehicle premiums of significant variation in claims loss experience in future years.

Amounts will be withdrawn from this reserve in loss years and conversely, amounts will be added to the reserve in years with a surplus.

General Operations

ICBC has appropriated from General Operations retained earnings a further \$2,350,000 to the Catastrophe Reserve and an additional \$600,000

to the Rate Stabilization Reserve. These appropriations increase these reserves to \$3,200,000 and \$2,800,000 respectively.

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 conflagrations 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.

Amounts will be withdrawn from this reserve in loss years and conversely, amounts will be added to the reserve in years with a surplus.

4. INVESTMENTS

Investments consist of:

	Feb. 28, 1979	Feb. 28, 1978
Short-term Deposit Receipts, Call Loans and Notes (approximates market value)	\$441,687,000	\$393,643,000
Bonds (est. market value 1979 \$160,575,000; 1978 \$121,551,000)	175,183,000	127,412,000
	<u>\$616,870,000</u>	<u>\$521,055,000</u>

5. PROPERTY AND EQUIPMENT

The cost of major classes of property and equipment, the related accumulated depreciation and amortization and the applicable rates are:

	Rates	Cost	Accumulated Depreciation	Net Book Value at February 28, 1979	Net Book Value at February 28, 1978
Land		\$ 8,708,000	\$ —	\$ 8,708,000	\$13,376,000
Buildings	5-10%	26,520,000	4,960,000	21,560,000	22,745,000
Furniture and Equipment	10-40%	4,538,000	2,442,000	2,096,000	3,628,000
Computer Under Capital Lease	30-40%	3,041,000	224,000	2,817,000	—
Leasehold Improvements		2,397,000	945,000	1,452,000	749,000
		<u>\$45,204,000</u>	<u>\$ 8,571,000</u>	<u>\$36,633,000</u>	<u>\$40,498,000</u>

Depreciation expense in the year amounted to \$3,046,000 (1978 — \$2,721,000).

During the year ended February 28, 1979, the Corporation changed its accounting practice with respect to the capitalization of minor items of furniture and equipment. All such items including those purchased in preceding years have been expensed in the current year. The effect of this change is to increase the operating expenses relating to the Automobile Insurance Act Fund by \$861,000 and expenses relating to General Operations by \$59,000.

6. OBLIGATION UNDER CAPITAL LEASE

The following is a schedule of future minimum lease payments under capital lease.

Year Ended February 28	
1980	\$ 1,016,000
1981	1,016,000
1982	1,729,000
Total minimum lease payments	<u>3,761,000</u>
Less: Amounts representing insurance and maintenance	(362,000)
Amounts representing interest	(560,000)
Present value of the minimum lease payments	<u>\$ 2,839,000</u>

Interest expensed in the year ended February 28, 1979 amounted to \$51,000.

7. UNEARNED PREMIUMS

	Feb. 28, 1979	Feb. 28, 1978
General Insurance	\$ 10,296,000	\$ 10,984,000
Driver Premiums	3,821,000	3,616,000
	<u>\$ 14,117,000</u>	<u>\$ 14,600,000</u>

8. 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 29, 1980	\$6,500,000
Fiscal year to February 28, 1981	2,800,000
Fiscal year to February 28, 1982	2,100,000
Fiscal year to February 28, 1983	100,000
Fiscal year to February 29, 1984	50,000

9. GOVERNMENT OF CANADA ANTI-INFLATION LEGISLATION

The Anti-Inflation Act which became effective on October 14, 1975 provided for the restraint of prices and profits and compensation of employees to October 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, 1979 indicates that ICBC has complied with the Legislation in all aspects.

In accordance with the agreement between the Government of British Columbia and the Federal

Government, ICBC is complying with the Legislation related to the restraint of prices and profits.

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 actuarially determined to be required, over and above employee contributions, to fund the benefits earned by employees under the Plan.

As at February 28, 1979 the Corporation had fully provided all past service liabilities of the Pension Plan. Contributions by ICBC for the year ended February 28, 1979 were \$1,834,000 (1978 — \$792,000).

11. EXTRAORDINARY LOSS

This loss results from the sale of property, purchased by the Corporation in 1975 for \$4,181,000, for \$2,631,000 — its appraised market value.



Auditors' Report

The Honourable Grace M. McCarthy
Deputy Premier and
Minister of Human Resources
Province of British Columbia

We have examined the balance sheet of the Insurance Corporation of British Columbia as at February 28, 1979, the statements of general operations and changes in financial position and the statement of operations of the Automobile Insurance Act Fund 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, 1979, and the results of its

operations and the changes in its financial position and the results of the operations of the Fund for the year then ended in accordance with generally accepted accounting principles which, except for the change in accounting practice referred to in note 5 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Coppen & Lybrand

Chartered Accountants
Vancouver, British Columbia
April 12, 1979

BOARD OF DIRECTORS

Ralph L. Gillen (†) (‡)
Chairman of the Board

Robbie D. Sherrell
President and Chief Executive Officer

The Honourable Grace M. McCarthy (†)
*Deputy Premier and
Minister of Human Resources
Province of British Columbia*

The Honourable K. Rafe Mair
*Minister of Environment
Province of British Columbia*

John C. Gilmer (‡)
*Vancouver, B.C.
Company Director and formerly
President and Chief Executive
Officer, CP Air*

Norman H. Manning (*) (‡)
*Victoria, B.C.
Formerly Chief Executive,
Guardian Royal Exchange Group of
Insurance Companies*

Sandra D. Sutherland (†)
*Partner
Freeman & Co.
Vancouver, B.C.*

William E. S. Tennant (*) (‡)
*President, William Tennant Ltd.
Victoria, B.C.*

Donald N. Watson (*) (‡)
*Chairman, President and C.E.O.
Canadian Cellulose Company Limited
Vancouver, B.C.*

Major Committees of the Board

(*) Audit Committee
(†) Investment Committee
(‡) Budget Committee

EXECUTIVE MANAGEMENT COMMITTEE

R. D. Sherrell
President and Chief Executive Officer

R. E. Henderson
Senior Vice-President, Finance

T. E. Holmes
Senior Vice-President, Auto Insurance

J. B. Hutchinson
Senior Vice-President, Administration

R. D. Blackburn
*Senior Vice-President,
General Insurance and Corporate Secretary*

J. W. Bardua
Executive Assistant to the President

C. B. Penhall
Manager, Public Information

CLAIM SERVICE LOCATIONS

LOWER MAINLAND

Burnaby
Chilliwack
Coquitlam
East Vancouver
Kingsway
Langley
Matsqui
North Vancouver
Richmond
South West Marine
Squamish
Surrey
West Broadway

VANCOUVER ISLAND

Campbell River
Courtenay
Duncan
Nanaimo
Port Alberni
Port Hardy
Victoria

OTHER AREAS OF B.C.

Cranbrook
Dawson Creek
Fort St. John
Kamloops
Kelowna
Nelson
100 Mile House
Penticton
Powell River
Prince George
Prince Rupert
Quesnel
Revelstoke
Salmon Arm
Smithers
Terrace
Trail
Vernon
Williams Lake

ADMINISTRATIVE OFFICE:

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

AUDITORS:

Coopers & Lybrand, Chartered Accountants, Vancouver, B.C.

BANKER:

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