

Insurance Corporation
of British Columbia
Seventh Annual Report

*For the ten months
ended December 31, 1979*



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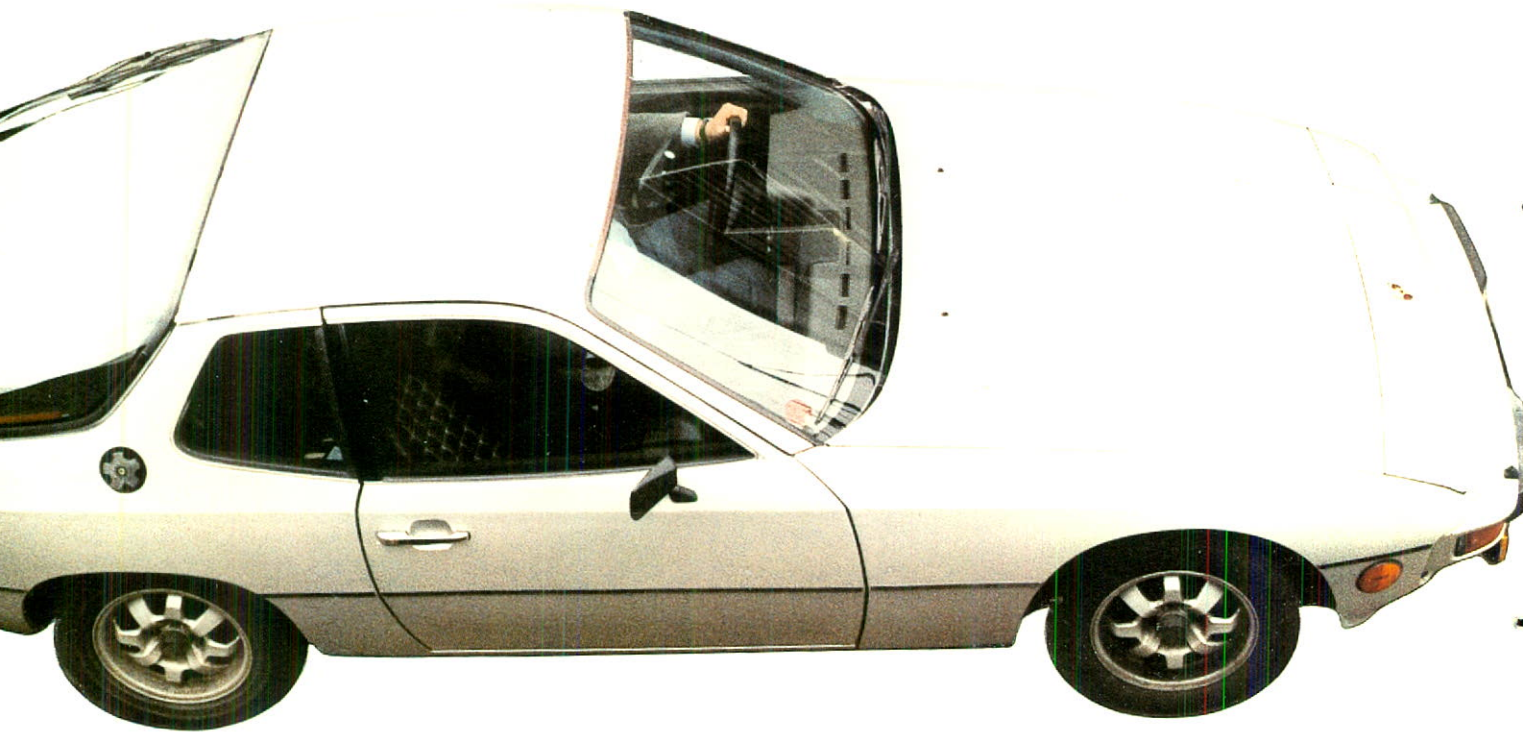
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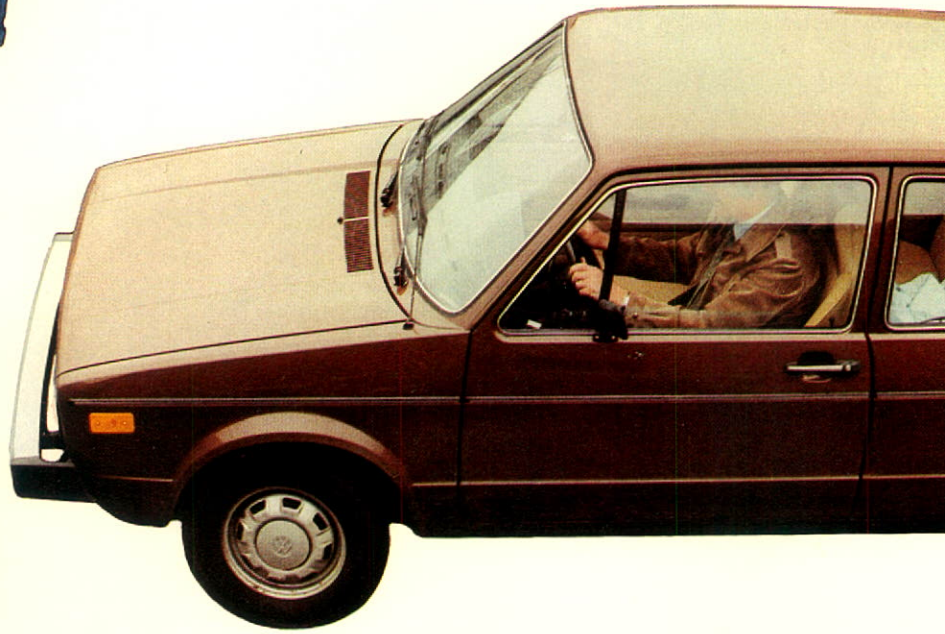
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Insurance Corporation
of British Columbia

Seventh Annual Report

For the ten months ended December 31, 1979





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The Report of The Board of Directors

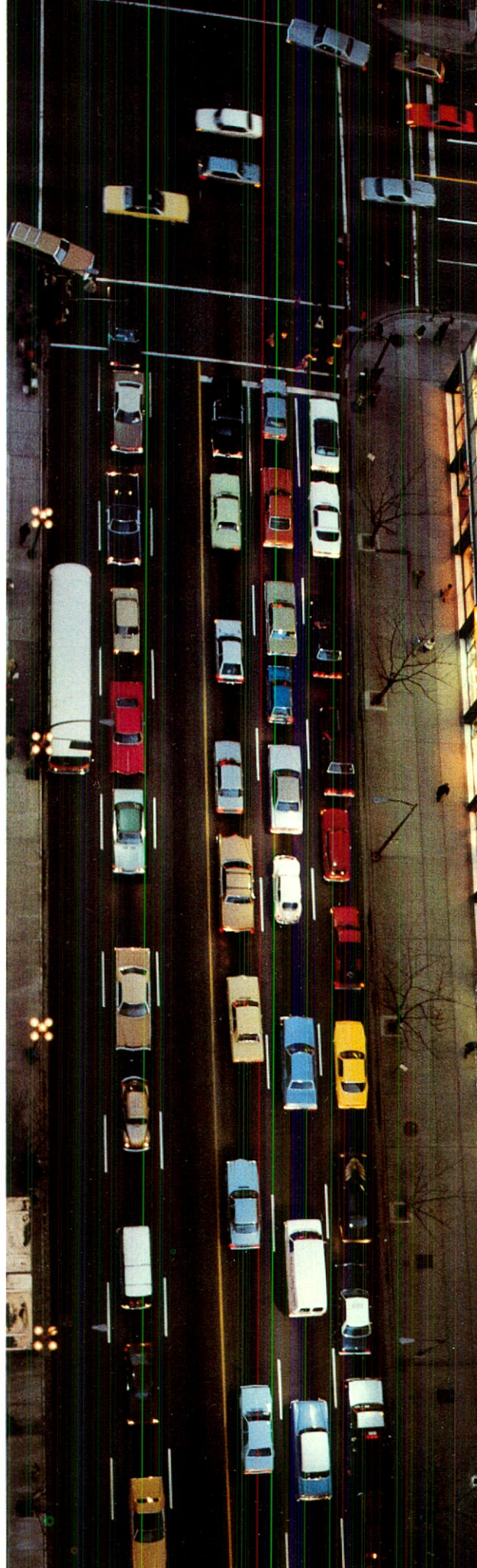
The Insurance Corporation of British Columbia has successfully maintained its prime objective of providing a high quality of automobile insurance service on a break-even basis. For the ten month period reviewed in this report the surplus of \$2.9 million recorded in the Automobile Insurance Act Fund amounted to less than 1% of the total income of \$365 million.

It should be noted that the Corporation's fiscal year-end has been changed to December 31. Accordingly, this report and its accompanying financial statements cover a ten month period ending on that date in 1979. This change will bring the Corporation in line with most major Canadian property and casualty insurers and will facilitate direct operating and efficiency comparisons with other companies.

The Corporation takes considerable pride in the many improvements made to its Autoplan coverage during the year, which will have a beneficial impact on the motorists of British Columbia.

Significant among these is the relaxing of restrictions applied to the Safe Driving Vehicle Discount. In September of 1979 the Corporation eliminated the requirement that a vehicle owner must have held Autoplan coverage for six months before becoming eligible for this discount. As a result, many new vehicle owners and newcomers to British Columbia with safe driving records are now able to enjoy lower insurance premiums.

A large step was taken in 1979 toward reducing the traditional line-



ups during the January-February renewal period. A modified renewal system was introduced that moved the expiry date of approximately 470,000 policies to another time of the year. This continuing program will eventually spread policy renewals across the full year with virtually no inconvenience or additional costs to the motorists.

In addition, the Corporation recognized the contribution to society by volunteer drivers of charitable organizations and removed the increased premium for such drivers using their vehicles in this manner for more than 1,600 kilometers per year. The Corporation also moved to aid the British Columbia motorist when involved in an accident with an out-of-province vehicle, by eliminating the requirement to pay the appropriate deductible until liability is clearly established.

These and other improvements were achieved while maintaining one of the lowest expense ratios in North America. This cost-effective performance, combined with the income from a sound investment program, allowed the Corporation to continue to return to the motorists of British Columbia more than 90¢ of every premium dollar in the form of direct settlements and settlement costs.

The Corporation recorded 338,000 claims in the 10 month period. The average cost of claims that occurred in this period is currently estimated at \$710. Compared to 1978, this represents a 1% increase in the number of claims but an 18% increase in their average cost.

Bodily injury claims started to escalate both in number and severity

during the year. Contributing factors appear to be a relaxing of the use of seat belts, the high costs of medical services, general inflation and a substantial liberalizing of court awards. There were 18,000 bodily injury claims recorded in 1979, a 9% increase. The average cost of bodily injury claims that occurred in the 10 months under review rose by \$754 or 21%, to \$4,400.

During 1979, the Corporation responded to the objective of the Automobile Insurance Non-Discrimination Act by announcing the Fundamental Auto Insurance Rating Program. The FAIR Program commenced on January 1, 1980 with the removal over a two year period, of age, sex and marital status as rating factors and the elimination of territorial rate differences over five years. A major feature of this program is the introduction in 1981 of a driver accident premium imposing financial responsibility for a blameworthy accident on the person behind the wheel, whether or not that person is the owner of the vehicle. The Corporation is satisfied that basing automobile insurance premiums only on factors that motorists can control is a fair thing to do.

Late in 1979, a decision was made to design and construct a headquarters building for the Corporation in the Lonsdale Quay area of North Vancouver. This will provide an invaluable opportunity to develop a more efficient and cost effective operation and at the same time create an attractive facility for more than 1,000 staff members.

The General Insurance Division has continued to maintain its role of

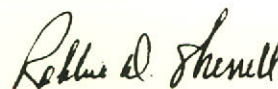
providing a stabilizing influence in a segment of the insurance market that is extremely cyclical in nature. The Corporation is dedicated to the principle of resisting erratic underwriting and rating practices and providing, instead, a more consistently priced insurance service and appropriate innovative products to British Columbians throughout the Province.

The degree to which the General Insurance Division has been successful is demonstrated by the fact that this endeavour occurred in a year when it is expected that the industry as a whole will show poor results. The Insurance Corporation's performance has resulted in a \$1.9 million surplus on \$17.7 million of earned premiums.

The Board of Directors would particularly like to express to all members of the staff its sincere appreciation for their dedicated efforts over the past year. The Board is confident that the ambitious plans now in progress will be fully realized as a result of the kind of staff contribution that has been made.



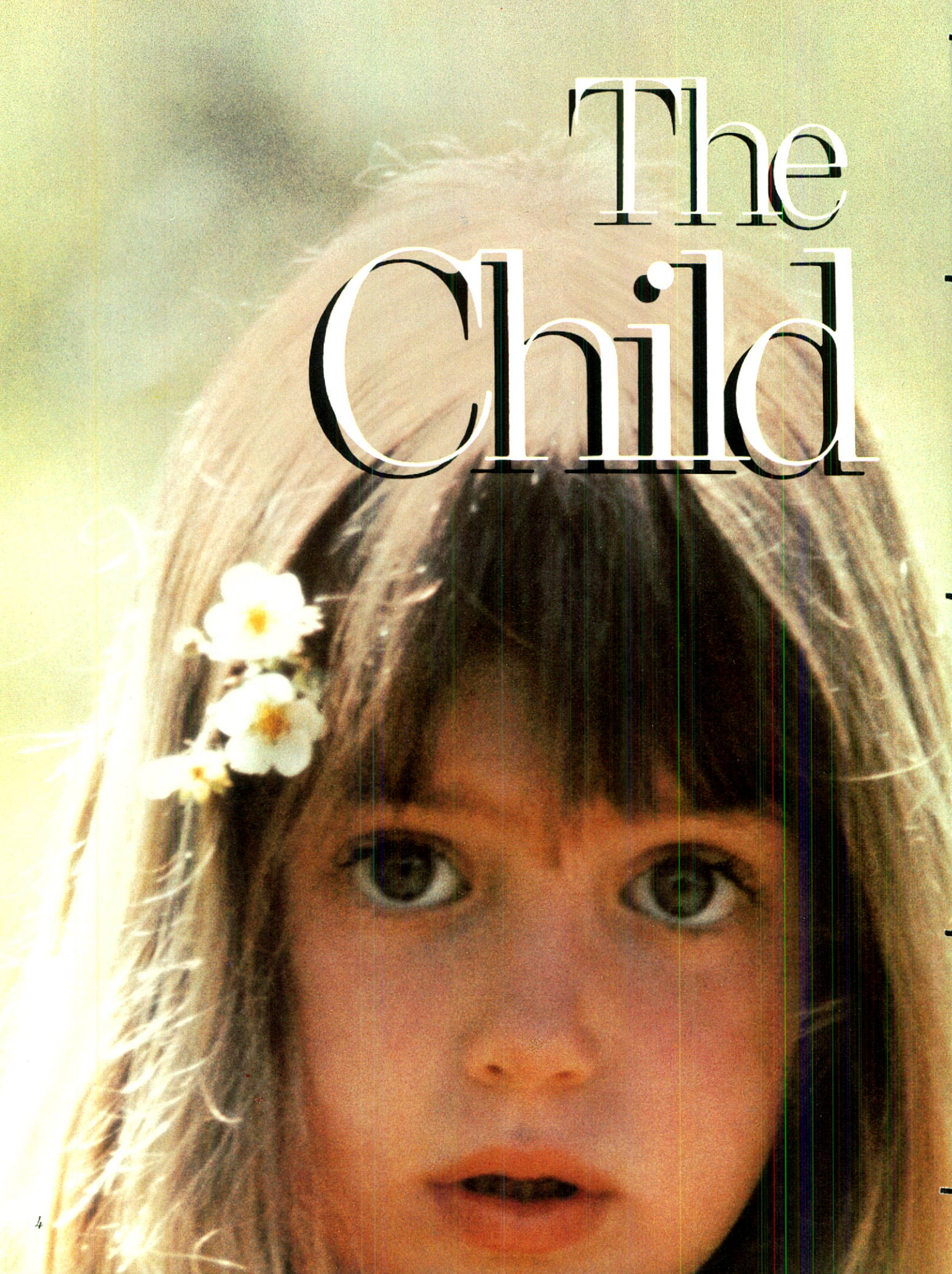
Ralph L. Gillen
Chairman of the Board



Robbie D. Sherrell
President and Chief Executive Officer

*On behalf of the Board of Directors,
Insurance Corporation of
British Columbia,
February 19, 1980*

The Child



While traffic safety has been a subject of concern to education authorities in British Columbia over many years, it has never constituted a major part of the education curriculum. But children continue to be killed or seriously injured by automobiles. It was particularly appropriate, therefore that, in 1979, "The Year of the Child," (and in British Columbia, "The Year of the Child and the Family"), the Insurance Corporation of British Columbia asked the question, "How can we help reduce the incidence of child fatalities and injuries in traffic accidents, and contribute to the teaching of traffic safety in our B.C. school system?"

In its Declaration on the International Year of the Child, the United Nations set out to establish the undisputed rights of the child. It is the Insurance Corporation's philosophy that there is no more precious right than life itself and that a greater effort should be made to educate children more effectively on the subject of traffic safety and to protect them from the hazards associated with the automobile. A parallel belief which is fundamental to the program, is that no child should have to go through life maimed, disfigured or disabled as the result of a tragic accident. It is felt that the saving of life and the prevention of injury should be the objectives of a carefully coordinated program directed at children.

THE NATURE OF THE PROBLEM

The project commenced with an assessment of the problem. The Motor Vehicle Branch of the Provincial Government was requested by the Insurance Corporation and the committee for the B.C. Year of the Child and Family, to produce a comprehensive analysis of traffic injuries and fatalities of school age children.

The findings of the report were revealing and provided the starting point for the Corporation's program. The report analyzed statistics from the Division of Vital Statistics, the

B.C. Ministry of Health and from the Motor Vehicle Branch, for the years 1977 and 1978, to assess the degree of hazard to children. It revealed that in 1978, 53 children, aged 5 to 15, were killed in traffic accidents in B.C., an average of one per week. In 1977, 48 children in the same age group were killed in traffic accidents.

FATALITIES BY AGE OF VICTIM, 1977 AND 1978.

Between the ages of 6 and 13 there is actually a decline in traffic fatalities. But there is a dramatic increase in the 14 and 15 age category.

In 1978 there were 23 fatalities in this age group compared with 30 fatalities among 5 to 13 year olds. Of the 23 in the older age group, seven were driving vehicles. Children driving cars, motor cycles, mini-bikes, bicycles and tractors are an endangered group. One third of all child traffic fatalities in 1978 were pedestrians. Of these, 70% were ten years or younger. Thus, children in primary schools are particularly at risk as pedestrians while young teenagers are threatened as drivers.

The second aspect of the report is concerned with injuries. It shows that in 1978, 2,692 children, aged 6 to 15, were injured in traffic accidents, an average of more than seven children every day of the year.

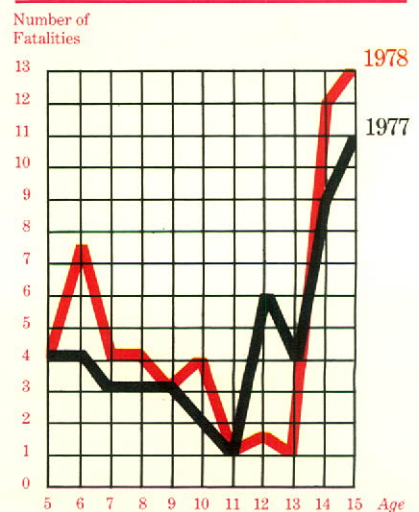
In summary, children in their early teens are more prone to be killed in a traffic accident than children under ten. Forty-three percent of all fatalities occurred in the 6 to 10 age group, 57% occurred in the 11 to 15 age group. The same is true of the frequency of traffic injuries. In 1978, 38% of traffic injuries occurred in the 6 to 10 age group and 62% in the 11 to 15 age group.

WHEN IT HAPPENS

The number of traffic injuries involving children varies somewhat from month to month (see table). Based on the 1977/78 figures, injuries seem much less likely to occur during the first half of the year.



FATALITIES BY AGE OF VICTIM 1977 AND 1978



It is paradoxical that relatively fewer traffic-related injuries occur in winter than during the summer, for obviously road conditions are more hazardous in winter. Perhaps children are more cautious during the winter months and of course, much of their time is spent in school. Certainly fewer children are playing outside in winter and more parental guidance helps to reduce traffic injuries during those months.

NUMBER OF TRAFFIC INJURIES BY MONTH:

July	11.0% of all injuries
June	10.3%
August	10.0%
December	9.5%
September	9.1%
October	8.2%
May	7.7%
March	7.7%
November	7.6%
April	6.9%
February	6.1%
January	5.9%

There is relatively little difference

LOCATION OF ACCIDENT BY TYPE OF AREA



between the 6 to 10 age group and the 11 to 15 year olds when it comes to the number of injuries per month. The most noticeable distinction, perhaps, is that injuries among 11 to 15 year olds are more evenly distributed over the entire year.

WHERE IT HAPPENS

While the efforts of the Insurance Corporation will be directed largely at children, our research shows that motorists need to be considerably more alert. Apparently there is a tendency to be on the lookout for children in school and playground zones, for there are fewer accidents in those areas. The equation is simple and obvious. Because most child traffic fatalities and injuries occur in family residential and agricultural/undeveloped areas, it appears both motorist and child are paying less attention to traffic safety in such areas, or that there are more potentially dangerous situations occurring in those areas.

Family residential and agricultural/

undeveloped top the list in the incidence of traffic fatalities and injuries with business/shopping areas the third most frequent place of traffic injuries. But apartment residential ranks low for both injuries and fatalities, probably because small numbers of families with young children live in apartments.

AN ACTION PROGRAM

Based on these alarming statistics, there is obviously an urgent need for a properly coordinated educational program on child traffic safety directed at both the children and the motoring public.

Education of the children appeared to present no major problem. But first, it was necessary to determine just what type of traffic education was being undertaken at present in the schools. Accordingly, in March 1979, the Ministry of Education, Science and Technology mailed to the principals of all elementary schools in the Province, a questionnaire on traffic safety. The project was funded jointly

by the Insurance Corporation and the Year of the Child and Family.

The response from school principals was encouraging. Over 250 completed questionnaires were returned, covering a broad spectrum of Elementary Schools and all regions of British Columbia. It was the most comprehensive survey on traffic safety education in elementary schools ever undertaken in the Province.

Responses revealed that there is no specific program utilized throughout the Province; that programs are a hodge-podge of ideas gathered from a variety of sources; that, for the most part traffic education is on an ad hoc basis and that a quarter of our elementary schools have no traffic safety program at all. A planning committee is now working to formalize a safety training program, develop the essential curriculum, create the teaching aids and ensure that the program is included as a recognized course in all elementary schools of the Province.



In this work, the Corporation has initiated the program and is acting as a catalyst bringing together the many official bodies and organizations which will be required to create the program and ensure that it is properly implemented and supervised. Represented on the Provincial Schools Traffic Safety Committee are the Ministry of Education, Educators and School Trustees, the Red Cross Youth Committee, the Police, the B.C. Safety Council, the British Columbia Automobile Association, the Motor Vehicle Branch and the Insurance Corporation.

Working through the education system, the Corporation is hopeful that, in years to come, changes will take place in thought patterns and attitudes about traffic safety, driving and even about the automobile itself. This alone will greatly reduce fatalities and injuries to children on our highways.

SEAT BELTS AND RESTRAINTS FOR CHILDREN

A second phase of the Corporation's child safety program concerns the use of seat belts and restraints for children inside the automobile. The Corporation is trying to focus attention on these issues. It is shocking to think that when a traffic accident occurs in which a small child is unrestrained inside an automobile, the small body

can act as a projectile and can strike other occupants of the car with killing force or be literally hurled through the windshield.

On the matter of seat belts for children from 6 to 15, the law in British Columbia is quite specific. Such children must be buckled up just as adults, and it is the driver's responsibility to ensure that this is done. With adults, however, it is the individual responsibility of each adult in the vehicle.

Small children face very real danger in such vehicles as station wagons, campers, pickups and light delivery trucks when they are permitted to sit in the back of a vehicle where, very often, there are no seat belts and therefore no protection exists.

For children too small to wear adult seat belts there are portable seat restraints on the market. They are designed for children 5 years of age and under, who are very susceptible in an accident and who are not affected by legislation. Some of these, designed for infants, will, when removed from the vehicle, double as baby carriers. Other child restraints on the market can be adapted to accommodate a variety of sizes as the child grows.

The case for seat belts and child restraints was admirably made by

Province columnist Chuck Davis:

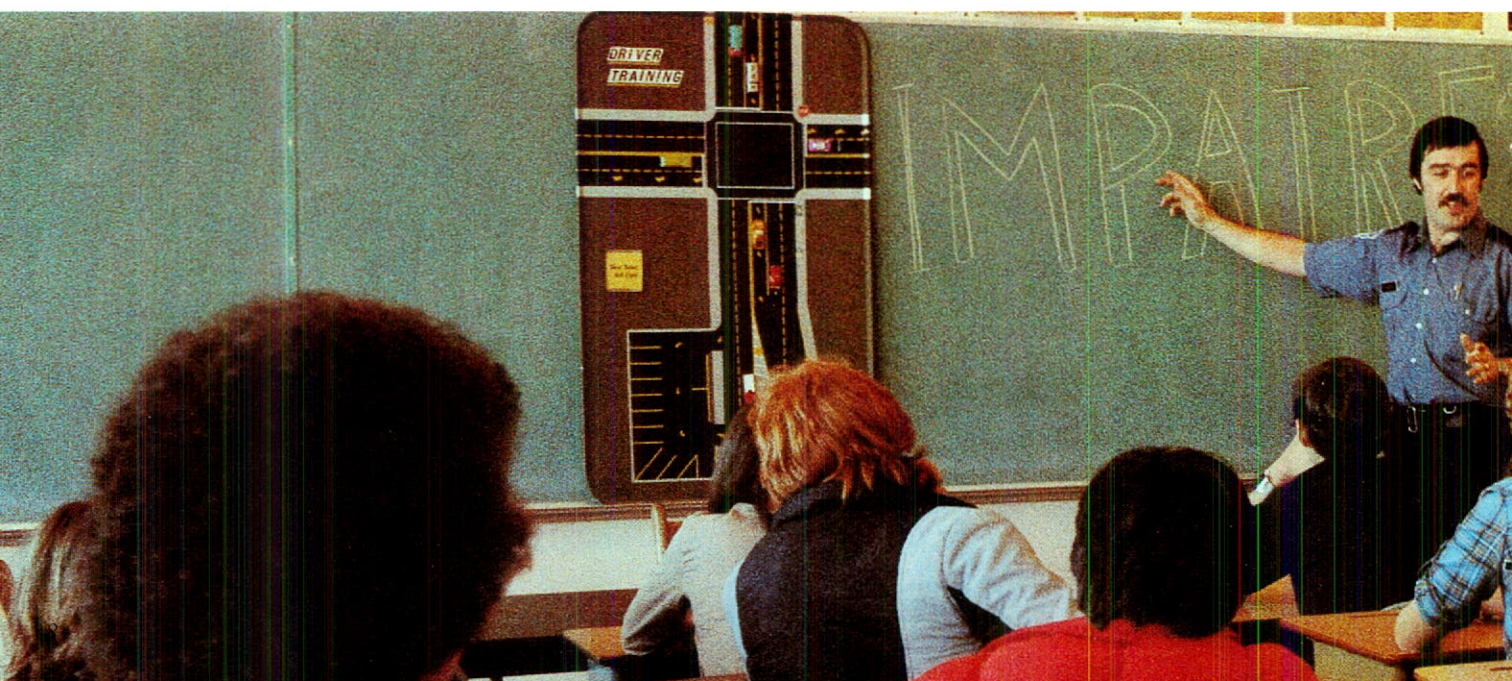
"I have my kid trained now to buckle her seat-belt the moment she gets into the car and the other day it saved her a bashed-in face. Some twit pulled out of a parking spot without signalling and I had to stamp on the brakes to keep from hitting him. We were both thrown forward but the belts kept us from slamming into the dashboard. Seat-belts are a great invention."

*The Province
Wednesday, Jan. 9, 1980.*

EDUCATION ON DRINKING/DRIVING

It is apparent from research in which the Corporation has been involved that if behaviour modification with respect to the driving habits of the general public is to be achieved, all aspects of safety education must commence much earlier than has been felt necessary in the past. The education process should be much more intensive, should probably be phased in as a mandatory part of the education curriculum and should continue in its various aspects throughout the full school program starting with traffic safety in elementary grades and progressing through to driver training in later years.

It is the Insurance Corporation's belief that, coupled with these obvious subject areas, special emphasis should be placed on drinking/driving.



An important segment of the CounterAttack Drinking/Driving program in British Columbia is directed at school age children through the education system. The Corporation has played a major role in supporting this program, providing both funds and staff.

Social attitudes are formed early in life and if we educate early and effectively about the inherent danger of drinking and driving perhaps the lesson will be well enough learned to help improve the statistics when these children become adults.

The CounterAttack Schools Program has established units of study, integrated curricula materials and supplementary resource packages for use in the public and private schools in such courses as English, Social Studies, French, Mathematics, Science and Law.

The approach advocated in the Schools Program to illustrate the deleterious effects which alcohol can have on all aspects of life, stresses the responsibility to oneself, to others, to family and to the community.

AND FINALLY THE MOTORIST

But until that happy day, we must continue to try to educate today's motorists to practice caution and

to drive more carefully. The 1979 study amongst elementary schools, "Child and Traffic", resulted in significant comments from a number of school principals.

"Parents are often the worst offenders when they call for their children: double parking, calling upon children to jaywalk, impatience with other drivers, sending our children to school with faulty bicycles, etc."

"Motorists are not generally careful or considerate of students."

"The vast majority of motorists DO NOT OBEY local traffic signs. Signs stating '30 km/h' and 'Local Traffic Only', are ignored in spite of good efforts by the R.C.M.P. to enforce these regulations."

"It is our concern that, for rural areas, a specific set of information regarding safety on high speed highways and secondary roads be made available to students"

And how will British Columbia motorists respond to such an educational program? The Corporation is encouraged by a Swedish experiment, an advertising campaign by the Road Safety Office directed at the motorist. "The purpose of the Swedish campaign is to 'awaken' the different parties involved, to the situation of children in the traffic environment of today, and thereby try to promote an increased sense of responsibility in adults."

The primary target group of the campaign was adult road-users. This group was broken down according to the different roles adults have with respect to children:

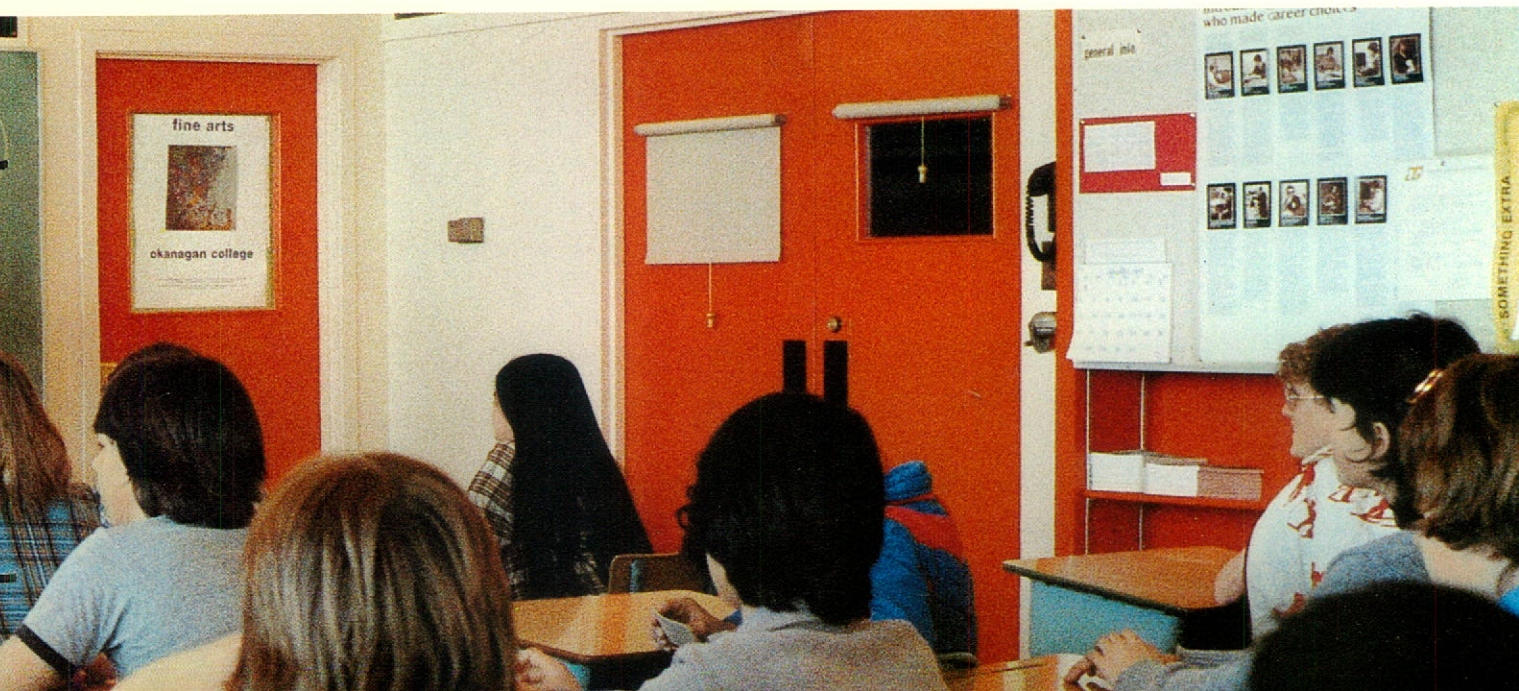
- Those who encounter children in traffic;
- Parents and other guardians;
- Those who train road-users;
- Those who work with traffic environment situations.

The short and long term target of the campaign was to increase road safety for children aged 0 to 13 years by:

- increasing all adults' knowledge of the limited ability children have to manage in traffic;
- getting all road-users to respect and take responsibility for children in a traffic situation.

We are encouraged by the report on the campaign which would seem to bode well for our own efforts. It states in part: "In comparing attitudes before and after the campaign, positive changes could be observed on all counts. These attitude changes were completely in line with the goals of the campaign and were especially large in the sector which the campaign stressed most:

'Drivers expect more from children in traffic than the children can manage'."



Investments

At December 31, 1979 the Corporation's investment fund, including both the Automobile Insurance Act Fund and the General Insurance Division investments, totalled \$525 million. The investment portfolio continues to be one of the largest sources of liquid capital in the Province. Corporate policy is to invest 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.

There are two major sources of investment funds—reserves for the payment of outstanding claims and unearned premiums.

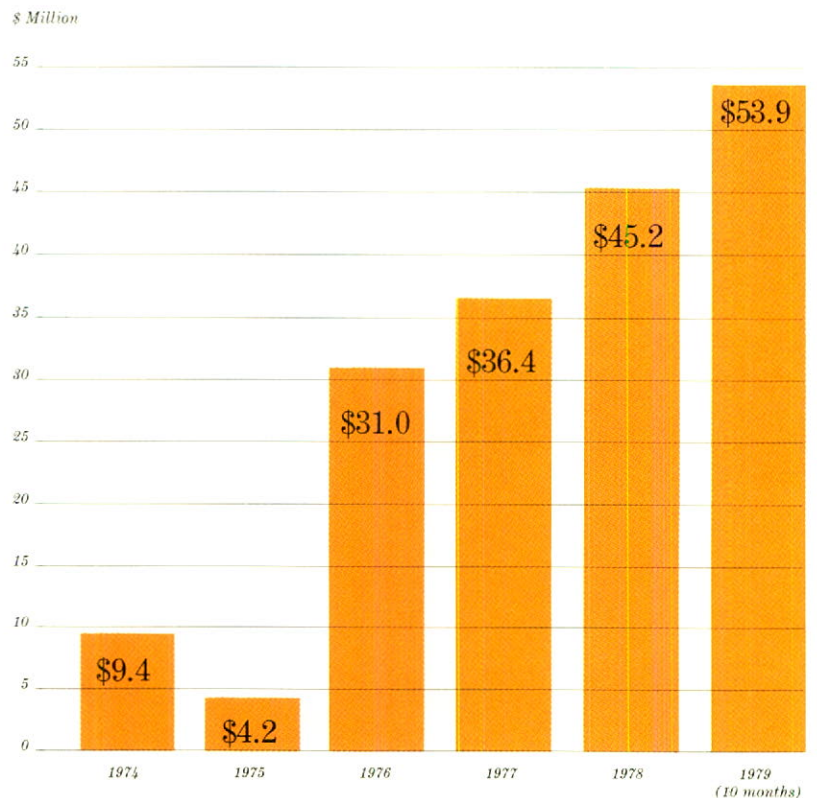
The reserves for the payment of outstanding claims amounted to \$377 million at December 31, 1979 and cover claims for the current period as well as all prior years. The Corporation's policy is to use each year's policy premiums to provide for full payment of all claims and related expenses occurring in that year, even though the year's claims may not be reported or payment finally completed until several years later.

Unearned premiums amounted to \$108 million at December 31, 1979. The change in financial year-end, together with the introduction of the staggered renewal plan, has contributed to a substantial portion of the premiums written during the period remaining unearned at December 31.

Investment income plays a significant role in holding down premium rate increases which might otherwise be necessary to meet sharply increasing claim costs. In the current financial period investment income contributed 14% of the total income.

Investment Portfolio as at December 31, 1979

	<i>\$ Million</i>	<i>%</i>
Federal	148.5	28.3
Banks	102.3	19.5
Provincial	95.3	18.1
Corporations	83.0	15.8
Finance Companies	46.2	8.8
Canadian Dollar Eurobonds	19.7	3.7
Municipal	15.3	2.9
Call Loans	10.0	1.9
Credit Unions	3.7	0.7
Trust Companies	1.0	0.2
Other	0.3	0.1
	<u>\$525.3</u>	<u>100.0</u>



Total Corporate Investment Income 1974-1979

Autoplan Fund

The total revenue of the Autoplan Fund amounted to \$364.9 million for the ten month period ended December 31, 1979. After deducting claims incurred and expenses of \$362 million, the Fund has a surplus for the period of \$2.9 million.

The unappropriated surplus of \$3.9 million at the beginning of the period is increased to \$6.8 million and the total accumulated surplus, including \$61.6 million set aside for the Rate Stabilization Reserve, now stands at \$68.4 million.

Net vehicle premiums written during the period amounted to \$395 million of which \$302 million was earned. The average premium per policy was \$229 for the 10 month period compared to \$226 for the previous financial year. The eligibility criteria for the Safe Driving Vehicle Discount was changed in September with the result that more of the motoring public qualified for the discount. In total, Safe Driving Vehicle Discounts enjoyed by the vehicle owners of the Province, amounted to \$102 million.

The collection of Driver Penalty Point premiums improved dramatically as the Corporation enlisted the aid of independent agents and the Motor Vehicle Branch in collecting outstanding debts.

Investment income amounted to \$52 million with the high yields available on short term investments contributing to an overall average yield of 10.4% for the year.

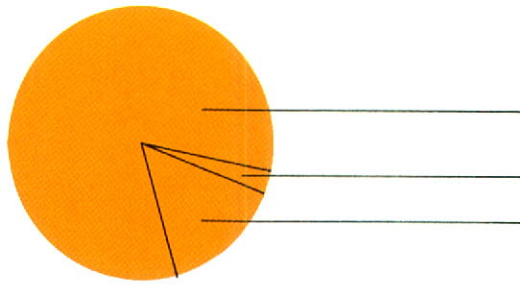
The total claims incurred amounted to \$283 million during the period which is 10% worse than the same period in 1978. The total number of claims increased by 1%. The average cost per claim was significantly worse than the prior period with bodily

injury and accident benefits recording the major severity increases.

The increase in the number and severity of accidents involving bodily injury has received wide coverage in the media and is a cause of concern to the Corporation. The Corporation together with the Attorney-General's Department, has undertaken various programs to increase public awareness of the need for safe driving.

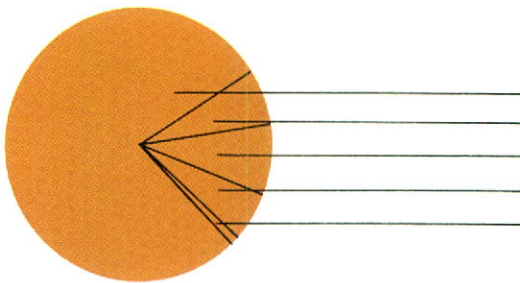
Commissions and administrative expenses at \$54 million represent 17% of net premiums earned. The services provided by the Corporation are people-intensive with over 65% of total expenses devoted to salaries. Operating procedures undergo continual review as the Corporation attempts to adapt technical change to the streamlining of its day-to-day services.

Independent agents and Motor Vehicle Branch outlets continue to be an integral part of the Autoplan marketing operation. Expenses for their services to our customers and the Corporation amounted to \$22 million. Agents are playing an important part in debt collection and will increasingly participate in computerized premium data recording.



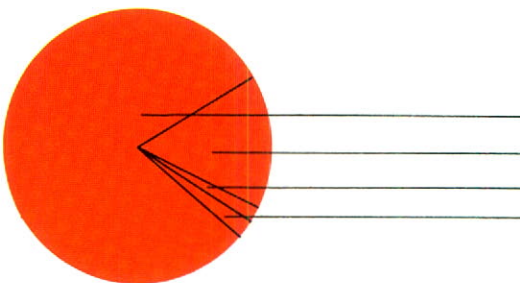
AUTOPLAN INCOME

	<i>\$ Million</i>	<i>%</i>
Vehicle Premiums Earned	302.1	82.8
Driver Premiums Earned	11.2	3.1
Investment Income	51.6	14.1
	<u>\$364.9</u>	<u>100.0</u>



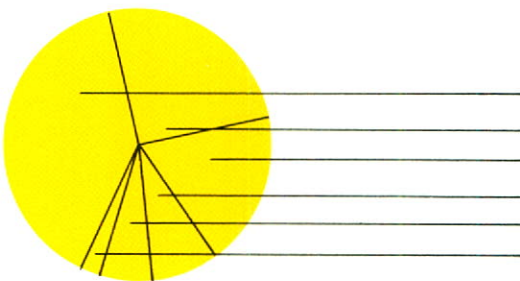
AUTOPLAN INCOME USE

	<i>\$ Million</i>	<i>%</i>
Claims Incurred	283.1	77.6
Claims Operations Costs	25.3	6.9
Administrative Costs	31.3	8.6
Commissions	22.3	6.1
Income for period	2.9	0.8
	<u>\$364.9</u>	<u>100.0</u>



VEHICLE PREMIUMS WRITTEN BY CATEGORY

	<i>\$ Million</i>	<i>%</i>
Passenger Vehicles	315.2	79.9
Commercial and Others	68.0	17.2
Trailers	5.5	1.4
Motorecycles	6.1	1.5
	<u>\$394.8</u>	<u>100.0</u>



AUTOPLAN CLAIMS

	<i>\$ Million</i>	<i>%</i>
Bodily Injury	108.4	38.3
Property Damage	71.4	25.2
Collision	56.3	19.9
Accident Benefits	23.9	8.5
Comprehensive	18.7	6.6
Other	4.4	1.5
	<u>\$283.1</u>	<u>100.0</u>

Unpaid Claims Reserve

The unpaid claims reserve at December 31, 1979, includes 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	\$ 7,515,000	\$ 149,000	\$ 7,664,000
1975	12,513,000	658,000	13,171,000
1976	23,266,000	795,000	24,061,000
1977	52,305,000	1,226,000	53,531,000
1978	101,810,000	2,256,000	104,066,000
1979	168,909,000	5,721,000	174,630,000
Total unpaid claims at December 31, 1979	<u>\$366,318,000</u>	<u>\$ 10,805,000</u>	<u>\$377,123,000</u>

Five Year Comparison*

	1979	1978	1977	1976	1975
AUTO INSURANCE					
Vehicle policies	1,671,000	1,622,000	1,560,000	1,504,000	1,450,000
Premium income (\$000)	378,000	367,000	337,000	355,000	180,000
Average premium (\$)	226	226	216	236	124
Number of claims for policy year	418,000	415,000	395,000	363,000	614,000
Cost of claims incurred (\$000)	338,000	313,000	297,000	216,000	256,000
Unpaid claims (\$000)	366,000	323,000	261,000	182,000	160,000
Expense ratio %	18	17	17	17	27
Investment income (\$000)	58,200	43,500	35,200	30,200	3,800
Income (loss) (\$000)	3,800	6,100	(8,600)	71,800	(144,200)
GENERAL INSURANCE					
Policies	95,000	99,000	94,000	89,000	71,000
Net premiums earned (\$000)	21,000	21,000	19,000	16,000	11,000
Number of claims recorded	9,000	8,000	7,000	10,000	10,000
Cost of claims incurred (\$000)	13,000	10,800	9,700	7,300	10,600
Unpaid claims (\$000)	10,800	11,000	9,200	6,600	7,700
Investment income (\$000)	2,500	1,800	1,200	800	400
Income (loss) (\$000)	1,400	3,300	2,700	1,500	(4,100)
CORPORATE					
Average number of employees	2,363	2,345	2,300	2,250	2,310
Investments at year end (\$000)	525,000	617,000	521,000	425,000	110,000
Total assets (\$000)	587,000**	759,000	674,000	582,000	481,000

*The year 1979 covers the 12 months ended December 31. The years 1975 to 1978 cover the 12 months ended February 28.

**The change to a fiscal calendar year resulted in a dramatic change in the recording of advance premiums and consequently, a reduction in assets.

General Insurance

OPERATIONS

The General Insurance Division of the Insurance Corporation met consumers' needs in 1979 with a series of innovative policies and services.

Foremost among these was the installation of the first and major phase of a sophisticated, computerized policy management system. This will eventually ensure instant availability of claims and coverage data for approximately 100,000 policies. This system will provide greatly improved statistical information as well as increased staff productivity and improved policyholder service.

In addition, a comprehensive insurance policy was introduced for recreational campers and trailers, that also covered specialized equipment and contents. The planning and design of a special Senior Citizens' Policy was finalized for introduction early in 1980. The Corporation also realigned its commission plan to more appropriately compensate the independent agents for their sales activity and costs in serving the Corporation and its customers.

The insurance market in British Columbia, during 1979, continued to feel the impact of a cyclical swing to low rate levels that would seem to be uneconomic for many companies. This situation must inevitably lead to a return, in the early 1980s, of dramatic rate increases in many sectors.

In this erratic environment the Insurance Corporation is dedicated to a policy of providing a stable market influence in all parts of the Province by providing more consistently priced insurance packages and resisting the wide-swinging variations in rates that have been historic in the industry.



FINANCIAL

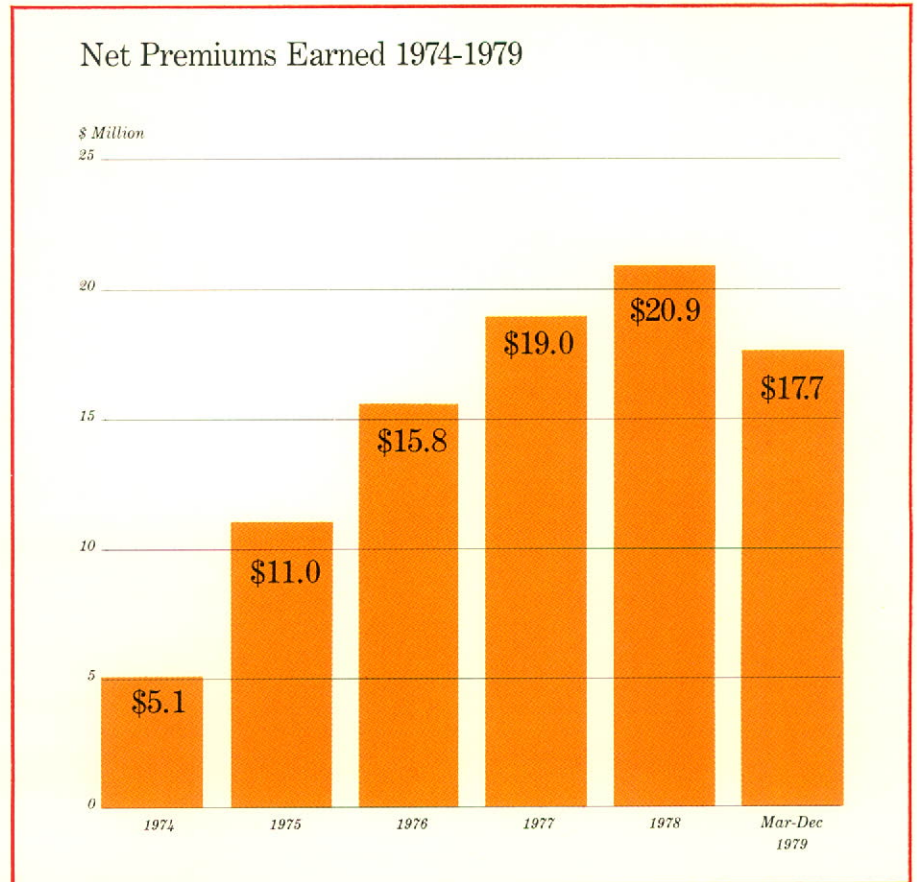
Net earned premiums on General Insurance policies for the ten month period ending December 31, 1979 amounted to \$17.7 million, a slight increase over the same period in the previous year.

During 1979 the number of claims reported increased while the average cost of claims decreased, with the result that the total claim experience was satisfactory for the period under report. In keeping with its commitment to provide prompt and fair claim service to its policyholders, the Claim Department was strengthened to meet the demands of increased claim activity.

In the past year the first phase of the "on-line" computer system became operational. The costs associated with this installation were partially responsible for an increase in the administrative expenses compared to the previous period.

The General Insurance Division recorded a net surplus of \$1.9 million, the result of a very favourable investment yield of \$2.1 million, combined with an underwriting loss of \$0.2 million.

The Rate Stabilization Reserve was increased by an appropriation of \$1.1 million, which brought this reserve to \$3.9 million. This reserve will aid the Corporation in fulfilling its objective of maintaining a stabilizing rating influence in the insurance market throughout the Province.



Automobile Insurance Act Fund

STATEMENT OF OPERATIONS *Ten months ended December 31, 1979*

	<i>Ten Months Ended December 31, 1979</i>	<i>Twelve Months Ended February 28, 1979</i>	<i>December 31, 1979</i>
			(Note 3)
Revenue			
Vehicle premiums written	\$394,750,000	\$355,753,000	\$395,345,000
Driver premiums written	12,121,000	11,103,000	13,777,000
Total premiums written	<u>\$406,871,000</u>	<u>\$366,856,000</u>	<u>\$409,122,000</u>
Vehicle premiums earned	\$302,103,000	\$355,793,000	\$365,289,000
Driver premiums earned	11,235,000	10,899,000	13,044,000
Total premiums earned	313,338,000	366,692,000	378,333,000
Investment income	51,539,000	43,450,000	58,189,000
Total revenue	<u>364,877,000</u>	<u>410,142,000</u>	<u>436,522,000</u>
Claims			
Claims incurred	283,106,000	313,210,000	338,102,000
Claims operations expense	25,289,000	27,732,000	30,039,000
	<u>308,395,000</u>	<u>340,942,000</u>	<u>368,141,000</u>
Expenses			
Administrative	31,303,000	36,368,000	37,890,000
Commissions	22,256,000	25,158,000	26,684,000
	<u>53,559,000</u>	<u>61,526,000</u>	<u>64,574,000</u>
Total claims and expenses	<u>361,954,000</u>	<u>402,468,000</u>	<u>432,715,000</u>
Operating income	2,923,000	7,674,000	3,807,000
Extraordinary loss	—	1,550,000	—
Income for period	2,923,000	6,124,000	3,807,000
Unappropriated surplus— beginning of period	3,907,000	3,783,000	3,023,000
Appropriation to Rate Stabilization Reserve (Note 4)	—	(6,000,000)	—
Unappropriated surplus— end of period	<u>\$ 6,830,000</u>	<u>\$ 3,907,000</u>	<u>\$ 6,830,000</u>



Insurance Corporation of British Columbia

STATEMENT OF GENERAL OPERATIONS *Ten months ended December 31, 1979*

	<i>Ten Months Ended December 31, 1979</i>	<i>Twelve Months Ended</i>	
		<i>February 28, 1979</i>	<i>December 31, 1979</i>
			(Note 3)
Revenue			
Net premiums written	\$17,616,000	\$20,221,000	\$21,038,000
Net premiums earned	\$17,749,000	\$20,910,000	\$21,258,000
Net claims incurred and adjustment costs	10,447,000	11,154,000	13,408,000
Expenses			
Administrative	3,938,000	4,245,000	4,703,000
Commissions	3,520,000	4,016,000	4,186,000
	7,458,000	8,261,000	8,889,000
Total claims and expenses	17,905,000	19,415,000	22,297,000
Underwriting income (loss)	(156,000)	1,495,000	(1,039,000)
Investment income	2,071,000	1,785,000	2,461,000
Income on General			
Insurance operations	1,915,000	3,280,000	1,422,000
Income on other operations	90,000	155,000	116,000
Income for period	2,005,000	3,435,000	1,538,000
Unappropriated retained earnings —beginning of period	1,323,000	838,000	1,790,000
Appropriation to: (Note 4)			
Catastrophe reserve	—	(2,350,000)	—
Rate Stabilization Reserve	(1,100,000)	(600,000)	(1,100,000)
Unappropriated retained earnings —end of period	\$ 2,228,000	\$ 1,323,000	\$ 2,228,000

Insurance Corporation of British Columbia

BALANCE SHEET *As at December 31, 1979*

ASSETS	<i>December 31, 1979</i>	<i>February 28, 1979</i>	<i>December 31, 1978</i> (Note 3)
Cash in hands of agents and banks	\$ 659,000	\$ 38,002,000	\$ 400,000
Investments (Note 5)	525,325,000	616,870,000	448,226,000
Finance Plan receivables	4,683,000	26,531,000	1,276,000
Other receivables	10,942,000	20,755,000	13,110,000
Deferred premium acquisition costs	8,445,000	20,094,000	5,841,000
Property and equipment (Note 6)	37,309,000	36,633,000	36,969,000

Approved by the Board:

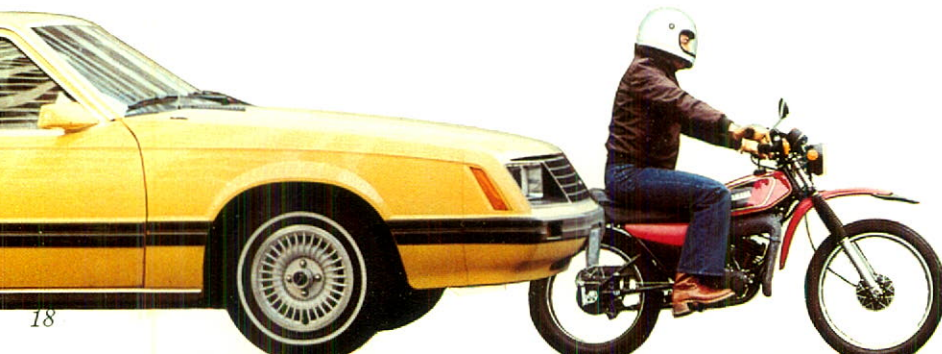
Director: *R.L. Gill*

Director: *Robbie D. Shenill*

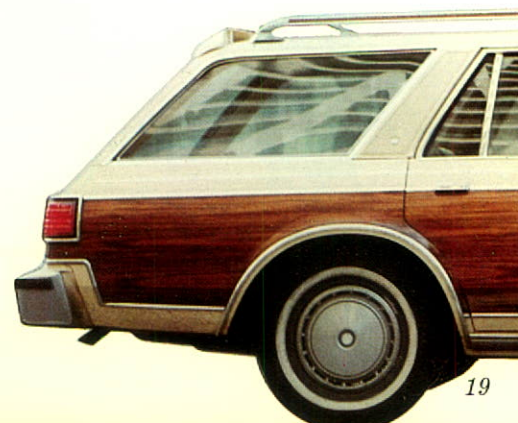
\$587,363,000

\$758,885,000

\$505,822,000



LIABILITIES	<i>December 31, 1979</i>	<i>February 28, 1979</i>	<i>December 31, 1978</i>
			(Note 3)
Accounts payable and accrued charges	\$ 23,887,000	\$ 41,017,000	\$ 29,930,000
Motor Vehicle Branch	706,000	9,721,000	970,000
Premiums in advance	—	287,443,000	—
Unearned premiums (Note 8)	107,889,000	14,117,000	77,436,000
Unpaid claims (Note 9)	377,123,000	333,757,000	325,073,000
	<u>509,605,000</u>	<u>686,055,000</u>	<u>433,409,000</u>
Due to the Automobile Insurance Act Fund representing its:			
(Note 4)			
Rate Stabilization Reserve	61,600,000	61,600,000	61,600,000
Unappropriated surplus	6,830,000	3,907,000	3,023,000
	<u>68,430,000</u>	<u>65,507,000</u>	<u>64,623,000</u>
	<u>578,035,000</u>	<u>751,562,000</u>	<u>498,032,000</u>
RETAINED EARNINGS (Note 4)			
Catastrophe reserve	3,200,000	3,200,000	3,200,000
Rate Stabilization Reserve	3,900,000	2,800,000	2,800,000
Unappropriated retained earnings	2,228,000	1,323,000	1,790,000
	<u>9,328,000</u>	<u>7,323,000</u>	<u>7,790,000</u>
	<u>\$587,363,000</u>	<u>\$758,885,000</u>	<u>\$505,822,000</u>



Insurance Corporation of British Columbia

STATEMENT OF CHANGES IN FINANCIAL POSITION

Ten months ended December 31, 1979

	<i>Ten Months Ended December 31, 1979</i>	<i>Twelve Months Ended February 28, 1979</i>	<i>December 31, 1979</i>
			(Note 3)
Resources provided:			
From Operations (Note 10)			
Automobile Insurance			
Act Fund	\$ 5,494,000	\$ 9,077,000	\$ 6,940,000
General Operations	2,068,000	3,528,000	1,617,000
Increase in unearned premiums	93,773,000	—	30,453,000
Increase in unpaid claims	43,366,000	63,941,000	52,049,000
Collected for Motor			
Vehicle Branch	20,288,000	57,178,000	60,314,000
Collected on Finance Plan	45,868,000	35,628,000	46,425,000
Sale of Property			
and Equipment	184,000	8,223,000	653,000
Premiums in advance	—	287,443,000	—
Net increase in other			
assets and liabilities	5,025,000	—	—
	216,066,000	465,018,000	198,451,000
Resources applied:			
Transfer of premiums received			
in advance to the Automobile			
Insurance Act Fund	287,443,000	271,305,000	—
Decrease in unearned premiums	—	484,000	—
Finance Plan	24,021,000	38,111,000	49,832,000
Purchase of Property			
and Equipment	4,187,000	5,842,000	5,073,000
Remitted to Motor			
Vehicle Branch	29,303,000	62,452,000	60,578,000
Net decrease in other assets			
and liabilities	—	2,397,000	5,610,000
	344,954,000	380,591,000	121,093,000
Increase (decrease) in			
resources for period	(128,888,000)	84,427,000	77,358,000
Cash and investments—			
beginning of period	654,872,000	570,445,000	448,626,000
Cash and investments—			
end of period	\$525,984,000	\$654,872,000	\$525,984,000

Notes to Financial Statements *December 31, 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 reporting 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.

Deferred Premium Acquisition costs

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.

Capital Lease

A Capital lease is a lease that transfers substantially all the benefits and risks incident

to ownership of property to the lessee. The Corporation has a major item of computer equipment which it treats as a capital lease (Note 7).

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relates to the unexpired term of each vehicle policy, 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.

3. CHANGE OF YEAR END

The Corporation has changed its fiscal year end from February 28 to December 31 to conform with the more usual practice in the insurance industry. Additional financial statements are included to provide more appropriate comparative information.

4. RESERVES

AIA Fund

The purpose of the Rate Stabilization Reserve is to lessen the potential impact of significant variation in claims loss experience and the equalization of rates under the FAIR Program.

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 an additional \$1,100,000 to the Rate Stabilization Reserve. The appropriation increases this reserve to \$3,900,000. The Catastrophe reserve remains unchanged at \$3,200,000.

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 conflagrations occur at random and the losses arising could be substantial.

The Rate Stabilization Reserve has been established 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.

5. INVESTMENTS

		Dec. 31, 1979	Feb. 28, 1979	Dec. 31, 1978
Short-term Deposit Receipts, Call Loans and Notes (approximates market value)		\$326,369,000	\$441,687,000	\$274,207,000
Bonds (est. market value)				
—Dec. 31, 1979	\$166,280,000			
—Feb. 28, 1979	\$160,575,000	198,956,000	175,183,000	174,019,000
—Dec. 31, 1978	\$162,713,000)			
		<u>\$525,325,000</u>	<u>\$616,870,000</u>	<u>\$448,226,000</u>

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value at December 31, 1979	Net Book Value at February 28, 1979	Net Book Value at December 31, 1978
Land	\$10,181,000	\$ —	\$10,181,000	\$ 8,708,000	\$ 9,190,000
Buildings	27,621,000	6,069,000	21,552,000	21,560,000	21,711,000
Furniture & Equipment	5,528,000	2,615,000	2,913,000	2,096,000	1,993,000
Computer Under Capital Lease	2,216,000	667,000	1,549,000	2,817,000	2,826,000
Leasehold Improvements	2,471,000	1,357,000	1,114,000	1,452,000	1,249,000
	<u>\$48,017,000</u>	<u>\$10,708,000</u>	<u>\$37,309,000</u>	<u>\$36,633,000</u>	<u>\$36,969,000</u>

Depreciation has been charged at the following rates—Buildings 5-10%; Furniture and equipment 10-40%; Computer under capital lease 40%. Leasehold improvements are amortized over the term of the lease plus one renewal period.

Depreciation expense for the ten months ended December 31, 1979 amounted to \$2,634,000 (12 months ended February 28, 1979 amounted to \$3,046,000).

7. OBLIGATION UNDER CAPITAL LEASE

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

Year Ended December 31		
1980		\$ 996,000
1981		332,000
Total minimum lease payments		1,328,000
Less: Amounts representing insurance and maintenance		(219,000)
Amounts representing interest		(265,000)
Present value of the minimum lease payments		<u>\$ 844,000</u>

Interest expensed in the ten months ended December 31, 1979 amounted to \$307,000 (12 months ended February 28, 1979 amounted to \$51,000).

8. UNEARNED PREMIUMS

	Dec. 31, 1979	Feb. 28, 1979	Dec. 31, 1978
Automobile Insurance Act Fund	\$ 97,727,000	\$ 3,821,000	\$ 66,314,000
General Insurance	10,162,000	10,296,000	11,122,000
Total Unearned Premiums	<u>\$107,889,000</u>	<u>\$ 14,117,000</u>	<u>\$ 77,436,000</u>

9. UNPAID CLAIMS

	Dec. 31, 1979	Feb. 28, 1979	Dec. 31, 1978
Automobile Insurance Act Fund	\$366,318,000	\$322,759,000	\$315,298,000
General Insurance	10,805,000	10,998,000	9,775,000
Total Unpaid Claims	<u>\$377,123,000</u>	<u>\$333,757,000</u>	<u>\$325,073,000</u>

10. CASH FLOW FROM OPERATIONS

	Ten Months Ended	Twelve Months Ended	
	December 31, 1979	February 28, 1979	December 31, 1979
			(Note 3)
Automobile Insurance Act Fund			
Income for the period	\$2,923,000	\$6,124,000	\$3,807,000
Non-cash item			
Depreciation and amortization	2,571,000	2,953,000	3,133,000
Cash flow from operations	<u>\$5,494,000</u>	<u>\$9,077,000</u>	<u>\$6,940,000</u>
General Operations			
Income for the period	\$2,005,000	\$3,435,000	\$1,538,000
Non-cash item			
Depreciation and amortization	63,000	93,000	79,000
Cash flow from operations	<u>\$2,068,000</u>	<u>\$3,528,000</u>	<u>\$1,617,000</u>

11. 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:

1980	\$4,600,000
1981	2,850,000
1982	400,000
1983	200,000
1984	100,000

12. 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, over and above employee contributions, to fund the benefits earned by employees under the Plan.

As of December 31, 1979 the Corporation has fully provided for all past service liabilities of the Pension Plan. Contributions by ICBC for the ten months ended December 31, 1979 were \$1,398,000 (12 months ended February 28, 1979 \$1,834,000).

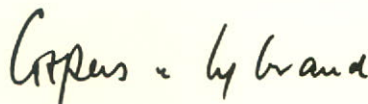
Auditors' Report

The Honourable James Hewitt
Minister of Agriculture
Province of British Columbia

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1979, the statements of general operations and changes in financial position and the statement of operations of the Automobile Insurance Act Fund for the ten months 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 December 31, 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 ten month period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS
Vancouver, British Columbia
February 15, 1980

BOARD OF DIRECTORS

Ralph L. Gillen (†) (‡)
Chairman of the Board.
President and Chief Executive Officer,
Canadian Commercial Corporation

Robbie D. Sherrell
President and Chief Executive Officer

The Honourable James J. Hewitt
Minister of Agriculture
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 Sutherland (†)
Partner
Freeman & Cò.
Vancouver, 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

PRESIDENT'S COMMITTEE

R. D. Sherrell
President and Chief Executive Officer

J. W. Bardua
Corporate Secretary

R. D. Blackburn
Senior Vice-President, General Insurance

R. E. Henderson
Senior Vice-President, Administration

T. E. Holmes
Senior Vice-President, Autoplan

J. B. Hutchinson
Senior Vice-President, Operations Staff

B. F. Pearson
Vice-President, Claims

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.