

Insurance Corporation of British Columbia Ninth Annual Report

For the twelve months ended December 31, 1981

BUCKLE UP!

Seat belts
save lives.



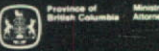
Let the
**SEAT BELT
CONVINCER**
show you how Seat Belts
save lives and prevent
serious injuries!



A sudden, unrestrained stop at
only 9.65 km/h might stress the
importance of seat belts.



COUNTERATTACK



Seat Belt Program Kindergarten



TEACHER



THE DRINKING DRIVING P

COUNTERATTACK PROGRAM
MINISTRY OF THE ATTORNEY-GENE

Produced by
Target
Canada

Seat Belt Program Primary

BEHIND THE WHEEL WITH

A Matter of Time



The front and back covers of this Report illustrate some of the teaching and learning materials developed by the Corporation and distributed to schools throughout British Columbia.



Insurance Corporation of British Columbia



Ninth Annual Report

For the twelve months ended December 31, 1981

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The principal function of the Corporation is the operation of the Insurance (Motor Vehicle) Act Fund, and in the exercise of this function the objective is a "break-even" operation. In the 1981 financial year this objective was essentially achieved, net income of \$1.6 million being derived from total revenue of \$664.9 million. This financial situation resulted from the action taken to increase significantly the rate structure when the continuance of the trend to drastically greater claims costs became evident in late 1980.

As foreseen, the trend has indeed continued. Claims volume in 1981 was again extremely high at approximately 480,000, and claims costs severity increased on average from \$933 in 1980 to \$1100 in 1981. As part of the all-pervasive problem of inflation, the following specific increases in average claims cost factors had an impact: automobile parts prices 23%, bodyshop charges 20%, towing charges 19%, hospital daily fees 39%, defence counsel services 30% and independent adjuster services 25%.

It will be appreciated, therefore, that the Corporation could again foresee a continuation of the

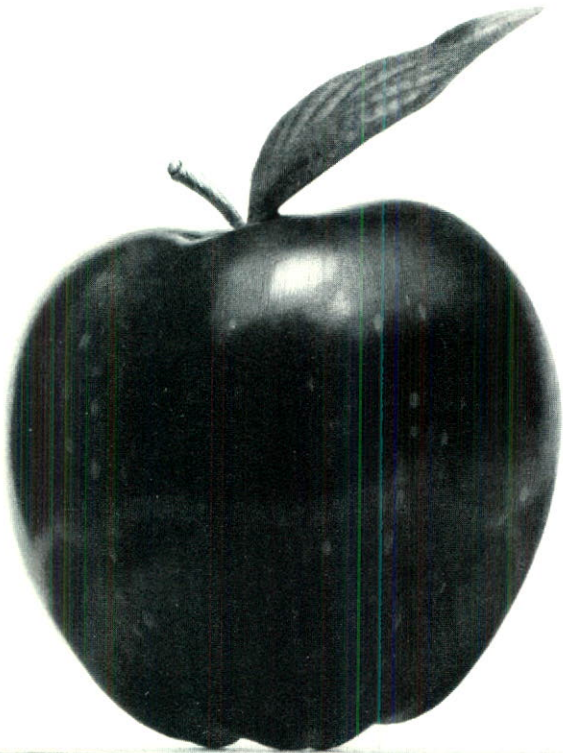
increasing cost of claims in 1982, and consequently in November announced increases in average premium rates of 21% for the basic compulsory coverage and 18% for the optional extension coverage.

The Corporation exerts strong controls over principal claims cost factors except for the prime factor of accident volume. In this ultra-important area the responsibility for cost control, and therefore premium reduction, lies wholly with the driving public.

Some help toward accident prevention should stem from legislation currently before the Legislature which will penalize driving infractions more severely. We are also hopeful that ultimate benefits will accrue from a program of safety education being vigorously pursued for school children of all ages.

The proposed institution of a driver accident premium was cancelled, but a penalty premium system related to blameworthy accident responsibility is under consideration for 1983 implementation.

The Report of



The normal procedures of the Corporation were severely disrupted by a work stoppage of five months' duration. However, upon resumption of work, the staff took a responsible approach in coping with the post-strike backlog, and for this the Board of Directors would like to thank the staff for the dedicated effort.

Plans were completed for the inauguration of a new, innovative service to the driving public. It has been labelled Dial-a-Claim Central, and it commenced operations in January, 1982. It should greatly reduce the time consumed by drivers in the reporting of claims, and it also increases the productive work of adjusters by relieving them of the clerical responsibility of completion of accident forms.

Four claim centres for the handling of bodily injury claims only have been opened in the lower mainland to deal more expeditiously with this aspect of the Corporation's business.

Despite the labour-related problems encountered in 1981, the General Insurance Division performed very satisfactorily with a net income recorded of \$1.3 million.

The construction of the new head office building at Lonsdale Quay in North Vancouver fell somewhat behind schedule because of various work stoppages. It is now estimated that the building will be ready for occupancy in early 1983.



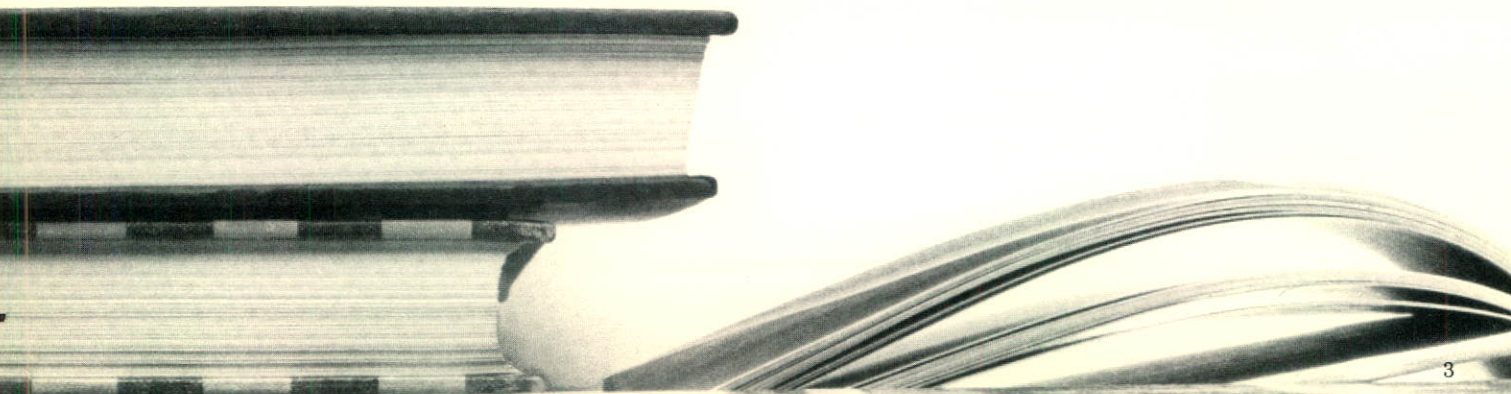
JOHN C. GILMER
CHAIRMAN OF THE BOARD



THOMAS E. HOLMES
PRESIDENT AND CHIEF EXECUTIVE OFFICER

*ON BEHALF OF THE BOARD OF DIRECTORS,
INSURANCE CORPORATION OF BRITISH COLUMBIA
MARCH 29, 1982*

The Board of Directors



The Operation CounterAttack Drinking/Driving Kit for schools includes a comprehensive package of action-oriented teaching and learning materials. Each part of each kit has been carefully planned and structured by teaching professionals to augment regular curricula. This program can be integrated into standard grades 8-12 courses on English, Guidance, Chemistry, Biology, Social Studies, French, Learning Assistance and Law.

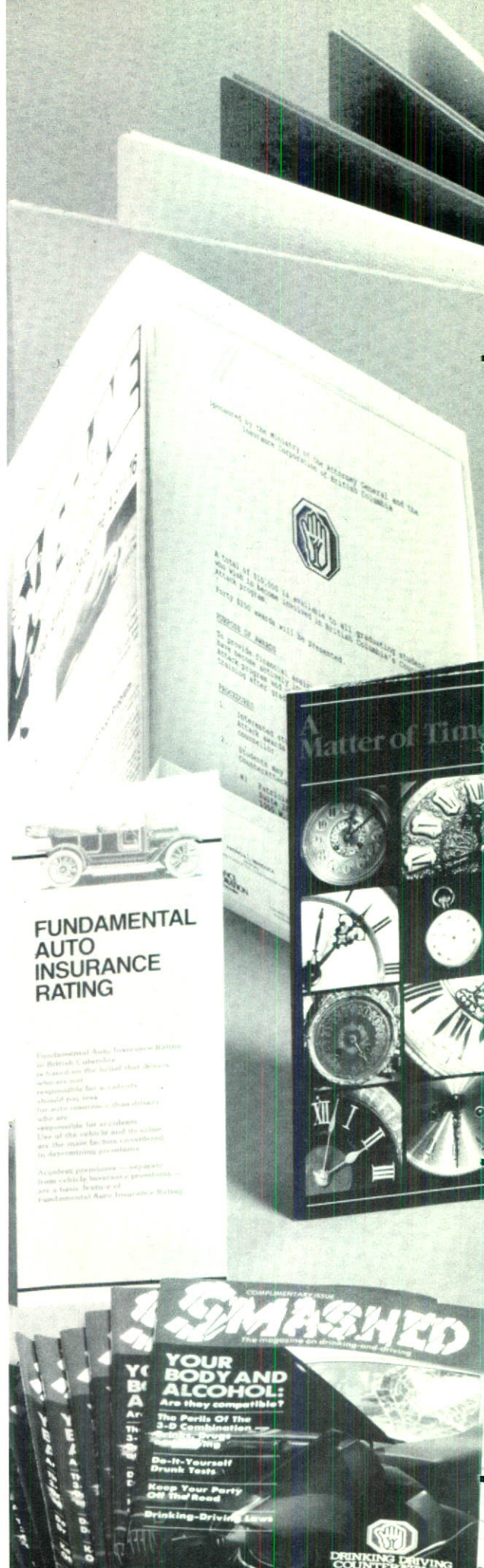
Young minds, young lives

With the formation of its Traffic Safety Education Department in 1981 the Insurance Corporation of British Columbia strengthened its long-standing commitment to traffic safety in the province. Since its inception, this department has undertaken the development of extensive programs, support services and a province-wide organization with the ultimate objective of reducing the number, frequency, severity and cost of accidents among all road users.

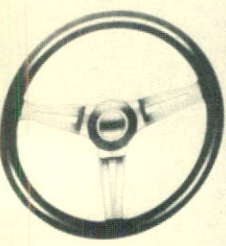
"I also remember that the safest in a car is in the back."

Although much of the initial activity has been school-oriented, the Corporation defines "education" in its broadest sense. We believe it should include future as well as present road users and the community at large rather than just the school as the sole focus of learning activity. In addition to the formal system of study and discipline, the educational thrust should encourage community activities that complement the schools' aims and objectives such as, public awareness programs, media influences and short-term learning events.

Nor is the program's objective limited solely to reducing accidents involving the young — although this is obviously a priority goal. It also seeks to promote positive attitudinal and behavioural patterns which will result in a much more universal level of responsibility in road use over the medium and long term.



BEHIND THE WHEEL WITH without ALCOHOL.



COUNTERATTACK VOL 1

COUNTERATTACK VOL 3

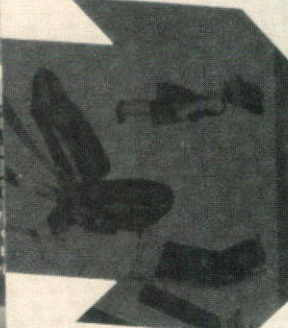
Seat Belts: A WAY OF LIFE
... the Seat Belt CONVINCER shows you



INSURANCE CORPORATION OF BRITISH COLUMBIA

Let us show you why unrestrained stop at 60 km/h (37 mph) proves seat belts save lives and prevent serious injuries!

Let the **SEAT BELT CONVINCER** show you how Seat Belts save lives and prevent serious injuries!



A sudden, unrestrained stop at only 9.65 km (6 mph) stresses the importance of seat belts



COUNTERATTACK



LEARN TO KNOW YOUR LIMIT -IT COULD SAVE YOUR LIFE

DRINKING DRIVING COUNTERATTACK

HERE FOR LIFE

Province of British Columbia
Ministry of Attorney General

Detach this card and keep it handy. Instructions for use are printed on the back.

UNSAFE BLOOD ALCOHOL LEVELS	0.05	0.08	0.10	0.12	0.15	0.18	0.20	0.25	0.30	0.35	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.85	0.90	0.95	1.00
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DRINKING DRIVING COUNTERATTACK

DRINKING AND DRIVING ...SOME SOBER FACTS.

DRINKING DRIVING COUNTERATTACK

DON'T BECOME A STATISTIC

Province of British Columbia
Ministry of the Attorney General

COUNTERATTACK

REPORT ON DRINKING DRIVING IN B.C.

The experience of agencies concerned with promoting traffic safety among existing road users has not been encouraging. Communications programs, stricter law enforcement and accident-weighted insurance premiums have so far been only modestly successful. Established attitudes and patterns of behaviour are not easily modified. Therefore, it is hoped that new Traffic Safety Education initiatives, with generally longer-term goals, will be effective in helping to reduce accident levels in future years.

"It is also amazing and sad when you told us that 4 to 5 kids a week get eternal brain damage."

With these programs the Corporation has entered into largely uncharted territory. While initial research has helped in the development phase, it will be some time before a proper evaluation can be made as to the long term contribution to accident reduction.

Our commitment to traffic safety education, the scope of our programs and the materials we have already developed make British Columbia a leader in this field. Many organizations and individuals in this country and others have expressed their interest in our concepts, methods, teaching materials and structure. The Corporation maintains liaison with all interested parties and endeavours to provide direction, leadership and support in traffic safety education.

"In an accident you weigh 20 or 30 times as you weigh now."

All of the Corporation's programs — some already in place, others still under development — are founded on six basic criteria to ensure their practicality, effectiveness, acceptance and continuity.

1. Educator Interest

The active involvement of teachers, principals, directors and supervisors of education, superintendents, school boards, volunteers and

The Captain Click™ Seat Belt Teaching Aids typify the creativity and flexibility of Traffic Safety Education material for younger children.

This vivid, involving and, above all, motivating series is available in formats designed for Kindergarten, Primary (Grades 1-3), Intermediate (Grades 4-7) and Enrichment Activities. Materials include a source book on seat belt information, four teacher guides, cassette recordings, a bilingual colouring book, dashboard decals, posters, an alphabet brochure and a story brochure on The Human Collision, with an accompanying parent pamphlet.

(Captain Click is a trademark of the Insurance Corporation of British Columbia)

Seat Belt Program
Enrichment

Seat Belt Program
Kindergarten

Seat Belt Program
Primary



The
Buckle-Up
Colour
Book





BUCKLE UP!

Seat belts
save lives.

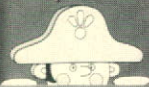
the human collision

Seat Belt Program Source Book



CLICK!

SEAT BELTS
SAVE LIVES.



Seat Belt Program Intermediate

Captain Click's
Alphabet
WHO'S WHO

A Day
in the life
of a Test
Dummy

Your children
are learning
a lesson
for life:



SEAT BELTS
SAVE LIVES.



Buckle Up
and
follow me!



parents is critical to the success of these programs. Emphasis is placed on the need for the utmost cooperative effort between all elements of the community — educators, police, medical authorities, students, community leaders, and parents — if the program is to succeed.

To encourage this involvement, the Traffic Safety Education Department ensures that program materials, the direct assistance of staff personnel and a range of incentives are freely and continuously available to schools, police detachments and community groups and agencies. Through its work with regional directors, student liaison persons, student advisory groups, teacher curriculum committees and resource person teams, the Department has become identifiable as a permanent body complementing established school curricula and providing traffic safety education on an on-going basis.

“Everybody should were there seat belts proply.”

2. High Quality, Integrated Materials

The Corporation does not ask that the educational system adapt to the needs of these programs; rather, that the programs adapt to the needs of the educational system.

Traffic safety education materials are designed to be practical, accessible, considerate of teaching and non-teaching restraints, and of very high quality. Most importantly, they are capable of being integrated into existing curricula of studies. The materials shown on these pages, for example, can be used in the teaching of such subjects as Social Studies, Law, Mathematics, Physics, Chemistry, English, French, Guidance and Learning Assistance in high schools; and Language Arts, Arithmetic, Physical Education, Reading Readiness, Social Studies, Art and Science in elementary schools.

3. Continuous Implementation

A program of this nature and scope must be fuelled by on-going activities which are designed to maintain awareness levels, encourage implementation and sharpen user skills. To this end, the Department conducts seminars, conferences, in-service workshops, department meetings, regional workshops, community-oriented projects and one-on-one presentations and discussions. The Department is constantly seeking ways and means to apply the program in the community so that its benefits will become part of our way of life, components of everyday activities.

“I way 65 pounds so does that mean I will way 650 in an accident?”

4. Active Student Participation

The Corporation does not see students as mere passive recipients of traffic safety education. They

are, or will become, active community members, influencing behaviour and helping to develop attitudes within that community. These programs are therefore designed to encourage student involvement, participation and assistance. Their response is one measure of the effectiveness of these programs and provides invaluable assistance for the design and implementation of new materials and techniques.

5. Student Leadership

Peer pressure is acknowledged to be one of the most persuasive influences in shaping behaviour, especially among the young. For this reason, the development of student leaders is essential to the success of the program. Their energy, enthusiasm and involvement in traffic safety issues, inspires student participation. They comprise a resource of almost immeasurable potential: thousands of young people throughout British Columbia actively pursuing a solution to British Columbia’s “road trauma disease”, a task force which no single organization could economically provide.

6. Continuous Assistance

Many different government groups and corporations are involved in, and affected by, traffic safety education. Their co-operation and support reinforces the effectiveness of these programs and ensures a continuing commitment.

“Thank you very mush for coming. That dummy was funny and the machine was very very neat.”

The materials illustrated throughout this Report represent a relatively small selection of the output. Five principal targets have been identified for educational programs and support services.

- I Kindergarten/Elementary School Programs.
- II High School Programs.
- III Student and Community Leadership Programs.
- IV Public Awareness Programs.
- V Long-Term Projects.

It is a formidable task, but it seeks to become part of the solution to a formidable problem.

Traffic accidents in British Columbia in 1980 alone claimed 811 lives, inflicted injuries on 41,570 people, and resulted in \$450 million in Autoplan claims. The total financial loss, and the toll in terms of human suffering, defies calculation.

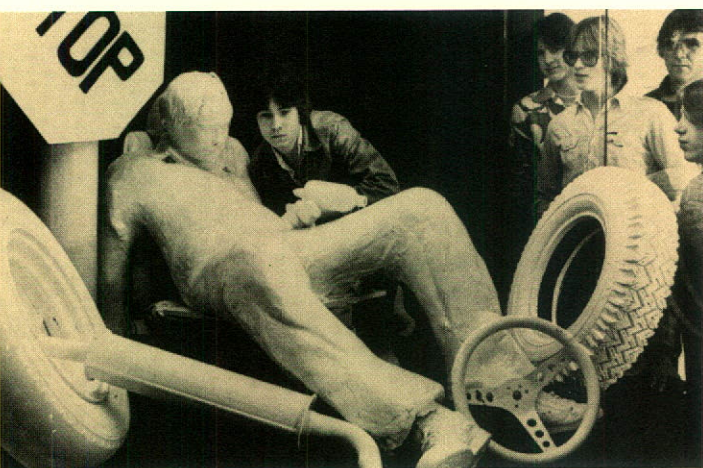
The Corporation has established a broad mandate. Its time-frame is not limited and it would be illogical to anticipate immediate results. While we hope to see some improvement over the short term in attitudes and behaviour patterns among school students, the full impact of this program must await analysis in the longer term. We are confident, however, that it will provide widespread and lasting benefits.



Advisory committees representing students throughout the province meet monthly to assist in the development of traffic-related projects for their peers.



High school students plan and organize learning activities for young grade elementary school students such as this puppet theatre.



Student displays illustrate the drinking-driving message as in this plaster sculpture.



Listening and spelling lessons in primary classes present opportunities for seat belt discussions.



Provincial conference and training seminars stressing youth leadership skills are benefitting British Columbia's communities.



Mr. Buckle and his family help young children understand the importance of wearing a seat belt at all times.

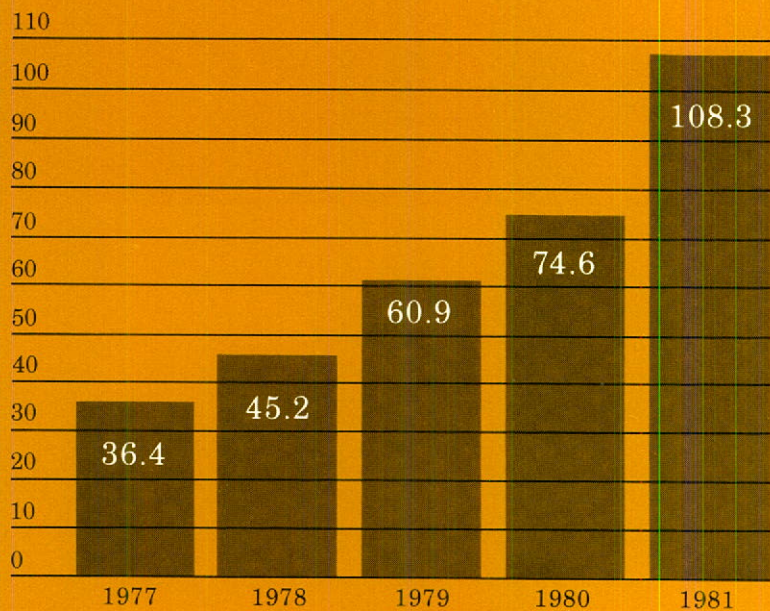
Investments

Investment Portfolio as at December 31, 1981

	<i>\$ Million</i>	<i>%</i>
Federal	220.9	31.5
Provincial	95.3	13.6
Banks	236.1	33.7
Corporations	98.4	14.0
Canadian Dollar Eurobonds	12.9	1.9
Call Loans	2.0	0.3
Municipal	10.8	1.5
Finance Companies	24.0	3.4
Other	.2	.1
	<u>\$700.6</u>	<u>100.0</u>

Total Corporate Investment Income 1977-1981

\$ in Millions



At December 31, 1981 the combined investment fund of the Insurance (Motor Vehicle) Act Fund and the General Insurance Division amounted to \$700.6 million. The major sources of investment funds are premiums and investment income received, both currently and in the past, and needed in the future to fulfill policyholder needs, represented by unpaid claims and unearned premiums.

Provisions for unpaid claims totalled \$595 million at December 31, 1981.

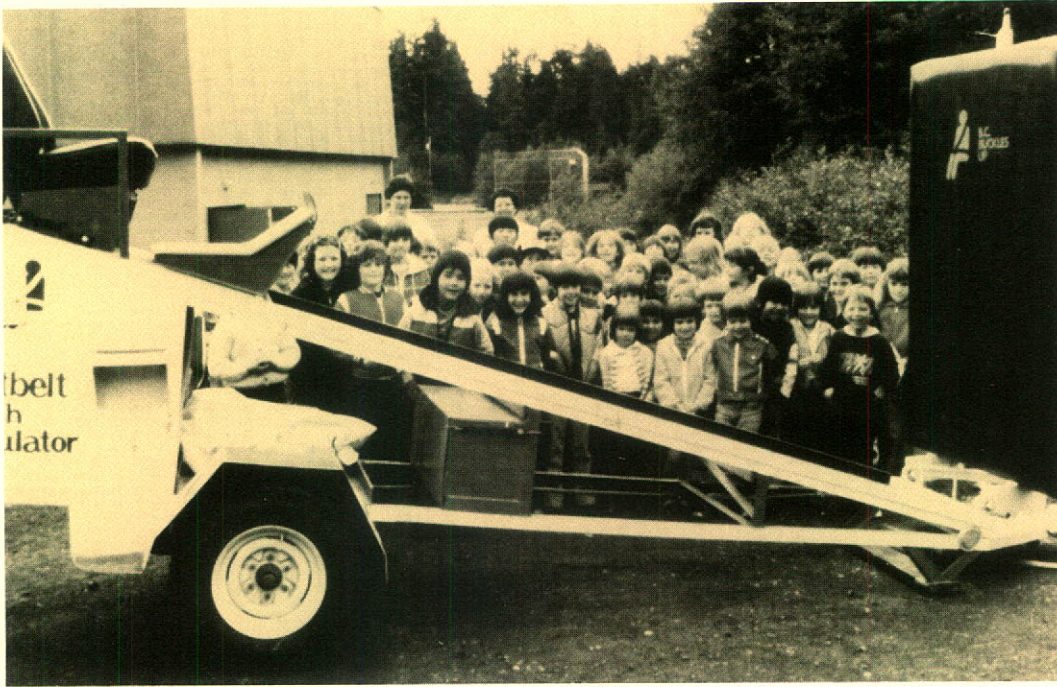
Unearned premiums, representing premiums received for periods which extend beyond December 31, 1981, amounted to \$196 million.

The Corporation's investment policy continues to be

one of investing in Canadian debt instruments in the short, medium and long-term markets. Investments include provincial, federal and municipal government and business and financial institution securities, with preference given to organizations based in British Columbia. At December 31, 1981 some 40% of the total portfolio was loaned to benefit British Columbia.

High interest rates during 1981 meant that investment income continued to increase its contribution toward total revenue. 1981 investment income represented 15.4% of total revenue in the Insurance (Motor Vehicle) Act Fund compared to 14.4% in 1980. In the General Insurance Division, investment income grew to 15.8% of total revenue compared with 12.4% in the previous financial year.

Autoplan Fund



Elementary school children learning about seat belts in their everyday classes also enjoy a visit from the convincer.

The operations of the Autoplan Fund for the year ended December 31, 1981 resulted in a surplus of \$1.6 million. Total revenues amounted to \$664.9 million, and total claims costs and operating expenses totalled \$663.3 million.

The unappropriated surplus at the beginning of the year was \$6.4 million. After allowing for the surplus for the year, the unappropriated surplus at the end of the year was \$8.0 million.

Net vehicle premiums written during the year were \$591.8 million while premiums earned were \$543.9 million. The average premium per policy was \$300 compared to \$232 for the previous financial year, an increase of 29%. Despite the necessary sharp increase in premium costs there was no noticeable change in policy holder buying patterns of insurance coverage or deductible levels. The underinsured motorist coverage introduced during the year was a success with about 500,000 more motorists purchasing the coverage than anticipated. Driver Point Penalty premiums contributed \$18.4 million to premiums earned.

The prevailing high interest rates, particularly for short term investments, resulted in the Autoplan Fund earning \$102.6 million in investment income. This was produced by an overall average yield of 14.8% compared to an average yield of 11.8% in 1980. Investment income contributes significantly

towards the total revenue of the Fund.

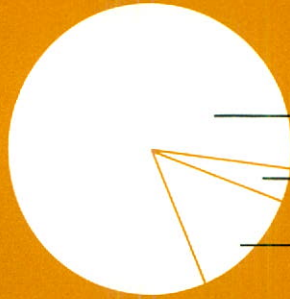
Total claims costs amounted to \$552.6 million, an increase of 23% over 1980. The backlog of unsettled claims as a result of the five month work stoppage is about 25% higher than 1980 but is under control at the claim centres. After reviewing available information it is anticipated that the actual number of claims relating to 1981 will show an increase of only about 1% over 1980. The additional claims costs however relate primarily to continuing individual cost increases in all categories of bodily injury and physical damage coverages. Average individual claim cost in 1981 has risen 22% over 1980.

Claims operations expenses and administrative expenses totalled \$72.4 million in 1981. The labour dispute which impacted the first eight months of the year resulted in 1981 expenses increasing only marginally over 1980. By year end most areas of the Corporation were back to regular operating procedures.

Commissions earned by agents amounted to \$38.3 million, a 12% increase over 1980. While the volume of business did not increase as much as anticipated, policy holders continued to purchase much the same level of coverage as purchased in the previous year, at higher average premiums.

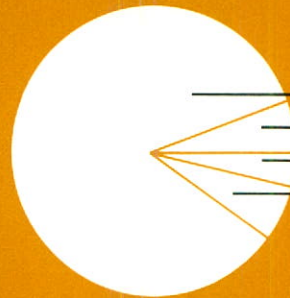
12 Months ended December 31, 1981

AUTOPLAN INCOME



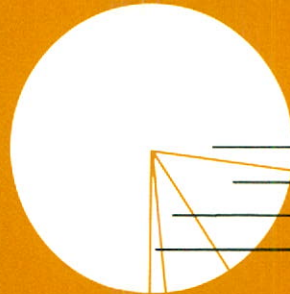
	<i>\$ Millions</i>	<i>%</i>
Vehicle premiums earned	543.9	82
Driver premiums earned	18.4	3
Investment income	102.6	15
	<u>664.9</u>	<u>100</u>

AUTOPLAN INCOME USE



	<i>\$ Millions</i>	<i>%</i>
Claims incurred	552.6	83
Claims operations costs	36.3	6
Administrative costs	36.1	5
Commissions	38.3	6
	<u>663.3</u>	<u>100</u>
Income for the year	1.6	—
	<u>664.9</u>	<u>100</u>

VEHICLE PREMIUMS WRITTEN BY CATEGORY



	<i>\$ Millions</i>	<i>%</i>
Private passenger	413.7	70
Light commercial	112.3	19
Heavy commercial	51.1	9
Recreational	14.7	2
	<u>591.8</u>	<u>100</u>

AUTOPLAN CLAIMS INCURRED



	<i>\$ Millions</i>	<i>%</i>
Bodily injury	206.1	37
Property damage	126.6	23
Collision	134.4	24
Accident benefits	34.8	6
Comprehensive	42.3	8
Other	8.4	2
	<u>552.6</u>	<u>100</u>

UNPAID CLAIMS

The unpaid claims provision at December 31, 1981, includes estimates for claims incurred, but not settled, since the Corporation commenced operation, as follows:

Year	Insurance (Motor Vehicle) Act Fund	General Insurance (Thousands of dollars)	Total
1977 and prior	43,830	1,180	45,010
1978	34,896	810	35,706
1979	66,772	1,163	67,935
1980	149,888	2,907	152,795
1981	282,114	10,932	293,046
Total unpaid claims at December 31, 1981	<u>\$577,500</u>	<u>\$ 16,992</u>	<u>\$594,492</u>

Seat Belts Are Important!

My name is Lana Shipley.
 I go to Parkside school.
 I live in the city of Aldergrove.
 I am 6 years old.
 I think the doll should be
 named Remember because
 I ^{or should} always remembered to put
 on her seat belt so she
 would not get hurt.

FIVE YEAR COMPARISON

	Twelve months Ending				
	Dec. 1981	Dec. 1980	Dec. 1979	Feb. 1979	Feb. 1978
AUTO INSURANCE					
Vehicle policies	1,873,000	1,805,000	1,671,000	1,622,000	1,560,000
Premium income (\$000)	562,000	419,000	378,000	367,000	337,000
Average premium (\$)	300	232	226	226	216
Number of claims for policy year	480,000	477,000	418,000	415,000	395,000
Cost of claims incurred (\$000)	553,000	450,000	338,000	313,000	297,000
Unpaid claims (\$000)	578,000	450,000	366,000	323,000	261,000
Expense ratio %	13	17	18	17	17
Investment income (\$000)	102,600	70,700	58,200	43,500	35,200
Income (loss) (\$000)	1,600	(66,000)	3,800	6,100	(8,600)
GENERAL INSURANCE					
Policies written	101,000	106,000	95,000	99,000	94,000
Net premiums earned (\$000)	23,544	21,800	21,000	21,000	19,000
Number of claims recorded	10,000	10,000	9,000	8,000	7,000
Cost of claims incurred (\$000)	16,777	13,000	13,000	10,800	9,700
Unpaid claims (\$000)	17,000	13,400	10,800	11,000	9,200
Investment income (\$000)	4,402	3,100	2,500	1,800	1,200
Income (\$000)	1,300	1,800	1,400	3,300	2,700
CORPORATE					
Average number of employees	1,510**	2,387	2,363	2,345	2,300
Investments at year end (\$000)	701,000	585,000	525,000	617,000	521,000
Total assets (\$000)	877,000	667,000	587,000*	759,000	674,000

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

**For 5 months of 1981 about 2,200 employees were involved in a labour dispute with the Corporation.

General Insurance

Operations

The General Insurance Division of the Insurance Corporation achieved a net written premium income in 1981 equal to 1980 despite the highly competitive insurance market in British Columbia, and a five month labour dispute with its employees.

Following the employees' return to work, with 90,000 backlogged policy and claim documents to be processed, it is a tribute to the dedication of all employees that underwriting and claims operations were brought back to normal by the close of the year.

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.

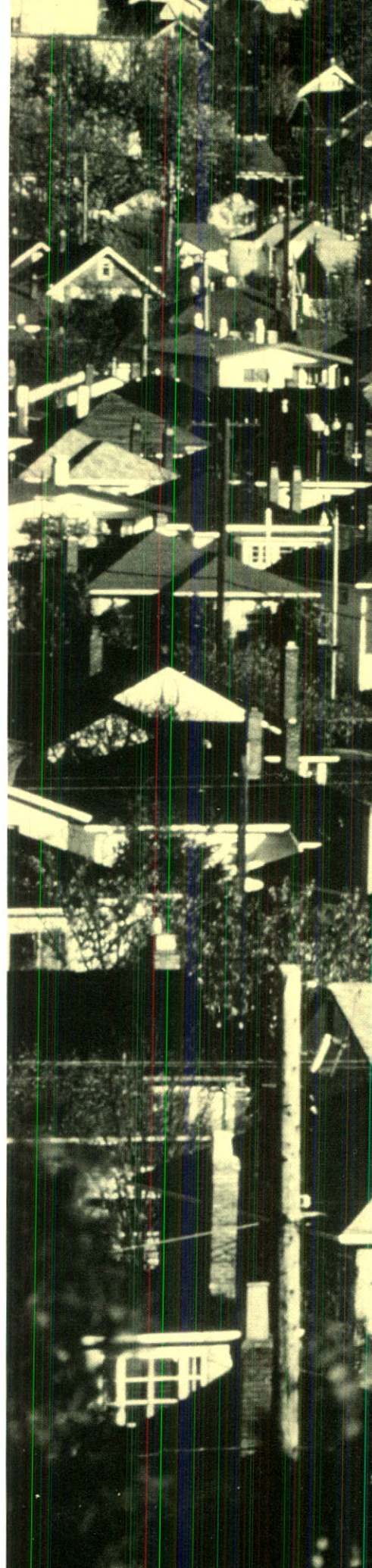
During the year, the Corporation continued to develop innovative coverages and services to better serve the changing requirements of both the private and public sectors of British Columbia. While a number of programs were necessarily deferred, coverage improvements were introduced to personal lines products, including a major revision of the Homeplan/Homeowners policies, incorporating extensive coverage and limits enhancements, and the introduction of a new Fine Arts

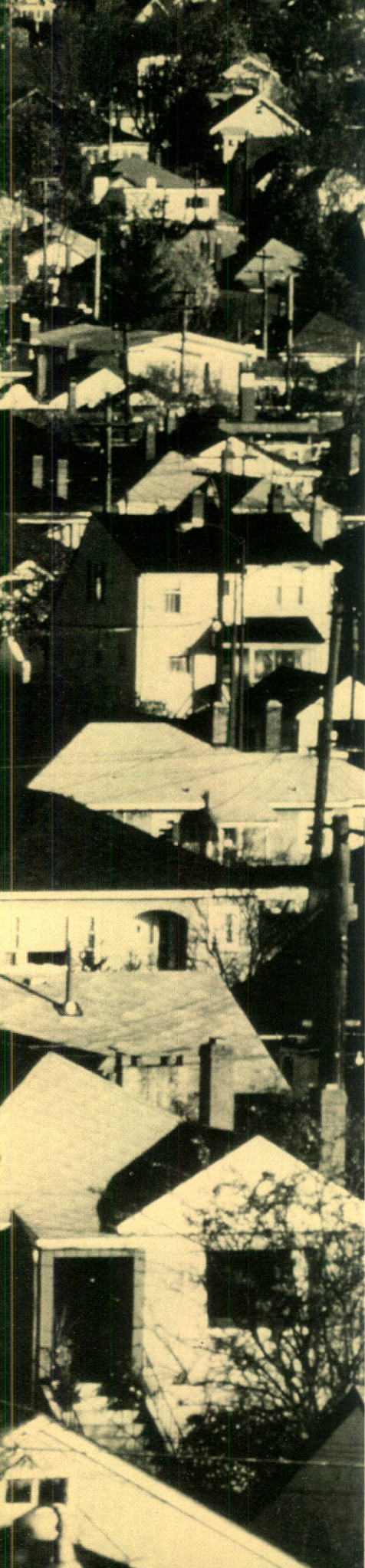
policy. The Division also published, as a public service, "A Guide to Safe Wood Heat" brochure dealing with the safe installation and operation of wood burning heating devices. On the commercial lines side, a new Contractors Equipment insurance package designed specifically for small operators and a Condominium Council Errors & Omissions coverage were introduced.

The property/casualty insurance market in British Columbia in 1981 continued to be highly competitive.

This has been aggravated by deteriorating economic conditions and inflationary pressures on claims costs, to the point where the Canadian property/casualty insurance industry is expected to show an unprecedented underwriting loss in excess of one billion dollars in 1981, and for the first time in many years the investment income will fail to offset the underwriting loss.

During the unstable market conditions that have prevailed in recent years, the Corporation's General Insurance Division has maintained its policy of providing a stable market influence in all parts of the Province through consistently priced products and resistance to the rate variations that have brought the rest of the industry to the crisis conditions it is facing today.





Financial

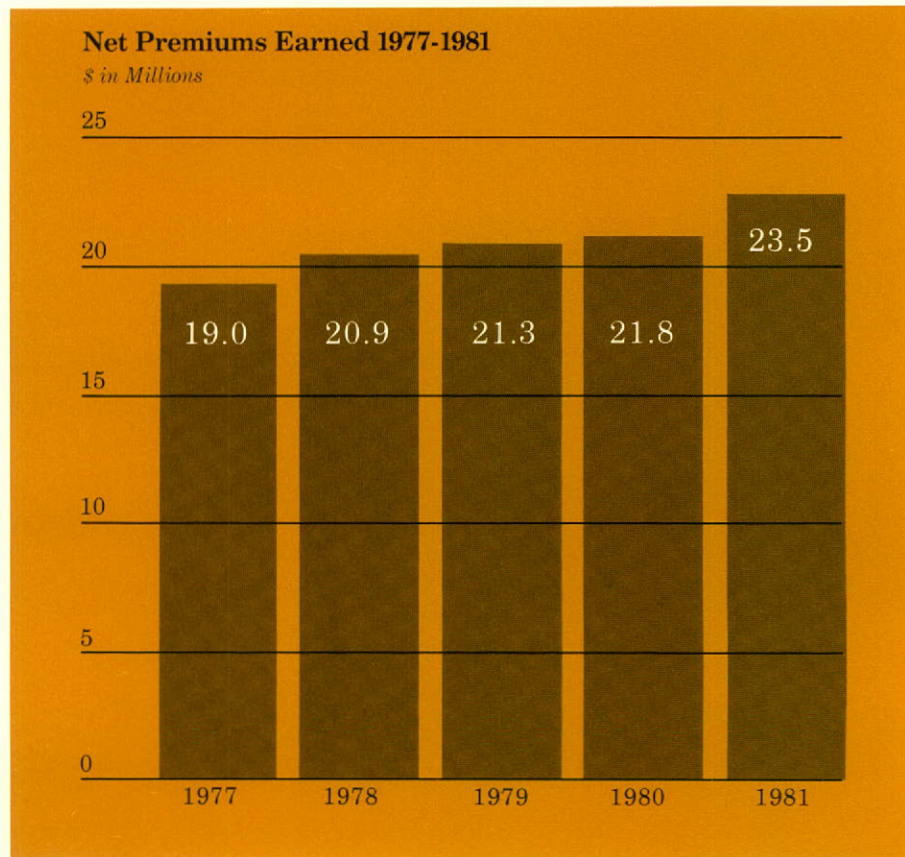
The net written premiums in General Insurance operations were \$23 million in 1981. The net earned premiums increased by 8% to \$23.5 million. Claims and claims operations expense increased by 24% over the prior year to \$17.3 million, as the result of an unusual number of large claims and the additional costs related to adjusting the claims during and after the labour dispute.

Administrative expenses were \$4.5 million, 8% lower than 1980, largely as a result of reduced compensation during the strike. The administrative expense reduction was off-set by increased commissions to agents. The additional implemented commission compensated for the extra work required of the agents. Some planned projects, such as the expansion of the on-line computer

system, had to be reduced in scope or deferred.

The General Insurance operation recorded a net income of \$1.3 million resulting from investment income of \$4.4 million off-set by an underwriting loss of \$3.1 million. An appropriation of \$1.2 million was made to the Catastrophe Reserve which now totals \$5.5 million. Unappropriated retained earnings as at December 31, 1981 are \$1.9 million.

The combined total of appropriated and unappropriated earnings is now \$12.5 million. This represents approximately 40% of anticipated premium writings for 1982 and, as such, provides more than adequate financial security for the policy holders.



Insurance (Motor Vehicle) Act Fund

STATEMENT OF OPERATIONS Year Ended December 31, 1981

	<i>1981</i>	<i>1980</i>
	<i>(Thousands of dollars)</i>	
Revenue		
Vehicle premiums written	\$591,841	\$440,164
Driver premiums written	20,509	15,732
	<u>\$612,350</u>	<u>\$455,896</u>
Vehicle premiums earned	\$543,922	\$404,260
Driver premiums earned	18,414	14,762
	<u>562,336</u>	<u>419,022</u>
Investment income	102,554	70,721
Total revenue	<u>664,890</u>	<u>489,743</u>
Claims Costs		
Claims incurred	552,605	449,715
Claims operations expense	36,340	35,820
	<u>588,945</u>	<u>485,535</u>
Expenses		
Administrative	36,047	36,153
Commissions	38,282	34,093
	<u>74,329</u>	<u>70,246</u>
Total claims and expenses	<u>663,274</u>	<u>555,781</u>
Income (loss) for the year	1,616	(66,038)
Unappropriated surplus		
—beginning of the year	6,392	10,830
Appropriation from Rate		
Stabilization Reserve	—	61,600
Unappropriated surplus		
—end of the year	<u>\$ 8,008</u>	<u>\$ 6,392</u>

STATEMENT OF GENERAL OPERATIONS Year Ended December 31, 1981

	<i>1981</i>	<i>1980</i>
	<i>(Thousands of dollars)</i>	
Revenue		
Net premiums written	<u>\$23,036</u>	<u>\$22,967</u>
Net premiums earned	<u>\$23,544</u>	<u>\$21,818</u>
Net claims costs	<u>17,297</u>	<u>13,922</u>
Expenses		
Administrative	4,539	4,940
Commissions	<u>4,789</u>	<u>4,268</u>
	<u>9,328</u>	<u>9,208</u>
Total claims and expenses	<u>26,625</u>	<u>23,130</u>
Underwriting loss	3,081	1,312
Investment income	<u>4,402</u>	<u>3,101</u>
Income from General		
Insurance operations	1,321	1,789
Income (loss) from other operations	<u>(44)</u>	<u>76</u>
Income for the year	1,277	1,865
Unappropriated retained earnings		
— beginning of year	1,793	2,228
Appropriation for: (Note 4)		
Catastrophe reserve	(1,200)	(1,100)
Rate Stabilization reserve	<u>—</u>	<u>(1,200)</u>
Unappropriated retained earnings		
— end of year	<u>\$ 1,870</u>	<u>\$ 1,793</u>

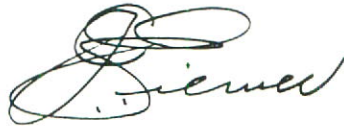
Balance Sheet

As at December 31, 1981

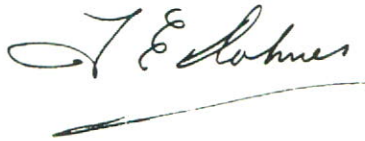
	<i>1981</i>	<i>1980</i>
	<i>(Thousands of dollars)</i>	
ASSETS		
Cash in hands of agents and banks	\$ 1,344	\$ 4,080
Investments (Note 5)	700,603	584,827
Finance Plan receivables	60,753	6,744
Other receivables	47,070	17,691
Deferred premium acquisition costs	12,512	11,615
Property and equipment (Note 6)	55,161	41,621

Approved by the Board:

Director:



Director:



\$877,443

\$666,578

1981 1980
(Thousands of dollars)

LIABILITIES

Accounts payable and accrued charges	\$ 45,230		\$ 27,038
Motor Vehicle Department	7,771		4,343
Premiums in advance	13,271		7,700
Unearned premiums (Note 8)	196,201		146,241
Unpaid claims (Note 9)	594,492		463,671
	856,965		648,993

Due to the Insurance (Motor Vehicle)

Act Fund representing unappropriated surplus	8,008		6,392
	864,973		655,385

RETAINED EARNINGS

Catastrophe reserve (Note 4)	5,500		4,300
Rate Stabilization reserve (Note 4)	5,100		5,100
Unappropriated retained earnings	1,870		1,793
	12,470		11,193
	\$877,443		\$666,578

Statement of Changes in Financial Position

Year Ended December 31, 1981

	1981	1980
	<i>(Thousands of dollars)</i>	
Resources provided:		
From Insurance (Motor Vehicle)		
Act Fund Operations (Note 10)	\$ 5,960	\$ —
From General Operations (Note 10)	1,343	1,902
Increase in unearned premiums	49,960	38,352
Increase in unpaid claims	130,821	86,548
Increase in fees payable to:		
Motor Vehicle Department	3,428	3,637
Increase in premiums in advance	5,571	7,700
Sale of property and equipment	744	1,632
	<u>197,827</u>	<u>139,771</u>
Resources applied:		
To Insurance (Motor Vehicle) Act		
Fund Operations (Note 10)	—	62,582
Increase in Finance Plan		
receivables	54,009	2,061
Purchase of property		
and equipment	18,694	9,437
Net increase in other assets		
and liabilities	12,084	2,768
	<u>84,787</u>	<u>76,848</u>
Increase in resources for year	113,040	62,923
Cash and investments		
— beginning of year	<u>588,907</u>	<u>525,984</u>
Cash and investments		
— end of year	<u>\$701,947</u>	<u>\$588,907</u>

1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the Insurance (Motor Vehicle) Act Fund.

The Insurance (Motor Vehicle) Act 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 the Corporation and the balance of the Fund, which represents its accumulated net operating position, is reflected in the balance sheet of the Corporation. The Fund consists of the revenues and expenses attributable to the Insurance (Motor Vehicle) Act Fund operations. All assets and liabilities are held by the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

As prescribed by Section 21(4) of the Insurance Corporation Act, the financial statements of the Corporation 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

General Insurance premium taxes, and commissions, including those relating to the subsequent year's Insurance (Motor Vehicle) 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.

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. The capitalized lease obligations reflect the present value of future rental payments discounted at the interest rate implicit in the lease and the corresponding amount is capitalized as the cost of the assets and depreciated over the assets' estimated economic life. (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 the Corporation, current trends and a detailed review of claims files. Also included is an estimate for unreported claims.

3. REINSURANCE

The Corporation follows the policy of underwriting and reinsuring certificates of insurance which in the main, limit the liability of the Corporation to the maximum amount on any one loss of \$200,000 for General Insurance contracts and \$750,000 for Autoplan certificates. In addition the Corporation has obtained reinsurance having an upper amount of \$40,000,000 and which limits the Corporation's liability to \$1,962,500 in the event of a series of claims arising out of a single occurrence.

4. RESERVES**General Operations**

The Corporation has appropriated from General Operations retained earnings an additional \$1,200,000 to the Catastrophe Reserve. The appropriation increases this reserve to \$5,500,000.

As is the practice in the industry, a Catastrophe Reserve has been established to reflect the impact of possible losses arising from catastrophic occurrences. Catastrophes such as earthquakes, storms, or 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

		<i>Dec. 31, 1981</i>	<i>Dec. 31, 1980</i>
		<i>(Thousands of dollars)</i>	
Short-term Deposit Receipts, Call Loans and Notes (approximates market value)		\$456,028	\$356,942
Bonds (est. market value)			
— Dec. 31, 1981	\$170,550		
— Dec. 31, 1980	\$171,888	244,575	227,885
		<u>\$700,603</u>	<u>\$584,827</u>

6. PROPERTY AND EQUIPMENT

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value at December 31, 1981</i>	<i>Net Book Value at December 31, 1980</i>
	<i>(Thousands of dollars)</i>			
Land	\$13,826	\$ —	\$13,826	\$10,048
Land — New H.O.	2,502	—	2,502	—
Building — New H.O. Under Construction	13,642	—	13,642	2,152
Buildings	27,494	8,862	18,632	22,151
Furniture & Equipment	8,525	4,760	3,765	3,695
Computer Under Capital Lease	2,837	897	1,940	2,837
Leasehold Improvements	2,716	1,862	854	738
	<u>\$71,542</u>	<u>\$16,381</u>	<u>\$55,161</u>	<u>\$41,621</u>

Depreciation has been charged at the following rates—Buildings 5-10%; Furniture and equipment 10-20%; Computer under capital lease 40%. Leasehold improvements are amortized over the term of the lease plus one renewal period.

Depreciation expense for the year ended December 31, 1981 amounted to \$4,410,000 (1980 — \$3,493,000).

7. OBLIGATION UNDER CAPITAL LEASE

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

<i>Year Ended December 31</i>	<i>(Thousands of dollars)</i>
1982	\$1,449
1983	544
Total minimum lease payments	1,993
Less: Amounts representing insurance and maintenance	(329)
Amounts representing interest	(278)
Present value of the minimum lease payments	<u>\$1,386</u>

Interest expensed in the year ended December 31, 1981 amounted to \$315,558 (1980 — \$208,000).

8. UNEARNED PREMIUMS

	<i>Dec. 31, 1981</i>	<i>Dec. 31, 1980</i>
	<i>(Thousands of dollars)</i>	
Insurance (Motor Vehicle) Act Fund	\$185,397	\$134,930
General Insurance	10,804	11,311
Total Unearned Premiums	<u>\$196,201</u>	<u>\$146,241</u>

9. UNPAID CLAIMS

	<u>Dec. 31, 1981</u>	<u>Dec. 31, 1980</u>
	<i>(Thousands of dollars)</i>	
Insurance (Motor Vehicle) Act Fund	\$577,500	\$450,235
General Insurance	16,992	13,436
Total Unpaid Claims	<u>\$594,492</u>	<u>\$463,671</u>

10. CASH FLOW FROM (TO) OPERATIONS

	<i>Twelve Months Ended</i>	
	<u>Dec. 31, 1981</u>	<u>Dec. 31, 1980</u>
	<i>(Thousands of dollars)</i>	
Insurance (Motor Vehicle) Act Fund		
Income (loss) for the year	\$ 1,616	\$ (66,038)
Non-cash item		
Depreciation and amortization	4,344	3,456
Cash flow from (to) operations	<u>\$ 5,960</u>	<u>\$ (62,582)</u>
General Operations		
Income for the year	\$ 1,277	\$ 1,865
Non-cash item		
Depreciation and amortization	66	37
Cash flow from operations	<u>\$ 1,343</u>	<u>\$ 1,902</u>

11. COMMITMENTS

The Corporation 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:	(Thousands of dollars)
1982	\$10,591
1983	7,737
1984	677
1985	481
1986	335

12. CAPITAL COMMITMENTS

The Corporation is constructing a new head office building due for completion in early 1983. The total cost of the land and building will be approximately \$38 million of which \$21 million will be spent in 1982.

13. 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. The Corporation 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, 1981 the Corporation has fully provided for all past service liabilities of the Pension Plan. Contributions by the Corporation for the year ended December 31, 1981 were \$1,210,000 (1980 — \$1,970,000).

Auditor's Report

The Honourable James Hewitt
Minister of Agriculture and Food
Province of British Columbia

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1981 and the statements of general operations and changes in financial position of the Corporation and the statement of operations of the Insurance (Motor Vehicle) 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 December 31, 1981, 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.

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 5, 1982

BOARD OF DIRECTORS

John C. Gilmer (+)
*Chairman of the Board
 Company Director and formerly
 President and Chief Executive
 Officer, CP Air*

Thomas E. Holmes
President and Chief Executive Officer

The Honourable James J. Hewitt (+)
*Minister of Agriculture and Food
 Province of British Columbia*

Isabelle Chisholm (+)
*President
 Chisholm Industries Limited
 Vancouver, B.C.*

Walter H. Dyck (*) (**)
*Partner
 Campbell Sharp
 Vancouver, B.C.*

Lawrence B. Eberhardt (*)
*Vancouver, B.C.
 Formerly Chairman, President and
 Chief Executive Officer
 Neon Products Canada Ltd.*

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

Donald N. Watson (**)
*Chairman of the Board
 B.C. Resources Investment Corporation
 Vancouver, B.C.*

MAJOR COMMITTEES OF THE BOARD

(*) *Audit Committee*
 (+) *Investment Committee*
 (**) *Budget Committee*

PRESIDENT'S COMMITTEE

T. E. Holmes
President and Chief Executive Officer

J. W. Bardua
Vice-President, General Insurance

R. E. Henderson
Vice-President, Administration

M. B. McCarthy
Vice-President, Autoplan Underwriting

B. F. Pearson
Vice-President, Claims

C. B. Penhall
Manager, Public Information

R. H. Power
Vice-President, Finance and Planning

H. G. Reid
Corporate Secretary and General Counsel

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

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