



FIVE YEAR COMPARISON

FOR THE YEARS ENDED DECEMBER 31

	1993	1992	1991	1990	1989
AUTOPLAN POLICIES	2,292,000	2,276,000	2,223,000	2,171,000	2,095,000
PREMIUM INCOME (\$000)	2,041,778	1,775,676	1,534,759	1,413,095	1,245,808
AVERAGE PREMIUM (\$)	852	785	669	631	580
CLAIMS REPORTED DURING YEAR	804,000	825,000	864,000	831,000	739,000
COST OF CLAIMS INCURRED (\$000)	1,641,572	1,704,436	1,617,483	1,386,391	1,046,456
EXPENSE RATIO % (excluding premium tax)*	12	13	13	13	13
INVESTMENT INCOME (\$000)	246,594	243,627	315,824	331,937	278,493
INVESTMENTS AT YEAR END (\$000)	3,539,148	3,057,273	2,748,957	2,573,456	2,299,925
UNPAID CLAIMS (\$000)	2,808,951	2,501,542	2,133,511	1,869,876	1,558,806
PROVISION FOR ADVERSE CLAIMS DEVELOPMENT (\$000)	—	—	85,023	167,023	190,623
TOTAL ASSETS (\$000)	3,915,589	3,396,851	3,033,532	2,886,651	2,559,387
INCOME (LOSS) (\$000)	156,067	(64,186)	(98,398)	17,190	90,095
AVERAGE NUMBER OF EMPLOYEES	3,905	3,891	3,719	3,396	3,040

Some of the statistics for prior years have been restated to conform with current business practices.

Annualized values have been used for policies with a term less than 12 months.

**Expense ratio is total administration expenses and commissions divided by earned premiums.*

CORPORATE PROFILE

THE INSURANCE CORPORATION OF BRITISH COLUMBIA WAS ESTABLISHED TWENTY YEARS AGO TO PROVIDE UNIVERSAL VEHICLE-RELATED INSURANCE FOR MOTORISTS IN THIS PROVINCE. COMMONLY CALLED ICBC, THE PROVINCIAL CROWN CORPORATION ADMINISTERS THE AUTOPLAN FUND ON A COST-EFFECTIVE, BREAK-EVEN BASIS.

OUR LEGISLATED MANDATE SETS US APART FROM OTHER INSURERS. SO DOES THE FACT THAT WE DO NOT DISCRIMINATE ON THE BASIS OF AGE, SEX OR MARITAL STATUS. INSTEAD WE USE A "CLAIM-RATED SCALE" FOR GIVING DISCOUNTS TO MOTORISTS WHO HAVE NO CHARGEABLE CLAIMS IN A POLICY YEAR AND FOR APPLYING SURCHARGES TO THE PREMIUMS OF THOSE WHO DO.

ALL VEHICLE OWNERS IN BC ARE REQUIRED TO BUY A PACKAGE OF BASIC AUTOPLAN COVERAGE THAT INCLUDES: ACCIDENT BENEFITS TO HELP WITH THE IMMEDIATE NEEDS OF CRASH VICTIMS; THIRD PARTY LEGAL LIABILITY PROTECTION FOR MOTORISTS WHO INJURE SOMEONE ELSE OR DAMAGE ANOTHER'S PROPERTY; AND UNDERINSURED MOTORIST PROTECTION.

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

During 1992 and 1993 we recognized the signs – the economic indicators and claims trends – that meant ICBC had to take aim at both the cost and the number of claims and not let up. Only by doing so can the Corporation give BC motorists the best possible insurance coverage, at an affordable price. It's working. In 1993 our claims initiatives created savings of more than \$80 million.

ICBC is a non-profit organization. All the premium income we receive goes to pay the cost of settling claims. While the break-even bottom line is important, the health and safety of the people of this province are the real reason ICBC was created. That's why ICBC also uses its resources to prevent crashes and vehicle crime, and to improve driver behaviour. The Board of Directors' role is to guide ICBC in its efforts to find innovative ways to save lives and money while protecting BC motorists and other road users. We appreciate the hard work and commitment of ICBC management and staff that contributed to improvements during 1993 and that will be crucial if we are to serve our customers even better in 1994.

As we take further steps to control costs, we can begin to see some relief from future insurance rate increases. This will happen only with the help of BC drivers and other stakeholders in our industry. By working together we can control the cost of vehicle insurance in this province, without sacrificing the level of protection that Autoplan provides.



MIRIAM OLNEY
Chair, ICBC Board of Directors

McGILL LIBRARY
1283 APR 13 94
GOV. DOCS. DEPT.

PRESIDENT'S LETTER

Setting the course for a crown corporation with two million customers and nearly 4,000 employees requires both foresight and hindsight. Although we have nearly two decades of experience and statistical information to work from at ICBC, we face new challenges every year.

Property-related and injury-related claims represent losses that can't be measured in dollars alone, yet only by keeping costs down can we reduce premiums. In spite of rising claim costs, our customers want to pay less for their insurance, especially those who have been claim-free for years. As we strive to give BC motorists the best in affordable auto insurance, innovative thinking will be needed to steer through the twists and turns in the road ahead.

We are proud to have achieved our 1993 financial objectives and to have put the brakes on spiralling claim numbers. The deficit we faced has been turned around and we have begun to rebuild our rate stabilization reserves. Our administrative costs have been kept low, maintaining our standing as one of the most efficient insurers in North America. These short term successes will pave the way for 1994 and beyond. It couldn't have been done without the sincere determination of all our staff, and I thank them for their hard work in these challenging times.

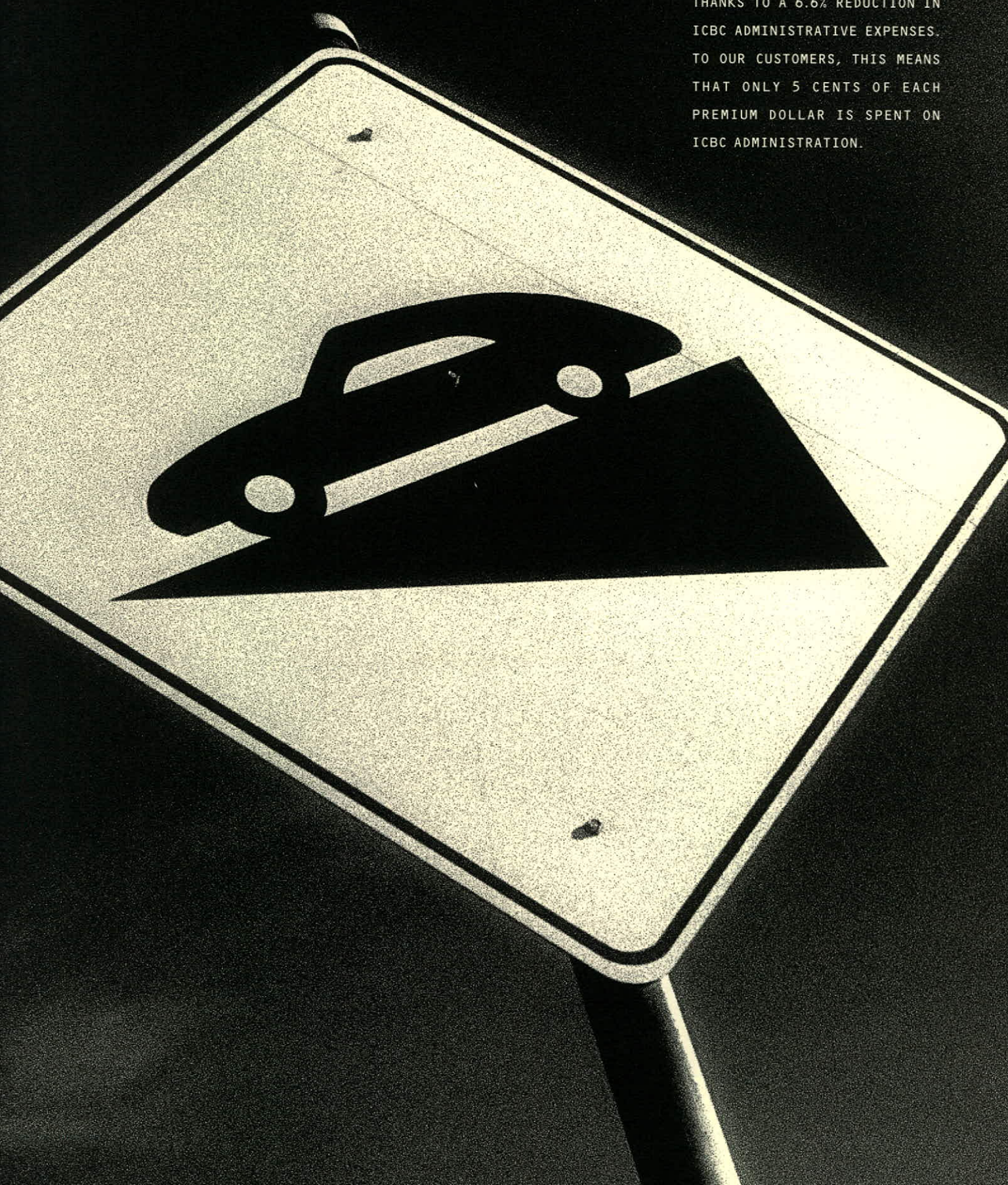
As we review 1993 and plan for 1994, our focus will be on enhancing customer service. We believe that by harnessing the energy that has brought us this far, we can take ICBC in a new, vital direction – a direction in which we will create a stable balance between fiscal accountability and customer satisfaction. We are already on the way.



BILL McCOURT
President & CEO

ONE OF OUR GOALS FOR 1993 WAS TO CONTAIN CLAIM COSTS AT 1992 LEVELS. WE DID.

SAVINGS OF MORE THAN \$80 MILLION HAVE BEEN CREATED THROUGH OUR CLAIMS INITIATIVES. IN 1993, WE REDUCED OUR EXPENSE RATIO FROM 13% TO 12% - THE LOWEST IN ICBC'S HISTORY - THANKS TO A 6.6% REDUCTION IN ICBC ADMINISTRATIVE EXPENSES. TO OUR CUSTOMERS, THIS MEANS THAT ONLY 5 CENTS OF EACH PREMIUM DOLLAR IS SPENT ON ICBC ADMINISTRATION.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCE AND OPERATIONS REPORT

January 1, 1993: How the Year Began

We ended 1992 with an unadjusted operating loss of \$149 million. The adjusted loss, after drawing funds from our provision for adverse claims development, was \$64 million. We had only \$5 million left in our rate stabilization reserves.

The drop in interest rates, in 1992 and 1993, reduced our income on investments. Our investment fund in 1992 produced the lowest income in four years. Claim costs were the highest ever and, although we had taken steps to slow spiralling costs, we had yet to see significant results.

Customer satisfaction and confidence were also affected. After hefty premium increases, huge financial losses, and public criticism of ICBC management, the people of BC weren't very interested in hearing about our difficulties. In a time when money was tight our product had become less and less affordable. Affordability has always been the main cause of public dissatisfaction with vehicle insurance and ICBC.

CHARTING A COURSE

Our goal each year is to break even, balancing income with costs. We have two sources of income, premiums and return from investments. We have two primary types of expense, claim costs and operating expenses. In "good" years, premiums and investment income combined cover all operating costs, including broker commissions, premium tax and claim costs. We also earn enough income in "good" years to maintain or build rate stabilization reserves.

In "bad" years, claim costs rise above expectations and claims from prior years cost more to settle than estimated, forcing us to draw on rate stabilization reserves. This is where we found ourselves in 1991 and 1992. Large premium increases for the following years and significant cost reduction programs have helped us return to financial stability, a goal we set, and met, for 1993.

AUTOPLAN INCOME	\$ MILLIONS		%
VEHICLE PREMIUMS EARNED	\$ 2,013		88
DRIVER PREMIUMS EARNED	29		1
PREMIUM INCOME	2,042		89
INVESTMENT INCOME	247		11
	\$ 2,289		100

WHERE YOUR PREMIUM DOLLARS GO

Paying claims and expenses costs ICBC \$1.05 for every dollar of premium income the Corporation receives. Investment income is used to offset costs.

AUTOPLAN INCOME USE	\$ MILLIONS	% OF TOTAL INCOME	% OF PREMIUM INCOME
CLAIMS INCURRED	\$ 1,642	72	81
CLAIMS OPERATION EXPENSES	174	8	8
CLAIM COSTS	1,816	80	89
ADMINISTRATIVE EXPENSES	96	4	5
COMMISSIONS	139	6	7
PREMIUM TAX	82	3	4
EXPENSES	317	13	16
SUB-TOTAL	2,133	93	105
TO RATE STABILIZATION RESERVE	156	7	8
	\$ 2,289	100	113

1993 was a "good" year, mainly as a result of adequate levels of premium income and the contributions of our claims initiatives and operational restraint. We have now started to rebuild rate stabilization reserves which should be adequate by the end of 1994.

Successful Claims Control Measures

In our Operating Plan for 1993 we set a goal of containing claim costs at 1992 levels. We achieved that goal. We also saw fewer claims reported, from 824,837 in 1992 down to 804,115 in 1993, the lowest number of claims since 1989. Reported injury-related claims were down by 3,700 from 1992 but they still cost ICBC more than a billion dollars (\$1,021 million). Property-related claims were down even more, with 17,000 fewer reported, at a cost of \$621 million.

All claim costs were positively affected by the claims initiatives that went into high gear in 1993. Property-related claims were also influenced by higher deductibles for optional coverages. Most of the claims initiatives are now fully implemented, bringing continued savings. Other strategies are in place for future benefits. These initiatives could not have been undertaken, and their improvements realized, without the dedicated efforts of all ICBC employees.

Administrative and Operating Efficiency

We are an agency of the Crown and a monopoly provider of the basic Autoplan coverage. This combination has led some people, notably the media, to assume that we spend more on administration than we should. In reality our expense ratio has averaged 13 percent over the past five years, compared with private insurers' expense ratios of 20 to 30 percent.

In 1993 we achieved a reduction in our expense ratio from 13 percent to 12 percent, the lowest in the Corporation's history. The lower expense ratio is the result of a 6.6 percent reduction in ICBC administrative expenses. To our customers, this means that only 5 cents of each premium dollar is spent on ICBC administration.


While the number of policyholders we serve has been increasing over the past five years, the amount of work generated by those policies increased even more in 1993. More short term policies and the shift of vehicle-related duties, from Motor Licence Offices to Autoplan agents and ICBC, created more transactions per policy.

AUTOPLAN CLAIMS INCURRED	1993		1992	
	\$ MILLIONS	%	\$ MILLIONS	%
BODILY INJURY	\$ 973	59	\$ 999	58
ACCIDENT BENEFITS	48	3	94	6
TOTAL INJURY-RELATED CLAIMS	1,021	62	1,093	64
PROPERTY DAMAGE	212	13	198	12
COLLISION	173	11	162	9
COMPREHENSIVE AND OTHER	236	14	251	15
TOTAL PROPERTY-RELATED CLAIMS	621	38	611	36
	\$ 1,642	100	\$ 1,704	100

THERE IS NO "ONE WAY" TO PROTECT THE PEOPLE OF BC FROM VEHICLE-RELATED LOSSES.



THAT'S WHY WE'RE ADAPTING OUR PRODUCTS TO MEET CURRENT AND FUTURE CONSUMER NEEDS.



TO STABILIZE PREMIUMS AND
PROVIDE FAIR COMPENSATION TO
ACCIDENT VICTIMS, WE HAVE TO
LOOK AT MORE THAN DOLLARS IN
AND DOLLARS OUT. WE WANT TO
CREATE AND SELL INSURANCE
PRODUCTS THAT GIVE PEOPLE
WHAT THEY NEED AND EXPECT
FROM THEIR VEHICLE INSURANCE.

We recognize the importance of continuing to streamline our operations in every way we can, for a balance of fiscal accountability and customer service. In 1993 the first steps have been undertaken in our Operational Effectiveness program to review all of ICBC's operational processes and activities.

Technological Efficiency

With more than two million customers, 900 brokers and 3,900 employees, the demand for computer services and technological support at ICBC has grown steadily since our first computers were installed in 1974. Since 1991, demand has increased each year. We see this trend continuing through 1995. Corporate initiatives to improve customer service and operating efficiency will rely on optimum use of our existing computer capacity. To make the most cost effective use of technology and to address our emerging business needs, we will need to upgrade our central mainframe computing facility in 1994.

UNEARNED PREMIUMS (\$ MILLIONS)	1993	1992
	\$ 778	\$ 687

UNPAID CLAIMS (\$ MILLIONS)	1993	1992
YEAR OF LOSS		
1989 AND PRIOR	\$ 286	\$ 397
1990	273	401
1991	466	643
1992	692	1,061
1993	1,092	--
TOTAL UNPAID CLAIMS AT DEC. 31	\$ 2,809	\$ 2,502

The provision for unpaid claims account includes an estimate for reported and unpaid claims and expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for claims incurred but not reported in the year.

Investments

In 1993 our investment fund produced \$247 million in income on an average portfolio of \$3.3 billion. The yield on investments equals 7.5 percent, despite the lowest interest rates in 30 years.

Investment income in 1993 represented 11 percent of total revenue or \$108 per policy. Since that \$108 per policy is not required in premium, policyholders and the BC economy benefit from the increased disposable income available.

TAKING A TURN FOR THE BETTER

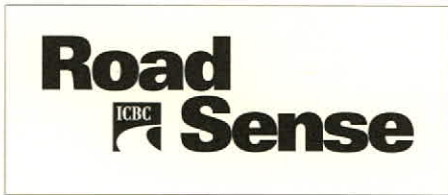
Our successes in cost control are encouraging, but the biggest and least controllable cost to BC motorists is still the cost of claims. So how can we keep claims down for the longer term? With our partners in government and industry, we've developed a series of initiatives under the banner "Road Sense". These are ways of saving lives and money through improvements to driver behaviour, vehicle design and road design, and by reducing or preventing insurance-related crime.

INVESTMENTS (AS AT DEC. 31, 1993)	\$ MILLIONS	%
FEDERAL	\$ 2,034	57
PROVINCIAL - BRITISH COLUMBIA	413	12
- OTHERS	785	22
MUNICIPAL - BRITISH COLUMBIA	15	--
CORPORATE	163	5
EQUITY AND OTHERS	129	4
	\$ 3,539	100

For more than ten years ICBC has been a leader in loss prevention with its Traffic Safety Department programs to reduce speeding and drinking driving, to improve driver behaviour and increase the seat belt wearing rate in BC. Road Sense is a way of bringing programs like these together with dozens of other loss prevention activities, from fleet safety improvements, to intersection re-design, vehicle repair techniques and anti-theft programs.

Personal responsibility is an important element of these programs, reflected in the theme "Road Sense – it starts with me". Hundreds of ICBC staff have shown their commitment to Road Sense by participating in safety-related Road Sense activities within the Corporation and in their communities.

Some Road Sense initiatives have already gained public support and involvement – the BC Road Test, the Combat Auto Theft (CAT) decal program, the Road Sense index for Lower Mainland commuters and the ICBC tipline for fraud and witness reports.



Other Road Sense programs are planned. Some will take time to implement, but each will be evaluated as they proceed. We will continue to put our resources where we can achieve the greatest benefit for the motorists of BC.

Refining the Product


To stabilize premiums for the long term and provide fair compensation to accident victims, we need to look at more than the dollars in and dollars out. We want to create and sell insurance products that give people what they need and expect from their vehicle insurance. ICBC established a Product Task Force in 1993 to review and analyze ways to adapt our products to meet current and future consumer needs and to design appropriate product options. As we combine product enhancements with our expanded focus on customer service, 1994 is sure to be a turning point for ICBC product design and delivery.

PREMIUMS WRITTEN BY CATEGORY	\$ MILLIONS	%
PRIVATE PASSENGER	\$ 1,536	72
LIGHT COMMERCIAL	362	17
HEAVY COMMERCIAL	115	5
RECREATIONAL	42	2
SPECIAL COVERAGE	46	2
DRIVERS	31	2
	\$ 2,132	100

"ROAD SENSE" IS ABOUT SAVING LIVES AND MONEY. OUR PROGRAMS AND INITIATIVES, AND



THE ROAD SENSE OF TWO MILLION BC MOTORISTS, WILL HELP US CONTROL INSURANCE COSTS.



IN 1993 WE ACHIEVED OUR FINANCIAL OBJECTIVES AND PUT THE BRAKES ON THE RISING COST OF CLAIMS THROUGH THE EFFORTS OF THE 3,900 PEOPLE WHO WORK AT ICBC. THEIR DEDICATION AND ENERGY WILL CONTINUE TO BE VITAL AS WE COMBINE PRODUCT ENHANCEMENTS WITH AN EXPANDED FOCUS ON CUSTOMER SERVICE.

ISSUES MANAGEMENT

As we head into our third decade as BC's public auto insurer, we are dealing with the same social changes and issues that are facing other businesses and government agencies. We are a part of a dynamically changing society and we have many responsibilities related to anticipating or responding to social issues. Some of our special actions in these areas deserve mention, as they will contribute to the achievement of our strategic objectives for 1994 and years to come.

Environmental Responsibility

In 1993 we took many steps to improve environmental conditions in BC as they relate to our operations. We conducted an environmental review to ensure that we can meet or surpass established standards. We want to go beyond those requirements and operate in a manner that is environmentally responsible, using appropriate policies and clear, detailed procedures.

We have established procedures for the containment, capture and cleanup of contaminants at our claims facilities where vehicle fluids, cleansers or other products may pose a potential environmental hazard. Our claims staff also have procedures for identification and reporting of environmental hazards related to accidents, so site cleanup can be coordinated with communities, industry and emergency response teams, minimizing pollution risk. We will continue to conduct environmental assessments of facilities owned and leased by ICBC and to seek solutions that will be both environmentally friendly and cost-effective.

Freedom of Information & Protection of Privacy

The British Columbia Freedom of Information and Privacy Act became law in October 1993 and by year-end ICBC had received more than 100 formal requests through its Information Access and Ombudsman Enquiries Department.

The spirit of the Act is to foster an open and free government. In the past, individuals had to justify their need to see ICBC records. The Freedom of Information and Protection of Privacy Act shifts that responsibility back to ICBC to ensure that we help people obtain information or give good reasons why they cannot have access to that information. Protection of privacy under the Act prevents unauthorized collection, use or disclosure of personal information by ICBC and other agencies.

Both aspects of the legislation – freedom of information and privacy protection – are expected to result in a growing demand for ICBC information in 1994. In addition to copies of printed materials, electronic versions of information items can be requested and may be the most cost-effective means of providing requested records.

Multiculturalism and Workplace Diversity

One societal shift that has affected all business and government is the growing diversity of our population. To determine how an increasingly diverse community and workforce would affect ICBC we established our first Multiculturalism Committee in 1992. The Committee's priorities were to review our existing situation and develop recommendations on how we could ensure fair access to services and information for customers and fair access to employment opportunities for our staff and potential staff. In July, 1993 the Multiculturalism Act of BC became law and set out clear expectations for government and government agencies. All divisions of ICBC are now creating action plans to work toward these expectations. We will act on the basis of results of our own research and research available to us from other sources. We will submit our first report on Multicultural plans and actions to the government in May 1994.

Workplace Diversity deals with related issues for which we have developed short and long-term strategies. More than 3,000 employees participated in "Valuing Diversity" sessions between September and November 1993. ICBC's Workplace Diversity Group is committed to achieving an equitable and diverse workplace that reflects the communities we serve. The group will focus on training, for staff and managers, and policy development during 1994. Workplace Diversity also encompasses race relations, anti-harassment, occupational health and safety, benefits and work and family issues.

THE ROAD AHEAD

Long-term Stability

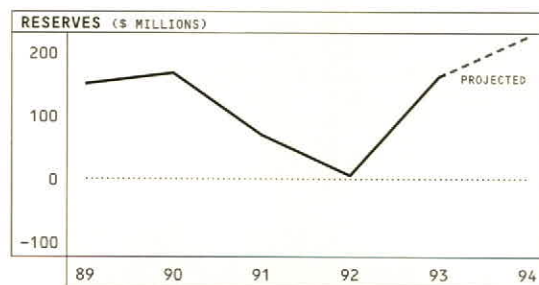
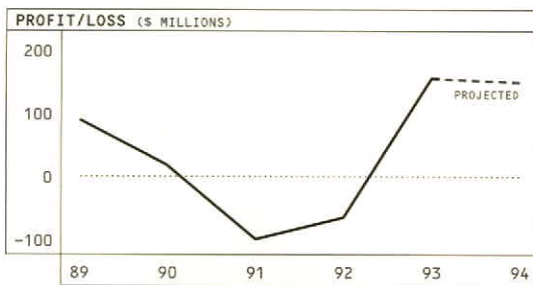
Taking the Company from \$180 million loss two years ago to \$156 million income at this year-end, is good news and we are proud of the financial turnaround we have been able to achieve. However, motorists' premiums have had to rise to pay for the trend in claims costs. The premium paying public isn't willing to continue paying such increases. Even the best management practices will not preclude the possibility of continuing escalation of the claims-premium spiral.

That's where Road Sense comes in. Our long term commitment to loss prevention, through improvements to driver behaviour and road design, use of safety devices, and a reduction in insurance-related crime, will allow us to save lives and money. We will use Road Sense to bring together concerned motorists, industry and government in cooperative efforts to improve road use in BC.

We must also continue our cost control efforts and review our products. These actions should allow ICBC to have stable rates with nominal rate increases in coming years.

Customer Satisfaction

Our primary objective in 1994 is to rebuild public confidence in ICBC as a high performance, financially sound insurance company. This is reflected in the many ways we have built customer service initiatives into our strategic plan. We will ask what our customers need and want from us, and we will find ways to deliver it. We will conduct monthly claims' customer research, set customer satisfaction standards, and work with our employees to meet those standards. These actions will help us become a more customer-focused company in 1994 and beyond.



WE WANT TO GIVE BC MOTORISTS REAL VALUE IN AUTO INSURANCE. WE'RE GETTING THERE.

WE PAY ATTENTION TO THE INDICATORS AND SIGNS THAT WILL HELP US STAY IN CONTROL OF ESCALATING COSTS. WE'RE ALWAYS LOOKING FOR WAYS TO REDUCE THE RISKS FACING PEOPLE ON OUR STREETS AND HIGHWAYS.



STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1993 AND 1992

(\$ THOUSANDS)	1993	1992
REVENUE		
Vehicle premiums written	\$ 2,101,166	\$ 1,841,522
Driver premiums written	31,272	25,168
	<u>\$ 2,132,438</u>	<u>\$ 1,866,690</u>
Vehicle premiums earned	\$ 2,012,935	\$ 1,752,189
Driver premiums earned	28,843	23,487
	<u>2,041,778</u>	<u>1,775,676</u>
CLAIMS COSTS		
Claims incurred (<i>Note 6</i>)	1,641,572	1,704,436
Claims operation expenses	174,193	163,310
	<u>1,815,765</u>	<u>1,867,746</u>
EXPENSES		
Administrative	96,181	102,962
Commissions	138,644	126,662
Premium tax	81,715	71,142
	<u>316,540</u>	<u>300,766</u>
Total claims and expenses	<u>2,132,305</u>	<u>2,168,512</u>
Underwriting loss	(90,527)	(392,836)
Investment income	246,594	243,627
INCOME (LOSS) FOR THE YEAR, BEFORE THE FOLLOWING:	<u>156,067</u>	<u>(149,209)</u>
Draw down of provision for adverse claims development (<i>Note 6</i>)	—	85,023
INCOME (LOSS) FOR THE YEAR	156,067	(64,186)
Unappropriated balance – beginning of year	71	257
Appropriation from (to): rate stabilization reserve (<i>Note 7</i>)	(156,138)	64,000
Unappropriated balance – end of year	<u>\$ —</u>	<u>\$ 71</u>

BALANCE SHEETS

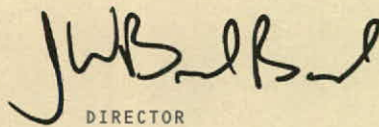
AS AT DECEMBER 31, 1993 AND 1992

(\$ THOUSANDS)	1993	1992
ASSETS		
Cash in hands of agents	\$ 13,383	\$ 20,544
Investments (Note 3)	3,539,148	3,057,273
Accrued interest receivable	110,555	86,811
Accounts receivable	30,170	21,351
Deferred premium acquisition expenses	82,711	77,813
Property and equipment (Note 4)	139,622	133,059
	<u>\$ 3,915,589</u>	<u>\$ 3,396,851</u>
LIABILITIES		
Cheques outstanding	\$ 46,355	\$ 33,162
Accounts payable and accrued charges	82,770	70,639
Premiums and fees in advance	24,744	86,782
Deferred investment gains and losses (Note 5)	13,771	12,455
Unearned premiums	777,860	687,200
Unpaid claims (Note 6)	2,808,951	2,501,542
	<u>3,754,451</u>	<u>3,391,780</u>
INSURANCE (MOTOR VEHICLE) ACT FUND		
Rate stabilization reserve (Note 7)	161,138	5,000
Unappropriated	—	71
	<u>161,138</u>	<u>5,071</u>
	<u>\$ 3,915,589</u>	<u>\$ 3,396,851</u>

Approved by the Board



CHAIR



DIRECTOR

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1993 AND 1992

(\$ THOUSANDS)	1993	1992
OPERATING ACTIVITIES		
CASH RECEIVED FROM:		
Agents for vehicle premiums, licence fees and social service taxes	\$ 2,404,906	\$ 2,201,417
Interest and net gains on investments	223,926	213,958
Collection for driver point penalty premiums, subrogation and other receivables	67,198	68,546
Salvage sales	32,699	29,458
Province of BC for recovery of Motor Vehicle Branch expenses	5,664	7,905
All others	547	342
	<u>2,734,940</u>	<u>2,521,626</u>
CASH PAID TO:		
Claimants or third parties on behalf of claimants	1,399,771	1,408,005
Province of British Columbia for licence fees and social service taxes collected	288,430	240,163
Province of British Columbia for premium taxes	81,561	71,213
Suppliers of goods and services	68,501	72,904
Suppliers of plates and decals on behalf of Motor Vehicle Branch	2,903	4,564
Vendors for land, buildings and equipment	28,606	29,115
Employees for salaries and benefits	188,119	185,925
Agents for commissions	134,426	129,690
Policyholders for premium refunds	81,102	81,089
	<u>2,273,419</u>	<u>2,222,668</u>
INCREASE IN CASH AND INVESTMENTS DURING THE YEAR (Note 8)	461,521	298,958
CASH AND INVESTMENTS - BEGINNING OF YEAR	3,044,655	2,745,697
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 3,506,176</u>	<u>\$ 3,044,655</u>
REPRESENTED BY:		
Cash in hands of agents	\$ 13,383	\$ 20,544
Investments	3,539,148	3,057,273
Cheques outstanding	(46,355)	(33,162)
	<u>\$ 3,506,176</u>	<u>\$ 3,044,655</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1993 AND 1992

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 operates and administers the Insurance (Motor Vehicle) Act Fund and, as required by legislation, reports the revenues and expenses attributable to the operation of the Insurance (Motor Vehicle) Act Fund separately from other operations of the Corporation, if any. The Corporation also has the power and capacity to act as an insurer and reinsurer in all classes of insurance, but is not presently engaged in any such activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**BASIS OF REPORTING**

The financial statements of the Corporation, as required by the Insurance Corporation Act, are prepared in accordance with generally accepted accounting principles. The more significant accounting policies adopted are noted below.

INVESTMENTS AND INVESTMENT INCOME

Bonds are valued at amortized cost with any premium or discount on purchase being deferred and amortized over the term to maturity of each bond. Money market securities and equities are valued at cost. Income on interest bearing securities is accrued daily. Dividends on equity investments are recognized as income on their payment dates.

Capital gains and losses realized on bond sales are deferred and amortized over the term to maturity of the bond or 60 months, whichever is less. Capital gains and losses on money market securities and equity investments are included in income in the period realized.

DEFERRED PREMIUM ACQUISITION EXPENSES

Commissions and premium taxes are expensed over the terms of the insurance policies to which they relate.

DEPRECIATION AND AMORTIZATION

Depreciation is provided on a straight-line basis at rates that will amortize the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease.

UNEARNED PREMIUMS

Unearned premiums is that portion of premiums that relates to the unexpired term of each vehicle policy or driver's point penalty premium.

UNPAID CLAIMS

The provision for unpaid claims includes an estimate for reported and unpaid claims and expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for claims incurred but not reported in the year. A provision for adverse claims development accumulated in the years prior to 1991 was drawn down and eliminated as at December 31, 1992.

3. INVESTMENTS

(\$ THOUSANDS)	1993		1992	
	COST	MARKET	COST	MARKET
Money market securities	\$ 527,009	\$ 527,009	\$ 1,224,048	\$ 1,224,048
Bonds	2,888,031	2,983,549	1,823,180	1,808,418
Equities	124,108	153,183	10,045	10,039
	<u>\$ 3,539,148</u>	<u>\$ 3,663,741</u>	<u>\$ 3,057,273</u>	<u>\$ 3,042,505</u>

4. PROPERTY AND EQUIPMENT

(\$ THOUSANDS)	1993		1992	
	COST	NET BOOK VALUE	COST	NET BOOK VALUE
Land	\$ 25,591	\$ 25,591	\$ 25,553	\$ 25,553
Buildings	144,627	87,035	128,722	77,099
Furniture and equipment	108,555	26,556	101,538	29,710
Leasehold improvements	2,259	440	2,271	697
	<u>\$ 281,032</u>	<u>\$ 139,622</u>	<u>\$ 258,084</u>	<u>\$ 133,059</u>

Depreciation has been charged at the following rates: buildings 5 – 10 %; furniture and equipment 10 – 33.3 %. Depreciation expense for the year ended December 31, 1993 amounted to \$19,988,000 (1992 - \$21,131,000).

5. DEFERRED INVESTMENT GAINS AND LOSSES

(\$ THOUSANDS)	1993	1992
Balance deferred – beginning of year	\$ 12,455	\$ 10,926
Net realized gains during year	12,632	16,270
Amount included in investment income	(11,316)	(14,741)
Balance deferred – end of year	<u>\$ 13,771</u>	<u>\$ 12,455</u>

6. PROVISION FOR ADVERSE CLAIMS DEVELOPMENT

In previous years the provision for adverse claims development was included in unpaid claims to protect against unexpected trends in claims costs. In 1992 the balance of the provision of \$85,023,000 was drawn down.

7. INSURANCE (MOTOR VEHICLE) ACT FUND

The Board of Directors approved the transfer of \$156,138,199 from the unappropriated fund balance to the rate stabilization reserve. In 1992 the Board of Directors approved the elimination of the catastrophe reserve, transferring the balance of \$30,000,000 to the rate stabilization reserve, and the transfer of \$64,000,000 from the rate stabilization reserve to the unappropriated fund balance.

8. STATEMENT OF CHANGES IN FINANCIAL POSITION

The statement has been prepared using the "direct method" in accordance with the accounting guideline of the Canadian Institute of Chartered Accountants on Statements of Changes in Financial Position for Financial Institutions dated June 1991. The method of presentation discloses the net cash flow generated from operations by showing the components of cash from operations. Also in accordance with the guideline, a reconciliation between income (loss) and increase in cash and investments is shown below.

(\$ THOUSANDS)	1993	1992
Income (loss) for the year	\$ 156,067	\$ (64,186)
Add: Increase in unpaid claims	307,409	368,031
Increase in unearned premiums	90,660	91,014
Increase (decrease) in premiums and fees in advance	(62,038)	38,368
Increase (decrease) in accounts payable and accrued charges	12,131	(2,586)
Increase in accrued interest receivable	(23,744)	(30,863)
Depreciation	19,988	21,131
Realized gain on investments	12,632	16,270
Other	2,055	(922)
	<u>359,093</u>	<u>500,443</u>
Less: Amortization of deferred investment gains and losses	11,316	14,741
Increase (decrease) in accounts receivable	8,819	(18)
Draw down of provision for adverse claims development	—	85,023
Increase in deferred premium acquisition expenses	4,898	8,438
Expenditures on land, building and equipment	28,606	29,115
	<u>53,639</u>	<u>137,299</u>
Increase in cash and investments during the year	<u>\$ 461,521</u>	<u>\$ 298,958</u>

9. REINSURANCE

Commencing January 1, 1993, the Corporation ceased to reinsure the policies it underwrites. In 1992 the Corporation obtained reinsurance which protected the Corporation against losses of up to \$75,000,000 and limited the Corporation's liability to \$10,000,000, in the event of one or more claims arising out of a single occurrence. In addition, where in any one occurrence the total of all claims exceeded \$10,000,000, the Corporation would be liable for its portion of a single bodily injury claim which exceeded \$5,000,000. These reinsurance arrangements did not discharge the Corporation's obligation as primary insurer.

10. RELATED PARTY TRANSACTIONS

The Corporation is the sole provider of compulsory automobile insurance in British Columbia and, therefore, insures vehicles owned or leased by the government of the province and its controlled entities. The Corporation also acts as agent for the Motor Vehicle Branch regarding the collection of motor vehicle licence fees and for the Ministry of Finance and Corporate Relations regarding the collection of social service taxes on privately sold used vehicles.

The Corporation is responsible for collecting all vehicle-related revenue for the Motor Vehicle Branch and for acquiring and distributing licence plates and decals. The Corporation has therefore entered into an agreement with the Motor Vehicle Branch whereby it will receive a percentage of the revenue collected to recover the cost of licence plates, decals and additional operating expenses relating to those functions. A recovery of \$5,997,000 (1992 - \$5,037,000) has been credited to administrative expense for the year.

11. PENSION PLANS

The Corporation maintains two contributory defined-benefit pension plans that provide retirement benefits for substantially all regular employees, based on their length of service and best years' average earnings. The plans are, to all intents and purposes, identical and are funded through a single fund - ICBC Employees' Retirement Trust Fund.

The present value of the accrued pension benefits and the net assets at market value available to provide these benefits are as follows:

(\$ THOUSANDS)	1993	1992
Accrued pension benefits	\$ 153,900	\$ 129,714
Retirement Fund assets at market value	\$ 196,790	\$ 148,480

The value of the accrued pension benefits as at December 31, 1992 is based on an actuarial valuation that took into account projected employee compensation levels at the time of retirement, the rate of inflation and the rate of return on the Fund's assets. At December 31, 1993, the value was updated by the plan's actuaries from their valuation prepared as at December 31, 1992.

The Corporation's pension contribution of \$6,349,000 (1992 - \$6,402,000) matches the employees' contribution. These contributions have been established taking into account the amortization of experience and investment gains and losses over the expected average remaining service life of the employees in the plan.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SCOPE OF RESPONSIBILITY

Management prepares the accompanying financial statements and related information and is responsible for their integrity and objectivity. The statements were prepared in conformity with generally accepted accounting principles. These financial statements include amounts that are based on management's estimates and judgments, particularly our reserves for losses and loss adjustment expenses. We believe that these statements present fairly the Corporation's financial position and results of operations and that the other information contained in the annual report is consistent with the financial statements.

INTERNAL CONTROLS

We maintain and rely on a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. Our internal audit department also independently reviews and evaluates these controls. We recognize the inherent limitations in all control systems and believe that our systems provide an appropriate balance between the costs and benefits desired. We believe our systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

INDEPENDENT AUDITORS

Our independent auditors, Coopers & Lybrand, have audited the financial statements. Their audit was conducted in accordance with generally accepted auditing standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the financial statements prepared by management.

AUDIT COMMITTEE

The Audit Committee, composed of members of the Board of Directors of the Insurance Corporation of British Columbia, oversees management's discharge of its financial reporting responsibilities. The committee meets periodically with management, our internal auditors and representatives of our external auditors to discuss auditing, financial reporting and internal control matters. Both internal and external auditors have access to the Audit Committee without management's presence.



BILL McCOURT
President and CEO



WILLIAM A. HEESE
Vice-President, Finance and Chief Financial Officer

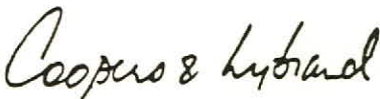
AUDITORS' REPORT

The Honourable Jackie Pement
Minister of Transportation and Highways
Province of British Columbia

We have audited the balance sheets of the Insurance Corporation of British Columbia as at December 31, 1993 and 1992 and the statements of operations of the Insurance (Motor Vehicle) Act Fund and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and 1992 and the results of its operation of the Insurance (Motor Vehicle) Act Fund and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vancouver, British Columbia

FEBRUARY 4, 1994

THE BOARD OF DIRECTORS



Left to right: J. MIKA, C. ROBERTSON, P. McKIM-FLETCHER, V. VAHLAS, B. KIRK, J. MANDAIR, B. McCOURT, M. OLNEY, HON. J. PEMENT, B. BOND, D. KIENGERSKY, G. WONG, H. HARDIN, L. NEMETZ, D. MORTON, C. CARR (ASSISTANT CORPORATE SECRETARY), Not pictured: G. JANSSEN

MIRIAM OLNEY ^E
Chair of the Board
Insurance Corporation of BC
North Vancouver, BC

BILL McCOURT ^E
President and CEO
Insurance Corporation of BC
North Vancouver, BC

HONOURABLE JACKIE PEMENT
Minister of Transportation and Highways
Minister Responsible for ICBC
Province of British Columbia
Victoria, BC

J.W. BRAD BOND ^{E A I}
President
Barrier Management Inc.
Vancouver, BC

HERSCHEL HARDIN ^{A F L}
Author and Public Policy Consultant
West Vancouver, BC

GERARD A.M. JANSSEN ^{I C}
MLA, Alberni
Province of British Columbia
Victoria, BC

DIANA C. KIENGERSKY ^{A C P L}
President
Cabott Realty & Insurance
Kelowna, BC

BERNICE KIRK ^{A P}
President
Canadian Union of Public Employees
(BC Division)
Burnaby, BC

PATRICIA M. McKIM-FLETCHER ^{F H}
Economic Development Officer
Hagensborg, BC

JEET MANDAIR ^{C H}
President
Mandair Distributors Ltd.
Burnaby, BC

JOHN MIKA ^{E F I P}
Alderman, Saanich Municipality
Victoria, BC

DAVID J. MORTON ^{P L H}
Retired Insurance Agency Owner
Burnaby, BC

LISA K. NEMETZ ^{E P I}
Lawyer
Vancouver, BC

CATHERINE ROBERTSON ^{E F L}
President
Robertson Rozenbart Inc.
Vancouver, BC

VASSO VAHLAS ^{C H}
Career Counsellor and Training Consultant
Prince George, BC

GLENN G.J. WONG ^{E C}
President and CEO
Western Greenhouse Growers
Co-operative Association
Surrey, BC

COMMITTEES
E EXECUTIVE A AUDIT
P PRODUCT F PLANNING & FINANCE
I INVESTMENT C CLAIMS SERVICE
H HUMAN RESOURCES L LOSS PREVENTION

THE PRESIDENT'S COMMITTEE



Left to right: B. HUBBARD, G. BASHAM, N. WEATHERSTON, L. ROBERTSON, B. HEESE, B. McCOURT, J. NEILSON, G. REID, R. NELSON, Not pictured: K. HARDIE

BILL McCOURT
President and CEO

BILL HEESE
Vice-President, Finance
and Chief Financial Officer

JOHN NEILSON
Vice-President, Human Resources

RICK NELSON
Vice-President, Information Services

GRAHAM REID
Vice-President, Insurance

NEIL WEATHERSTON
Vice-President, Claims

LINDA ROBERTSON
Corporate Secretary and General Counsel

GREG BASHAM
Manager, Strategic Planning and Policy

KEN HARDIE
(Acting) Vice-President, Public Affairs

BILL HUBBARD
(Acting) Vice-President, Road Safety

CORPORATE DIRECTORY

ADMINISTRATIVE OFFICE

151 West Esplanade
North Vancouver, BC
V7M 3H9

AUDITORS

Coopers & Lybrand
Chartered Accountants
Vancouver, BC

BANKER

The Royal Bank of Canada
Vancouver, BC

CLAIMS SERVICE LOCATIONS

LOWER MAINLAND

Vancouver (6)
Burnaby (2)
Chilliwack
Coquitlam
Langley
Maple Ridge
Matsqui
New Westminster (2)
North Vancouver (2)
Powell River
Richmond (2)
Surrey (3)
Squamish

VANCOUVER ISLAND

Campbell River
Courtenay
Duncan
Nanaimo
Port Alberni
Port Hardy
Victoria (2)

NORTHERN BC

Dawson Creek
Fort St. John
Prince George
Prince Rupert
Smithers
Terrace

CARIBOO

100 Mile House
Kamloops
Quesnel
Williams Lake

OKANAGAN

Kelowna
Penticton
Salmon Arm
Vernon

KOOTENAYS

Cranbrook
Nelson
Trail



**Insurance
Corporation
British
Columbia**