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20TH ANNUAL REPORT OF THE INSURANCE CORPORATION OF BRITISH COLUMBIA
FOR THE 12 MONTHS ENDED DECEMBER 31, 1992

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FIVE YEAR COMPARISON

For the Years Ended December 31

	1992	1991	1990	1989	1988
Autoplan policies	2,276,000	2,223,000	2,171,000	2,095,000	2,036,000
Premium income (\$000)	1,775,676	1,534,759	1,413,095	1,245,808	1,034,215
Average premium (\$)	785	669	631	580	516
Claims reported during year	825,000	864,000	831,000	739,000	649,000
Cost of claims incurred (\$000)	1,704,436	1,617,483	1,386,391	1,046,456	928,798
Expense ratio % (excluding premium tax)	13	13	13	13	14
Investment income (\$000)	243,627	315,824	331,937	278,493	213,140
Investments at year end (\$000)	3,057,273	2,748,957	2,573,456	2,299,925	2,028,760
Unpaid claims (\$000)	2,501,565	2,133,511	1,869,876	1,558,806	1,442,551
Provision for adverse claims development (\$000)	—	85,023	167,023	190,623	110,623
Total assets (\$000)	3,396,851	3,033,532	2,886,651	2,559,387	2,212,917
Income (loss) (\$000)	(64,186)	(98,398)	17,190	90,095	26,153
Average number of employees	3,891	3,719	3,396	3,040	2,807

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.

1992 *has been a year of change for the Insurance Corporation of British Columbia. The new Board, appointed in May, is made up of eight women and eight men with widely varied skills, knowledge and expertise, and they come from all parts of the province.*

Our priorities have been to guide ICBC management in reduction of the \$180 million unadjusted operating loss of 1991 and to plan for greater financial stability and viability by the end of 1993. Management's Discussion and Analysis on pages 4 to 14 indicates the progress that has been made.

As we have assumed our new responsibilities we have witnessed the phenomenon of an organization under pressure. Pressure to bring down the cost of vehicle insurance for the more than two million motorists of BC. Pressure to maintain claim settlements that are fair and firm. Pressure to control operating expenses and staffing levels, with higher productivity and operating efficiencies (and no reduction in service levels). ICBC employees and management have handled these pressures well. There is still much work to be done.

Our day-to-day operations affect hundreds of thousands of BC citizens – all those who work with us, directly or indirectly, to provide insurance products, repairs, healthcare and legal services. ICBC's main activity is the business of providing affordable insurance, and the implementation of our 1992 claims initiatives was the first step towards that goal. In 1993, the claims initiatives will be broadened and strengthened. Also, the Corporation will become more directly involved in reducing accidents. This will be in response to our commitment to reduce the carnage on BC roads and the human tragedy that results from the use and abuse of motor vehicles.

Only when those financial and social goals have been met, will we be satisfied that our new vision is being fulfilled; to be an outstanding insurance corporation, strongly valued by our customers, in the service of British Columbia.

On behalf of the Board of Directors



Leonard J. DeVito

Chair

1992-1993
 2014-2015
 GOV. DOCS. 02-11

THE BOARD OF DIRECTORS

Back row left to right: J. Mika, H. Hardin, D. Kiengersky, C. Robertson, P. McKim-Fletcher, B. Kirk, L. DeVito, D. Morton, C. Carr (Assistant Corporate Secretary) *Front row left to right:* G. Janssen, M. Olney, G. Wong, R. Allan, J. Mandair, V. Vahlas, L. Nemetz *Not pictured:* Hon. M. Sihota, B. Bond



Leonard J. DeVito ^E
Chair of the Board
Insurance Corporation of BC
North Vancouver, BC

Robyn Allan ^E
President and CEO
Insurance Corporation of BC
North Vancouver, BC

Honourable Moe Sihota ^E
Minister of Labour, Consumer
Services and Constitutional Affairs
Minister Responsible for ICBC
Province of British Columbia
Victoria, BC

J. W. Brad Bond ^{E A I}
Regional Vice-President,
British Columbia
North West Trust
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 ^{P S L}
Owner/Manager
Taisco West
Kelowna, BC

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

Patricia M. McKim-Fletcher ^{F I}
Economic Development Officer
Hagensborg, BC

Jeet Mandair ^S
President
Mandair Distributors Ltd.
Burnaby, BC

John Mika ^{F I}
Alderman, Saanich
Municipality
Victoria, BC

David J. Morton ^{P S L}
Retired Insurance Agency Owner
Burnaby, BC

Lisa K. Nemetz ^{E P}
Lawyer
Vancouver, BC

Miriam Olney ^{A F I}
Director, Pension & Benefits
Department
U.F.C.W. Local 1518
Burnaby, BC

Catherine Robertson ^{F C I}
President
Robertson Rozenhart Inc.
Vancouver, BC

Vasso Vahlas ^{C S}
Career Counsellor and
Training Consultant
Prince George, BC

Glenn G. J. Wong ^{C S}
President and CEO
Western Greenhouse Growers
Co-operative Association
Surrey, BC

^E Executive Committee
^A Audit Committee
^F Planning & Finance Committee
^I Investment Committee
^P Product Committee
^C Claims Service Committee
^S Customer Service Committee
^L Loss Prevention Committee

A MESSAGE FROM THE PRESIDENT AND CEO

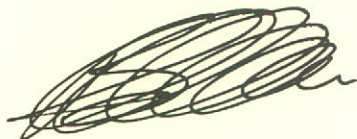
It's been quite a year! When I was appointed interim President of ICBC in May, I was entrusted with the responsibility to make some changes – and quickly. With a huge deficit and premium increases of 14 percent looming, management knew that it was no time for 'business as usual'. We had to fight back at the high cost of claims and create a company and product more acceptable to the motorists of BC.

Taking a close look at what we do and how we do it, we embarked on a process of strategic renewal. We started inside and trimmed budgeted operating costs by \$10 million.

Next we looked at claims, our biggest cost area with an average \$5.6 million paid out every working day. With more than 100 different initiatives to reduce claims costs, we managed to save \$32 million in seven months.

We have taken aim at fraud, exaggerated and misrepresented claims, vehicle repair quality and speed of service, medical, therapy and legal costs. Product and pricing changes have also been made. Everything has been under review and actions taken to bring down costs without compromising service or the security of our dedicated employees.

The process of strategic renewal has just begun. With an incredibly competent staff, willing to take risks in the name of a better deal for BC motorists, we've managed to pass a number of milestones. It has been an honour and a privilege to lead this process, and our excellent progress to date gives promise for an exceptional year in 1993.



Robyn Allan

President and CEO

Insurance Corporation of British Columbia

MANAGEMENT'S DISCUSSION AND ANALYSIS

Insurance is based on the concept of community. A large group contributes to a fund to protect those who suffer losses. In the simplest of terms, ICBC's role is to collect premiums, invest them and ensure that money is there to cover claims as required.

Insurers have always planned for and responded to economic cycles and trends. To set premiums, actuaries use statistics related to claims experience and claims projections for different types of vehicles, vehicle uses, territories and insurance products. Traditionally, premiums have been increased when claims numbers and costs rise, passing the costs on to the insurer's customers.

The Challenge

Throughout North America, increased vehicle populations, technological changes, increased crime and other factors have been driving costs for vehicle insurance up and up, and customers are not satisfied that they are getting value for their insurance dollars.

We see this as a challenge and an opportunity to rethink our role and to take our industry in some new directions. In much the same way that industries are reviewing their responsibility for environmental protection and conservation, insurers should be recognizing and addressing their social as well as financial responsibilities if they wish to provide value to their

customers. Innovation is needed in the areas of loss prevention and claims reduction. As a crown corporation, ICBC faces the same challenges as other insurers but in some ways we are unique and in an excellent position to set new standards for affordable vehicle insurance.

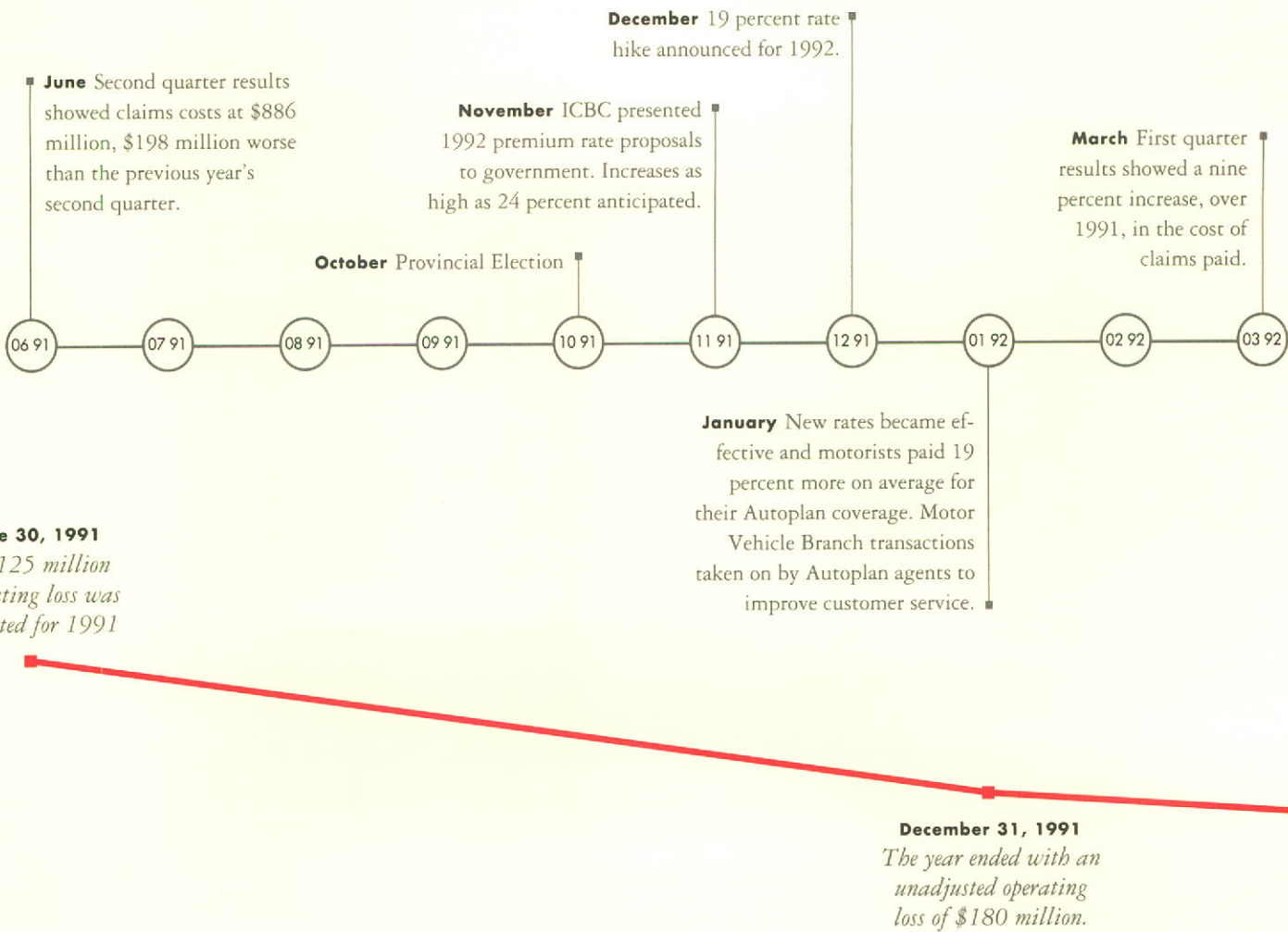
ICBC's Unique Position

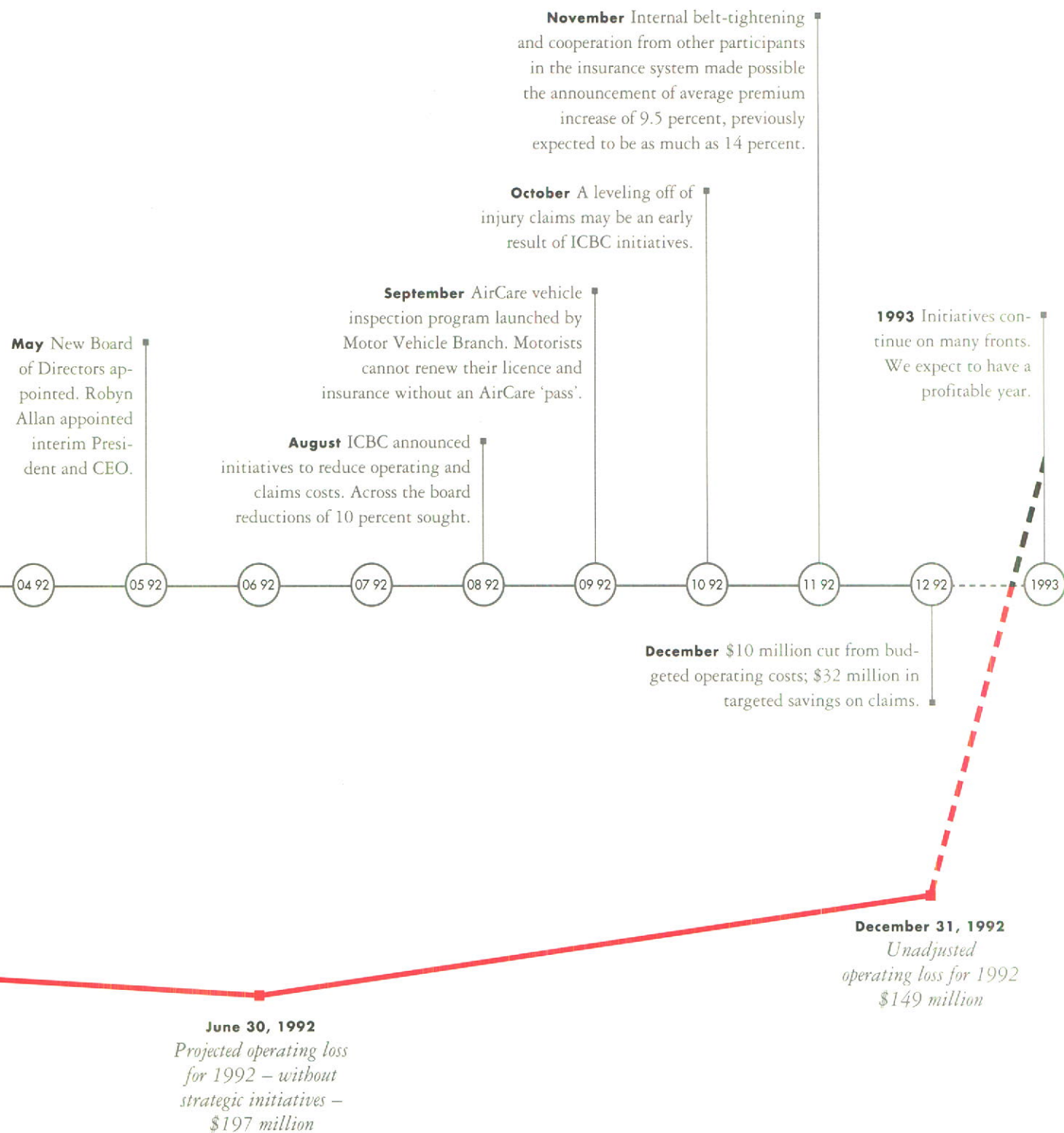
ICBC was established nearly twenty years ago to provide universal vehicle-related insurance for BC motorists, including mandatory liability and no-fault coverage to protect accident victims and reduce the risks presented by uninsured vehicles on our roads.

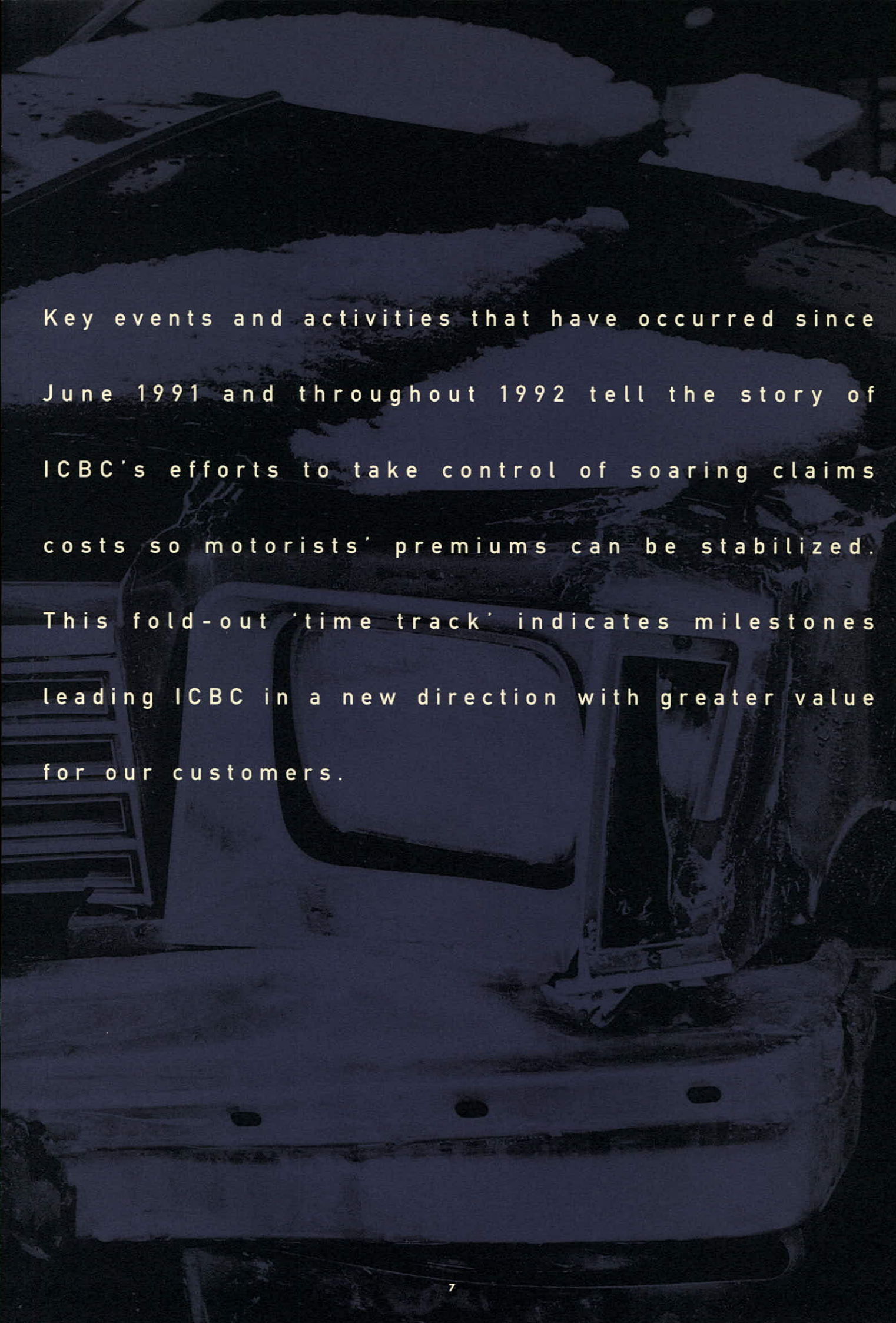
Our legislated mandate sets us apart from other insurers. So does our claim-rated scale version of the *bonus malus* principle which gives discounts to those who have no chargeable claims and applies surcharges to the premiums of those who do – regardless of age, sex or marital status. While we are different in some ways, we are ruled by the same insurance principles, practices and parameters as other insurers in most of our business decisions.

THE BIG PICTURE

From mid 1991 to the end of 1992 many events have shaped ICBC's direction and results. Our initiatives are having a positive effect but there is still much work to be done.







Key events and activities that have occurred since June 1991 and throughout 1992 tell the story of ICBC's efforts to take control of soaring claims costs so motorists' premiums can be stabilized. This fold-out 'time track' indicates milestones leading ICBC in a new direction with greater value for our customers.

While the Corporation's people, products and service have been very good, the price of that product has increased steadily along with the cost of claims. The average Autoplan premium was \$516 five years ago. Today it is \$785.

Balancing the Equation

Our goal in managing ICBC is to balance income and costs. This balancing must take place over time because both our premium revenue and claims costs carry over from one year to the next.

An increase in premium rates applies to all policies written throughout the year. However, if a policy is written at mid-year, our earned premium (revenue) for the current year will be only half of the full premium. We don't realize the remaining benefit of the premium rate increase until the next year. Similarly, claims that occurred during a year are not all reported to us by year end and many, particularly injury claims, are not settled for a number of years. The ultimate cost of all these claims must be estimated and money set aside. When the unpaid claims are settled, any increase from the amounts set aside must be met from current year revenues.

By the end of 1991, the rising cost of claims and claim operations equaled \$1,767 million, outstripping the \$1,535 million we earned in premiums. Investment income was not enough to cover all other operating costs. We ended 1991 with a \$180 million unadjusted operating loss and a \$98 million adjusted operating loss, after using \$82 million from the provision for adverse claims development. To try to bring the equation back into balance, we had to announce average premium rate increases of 19 percent

1992 Premiums Written by Category	\$ Millions	%
Private passenger	\$ 1,348	73
Light commercial	319	17
Heavy commercial	98	5
Recreational	40	2
Special coverage	37	2
Drivers	25	1
	<u>\$ 1,867</u>	<u>100</u>

1992 Premiums Earned	\$ Millions	%
All vehicles and drivers	\$ 1,775	100

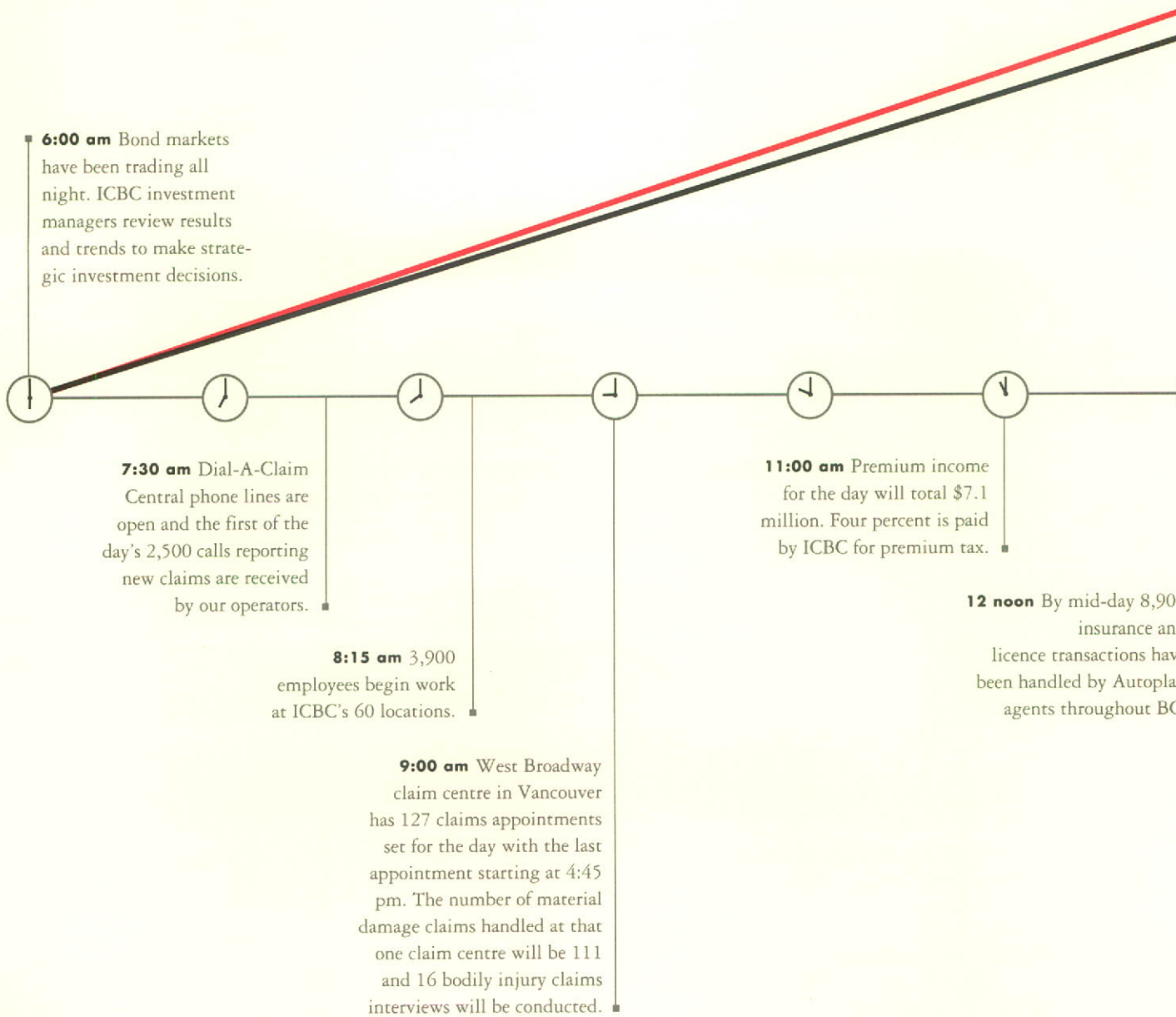
1992 Autoplan Claims Incurred	\$ Millions	%
Bodily injury	\$ 999	58
Accident benefits	94	6
Total injury-related claims	1,093	64
Property damage	198	12
Collision	162	9
Comprehensive and other	251	15
Total property-related claims	611	36
	<u>\$ 1,704</u>	<u>100</u>

Unpaid Claims (\$ Millions)	1992	1991
<i>Year of Loss</i>		
1988 and prior	\$ 207.3	\$ 306.5
1989	189.5	301.0
1990	401.2	568.8
1991	642.8	957.2
1992	1,060.7	—
Total unpaid claims at December 31	<u>\$ 2,501.5</u>	<u>\$ 2,133.5</u>

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.

AN AVERAGE DAY

Year end figures for income and costs result from millions of actions, transactions and decisions taking place each day. Dividing our numbers by the 251 working days in 1992 we can show what an 'average' day might look like at ICBC.



**TOTAL COSTS
\$8.6 MILLION**

**TOTAL
REVENUES
\$8.0 MILLION**

6:00 pm The costs for our 'average day' have come in at \$8.6 million and our income from premiums and investments equals \$8.0 million. Investment income for the day will come in just under \$1 million.



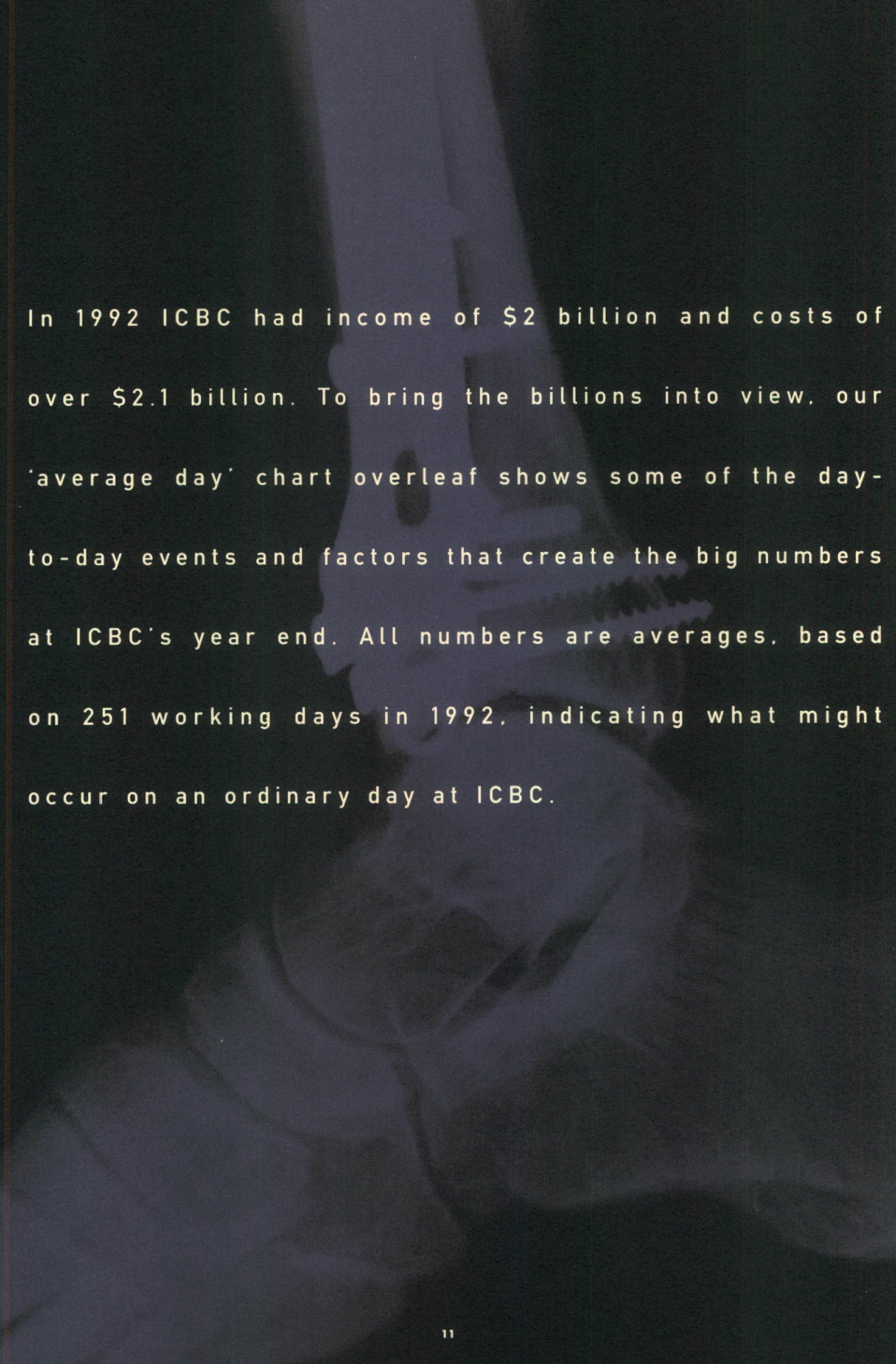
1:00 pm ICBC Public Enquiries department has received 750 calls, including 10 with tips from the public on fraudulent or exaggerated claims.

2:00 pm Autoplan agents' commissions for one day total just over \$500,000. Approximately 90 percent of remuneration to brokers is for insurance-related transactions and 10 percent relates to registration and licencing.

3:00 pm The ICBC claim centre in Prince George has processed 50 windshield claims since 8:15 am. One day of windshield claims throughout BC costs ICBC an average of \$200,000 to total \$50 million for the year.

4:30 pm By the time ICBC's 50 claim centres close their doors, 3,300 new claims have been reported throughout the province. Operating costs for the day including salaries and expenses come in at approximately \$1 million.

5:00 pm 65 evening shift staff go to work at ICBC to process transactions, handle broker enquiries and provide security and maintenance services.



In 1992 ICBC had income of \$2 billion and costs of over \$2.1 billion. To bring the billions into view, our 'average day' chart overleaf shows some of the day-to-day events and factors that create the big numbers at ICBC's year end. All numbers are averages, based on 251 working days in 1992, indicating what might occur on an ordinary day at ICBC.

for 1992. Even with that in place, we anticipated a 14 percent increase for 1993.

No one was happy at this news. Motorists who hadn't had claims for years were provoked once again to question the need for the increase and the value of public auto insurance. The recently elected government was asking for explanations and they weren't satisfied with the answers they received. Staff and management at ICBC had sought solutions, but the facts were that ICBC was paying out an average \$5.6 million every working day in claims.

Changing Gears

In May 1992, the government appointed a new Board of Directors and an interim president for ICBC.

They found that they had inherited an unadjusted \$180 million operating loss from 1991. The loss appeared to be growing into a possible \$197

million in 1992. The 19 percent increase in premium rates was not enough to narrow the gap between income and costs. The challenge facing the Board, the President and all staff at ICBC was to reduce the loss and move ICBC into a more viable financial position – and it all had to be done in six months. We initiated an intensive process of 'strategic renewal'.

Step one was to cut ICBC's administrative costs. Although the Corporation has maintained an excellent expense ratio of 13 percent, compared with average expense ratios for private insurers of 20 to 30 percent, we still needed to reduce our internal costs before we could ask others for their support.

Every department took a knife to its budget for the balance of the year. Two guidelines were kept in mind throughout this belt-tighten-

ing. Customer service would be maintained and staffing levels would be reduced only through attrition. The goal – do more with less, acknowledging the importance of our employees in the process. Our staff met the challenge and we cut \$10 million from our budgeted operating costs for 1992.

Step two was to take aim at claims costs. More than 100 strategic initiatives were devised. We developed a firm and fair approach to whiplash claims which represent 70 percent of all bodily injury claims handled by ICBC. Fraud, misrepresented and exaggerated claims were also targeted and programs were begun to seek millions of dollars in savings each year through reduction of fraud. Motorists were encouraged to help by calling a 'tip line' with information on suspicious claims or with witness reports to speed claim settlements. Review of procedures and costs, and cooperative efforts involving our industry partners were begun and are continuing.

Investments

In 1992 investment markets were volatile. Our investment fund produced \$244 million in income during 1992 on an average portfolio of \$3 billion, a yield of 8.3 percent. This was \$72 million less than 1991.

Investments <i>(as at December 31, 1992)</i>	\$ Millions	%
Federal	\$ 2,581	84
Provincial – British Columbia	176	6
– others	112	4
Municipal – British Columbia	7	–
Corporate	167	6
All others	14	–
	\$ 3,057	100

Investment income in 1992 represented 12 percent of total revenue or \$107 per policy. Since that \$107 per policy is not required in premium, policyholders benefit and so does the BC economy from the increased disposable income available.

We are looking at ways of enhancing our investment income for future years.

Reserves

The Corporation is seeking to establish and maintain a rate stabilization reserve with a value of eight percent of total

liabilities. The intent is to allow ICBC to maintain stable rates with nominal rate increases despite the variability of factors affecting our cash flow, even in the event of a bad year.

The Bottom Line

Achieving many of our targets is a significant step forward. We ended 1992 with \$1,776 million in premium income and \$1,868 million in claims costs. These costs included \$117 million in increased payments and increased reserves for claims from 1991

and earlier, whose costs have been trending upward as they are finalized. After taking in revenue from investments and paying expenses, the unadjusted operating loss was \$149 million. After using the \$85 million remaining in the provision for adverse claims development, the adjusted operating loss for the year was \$64 million. The Board authorized a transfer from the rate stabilization reserve to offset this loss, leaving us with an unappropriated year end surplus of \$71 thousand and a reserve of \$5 million.

To balance claims costs and income, BC motorists will see an average 9.5 percent premium rate increase for 1993, rather than the 14 percent anticipated earlier. An improvement, but not good enough. So what are we doing about it?

We really are 'changing gears'. From 1985 to 1991 we were in a response mode. Premiums and operating expenses responded to the relentless pressure of total claims incurred. Claims were increasing in number faster than the number of insured vehicles and far more rapidly than inflation. We responded by adding facilities and staff to serve our claimants – and increasing premiums to pay the bill.

Autoplan Income	\$ Millions	%
Vehicle premiums earned	\$ 1,752	87
Driver premiums earned	23	1
Investment income	244	12
	\$ 2,019	100

Autoplan Income Use	\$ Millions	%
Claims incurred	\$ 1,704	84
Claims operation expenses	163	8
Administrative expenses	103	5
Commissions	127	6
Premium Tax	71	4
Sub-total	2,168	107
Income (loss) for the year	(149)	(7)
	\$ 2,019	100

In 1992, we have recognized the need to be much *more* than responsive. To change the direction of claims and premiums we need to do more to stop accidents, to reduce crime-related claims and to change people's attitudes. All the people who work with us in providing insurance and claim-related services are being affected by these efforts. The goal is to encourage honest, responsible use of the vehicle insurance system in BC.

Our first claims initiatives have focused on the severity of claims. In 1993 we will continue our cost-cutting efforts and expand our focus on reducing the frequency of accidents and claims. We are seeking ways to reduce deaths, injuries and crashes. A Better Driving Task Force has been established to focus on improved driver behaviour. Such actions will help us contribute to the safety and well being of our residents as well as holding the line on insurance costs.

To correct the financial equation, we have increased premiums for 1993 and we have added the essential ingredient – a sharp focus on reducing the cost of both claims and operations.

A Better Outlook

Strategic renewal at ICBC in 1992 has been an intensive process of reviewing the way we do things and finding new and better ways wherever possible. Our products must be affordable and appropriate to the risks facing people on our streets and highways. Our service must be exemplary, efficient and compassionate.

We need the continued support of motorists, vehicle repairers, legal and medical specialists and our brokers if we are to bring down the costs of vehicle insurance over the long term. Strategic renewal in 1992 is the beginning, and some positive results are already in evidence.

Due to the returns on premium rate increases in 1992 and 1993, and to the longer term results of our cost reduction initiatives, we expect to have a profit by the end of 1993. We can then begin to build appropriate financial reserves.

We're looking for more improvement and even better news for BC motorists in 1993 and beyond.

STATEMENTS OF OPERATIONS

For the years ended December 31, 1992 and 1991

(\$ Thousands)	1992	1991
Revenue		
Vehicle premiums written	\$ 1,841,522	\$ 1,582,019
Driver premiums written	25,168	19,876
	<u>\$ 1,866,690</u>	<u>\$ 1,601,895</u>
Vehicle premiums earned	\$ 1,752,189	\$ 1,517,911
Driver premiums earned	23,487	16,848
	<u>1,775,676</u>	<u>1,534,759</u>
Claims costs		
Claims incurred (Note 6)	1,704,436	1,617,483
Claims operation expenses	163,310	149,874
	<u>1,867,746</u>	<u>1,767,357</u>
Expenses		
Administrative	102,962	90,492
Commissions	126,662	111,617
Premium tax	71,142	61,515
	<u>300,766</u>	<u>263,624</u>
Total claims and expenses	<u>2,168,512</u>	<u>2,030,981</u>
Underwriting loss	(392,836)	(496,222)
Investment income	243,627	315,824
Income (loss) for the year, before the following:	<u>(149,209)</u>	<u>(180,398)</u>
Draw down of provision for adverse claims development (Note 6)	85,023	82,000
Income (loss) for the year	<u>(64,186)</u>	<u>(98,398)</u>
Unappropriated surplus – beginning of year	257	55,655
Appropriation from: rate stabilization reserve (Note 7)	64,000	43,000
Unappropriated surplus – end of year	<u>\$ 71</u>	<u>\$ 257</u>

BALANCE SHEETS

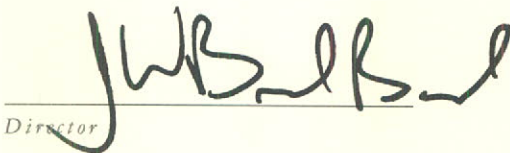
As at December 31, 1992 and 1991

(\$ Thousands)	1992	1991
Assets		
Cash in hands of agents	\$ 20,544	\$ 13,730
Investments (Note 3)	3,057,273	2,748,957
Accrued interest receivable	86,811	55,948
Accounts receivable	21,351	21,369
Deferred premium acquisition expenses	77,813	69,375
Property and equipment (Note 4)	133,059	124,153
	<u>\$ 3,396,851</u>	<u>\$ 3,033,532</u>
Liabilities		
Cheques outstanding	\$ 33,162	\$ 16,990
Accounts payable and accrued charges	70,639	73,225
Premiums and fees in advance	86,782	48,414
Deferred investment gains and losses (Note 5)	12,455	10,926
Unearned premiums	687,200	596,186
Unpaid claims (Note 6)	2,501,542	2,133,511
Provision for adverse claims development (Note 6)	—	85,023
	<u>3,391,780</u>	<u>2,964,275</u>
Insurance (Motor Vehicle) Act Fund Surplus		
Catastrophe reserve (Note 7)	—	30,000
Rate stabilization reserve (Note 7)	5,000	39,000
Unappropriated surplus	71	257
	<u>5,071</u>	<u>69,257</u>
	<u>\$ 3,396,851</u>	<u>\$ 3,033,532</u>

Approved by the Board



Chair



Director

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1992 and 1991

(\$ Thousands)	1992	1991
Operating Activities		
Cash received from:		
Agents for vehicle premiums, licence fees and social service taxes	\$ 2,201,417	\$ 1,889,328
Interest and net gains on investments	213,958	338,593
Collection for driver point penalty premiums, subrogation and other receivables	68,546	53,990
Salvage sales	29,458	26,558
Province of British Columbia for recovery of Motor Vehicle Branch expenses	7,905	—
All others	342	30
	<u>2,521,626</u>	<u>2,308,499</u>
Cash paid to:		
Claimants or third parties on behalf of claimants	1,408,005	1,407,476
Province of British Columbia for licence fees and social service taxes collected	240,163	227,744
Province of British Columbia for premium taxes	71,213	62,126
Suppliers of goods and services	72,904	67,992
Suppliers of plates and decals on behalf of Motor Vehicle Branch	4,564	2,239
Vendors of land, buildings and equipment	29,115	19,809
Employees for salaries and benefits	185,925	157,892
Agents for commissions	129,690	114,209
Policyholders for premium refunds	81,089	71,973
	<u>2,222,668</u>	<u>2,131,460</u>
Increase in cash and investments during the year (Note 8)	298,958	177,039
Cash and investments - beginning of year	2,745,697	2,568,658
Cash and investments - end of year	<u>\$ 3,044,655</u>	<u>\$ 2,745,697</u>
Represented by:		
Cash in hands of agents	\$ 20,544	\$ 13,730
Investments	3,057,273	2,748,957
Cheques outstanding	(33,162)	(16,990)
	<u>\$ 3,044,655</u>	<u>\$ 2,745,697</u>

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 1992 and 1991

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 other 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 shorter. 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 has been drawn down and eliminated as at December 31, 1992.

3. Investments

(\$ Thousands)	1992		1991	
	Cost	Market	Cost	Market
Money market securities	\$ 1,224,048	\$ 1,224,048	\$ 1,196,951	\$ 1,196,951
Bonds	1,823,180	1,808,418	1,548,688	1,580,786
Equities	10,045	10,439	3,318	3,551
	<u>\$ 3,057,273</u>	<u>\$ 3,042,905</u>	<u>\$ 2,748,957</u>	<u>\$ 2,781,288</u>

4. Property and Equipment

(\$ Thousands)	1992		1991	
	Cost	Net Book Value	Cost	Net Book Value
Land	\$ 25,553	\$ 25,553	\$ 22,733	\$ 22,733
Buildings	128,722	77,099	112,042	65,985
Furniture and equipment	101,538	29,710	95,130	34,456
Leasehold improvements	2,271	697	2,053	979
	<u>\$ 258,084</u>	<u>\$ 133,059</u>	<u>\$ 231,958</u>	<u>\$ 124,153</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, 1992 amounted to \$21,131,000 (1991 – \$20,216,000).

5. Deferred Investment Gains and Losses

(\$ Thousands)	1992	1991
Balance deferred – beginning of year	\$ 10,926	\$ 36,075
Net realized gains during year	16,270	3,212
Amount included in investment income	(14,741)	(28,361)
Balance deferred – end of year	<u>\$ 12,455</u>	<u>\$ 10,926</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. In 1991 this provision was used to pay for increases in prior years' claims provisions of \$82,000,000. For clarity the draw downs from this provision are now shown separately. The 1991 claims incurred and unpaid claims have been reclassified to conform to the current year's presentation.

7. Insurance (Motor Vehicle) Act Fund Surplus

The Board of Directors approved the elimination of the catastrophe reserve, transferring the balance of \$30,000,000 to the rate stabilization reserve. The Board of Directors also approved the transfer in 1992 of \$64,000,000 (1991 – \$43,000,000) from the rate stabilization reserve to unappropriated surplus.

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.

<i>(\$ Thousands)</i>	1992	1991
Income (loss) for the year	\$ (64,186)	\$ (98,398)
Add: Increase in unpaid claims	368,031	263,635
Increase in unearned premiums	91,014	67,136
Increase in premiums & fees in advance	38,368	2,127
Increase (decrease) in accounts payable and accrued charges	(2,586)	19,512
Decrease (increase) in accrued interest receivable	(30,863)	47,947
Depreciation	21,131	20,216
Realized gain on investments	16,270	3,212
Other	(921)	154
	<u>500,444</u>	<u>423,939</u>
Less: Amortization of deferred investment gains & losses	14,742	28,361
Increase (decrease) in accounts receivable	(18)	9,477
Draw down of provision for adverse claims development	85,023	82,000
Increase in deferred premium acquisition expenses	8,438	8,855
Expenditures on land, building and equipment	29,115	19,809
	<u>137,300</u>	<u>148,502</u>
Increase in cash & investments during the year	<u>\$ 298,958</u>	<u>\$ 177,039</u>

9. Reinsurance

The Corporation underwrites policies of insurance and has obtained reinsurance on those policies which protects the Corporation against losses of up to \$75,000,000 and limits 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 exceeds \$10,000,000, the Corporation would be liable for its portion of a single bodily injury claim that exceeds \$5,000,000. These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer. The Corporation has not renewed these arrangements for 1993.

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.

During 1991, the Corporation took over certain functions that were previously performed by the Vehicle Services Division of the Motor Vehicle Branch. The Corporation is now responsible for collecting all vehicle-related revenue for the Motor Vehicle Branch and 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 \$5,436,000 (1991 – \$3,268,000) 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:

<i>(\$ Thousands)</i>	<i>1992</i>	<i>1991</i>
Accrued pension benefits	\$ 129,714	\$ 110,380
Retirement Fund assets at market value	\$ 148,480	\$ 129,358

The value of the accrued pension benefits as at December 31, 1992 and 1991 is based on actuarial valuations that take 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.

The Corporation's pension contribution of \$6,402,000 (1991 – \$5,554,000) 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 consolidated 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 consolidated 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.



Robyn Allan

President and CEO



William A. Heese

Vice-President, Finance and Planning

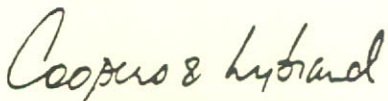
AUDITORS' REPORT

The Honourable Moe Sihota
Minister of Labour, Consumer Services and Constitutional Affairs
Province of British Columbia

We have audited the balance sheets of the Insurance Corporation of British Columbia as at December 31, 1992 and 1991 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, 1992 and 1991 and the results of its operations 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 3, 1993

PRESIDENT'S COMMITTEE

*Left from bottom: J. Tolmie, W. Heese, D. McLean, J. Neilson, C. Von Zuben
Right from top: G. Reid, B. Penhall, M. McCarthy, R. Allan*



Robyn Allan
President and CEO

William A. Heese
*Vice-President, Finance and
Planning*

Michael B. McCarthy
*Vice-President, Insurance
Operations*

Donald J. McLean
*Vice-President, Information
Services*

John R. Neilson
*Vice-President, Human Resources
and Corporate Secretary*

C. Bev Penhall
Manager, Public Information

H. Graham Reid
Vice-President, Claims

John A. Tolmie
Chief Counsel

Clifford A. Von Zuben
*Vice-President, Investments and
Treasurer*

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**