ICBC

CAUSE/EFFECT

19th Annual Report

of the Insurance Corporation of British Columbia

for the 12 Months Ended December 31, 1991

YEAR AT A GLANCE

Claims A total 864,000 claims were reported, an increase of 33,000 over 1990.

Premium Tax ICBC pays a 4 percent provincial premium tax which totalled close to $62 million.

Earned Premiums Premiums earned are up by $122 million, for a total of $1,535 million.

BC motorists continue to buy higher levels of third party coverage.

Investment Income At year end the total investment fund stood at $2.7 billion.

The $316 million income was 17 percent of total revenue which had the effect of reducing

every policy by an average of $142, down from $153 in 1990.

Income The year ended with a loss of $98 million.

CONTENTS

1 Chairman's Letter

3 Cause and Effect

13 President's Letter

14 Report of the Board of Directors

19 Five Year Comparison and Unpaid Claims

20 Statements of Operations

21 Balance Sheets

22 Statements of Changes in Financial Position

23 Notes to Financial Statements

26 Auditors' Report

27 Corporate Directory

PROVIDING VEHICLE INSURANCE TO THE PEOPLE OF BC IS A BUSINESS DOMINATED BY THE PRINCIPLE OF CAUSE AND EFFECT. THE BOARD AND STAFF OF ICBC HAVE A MANDATE TO PROVIDE HIGH QUALITY INSURANCE TO THE PEOPLE OF BC, ON A BREAK EVEN BASIS EACH YEAR. THE COST OF CLAIMS MUST BE COVERED BY PREMIUM INCOME.

This report clarifies what happened on British Columbia's roads in 1991 and identifies the primary causes of increased premiums faced by BC motorists in 1992.

As a consequence of the cyclical nature of insurance and our break even mandate, we have seen some bad years, with losses, and some good years where we were able to put surplus funds into reserves. It has been the board's long term goal to build prudent reserves from such surplus funds, for the protection of the 2 million motorists covered by Autoplan, against future bad years.

As claims costs continue to rise, premiums must be increased to cover those claims. In 1992, we are likely to see further claim cost increases.

As a crown corporation we are guided by legislation. Within those guidelines, we practice sound business management, but there are some things beyond our control.

The causes? Claims numbers - up. Costs of repairing vehicles - up. Medical and rehabilitation costs for accident victims - up. Interest rates - down.

The effects? ICBC ended 1991 with a loss of $98 million and an expensive outlook for 1992, and beyond, if claim trends continue. All British Columbian motorists must resolve to do everything possible to encourage better, safer, accident-free driving to reverse this trend.

R.J. Addington

RAYMOND J. ADDINGTON, O.B.E.

Chairman of the Board

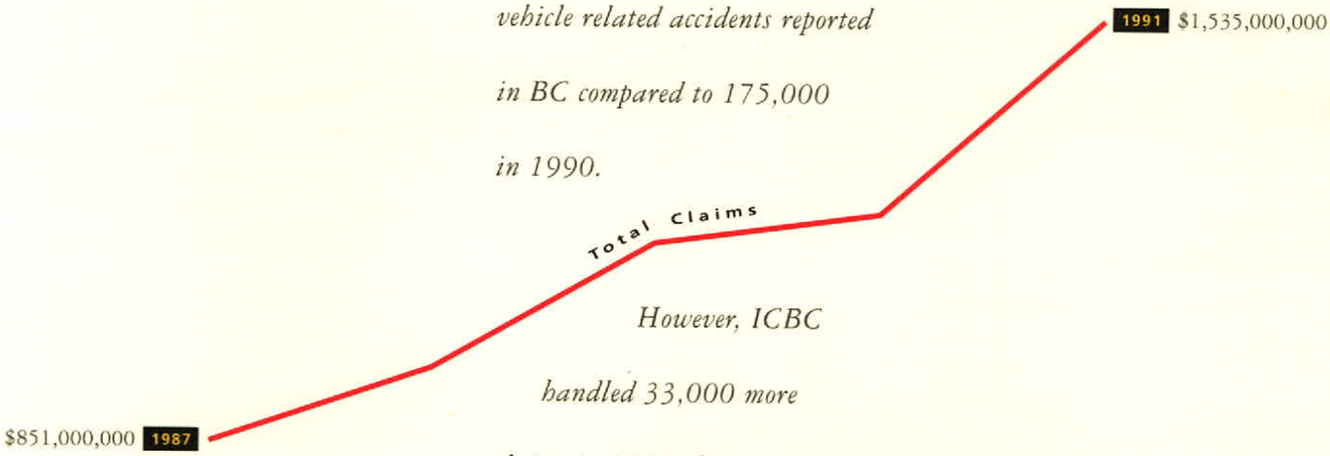
Providing protection from motor vehicle related loss to the people of BC is a business dominated by the principle of cause and effect. Each year the increasing number and cost of vehicle related claims directly affect the cost of insurance premiums.

CAUSE/EFFECT

The total cost of claims incurred has increased by more than 80 percent in the last five years - from $850.5 million in 1987 to $1.53 billion in 1991. The effect: ICBC pays out nearly $5 million every working day.

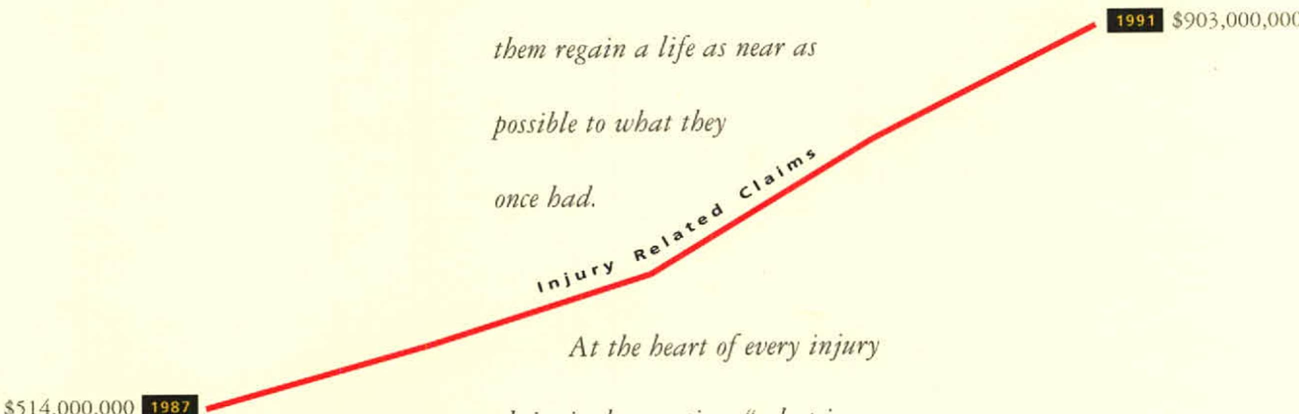
TOTAL CLAIMS

Vehicle owners resent paying increasing insurance premiums when they "haven't had an accident in years." One of the most overlooked facts about vehicle insurance is that accidents aren't the only cause of claims. In 1991 there were 171,000 vehicle related accidents reported in BC compared to 175,000 in 1990.

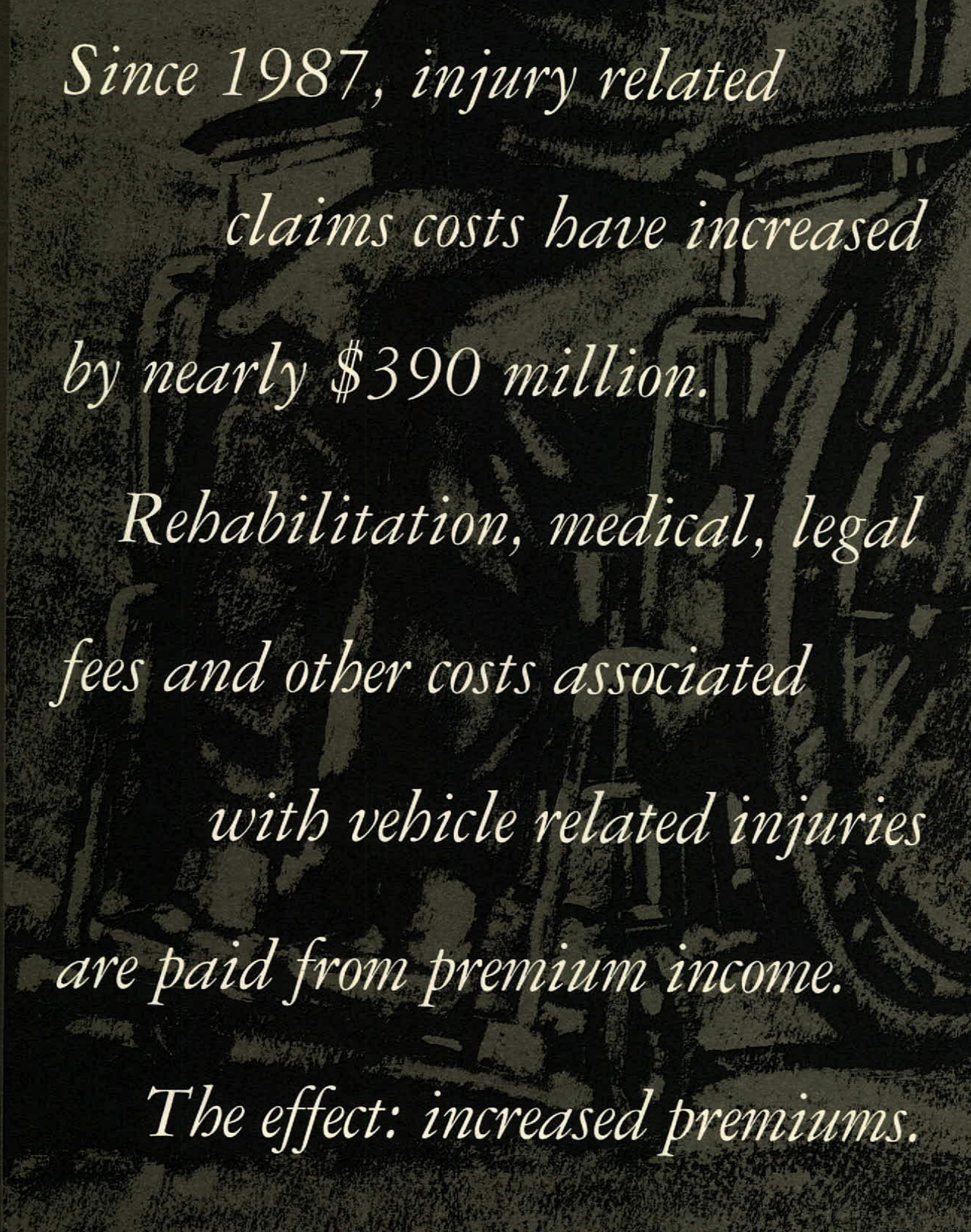


However, ICBC handled 33,000 more claims in 1991 than in 1990. In the meantime, the cost of claims has risen by $684 million in the past five years. Everything from stolen stereos and broken windshields to rehabilitation of severely injured accident victims must be paid from the Autoplan fund.

ICBC handles fewer injury claims than property related claims but the costs are much higher. The news is filled with heartbreaking stories of people whose lives have been irrevocably altered as a result of motor vehicle accidents. Money cannot give them back what was lost; it can be used only to help them regain a life as near as possible to what they once had.



At the heart of every injury claim is the question, "what is fair?" Being fair means working out what kind of medical and therapeutic assistance a claimant may require and for how long. It also means ensuring that minor injury awards are not too generous, for that would be unfair to everyone whose premiums are increasing due to higher claim costs.



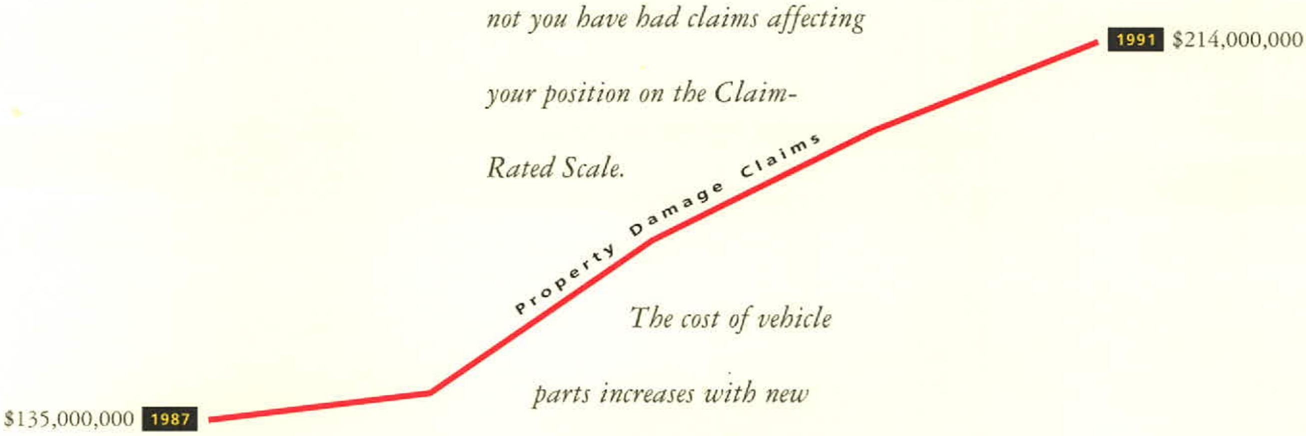
Since 1987, injury related claims costs have increased by nearly $390 million. Rehabilitation, medical, legal fees and other costs associated with vehicle related injuries are paid from premium income. The effect: increased premiums.

BODILY INJURY

While the costs of collision repairs and windshield damage continued to rise in 1991, crime related claims including vandalism, hit and run, fraud, theft of vehicles and theft from vehicles have escalated at an alarming rate.

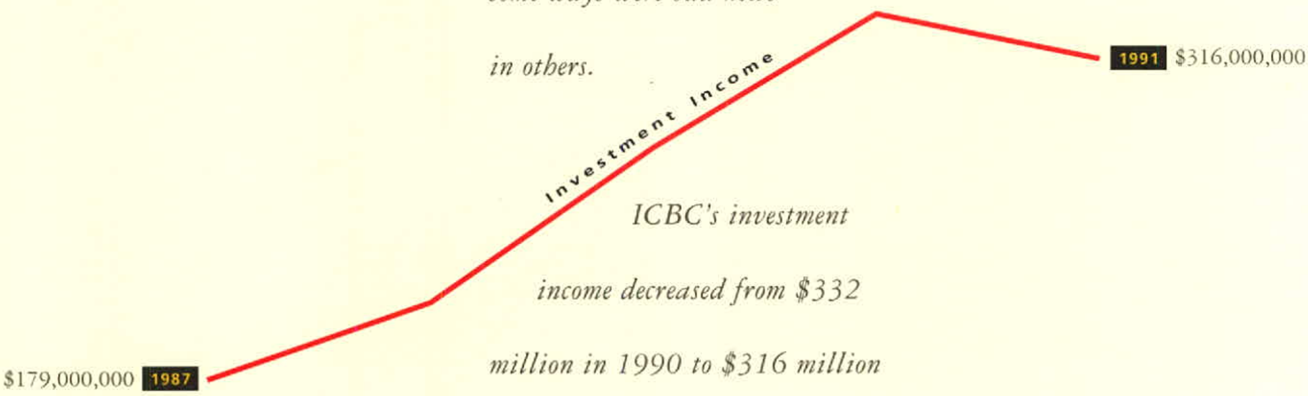
PROPERTY DAMAGE

The complex process of setting rates involves a number of factors including the claims experience for each type of coverage. Your individual premium is based on such things as the value, age and use of your vehicle, where you live, what coverage you choose and whether or not you have had claims affecting your position on the Claim-Rated Scale.

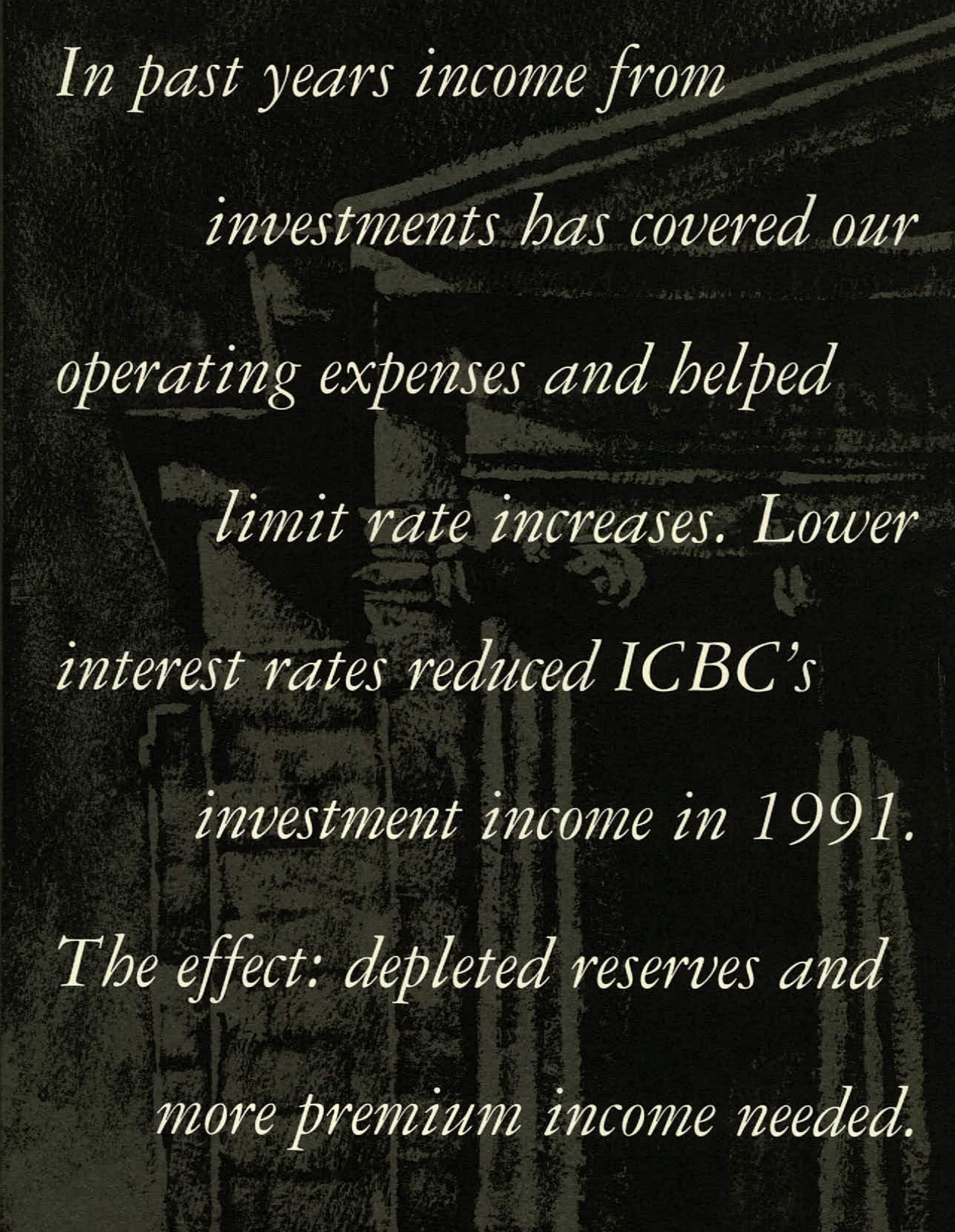


The cost of vehicle parts increases with new designs and technology, causing ICBC to increase premiums. Many of the same vehicle owners who "haven't had an accident in years" have been victims of crime. An average of 42 vehicles are stolen every day in BC. If you have appropriate Autoplan coverage your loss is taken care of by ICBC. Ultimately we all pay.

For every $100 ICBC received in premiums in 1991 we paid out $110 in claims. Some years such losses can be offset, partially, by investment income from premiums earned but not yet needed to pay claims. In 1991 lower interest rates which were good news in some ways were bad news in others.



ICBC's investment income decreased from $332 million in 1990 to $316 million at 1991 year end, another factor in our 1991 operating loss of $98 million. The average savings per policy, realized through investment income, stood at $153 in 1990, but dropped to $142 in 1991. When the cost of claims exceeds estimates and investment income is down, the results are smaller reserves and higher premiums for the coming year.



In past years income from investments has covered our operating expenses and helped limit rate increases. Lower interest rates reduced ICBC's investment income in 1991. The effect: depleted reserves and more premium income needed.

INVESTMENTS

More cars, more claims, more crime, higher costs. What can be done? At ICBC we don't have all the answers. What we have are experienced and dedicated people doing everything they can to provide the best possible service.

SOLUTIONS

THE RISING COST OF VEHICLE INSURANCE IS A MAJOR CONCERN FOR ALL BC MOTORISTS. EACH INDIVIDUAL BEHIND THE WHEEL OF A CAR HAS SOME CONTROL, AND ULTIMATELY SOME RESPONSIBILITY, FOR THE SITUATION WE FACE TODAY. AT ICBC WE ARE VERY MUCH AWARE OF OUR RESPONSIBILITIES TO OUR TWO MILLION PLUS CUSTOMERS.

ICBC is a major sponsor of, and participant in, traffic safety education and community programs aimed at creating a new generation of better drivers. Rehabilitation of accident victims, reduction of insurance fraud and vehicle related crime, and research into vehicle repair methods are other activities we are involved in to reduce overall claims costs while providing insurance protection.

We practice sound management, applying cost saving and efficiency improvement strategies throughout the Corporation and we're not afraid to look at new or more effective ways of operating. The reality of the situation is that organizations and governments from around the world are looking to us to see how they can do better. No one else has a perfect system, or we'd be using it.

Cause and effect. We don't like being the bearers of bad news to our customers. However, unless the motorists of BC play their part in reducing claims, the news is unlikely to improve.

THOMAS E. HOLMES

President and Chief Executive Officer

Net Income

The Corporation is committed to providing high quality insurance protection to meet its customers' ever-changing needs, on a break even basis. During 1991, claims continued to increase in number and severity, interest rates and investment returns were down, and the Goods and Services Tax and inflation added to our costs. The result was a 1991 loss of $98 million on the operation of the Insurance (Motor Vehicle) Act Fund representing five percent of revenues of $1,851 million. This loss has been covered by reserves which were prudently accumulated in previous years. To meet anticipated costs of claims and operations in 1992, a rate increase of 19 percent was announced late in 1991.

The Corporation's aim is to make neither profit nor loss. We have not attempted to build up an equity or huge reserve, but have developed, from surpluses since 1985 onwards, a prudent reserve to cover unexpected eventualities. Since no one can exactly forecast the future number of accidents and cost of claims, it is impossible, at the beginning of a year, to set precisely correct premiums for the policies to be sold during the following twelve months. The method adopted, therefore, has been to set rates on a pay-as-you-go basis. When profits are made in the year, they can serve to adjust the increases downward for the following year. When losses are incurred, rate increases must be adjusted upward for the following year.

In 1991 there was no relief from the increasing cost of claims and, at the same time, interest rates fell dramatically. As a result, the loss for the year was $66 million greater than our original estimate of $32 million. Because of the escalation of claims costs, it was also necessary to increase the provision for unpaid claims incurred in previous years to cover the current expectation of cost of settlement.

Reserves

Between 1984 and 1990 the Corporation built up a rate stabilization reserve and a catastrophe reserve from its net earnings. In addition, $167 million were included in the provisions for unpaid claims to protect against unexpected trends in claims costs. By the end of 1990 the total of these separate reserves and provisions, together with the unappropriated surplus, stood at $335 million, compared to $22.4 million in 1984.

In 1991 these funds were used to pay for the loss of $98 million and the unexpected rise in previous years' claim provisions of $82 million. This reduced the funds to $155 million at the end of 1991.

Reserves ($ Millions)	*1991*	*1990*	*Change*
Catastrophe reserve	$ 30	$ 30	—
Rate stabilization reserve	39	82	(43)
Unappropriated surplus	1	56	(55)
Surplus of Autoplan Fund	70	168	(98)
Adverse claims provision	85	167	(82)
Total	$155	$335	($180)

The Board has recommended that premiums for 1992 and subsequent years be set at rates that will cover the anticipated annual claims and operating costs and restore the reserves and provision to their December 1990 level by 1996.

One cannot escape the reality that, even with reserves of fifteen or twenty percent of premiums earned, if the driving public continues to increase the cost of claims, rates must be increased accordingly. Reserves should be used only in dramatic circumstances where unexpected elements develop - as we have recently experienced in the escalation of claims costs and an unprecedented drop in interest rates.

Premium Income

Earned premium totalled $1,535 million, an increase of $122 million over 1990. The average number of vehicle policies in force was 2.2 million, an increase of 2.4 percent, and the average premium increased by 6.0 percent to $669.

Autoplan Income	*$ Millions*	*%*
Premiums earned	$ 1,535	83
Investment income	316	17
	$ 1,851	100

Autoplan Income Use	*$ Millions*	*%*
Claims costs	$ 1,685	91
Administrative expenses	90	5
Commissions	112	6
Premium tax	62	3
Sub-total	1,949	105
Loss for the year	(98)	(5)
	$ 1,851	100

BC motorists continue to increase their protection by purchasing optional insurance coverage. Eighty-two percent carry third party legal liability protection of $1 million or more. Underinsured motorist protection, which was purchased with 80 percent of policies sold in 1991, became part of the compulsory basic Autoplan package in 1992.

Vehicle Premiums Written by Category	*$ Millions*	*%*
Private passenger	1,152	73
Light commercial	269	17
Heavy commercial	92	6
Recreational	37	2
Special coverage	32	2
	$ 1,582	100

A quarter of our policyholders now buy their licence and insurance for periods less than twelve months. These shorter term policies offer greater flexibility for motorists who make seasonal use of their vehicles or who prefer to spread their insurance costs throughout the year. One of the new features of Autoplan 1992 will be more options for short-term policies ranging up from three months.

For truckers, a Fleet Reporting Policy was introduced in 1991 allowing operators of larger fleets to pay their premiums monthly, according to distance travelled or gross receipts.

In early 1991, a new procedure was introduced to deal with the problem of motorists who deliberately misrate their vehicles to reduce their premium. In the past a claim involving a misrated vehicle would have been denied. Under the new procedure the claim is paid and the motorist is required to pay ICBC ten times the difference between the premium that was paid and what should have been paid. The minimum payment is $500 and the maximum $10,000 or the amount of the claim.

Also in 1991, accident benefits weekly indemnity payments for lost income were increased considerably. The maximum amount available per week was increased to $300 for both new claimants and those with open claims from prior years. Claimants not eligible for this new upper limit had their benefits increased by a factor that recognized the effects of inflation.

Claims Costs

The Corporation's mandate is to provide protection to the motorists of BC, and to do so at cost. This means that claims must be settled fairly and promptly with appropriate cost control. In 1991, for every $100 of earned premiums, the Corporation required $110 to settle claims, up from $106 in 1990. This includes the cost of claims occurring in 1991 as well as an increase in provisions for outstanding claims from earlier years whose costs have been trending upwards as they are finalized.

The number of claims reported in 1991 was 864,000, which was 33,000, or 4.0 percent, more than in 1990. Bodily injury claims, which are the most costly and require the most resources to manage and settle, rose by 3,600, or 7.8 percent. The overall cost of claims incurred and claims operating expenses was $1,685 million, an increase of $195 million or 13.1 percent over 1990.

Claims Incurred	*$ Millions*	*%*
Bodily injury	807	53
Accident benefits	96	6
Total injury related claims	903	59
Property damage	214	14
Collision	177	11
Comprehensive and other	241	16
Total property related claims	632	41
	$ 1,535	100

To provide service to the increasing number of claimants, ICBC has continued to add staff, although at a slower rate than in recent years. Average claims division staff in 1991 was 2,459. The overall cost of the claims operations increased by $22 million to $150 million, representing an average cost of $174 per claim, up by $20 from 1990.

We took a number of initiatives in 1991 to improve customer service and reduce operating costs in future years.

For better service, telephone call processing has been established in eleven Lower Mainland claim offices. Callers may now contact a claim centre employee in those locations directly, without having to go through the often overloaded switchboard, and leave a voice message rather than a request to return their call. The call processing system will be expanded to include Head Office and remaining Lower Mainland claim offices in 1992.

We conducted pilot projects in four centres offering claim service from 7:30 am to 5:30 pm instead of the normal "core" period from 8:30 to 4:30. More than 20 percent of our claims customers selected appointments during the extended hours.

An experimental Telephone Claims Handling facility has been added to Dial-A-Claim Central in the Vancouver area to help claimants who may not need to visit a claim centre. This means we can provide better customer service and make more efficient use of our buildings, delaying the need for expansion.

The Corporation operates throughout the province and offers claims services in many communities. During 1991 a Rehabilitation Unit was opened in Matsqui where four co-ordinators and two support staff now provide enhanced customer service to both claimants and professionals. To tackle the problems of insurance fraud and vehicle theft, in cooperation with local police and claims staff, Special Investigation Unit offices were opened in Prince George and Kamloops.

Expenses

The steady growth in claims and the introduction of short term policies have made greater demands on the Corporation's administrative support functions. We have added staff and taken other steps to handle the growing workload, including development of new business systems. These measures, together with inflation, have increased administrative expenses $9 million over 1990, to $90 million in 1991. The cost per policy-year of insurance sold increased to $41 from $38 in 1990.

The cost of brokers' commissions reflects the increase in premium rates, continued growth in the number of policies written and higher sales of optional coverage which increase the average premium. As a result the overall cost of commissions rose by $13 million to $112 million representing 7.3 percent of premiums earned. It was 7.0 percent in 1990. Commissions paid to brokers also cover the cost of providing motor vehicle registration and licensing in conjunction with most insurance transactions.

Since its incorporation in 1973 ICBC and the Motor Vehicle Branch have shared the responsibility for administering motor vehicle registration and licensing. Over the years the administrative function has been increasingly handled by the Corporation and its insurance brokers. In 1991, the Superintendent of Motor Vehicles asked the Corporation to assume responsibility for most of the remaining motor vehicle registration and licensing functions under the Motor Vehicle and Commercial Transport Acts. The Superintendent retains responsibility for policy and the legislation and for all aspects of driver licensing. The resulting transfer and restructure are nearly complete and motorists will enjoy "one-stop shopping" for their motor vehicle services at their local insurance brokers in 1992. The Corporation will be reimbursed the cost of assuming the additional functions.

The Insurance Corporation contributes to BC, and to the communities it serves, through the payment of taxes and grants. In 1991 ICBC paid the four percent provincial premium tax amounting to $62 million. Grants to municipalities in lieu of property taxes totalled almost $3 million. The Corporation also pays BC Social Services Tax on its purchases. ICBC is not required to pay the federal Goods and Services Tax on its administrative operations.

In the 1990s, rapidly developing technology and highly competitive markets are placing great pressures on individuals and organizations to be adaptable and productive. Success, even survival, in an increasingly demanding marketplace require organizations to emphasize customer service and provide "total quality" at the lowest cost and with the greatest efficiency. To control costs - and premiums - in the future, the Board of Directors has approved a 1992 budget investing more than $20 million in new and continuing projects to improve business methods and customer service while addressing the cost of claims. The Corporation will also continue its programs that save lives, reduce injuries, and reduce the number and cost of accidents and claims.

Investment Income

The investment fund produced $316 million in income during 1991 on an average portfolio of $2.7 billion, a yield of 10.7 percent. This was $16 million less than the $332 million earned in 1990.

Investment income in 1991 represented 17 percent of total revenue or $142 per policy, down from $153 last year, reflecting lower interest rates in 1991. Income from the Corporation's investments met 90 percent of the Corporation's operating expenses. As a result, motorists enjoy lower premiums and the BC economy benefits from the increased disposable income available to each motorist.

Average Savings per Policy	*$*
1991	142
1990	153
1989	133
1988	105
1987	90

The Fund is invested in British Columbian and other Canadian investments. At year end the amount of the fund was $2.7 billion.

Investment Portfolio As at December 31, 1991	*$ Millions*	*%*
Federal	2,300	84
Provincial - British Columbia	194	7
- others	126	5
Municipal - British Columbia	5	—
Corporate	120	4
All others	4	—
	$ 2,749	100

Loss Prevention Programs

From each Autoplan policy written, ICBC devotes $2.70 to traffic safety programs. This has meant an investment of millions of dollars in loss prevention since 1981, when the Corporation created the Traffic Safety Education Department and became a leader in educational and community programs aimed at producing a generation of better drivers.

Injuries are costly by two measures: the victims' quality of life and the cost to all BC motorists as ICBC pays out millions for injury claims. Because seat belts have been proven to reduce the severity of crash injuries, ICBC's Traffic Safety Programs Department continues to promote the habit of buckling up. With more than 85 percent of our drivers wearing seat belts, even more effort is needed to raise the belt-wearing rate by one percent. However, the benefit is that each one percent may save $3.5 million dollars in injury claims costs.

Preventing injuries is good: preventing crashes is even better. Knowing that the major cause of severe crashes is neither road nor vehicle condition but the quality of drivers' decisions, ICBC targets alcohol impairment. In BC communities, concerned adults look to ICBC's Traffic Safety Programs Department for leadership in supporting Drinking Driving CounterAttack. So do the many groups of secondary school students committed to reducing the main cause of injury and death for young people - traffic crashes.

School children of all ages are at risk in traffic, but all can help protect themselves. ICBC, therefore, continues its ten-year-long practice of furnishing professionally designed educational materials to the school system - a practice acknowledged in 1991 with an award of recognition from the BC School Superintendents' Association.

In BC, when six-year-olds design a safe route home, or when mayors challenge each others' communities to achieve an Accident-Free Day, or parents attend child safety seat checks, ICBC's loss prevention strategies are at work.

A growing problem is the amount of theft of and from vehicles. The Corporation has worked with the police for several years on the "Lock it or Lose it" program. We provide brochures, decals, posters and promotional assistance. In 1991 motorists were invited to "Combat Auto Theft" by registering their vehicles and obtaining CAT decals. Vehicles displaying the CAT decals can be stopped by the police if they are being operated between 1 am and 5 am, the prime time for vehicle thefts.

The Corporation's Special Investigation Unit is actively involved in tracking down stolen vehicles and investigating suspicious claims, including a growing number of hit and run claims.

Staff

The Corporation is committed to a participatory culture with increased involvement and empowerment of its employees. The Organization Development Department has worked with a number of task forces to study and develop improvements in operating procedures, training and development, performance reviews and other issues.

The Employee Suggestion Program has proven popular with employees who submitted 763 suggestions in 1991. Over fifty were accepted and implemented, including one by Charles DuBois that will save the Corporation an estimated $208,500 per year. Charles received a monetary award in recognition of his contribution. Since its inception in 1987 the program has paid awards totalling $80,000 for suggestions which will save an estimated $800,000. The Program not only saves money, but also gives employees an opportunity to contribute their ideas for improving the Corporation.

The Board is well aware of the demands and pressures placed on staff members by the continued escalation in claims and the transfer of additional responsibilities from the Motor Vehicle Branch. The Board thanks all the ICBC staff for their dedication.

RAYMOND J. ADDINGTON, O.B.E.
Chairman of the Board

THOMAS E. HOLMES
President and Chief Executive Officer

On behalf of The Board of Directors,
Insurance Corporation of British Columbia
February 26, 1992

FIVE YEAR COMPARISON

Year Ended December 31, 1991

	1991	*1990*	*1989*	*1988*	*1987*
Autoplan policies	2,223,000	2,171,000	2,095,000	2,036,000	1,981,000
Premium income *($000)*	1,534,759	1,413,095	1,245,808	1,034,215	821,790
Average premium *($)*	669	631	580	516	411
Claims reported during year	864,000	831,000	739,000	649,000	576,000
Cost of claims incurred *($000)*	1,535,483	1,362,791	1,126,456	953,798	850,546
Expense ratio % *(excluding premium tax)*	13	13	13	14	15
Investment income *($000)*	315,824	331,937	278,493	213,140	179,205
Investments at year end *($000)*	2,748,957	2,573,456	2,299,925	2,028,760	1,778,211
Unpaid claims *($000)*	2,217,562	2,036,899	1,749,429	1,553,174	1,401,976
Total assets *($000)*	3,032,560	2,886,651	2,559,387	2,212,917	1,957,449
Income (Loss) *($000)*	(98,398)	17,190	90,095	26,153	(57,793)
Average number of employees	3,719	3,396	3,040	2,807	2,604

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

UNPAID CLAIMS

Year of Loss ($ Millions)	*1991*	*1990*
1987 and prior	$ 170.6	$ 279.8
1988	147.5	280.4
1989	313.3	516.2
1990	591.8	960.5
1991	994.4	—
Total unpaid claims at December 31	$2,217.6	$2,036.9

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 are estimates for unreported claims and for protection against uncertainty related to settling currently outstanding claims in future periods.

INSURANCE (MOTOR VEHICLE) ACT FUND
STATEMENT OF OPERATIONS

For the years ended December 31, 1991 and 1990

($ Thousands)	*1991*	*1990*
Revenue		
Vehicle premiums written	$ 1,582,019	$ 1,444,897
Driver premiums written	19,876	15,189
	$ 1,601,895	$ 1,460,086
Vehicle premiums earned	$ 1,517,911	$ 1,393,779
Driver premiums earned	16,848	19,316
	1,534,759	1,413,095
Claims costs		
Claims incurred	1,535,483	1,362,791
Claims operation expenses	149,874	127,710
	1,685,357	1,490,501
Expenses		
Administrative	90,492	81,623
Commissions	111,617	99,065
Premium tax	61,515	56,653
	263,624	237,341
Total claims and expenses	1,948,981	1,727,842
Underwriting loss	(414,222)	(314,747)
Investment income	315,824	331,937
Income (loss) for the year	(98,398)	17,190
Unappropriated surplus - beginning of year	55,655	55,465
Appropriation from (to) rate stabilization reserve	43,000	(17,000)
Unappropriated surplus - end of year	$ 257	$ 55,655

BALANCE SHEETS

As at December 31, 1991 and 1990

($ Thousands)	1991	1990
Assets		
Cash in hands of agents	$ 13,730	$ 11,951
Investments *(Note 3)*	2,748,957	2,573,456
Accrued interest receivable	55,948	103,895
Accounts receivable	20,397	11,886
Deferred premium acquisition expenses	69,375	60,520
Property and equipment *(Note 4)*	124,153	124,943
	$ 3,032,560	$ 2,886,651
Liabilities		
Cheques outstanding	$ 16,990	$ 16,749
Accounts payable and accrued charges	73,225	53,936
Premiums and fees in advance	48,414	46,287
Deferred investment gains and losses *(Note 5)*	10,926	36,075
Unearned premiums	596,186	529,050
Unpaid claims	2,217,562	2,036,899
	2,963,303	2,718,996
Insurance (Motor Vehicle) Act Fund Surplus		
Catastrophe reserve *(Note 6)*	30,000	30,000
Rate stabilization reserve *(Note 6)*	39,000	82,000
Unappropriated surplus	257	55,655
	69,257	167,655
	$ 3,032,560	$ 2,886,651

Approved by the Board

Director

Director

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1991 and 1990

($ Thousands)	*1991*	*1990*
Operating Activities		
Cash received from:		
Agents for vehicle premiums, licence fees and social service taxes	$ 1,889,328	$ 1,732,483
Interest and net gains on investments	338,593	269,374
Collections for driver point penalty premiums, subrogation and other receivables	53,990	47,975
Salvage sales	26,558	22,342
All others	30	(16)
	2,308,499	2,072,158
Cash paid to:		
Claimants or third parties on behalf of claimants	1,407,476	1,122,979
Province of British Columbia for licence fees and social service taxes collected	227,744	208,046
Province of British Columbia for premium taxes	62,126	57,240
Suppliers of goods and services	67,992	61,656
Suppliers of plates and decals on behalf of Motor Vehicle Branch	2,239	—
Vendors of land, buildings and equipment	19,809	32,438
Employees for salaries and benefits	157,892	136,095
Agents for commissions	114,209	102,144
Policyholders for premium refunds	71,973	70,321
	2,131,460	1,790,919
Increase in cash and investments during the year *(Note 7)*	177,039	281,239
Cash and investments - beginning of year	2,568,658	2,287,419
Cash and investments - end of year	$ 2,745,697	$ 2,568,658
Represented by:		
Cash in hands of agents	$ 13,730	$ 11,951
Investments	2,748,957	2,573,456
Cheques outstanding	(16,990)	(16,749)
	$ 2,745,697	$ 2,568,658

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 which 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 are estimates for unreported claims and for protection against uncertainty related to settling currently outstanding claims in future periods.

3. Investments

	1991		*1990*	
($ Thousands)	*Cost*	*Market*	*Cost*	*Market*
Money market securities	$ 1,196,951	$ 1,196,951	$ 1,934,063	$ 1,934,063
Bonds	1,548,688	1,580,786	636,282	634,783
Equities	3,318	3,551	3,111	2,976
	$ 2,748,957	$ 2,781,288	$ 2,573,456	$ 2,571,822

4. Property and Equipment

($ Thousands)	1991 Cost	1991 Net Book Value	1990 Cost	1990 Net Book Value
Land	$ 22,733	$ 22,733	$ 22,733	$ 22,733
Buildings	112,042	65,985	108,068	67,499
Furniture and equipment	95,130	34,456	81,560	33,822
Leasehold improvements	2,053	979	1,558	889
	$ 231,958	$ 124,153	$ 213,919	$ 124,943

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, 1991 amounted to $20,216,000 (1990 - $17,456,000).

5. Deferred Investment Gains and Losses

($ Thousands)	1991	1990
Balance deferred - beginning of year	$ 36,075	$ 67,882
Net realized gains (losses) during year	3,212	(54)
Amount included in investment income	(28,361)	(31,753)
Balance deferred - end of year	$ 10,926	$ 36,075

6. Insurance (Motor Vehicle) Act Fund Surplus

A catastrophe reserve has been established in accordance with industry practice to provide financial and reinsurance stability. A rate stabilization reserve has been established to lessen the impact on premiums of significant variations in claims loss experience. The Board of Directors approved the transfer of $43,000,000 from the rate stabilization reserve in 1991. During 1990 an amount of $17,000,000 was appropriated to the rate stabilization reserve.

7. 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. This 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)	1991	1990
Income (Loss) for the year	$ (98,398)	$ 17,190
Add: Increase in unpaid claims	180,663	287,470
Increase in unearned premiums	67,136	46,991
Increase in premiums & fees in advance	2,127	3,714
Increase in accounts payable and accrued charges	19,512	10,221
Decrease (increase) in accrued interest receivable	47,947	(30,545)
Depreciation	20,216	17,456
Realized gain on investments	3,212	—
Other	154	(863)
	340,967	334,444
Less: Amortization of deferred investment gains & losses	28,361	31,753
Increase (decrease) in accounts receivable	8,505	(423)
Increase in deferred premium acquisition expenses	8,855	6,627
Expenditures on land, building and equipment	19,809	32,438
	65,530	70,395
Increase in cash & investments during the year	$ 177,039	$ 281,239

8. Reinsurance

The Corporation underwrites policies of insurance and has obtained reinsurance on those policies that protects the Corporation against losses of up to $100,000,000 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.

9. 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 the year, 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 the Corporation will receive a percentage of the revenue collected to recover the cost of licence plates, decals and additional operating expenses relating to these functions. A recovery of $3,268,000 has been credited to the administrative expense for the year.

10. 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)	*1991*	*1990*
Accrued pension benefits	$ 110,380	$ 89,394
Retirement Fund assets at market value	$ 129,358	$ 102,240

The values of the accrued pension benefits as at December 31, 1991 and 1990 are 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 $5,554,000 (1990 - $4,465,000) matches the employees' contribution. These have both 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 plans.

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, 1991 and 1990 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, 1991 and 1990 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.

Coopers & Lybrand

Chartered Accountants
Vancouver, British Columbia
February 6, 1992

Board of Directors

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Chairman of the Board,
Former Chairman,
Kelly, Douglas &
Company Limited
Vancouver, BC

Thomas E. Holmes [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

Walter H. Dyck [E A B]
Regional Managing Partner,
Doane Raymond Pannell
Vancouver, BC

Lawrence B. Eberhardt [A B]
Former Chairman,
President and CEO
Neon Products Canada Ltd.
Vancouver, BC

Jack F. Ellett [B]
President,
Price and Markle
Equipment Ltd.
Vernon, BC

Carol A. J. McCrae [B]
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Westcoast Energy Inc.
Vancouver, BC

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Mosher & Treleaven
Surrey, BC

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Fletcher's Fine Foods, Ltd.
Sidney, BC

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President,
Hollinger Inc.
Vancouver, BC

George E. Wright [I]
Former Vice-Chairman
and Director,
Richardson Greenshields
of Canada Ltd.
Vancouver, BC

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Human Resources
and Corporate Secretary

C. Bev Penhall
Manager, Public Information

H. Graham Reid
Vice-President, Claims

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

[E] - Executive Committee
[A] - Audit Committee
[B] - Budget Committee
[I] - Investment Committee

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)

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

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