

COMMON
SENSE

FIVE YEAR COMPARISON
FOR THE YEARS ENDED DECEMBER 31

	1994	1993	1992	1991	1990
Autoplan policies	2,342,936	2,292,000	2,276,000	2,223,000	2,171,000
Premium income (\$000)	2,163,653	2,041,778	1,775,676	1,534,759	1,413,095
Average premium (\$)	893	852	785	669	631
Claims reported during year	789,000	804,000	825,000	864,000	831,000
Cost of claims incurred (\$000)	1,783,731	1,641,572	1,704,436	1,617,483	1,386,391
Expense ratio % (EXCLUDING PREMIUM TAX)	11	12	13	13	13
Investment income (\$000)	264,781	246,594	243,627	315,824	331,937
Investments at year end (\$000)	3,971,990	3,572,333	3,085,742	2,748,957	2,573,456
Unpaid claims (\$000)	3,092,997	2,808,951	2,501,542	2,133,511	1,869,876
Provision for adverse claims development (\$000)	—	—	—	85,023	167,023
Total assets (\$000)	4,353,385	3,915,589	3,396,851	3,033,532	2,886,651
Income (loss) (\$000)	140,890	156,067	(64,186)	(98,398)	17,190
Average Number of Employees	3,857	3,905	3,891	3,719	3,396

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.

The Insurance Corporation of British Columbia was established twenty-one years ago to provide universal vehicle-related insurance for motorists in this province. Commonly called ICBC, this provincial crown corporation administers the Autoplan Fund on a cost-effective, break-even basis.

CORPORATE PROFILE

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.

Is an ounce of prevention worth a pound of cure? In a perfect world everyone would have Road Sense and 'accidents' wouldn't happen. But this is not a perfect world and the premium each of us has to pay for our vehicle insurance is directly related to the number of crashes and the resulting cost of insurance claims. That's why ICBC is focusing on Road Sense - ways that ICBC and the motorists of BC can reduce costs and save lives. We want better drivers, better vehicles, better roads and we want to reduce vehicle-related crime. We also want to reward better drivers so they know 'an ounce of prevention' is worth it.

The good news? Road Sense is working.

Alcohol related vehicle deaths:	125
Alcohol related injuries:	2,925
Alcohol related crashes:	6,080
Unsafe speed related deaths:	77
Unsafe speed related injuries:	2,343
Unsafe speed related crashes:	5,530
Without due care ¹ related deaths:	49
Without due care ¹ injuries:	5,482
Without due care ¹ crashes:	11,500
Failing to yield related deaths:	29
Failing to yield injuries:	4,186
Failing to yield related damage:	5,081
Total deaths from crashes:	512
Total injuries from crashes:	46,952

Statistics from the Ministry of Attorney General, Motor Vehicle Branch

¹ Driving without due care

British Columbians spend a lot of time on the road. We use our vehicles – more than two million of them – to go to work, to school, on holidays and for daily chores. We buy insurance and hope we never have to use it. In 1994, about half a million ICBC customers *did* use some part of their insurance. For some it was an inconvenience, a damaged windshield or theft of a stereo. For others it was a life changing tragedy involving catastrophic injury or the death of a loved one.

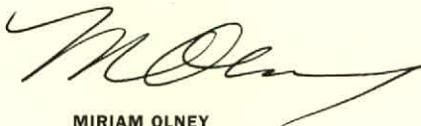
MESSAGE
FROM THE
CHAIR OF
THE BOARD

Perhaps not all of these claims could have been prevented, but many could have been. Sometimes all it takes is a little Road Sense. In 1994 ICBC's Board of Directors adopted an aggressive stance to improve driver behavior, vehicle design and road design, and to fight vehicle-related crime under the Road Sense umbrella. Management enthusiastically implemented this strategic plan and these programs are paying off. But the big payoff will come when the drivers of this province take our messages to heart.

If saving lives and money isn't enough incentive to use Road Sense, we've also improved our products to give better drivers a better deal. Long time claim-free motorists are being recognized and 'bad drivers' are facing higher penalties than ever.

These are the actions needed to control the high cost of road use in BC. Better driving, safer roads and fewer crashes equal lower insurance premiums. We'll be doing even more to improve safety, service and cost control in 1995.

It's just common sense. We call it Road Sense.



MIRIAM OLNEY
Chair, ICBC Board of Directors

PRESIDENT'S LETTER

Making sense of the driving behaviour of two million British Columbians can be quite a challenge, whether you're sitting in your car or on the Board of Directors of ICBC. Ninety-seven percent of BC motorists consider themselves to be 'good drivers', in fact more than a million of ICBC's customers have kept their forty percent claim-rated scale discount for more than five years, and many have been crash free throughout their driving careers. So whose claims are costing nearly two billion dollars each year?

Crash-related injury claims cost more than half of that, \$1.14 billion dollars in 1994. Injury claims are on the rise and, besides representing a terrible amount of human suffering, these injuries cost a lot more to fix than fenders. Add to that the \$645 million in property-related damage ICBC paid for and you get more than \$1.78 billion. That's where the premiums go.

Each of us can do something about the number of injuries. A simple thing like adjusting a headrest can prevent whiplash. Severe injuries are often sustained in high speed crashes. That's why, in some of our Road Sense advertising, our employees have made an honest plea to drivers to slow down. They're tired of seeing the consequences of speeding, carelessness and drinking and driving. I support them and share their concerns.

Our customers want affordable vehicle insurance and we want to give it to them. To control costs, we're going to step up our successful claim and crash reduction efforts. We'll become even more active in the community, working with our partners in education, health care, policing and the repair and insurance industries. These groups also want to improve road use in this province.

We're asking BC motorists to really help us turn things around by using their Road Sense all the time. Only they can change the statistics where they happen – on our streets and highways.



BILL McCOURT
President & CEO



BARB HUNTER
CLAIMS MANAGER



It's called 'joyriding' but

it's just plain auto theft.

Leaving your keys in the

ignition is an invitation

to trouble. It's good Road

Sense to lock your vehicle.



I don't want to pay ICBC

any more than I absolutely

have to. People need and

even expect a lot more

for their money these days.

We've been listening.

COLIN BROWN
CHIEF UNDERWRITER

KARIM ISMAEL
CLAIMS ADJUSTER



If we can control speeding,

we can help control

the number of accidents

and minimize injuries.

Cars can be fixed, but it's

a lot harder to fix people.



A lot of people say to me,


'It's not my fault. The roads

were wet, the car slipped.'

When the weather changes,

we have to make changes

in the way we drive.



JANET CHOW

CLAIMS ADJUSTER

THE BIG PICTURE *One of our goals is to break even over time, balancing income with costs. Our two types of income are premiums and the return on our investments. We have two primary expense types, claim costs and operating expenses. In a 'good' year, income covers all our claims and all our operating costs and contributes to building or maintaining reserves. To the motorists of BC that means if premium increases are required they can be kept at the rate of inflation or lower. Much like the previous year, 1994 was a 'good' year.*

MEETING OUR TARGETS: STRATEGIC RESULTS *Our key successes for ICBC in 1994 have been:* □ *keeping 1995 rate increases below the rate of inflation* □ *achieving a positive income of \$141 million, rebuilding an adequate Rate Stabilization Reserve* □ *gaining strong public and industry support for our Road Sense programs to save lives and money* □ *introducing new products that recognize BC's better motorists and* □ *improving our relations with key industry partners.*

AUTOPLAN INCOME	\$ MILLIONS	% OF INCOME
Vehicle premiums earned	2,134	88
Driver premiums earned	30	1
Investment income	265	11
	\$2,429	100

AUTOPLAN INCOME USE	\$ MILLIONS	% OF TOTAL INCOME	% PREMIUM INCOME
Claims incurred	1,784	73	82
Claims operation expenses	177	7	8
Administrative expenses	97	4	4
Commissions	143	6	7
Premium Tax	87	4	4
Sub-total	2,288	94	105
Income for the year	141	6	7
	\$ 2,429	100	112

PUTTING THE CUSTOMER FIRST

Our first priority at ICBC is to become more customer-focused. This is reflected in our actions and our positive operating results.

Our customers want lower premiums. We achieved our 1994 goal of holding the necessary rate increase for the following year below the rate of inflation and we're continuing to seek out ways to reduce the cost of our products while ensuring we have sufficient income to cover increasing claim costs.

Our customers want better service and less bureaucracy. We're changing from a process-driven company to a customer-driven one. We have improved customer service in both administrative and claims operations, improving our claim customer satisfaction from 73 percent to 79 percent in 1994.

Our customers want 'bad drivers' to pay more and 'good drivers' to get a break. We have responded in two ways, through product changes and Road Sense loss prevention programs. Road Sense programs benefit all motorists by improving driver behaviour, road design and vehicle design, and by reducing vehicle-related crime. Autoplan product changes introduced in 1994 recognize BC's 'good drivers' and bring increased penalties and limits to those with numerous at-fault claims.

RECOGNIZING BC'S BETTER DRIVERS

We have a mandate to provide 'basic Autoplan coverage' (liability, accident benefits and uninsured motorist protection) to all BC vehicle owners. Although we have a monopoly on this 'basic coverage', we also compete for sales of optional coverages such as Collision, Comprehensive, Limited Depreciation and others. In 1994 we presented product changes, in both basic and optional coverages, especially to recognize our long time, claim-free customers.

We already give discounts, to a maximum of 40 percent, to those who have not had claims, and we add surcharges to the premiums of those with at-fault claims. Of our 2.3 million policyholders, more than one million are at the top of our claim-rated scale and have been receiving a 40 percent discount on their coverage for five years or more. These customers would like to know they're getting value for their premiums. We've taken a further step in this direction by automatically giving our best customers Discount Protection when they have one claim for which they are liable. This means that motorists who have kept their 40 percent discount for more than five years in a row will still receive their full discount if they have one at-fault crash. Without Discount Protection the customer would face a significant increase in premium.

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

We've added some new optional coverages, at special discount prices, for our claim-free customers whom we have identified as RoadSt★rs. Because of their excellent claim records, we're offering them a Replacement Cost Policy for new vehicles and a RoadSt★r package of three popular optional coverages. We will continue to offer RoadSt★rs extra incentives and rewards in coming years. Other vehicle owners can buy similar Autoplan products at regular prices.

RoadSt★r products were offered at the end of 1994 for sale in 1995. Even in that short time, BC insurance brokers have been highly supportive of our efforts to recognize RoadSt★rs and give them a better deal. We value our relationship with Autoplan brokers throughout BC and are pleased that these product changes have strengthened our partnership in serving our mutual customers.

And what about the 'bad drivers'? To ensure that those who cause accidents continue to pay a bigger share than those who don't, we have increased their premiums, set high deductibles and refused to sell collision coverage to 'frequent flyers' who have reached a set limit on the claim-rated scale. Driver point premiums for driving infractions have also been increased.

THE CLAIMS STORY

In 1994 the total number of claims reported to ICBC was 789,000, down from 1993 by 15,000. The bad news was that these claims cost more, a lot more. The total cost of claims was \$1.78 billion, up from \$1.64 billion in 1993. The reduction in the number of claims was because high-volume, low-cost windshield claims came down significantly. On the other hand, we had more *high-cost, low-volume* injury claims – the ones that make a difference to the bottom line. The challenge is to bring down the ever-increasing cost of injuries.

In 1994 we paid out \$1.14 billion in injury-related claims, up from \$1.06 billion the previous year. Even with the reduction in the number of claims, property-related claim costs were up by \$61 million, totalling \$645 million in 1994 compared to \$584 million in 1993.

WHAT ARE WE DOING ABOUT IT?

Effective, Planned Treatment

One of the ways we are addressing the high cost of injuries is through a new program for Recovery Management. This initiative fosters early recovery and more effective treatment for our customers who have been in crashes and have suffered soft tissue injuries, generally known as

VEHICLE PREMIUMS WRITTEN BY CATEGORY	\$ MILLIONS	%
Private passenger	1,602	73
Light commercial	372	17
Heavy commercial	109	5
Recreational	41	2
Special coverage	44	2
Drivers	30	1
	\$ 2,198	100

whiplash. Whiplash accounts for more than 70 percent of ICBC's injury-related claims. Our Recovery Management program brings together medical specialists and claims customers to develop individual recovery programs that promote wellness, encourage early recovery and help the claimant return to work. Most whiplash patients recover within thirty days, but Recovery Management will be available for those whose suffering is prolonged.

Another claim cost issue is fraud and exaggerated claims. Under a tort system people can sue for compensation and you run the risk of creating an 'injury industry'. Fraud and exaggerated claims contribute between 10 and 20 percent to the claim costs of insurers, according to North American insurance industry estimates. We have stepped up our fight against fraud. Our Tipline for concerned citizens has generated more than \$1 million in savings. Research conducted this year will provide the framework for aggressive fraud control initiatives in 1995.

Changing Attitudes, Changing Behaviour

Over the past two decades we have spent significant time and money on long term loss prevention strategies. In our annual report for 1993 we said that ICBC would "...use Road Sense to bring together concerned motorists, industry and government to improve road use in BC." An extensive group of programs aimed at saving lives and money have been brought together under the Road Sense umbrella, supported by extensive advertising. An advertising campaign can't directly prevent crashes, but our Road Sense ads were tested and found effective in shifting the consumer's attention from 'punish the bad drivers' to 'maybe there is something I can do to be safer'. In addition to messages on driving behaviour, ICBC employees in these ads ask motorists to use their headlights during the day, to adjust their headrests and to be sure to buckle up their loved ones. The experience and personal concern of our staff come through clearly in these messages and, based on follow-up research, have moved people to take action. The Road Sense phone line has received thousands of calls from BC citizens, asking for information on steps they can take and asking ICBC to do more about aspects of driving in BC that concern them most.

UNPAID CLAIMS (\$ MILLIONS)	1994	1993
<i>Year of Loss</i>		
1990 and prior	\$ 369	\$ 559
1991	294	466
1992	498	692
1993	715	1,092
1994	1,217	—
Total unpaid claims at December 31	\$ 3,093	\$ 2,809

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.

AUTOPLAN CLAIMS INCURRED	1994		1993	
	\$ MILLIONS	%	\$ MILLIONS	%
Bodily injury	1,044	59	1,010	61
Accident benefits	95	5	48	3
Total injury-related claims	1,139	64	1,058	64
Property damage	231	13	212	13
Collision	195	11	173	11
Comprehensive and other	219	12	199	12
Total property-related claims	645	36	584	36
	\$ 1,784	100	\$ 1,642	100

Key goals of Road Sense are to improve driver behaviour, increase use of safety devices, improve vehicle design and road design, and reduce vehicle-related crime. We're conducting research to measure results over time. We have already raised the awareness and concern of the public and hope to see the benefits in long term reductions in crashes and claims.

Our strategies to fight vehicle-related crime include the Tipline, hit and run research, and programs to reduce theft of and from vehicles. We're helping motorists avoid being victims of crime through Road Sense advertising.

Improving Cars and Roads

Vehicle design has always been an area where ICBC experts contribute to continuing improvements. We work with vehicle manufacturers and the people in the repair industry who serve our customers. With our partners in these networks we are developing ways to enhance vehicle safety and repairability. Since 1993 we have distributed more than 100,000 copies of a booklet called 'How to Buy a Better Auto' listing safety and design features on new model vehicles to help consumers make their buying decisions. By harnessing the power of the consumer, we are putting appropriate pressure on manufacturers to design and deliver safer vehicles.

Should ICBC be involved in re-designing dangerous intersections? The 1994 results of our intersection repair program suggest the answer is a resounding 'YES'. We know that 60 percent

of urban crashes occur at intersections and that many of these could have been prevented with a change in signals, signage, etc. By working with municipalities and the police we identified seventeen BC intersections as priority locations for crash reduction. Improvements to some intersections have already reduced crashes. Improving signals at six Knight Street intersections in Vancouver has saved an estimated \$1.3 million in claims on that route alone. Work done under this program in 1994 has resulted in total estimated savings of more than \$2.2 million and has prevented human suffering. With such measurable success, we will expand the intersection program in 1995 to avoid many more crashes.

VALUING PEOPLE

Another promise we made in our 1993 Annual Report was to "...continue to put our resources where we can achieve the greatest benefit for the motorists of BC." Our key resources are our people and our premium income.

Our People

Our 3,857 employees made an incredible effort in 1994 to control administrative and claims costs, while focusing on providing excellent service to our customers. Training opportunities, health and safety support, employment and pay equity programs, are some of the ways we support staff in their efforts. Staff participation has been valuable in Road Sense public outreach, claims cost control initiatives and innovative pilot projects to improve products and services.

INVESTING WISELY

The premium income ICBC receives and invests produced returns on investment of \$265 million in 1994. This is \$113 per policy that doesn't have to come directly from the pockets of BC motorists. In fact, investment income in 1994 represented 11 percent of total revenue for ICBC.

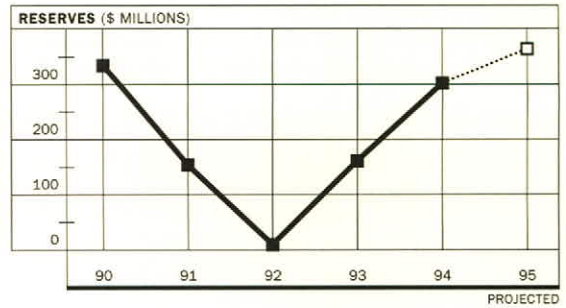
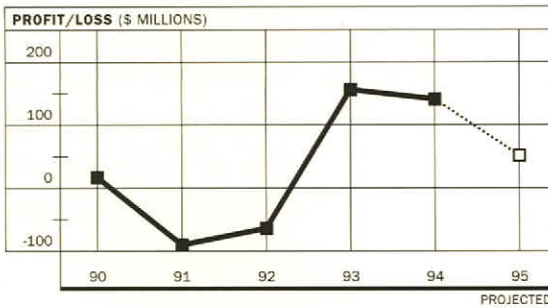
With an average portfolio of \$3.8 billion, we achieved a seven percent yield on investment. This helped us achieve our goal of keeping 1995 premium increases below inflation. We have also been able to build reserves to adequate levels for long term rate stabilization.

In 1994 we laid the groundwork for a more aggressive investment strategy. We expect to realize investment income of more than \$300 million in 1995. With a portfolio of nearly \$4 billion, if we can achieve a one percent improvement in our return on investment we have the potential to realize a two percent improvement in rates for our customers.

ADMINISTRATIVE EFFICIENCY

In 1993 public opinion research indicated that no one believed only five cents of their premium dollar paid for ICBC administration. Wait until we tell them it's down even more in 1994!

For 1994, our Statement of Operations shows a breakdown of operating expenses identifying the actual cost of running ICBC, separate from our investment in road safety and our funding and grants in support of the work of others. Providing insurance services is actually costing us less than in the previous year. In the meantime, we're expanding our commitment to reducing claims, rather than just paying for them. That's why we invested more than \$9 million in ICBC road safety programs and contributed \$4 million more to the efforts of our industry partners who are working to improve road use in BC.



INVESTMENTS FOR THE YEAR ENDED DECEMBER 31, 1994	\$ MILLION	%
Federal	2,665	67
Provincial	853	22
Municipal - British Columbia	16	—
Corporate	272	7
Equity and others	166	4
	\$ 3,972	100

CHANGING OPINION

At ICBC we know that we provide excellent insurance products at reasonable prices. We know that our employees work very hard to give our customers the best possible service. But we also know that, like many large public institutions, we are not regarded with confidence and trust by all the people we serve. Although we are not seeking public favour for its own sake, there are serious messages about life and death on BC roads that the public needs to hear if we want to improve road use in this province. If the public is not willing to listen to those messages, it will hamper our ability to control the costs of providing insurance and premiums will continue to rise.

Road Sense advertising has been our way of giving the public some helpful tips while putting a human face on our corporation – in fact many human faces, those of our caring staff. The tips in our advertising can help the people of BC reduce their own risk. Saving lives and money is the long term goal but improved customer confidence in ICBC is being achieved right now. A public opinion survey by Angus Reid regularly measures public attitudes toward major BC corporations. A key number for us is the percentage of British Columbians who consider ICBC to be well managed. In 1992 only 32 percent of those polled said we were well managed; in 1993 we moved up to 39 percent, but the real improvement has come during 1994 with 47 percent giving us their vote in the latter part of the year. Improvement in public confidence will continue to help us be even more effective in 1995.

WHERE DO WE GO FROM HERE?

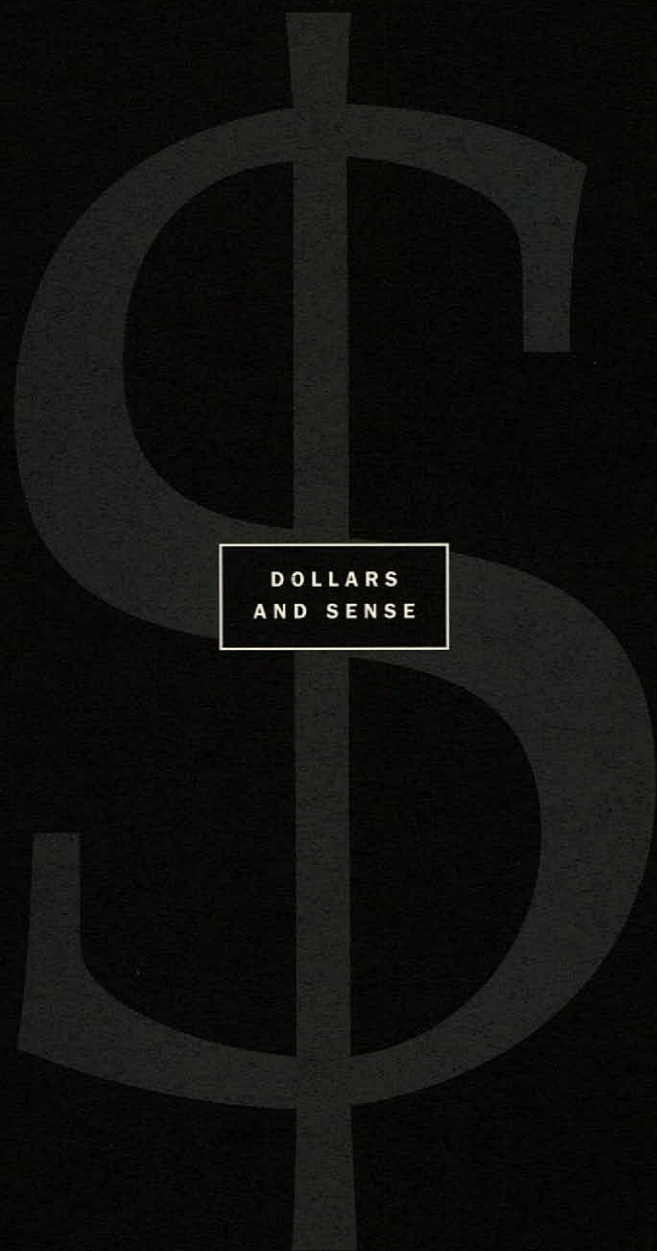
Financial controls at ICBC can only make a small dent in the cost of providing insurance to more than two million BC motorists. We know that a concerted effort to reduce the number and severity of crashes is the only long term solution to the problem of high insurance premiums. This has always been the case.

At the same time, we know that vehicle insurance is a product that people don't value until they need to use it and we want to be sure they have bought adequate and appropriate coverage to meet their needs. Balancing the cost of the product with its value to the customer is a major concern for us. New products and product changes in 1995 will focus on rewarding long time claim-free motorists and simplifying or streamlining procedures.

In the area of reducing costs and saving lives we have developed far-reaching claim and crash reduction strategies based, in many cases, on successful projects such as our fraud initiatives and intersection improvements. In the communities of BC we will be working even more closely with our partners in vehicle insurance and repair, police services, health care and education. We will support ICBC staff as they work out creative ways to do the best job possible.

At ICBC we are moving from a time of grave concern over the challenges facing us to one where we are seeking innovative ways to meet our customers' needs. We will continue to build public confidence by holding premiums at the rate of inflation or lower and by delivering products and services that satisfy our customers. We also know that we can make a difference to the quality of life in British Columbia by taking a leadership role in road safety and calling upon the good sense – the Road Sense – of BC motorists.

These are our priorities for 1995.



DOLLARS
AND SENSE

**STATEMENTS
OF OPERATIONS**
FOR THE YEARS ENDED
DECEMBER 31, 1994 AND 1993

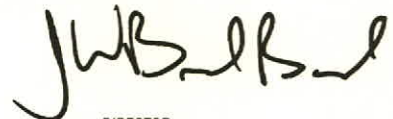
(\$ THOUSANDS)	1994	1993
REVENUE		
Vehicle premiums written	\$ 2,167,852	\$ 2,101,166
Driver premiums written	29,799	31,272
	<u>\$ 2,197,651</u>	<u>\$ 2,132,438</u>
Vehicle premiums earned	\$ 2,134,187	\$ 2,012,935
Driver premiums earned	29,466	28,843
	<u>2,163,653</u>	<u>2,041,778</u>
CLAIMS COSTS		
Claims incurred	1,783,731	1,641,572
Claims operation expenses	177,167	174,193
	<u>1,960,898</u>	<u>1,815,765</u>
EXPENSES		
Administrative	83,427	85,054
Road safety programs	9,444	8,479
Grants and funding	3,935	2,648
Commissions	143,293	138,644
Premium tax	86,547	81,715
	<u>326,646</u>	<u>316,540</u>
Total claims and expenses	<u>2,287,544</u>	<u>2,132,305</u>
Underwriting loss	(123,891)	(90,527)
Investment income	264,781	246,594
INCOME FOR THE YEAR	140,890	156,067
Unappropriated balance – beginning of year	—	71
Appropriation to rate stabilization reserve <i>(Note 6)</i>	(140,890)	(156,138)
Unappropriated balance – end of year	<u>\$ —</u>	<u>\$ —</u>

BALANCE SHEETS
AS AT DECEMBER 31, 1994 AND 1993

(\$ THOUSANDS)	1994	1993
ASSETS		
Cash in hands of agents	\$ 18,456	\$ 13,383
Investments (Note 3)	3,971,990	3,572,333
Accrued interest receivable	77,429	77,370
Accounts receivable	40,287	30,170
Deferred premium acquisition expenses	86,636	82,711
Deferred investment gains and losses (Note 5)	23,337	—
Property and equipment (Note 4)	135,250	139,622
	<u>\$ 4,353,385</u>	<u>\$ 3,915,589</u>
LIABILITIES		
Cheques outstanding	\$ 33,745	\$ 46,355
Accounts payable and accrued charges	87,587	82,770
Premiums and fees in advance	25,171	24,744
Deferred investment gains and losses (Note 5)	—	13,771
Unearned premiums	811,857	777,860
Unpaid claims	3,092,997	2,808,951
	<u>4,051,357</u>	<u>3,754,451</u>
INSURANCE (MOTOR VEHICLE) ACT FUND		
Rate stabilization reserve (Note 6)	302,028	161,138
	<u>\$ 4,353,385</u>	<u>\$ 3,915,589</u>

Approved by the Board


DIRECTOR


DIRECTOR

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1993

(\$ THOUSANDS)	1994	1993
OPERATING ACTIVITIES		
CASH RECEIVED FROM:		
Agents for vehicle premiums, licence fees and social service taxes	\$ 2,565,359	\$ 2,404,906
Interest and net gains on investments	227,585	228,642
Collection for driver point penalty premiums, subrogation and other receivables	72,549	67,198
Salvage sales	33,613	32,699
Province of B.C. for recovery of Motor Vehicle Branch expenses	7,778	5,664
All others	520	547
	<u>2,907,404</u>	<u>2,739,656</u>
CASH PAID TO:		
Claimants or third parties on behalf of claimants	1,573,017	1,399,771
Province of British Columbia for licence fees and social service taxes collected	319,042	288,430
Province of British Columbia for premium taxes	89,125	81,561
Suppliers of goods and services	77,744	68,501
Suppliers of plates and decals on behalf of Motor Vehicle Branch	3,559	2,903
Vendors for land, buildings and equipment	14,214	28,606
Employees for salaries and benefits	189,204	188,119
Agents for commissions	143,309	134,426
Policyholders for premium refunds	80,850	81,102
	<u>2,490,064</u>	<u>2,273,419</u>
INCREASE IN CASH AND INVESTMENTS DURING THE YEAR (Note 7)	417,340	466,237
CASH AND INVESTMENTS – BEGINNING OF YEAR	<u>3,539,361</u>	<u>3,073,124</u>
CASH AND INVESTMENTS – END OF YEAR	<u>\$ 3,956,701</u>	<u>\$ 3,539,361</u>
REPRESENTED BY:		
Cash in hands of agents	\$ 18,456	\$ 13,383
Investments	3,971,990	3,572,333
Cheques outstanding	(33,745)	(46,355)
	<u>\$ 3,956,701</u>	<u>\$ 3,539,361</u>

**NOTES TO FINANCIAL
STATEMENTS**
FOR THE YEARS ENDED
DECEMBER 31, 1994 AND 1993

1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated in 1973 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.

3. INVESTMENTS

(\$ THOUSANDS)	1994		1993	
	COST	MARKET	COST	MARKET
Money Market Securities	\$ 221,651	\$ 221,651	\$ 43,720	\$ 43,720
Bonds	3,583,870	3,418,828	3,404,505	3,514,947
Equities	166,469	171,605	124,108	153,183
	<u>\$ 3,971,990</u>	<u>\$ 3,812,084</u>	<u>\$ 3,572,333</u>	<u>\$ 3,711,850</u>

4. PROPERTY AND EQUIPMENT

(\$ THOUSANDS)	1994		1993	
	COST	NET BOOK VALUE	COST	NET BOOK VALUE
Land	\$ 25,700	\$ 25,700	\$ 25,591	\$ 25,591
Buildings	148,277	83,464	144,627	87,035
Furniture and equipment	97,485	25,783	108,555	26,556
Leasehold improvements	2,268	303	2,259	440
	<u>\$ 273,730</u>	<u>\$ 135,250</u>	<u>\$ 281,032</u>	<u>\$ 139,622</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, 1994 amounted to \$20,653,000 (1993 – \$19,988,000).

5. DEFERRED INVESTMENT GAINS AND LOSSES

(\$ THOUSANDS)	1994	1993
Net balance deferred – beginning of year	\$ (13,771)	\$ (12,455)
Net realized (gain) loss during year	30,938	(12,632)
Amount included in investment income	6,170	11,316
Net balance deferred – end of year	<u>\$ 23,337</u>	<u>\$ (13,771)</u>

6. INSURANCE (MOTOR VEHICLE) ACT FUND

The Board of Directors approved the transfer of \$140,889,526 (1993 – \$156,138,199) from the unappropriated fund balance 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. 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 and increase in cash and investments is shown below.

(\$ THOUSANDS)	1994	1993
Income for the year	\$ 140,890	\$ 156,067
Add: Increase in unpaid claims	284,046	307,409
Increase in unearned premiums	33,997	90,660
Increase (decrease) in premiums and fees in advance	427	(62,038)
Increase in accounts payable and accrued charges	4,817	12,131
Depreciation	20,653	19,988
Realized gain (loss) on investments	(30,938)	12,632
Other	209	2,055
	<u>313,211</u>	<u>382,837</u>
Less: Amortization of net deferred investment gains and losses	6,170	11,316
Increase in accrued interest receivable	59	19,028
Increase in accounts receivable	10,117	8,819
Trade-in value on computer disposal	1,078	—
Increase in deferred premium acquisition expenses	3,925	4,898
Expenditures on land, building and equipment	15,412	28,606
	<u>36,761</u>	<u>72,667</u>
Increase in cash and investments during the year	<u>\$ 417,340</u>	<u>\$ 466,237</u>

8. REINSURANCE

Commencing January 1, 1993, the Corporation ceased to reinsure the policies it underwrites 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.

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 \$7,588,000 (1993 – \$5,997,000) has been credited to 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 – I.C.B.C. 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)	1994	1993
Accrued pension benefits	\$ 180,600	\$ 153,900
Retirement Fund assets at market value	\$ 207,382	\$ 196,790

The value of the accrued pension benefits as at December 31, 1994 is updated by the plan's actuaries from the valuation prepared as at December 31, 1992. An actuarial valuation is under way and will 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. 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 \$6,467,000 (1993 – \$6,349,000) 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.

11. Certain comparative figures in these statements have been reclassified to conform to the current year's presentation.

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.

**MANAGEMENT'S
RESPONSIBILITY
FOR 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*

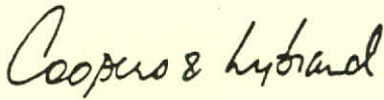
The Honourable Jackie Pement
Minister of Transportation and Highways
Province of British Columbia

We have audited the balance sheets of the Insurance Corporation of British Columbia as at December 31, 1994 and 1993 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.

AUDITORS' REPORT

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, 1994 and 1993 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 3, 1995

**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

THE BOARD OF DIRECTORS			HON. JACKIE PEMENT <i>Minister of Transportation and Highways, Minister Responsible for ICBC Province of BC Victoria, BC</i>	MIRIAM OLNEY ^E <i>Chair of the Board ICBC North Vancouver, BC</i>	BILL Mc COURT ^E <i>President and CEO ICBC North Vancouver, BC</i>
J.W. BRAD BOND ^{EAI} <i>President, Barrier Management Inc. Vancouver, BC</i>	LOIS BOONE ^{CR} <i>MLA Prince George-Mount Robson Province of BC Victoria, BC</i>	HERSCHEL HARDIN ^{AFR} <i>Author and Public Policy Consultant West Vancouver, BC</i>	DIANA C. KIENGERSKY ^{ACPR} <i>President, Cabott Realty & Insurance Kelowna, BC</i>	BERNICE KIRK ^{AP} <i>President, Canadian Union of Public Employees (BC Division) Burnaby, BC</i>	PATRICIA M. Mc KIM-FLETCHER TH <i>Economic Development Officer Hagensborg, BC</i>
JOHN MIKA ^{EFIP} <i>Alderman, Saanich Municipality Victoria, BC</i>	DAVID J. MORTON ^{PRH} <i>Retired Insurance Agency Owner Burnaby, BC</i>	LISA K. NEMETZ ^{EPI} <i>Lawyer Vancouver, BC</i>	CATHERINE ROBERTSON ^{EFR} <i>President, Robertson Rozenhart Inc. Vancouver, BC</i>	VASSO VAHLAS ^{CHI} <i>Career Counsellor and Training Consultant Prince George, BC</i>	GLENN G.J. WONG ^{EC} <i>President and CEO Western Greenhouse Growers Co-operative Association Surrey, BC</i>

Not pictured: **JEET MANDAIR**^{CH}
President, Mandair Distributors Ltd. Burnaby, BC

COMMITTEES

- ^E EXECUTIVE
- ^A AUDIT
- ^P PRODUCT
- ^F PLANNING & FINANCE

- ^I INVESTMENT
- ^C CLAIMS SERVICE
- ^H HUMAN RESOURCES
- ^R ROAD SAFETY

THE PRESIDENT'S COMMITTEE			BILL Mc COURT <i>President and CEO</i>	GREG BASHAM <i>Manager, Strategic Planning and Policy</i>	BILL HEESE <i>Vice-President, Finance and Chief Financial Officer</i>
DARLENE HYDE <i>Vice-President, Public Affairs and Road Safety</i>	JOHN NEILSON <i>Vice-President, Human Resources</i>	RICK NELSON <i>Vice-President, Information Services</i>	GRAHAM REID <i>Vice-President, Insurance</i>	LINDA ROBERTSON <i>Corporate Secretary and General Counsel</i>	NEIL WEATHERSTON <i>Vice-President, Claims</i>

THE BOARD OF
DIRECTORS



THE PRESIDENT'S
COMMITTEE





ROAD
SENSE

