Financial Report

For the auditor's report and audited consolidated financial statements, see Appendix C. These can also be found on ICBC's website.

Discussion of Results

Highlights

ICBC's 2021/22 fiscal net income was $2,217 million. The main factors impacting the bottom line this fiscal year-end were high investment income and favourable claims costs.

ICBC realized higher-than-expected investment income mostly due to equity distributions, as well as equity gains triggered by the transition to a new asset mix for the investment portfolio and regular trading activities throughout the fiscal year.

In an environment of increasing yields, the discount rate, which is based on the expected return of ICBC's current investment portfolio, has also increased. A higher discount rate reduces the unpaid claims balance which was a driving factor to lower claims costs.

Claims costs were also lower due to favourable results on prior years' injury claims. Further, a judgement that had ruled the Civil Resolution Tribunal (CRT) jurisdiction over minor injury claims as unconstitutional was overturned; this decision also had a positive impact on prior years' claims costs.

Partially offsetting the favourable claims costs, the BC Supreme Court ruled the Disbursements and Expert Evidence Regulations as unconstitutional; this decision had a negative impact on claims costs.

The Enhanced Care insurance model implemented on May 1, 2021 has seen benefits to claims costs. However, as expected, the transition to Enhanced Care also decreased revenues from various rate reductions.

With this strong financial performance, ICBC was able to provide a Relief Rebate of $396 million to eligible customers to help ease some of the financial challenges facing drivers in British Columbia.

Financial Summary

The table below provides an overview of ICBC's 2021/22 financial performance relative to its 2021/22 – 2023/24 Service Plan.

$ millions[1,2]	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance
Premiums earned[3,4]	5,377	5,085	4,784	(301)
Service fees and other	144	108	120	12
Total earned revenues	**5,521**	**5,193**	**4,904**	**(289)**
Provision for claims occurring in the current year	3,708	3,939	2,922	1,017
Change in estimates for losses occurring in prior years	(367)	(101)	(430)	329
Net claims incurred	**3,341**	**3,838**	**2,492**	**1,346**
Claims service and loss management[5]	446	552	504	48
Insurance operations expenses[5]	284	329	303	26
Premium taxes and commissions[5]	787	643	654	(11)
Total expenses	**4,858**	**5,362**	**3,953**	**1,409**
Underwriting income (loss)	**663**	**(169)**	**951**	**1,120**
Investment and other income	1,011	480	1,418	938
Income — insurance operations	**1,674**	**311**	**2,369**	**2,058**
Non-insurance operations expenses[5]	107	130	124	6
Non-insurance commissions[5]	34	35	37	(2)
Non-insurance — other income	(5)	(8)	(9)	1
Net income	**1,538**	**154**	**2,217**	**2,063**
At year end:				
Long-term debt	-	-	-	
Total liabilities	22,315	20,047	19,949	
Equity:				
• Retained earnings	1,131	455	3,348	
• Other components of equity	729	1,077	361	
• Non-controlling interest	7	6	6	
Total equity	**1,867**	**1,538**	**3,715**	
Capital Expenditures	100	68	54	
Autoplan policies earned[6]	4,011,000		4,217,000	
Average premium ($)[7]	1,556		1,199	
Claims reported during the year[8]	756,000		972,000	

[1] Financial information for all years is prepared based on International Financial Reporting Standards.
[2] Rounding may affect totals.
[3] 2021/22 actual premiums earned reflect the Relief Rebate of $396 million to eligible ICBC customers.
[4] Premiums earned are net of mid-term changes and cancellation refunds.
[5] See Note 19 of the consolidated financial statements for details of Operating Expenses by Nature.
[6] Annualized values have been used for policies with a term of less than 12 months. Autoplan policies earned include Basic, storage and temporary operating permit policies.
[7] Average premium is based on Autoplan premiums earned.
[8] Claims reported represent the number of claims reported against purchased insurance coverages.

Basic and Optional Comparative Summary Table

$ millions[1]	Basic: Actual vs. Prior Year 2020/21 Actual	2021/22 Actual	Variance	Optional: Actual vs. Prior Year 2020/21 Actual	2021/22 Actual	Variance
Premiums earned[2,3]	2,945	2,754	(191)	2,432	2,030	(402)
Service fees and other	83	74	(9)	61	46	(15)
Total earned revenues	**3,028**	**2,828**	**(200)**	**2,493**	**2,076**	**(417)**
Provision for claims occurring in the current year	2,172	1,849	323	1,536	1,073	463
Change in estimates for losses occurring in prior years[3]	(127)	(156)	29	(240)	(274)	34
Net claims incurred	**2,045**	**1,693**	**352**	**1,296**	**799**	**497**
Claims service and loss management	299	331	(32)	147	173	(26)
Insurance operations expenses	124	138	(14)	160	165	(5)
Premium taxes and commissions	194	194	-	593	460	133
Total expenses	**2,662**	**2,356**	**306**	**2,196**	**1,597**	**599**
Underwriting income	**366**	**472**	**106**	**297**	**479**	**182**
Investment and other income	696	982	286	315	436	121
Income — insurance operations	**1,062**	**1,454**	**392**	**612**	**915**	**303**
Non-insurance operations expenses	107	124	(17)	-	-	-
Non-insurance commissions	34	37	(3)	-	-	-
Non-insurance — other income	(5)	(9)	4	-	-	-
Net income	**926**	**1,302**	**376**	**612**	**915**	**303**
At year end:[4]						
Liabilities:						
Unearned premiums	1,441	1,488		956	955	
Provisions for unpaid claims	10,802	9,748		4,718	3,956	
Equity:						
• Retained earnings	720	2,022		411	1,326	
• Other components of equity	503	248		226	113	
• Non-controlling interest	4	4		3	2	
Total equity	**1,227**	**2,274**		**640**	**1,441**	

[1] Rounding may affect totals.
[2] 2021/22 actual premiums earned reflect the Relief Rebate of $396 million to eligible ICBC customers.
[3] Premiums earned are net of mid-term changes and cancellation refunds.
[4] Balances presented at year end as of March 31, 2021 and March 31, 2022 respectively.

Variance and Trend Analysis

The 2021/22 net income of $2,217 million was $679 million higher than the $1,538 million net income in 2020/21. The year-over-year improvement was primarily due to higher investment income and lower claims costs. Investment income was higher mainly from equity distributions and realized gains during the investment portfolio transition to a new asset mix. Claims costs were lower due to the introduction of Enhanced Care on May 1, 2021, a higher discount rate applied to unpaid claims and favourable results on prior years' injury claims despite increased crashes and the unfavourable Disbursements and Expert Evidence Regulations ruling. At the same time, the reduced claims costs were partially offset by lower premiums earned due to the transition to Enhanced Care. These impacts contributed to the bottom line year-over-year improvement.

The current year's net income was $2,063 million higher than the budgeted net income of $154 million. This was mainly due to lower claims costs as a result of a higher discount rate and favourable results on prior years' injury claims, and the aforementioned higher investment income, partially offset by lower premiums earned.

Premiums earned

Premiums earned totalled $4,784 million in 2021/22, which was $593 million lower compared to 2020/21. Consistent with expectations, this was mainly due to the transition to Enhanced Care. Lower premiums were the result of removing a large amount of claims costs from the system, leading to Basic and Optional rate reductions in 2021. Without the Relief Rebate of $396 million in 2021/22 and COVID-19 rebates of $950 million in 2020/21, premiums earned would have been higher in both fiscal years, resulting in an even larger decrease compared to premiums earned in the previous year.

Premiums earned was $301 million lower than budgeted primarily due to the Relief Rebate approved in March 2022. Without the Relief Rebate, premiums earned would be higher than budgeted.

Service fees and other

Service fees and other are primarily comprised of interest and other fees received from policyholders who have chosen to finance their insurance premiums over the policy period.

Service fees and other income were lower than last year due to lower premium revenues.

Service fees and other income were slightly higher than budgeted as premiums earned were also higher than budgeted, prior to the Relief Rebate.

Claims costs

The cost of claims, also referred to as claims-incurred costs, is affected by the growth in the number of policies, the likelihood of having a claim (frequency) and the average expected costs to settle those claims (severity). Factors influencing frequency include driving and claimant behaviour, driver experience, weather, pandemic events, the effectiveness of road safety and loss management programs, and the increasing number of new vehicles with advanced safety features. Factors influencing severity include legal representation, litigation, settlement awards, legal fees, medical inflation, vehicle parts and repair inflation, and various investigative costs.

The cost of claims incurred accounts for the majority of ICBC's total costs. Claims-incurred costs are comprised of the expected costs to settle claims for all crashes that have occurred during the fiscal period, regardless of when the crash was reported to ICBC, and the change in estimates for losses that occurred in prior periods. Claims-incurred costs include payments made to settle claims, adjusters' case reserves and actuarial estimates of the additional costs that will be paid on current claims and future claims.

Estimating how much claims will cost in the future involves predicting the future behaviour of incurred claims, taking into consideration the following:

- Changes to the insurance product
- Closure rates, payment patterns and inflation
- Consistency of ICBC's claims-handling procedures
- The legal representation status of claims
- Historical delays in claims reporting

In general, the more time required to settle a group of claims, the less certain their estimates will be. Adjustments to the prior periods' claims reserves are due to the re-estimation of future payments for claims incurred in prior periods that are in progress and for those that are not yet reported. As time passes, more claims are paid and more information becomes available, refining the estimate of the remaining future claims payments.

The provision for claims occurring in the current year, or current-year claims costs, is reflective of claims under Enhanced Care on May 1, 2021, and the April 1, 2019 minor injury cap product for the month of April 2021. Estimated changes for losses that occurred in prior periods reflect a combination of claims under the April 1, 2019 minor injury cap product and claims under the pre-April 1, 2019 legal-based product.

While early experience shows that Enhanced Care is on track to deliver the expected savings of $1.5 billion annually, the majority of claims costs remains unpaid and so there is a high level of uncertainty in the claims cost estimates. One of the key uncertainties is inflation. Inflationary pressures are expected to increase health-care costs, wage loss payments and vehicle repair costs, all of which would create upward impacts on claims costs.

Overall, 2021/22 net claims-incurred costs of $2,492 million were $849 million lower than the claims costs incurred in 2020/21. The major contributing factors were the increase in discount rate and a reduction in the amount reserved for future claims handling costs. Excluding these factors, incurred losses for 2021/22 was comparable to 2020/21. Although Enhanced Care lowers the injury claims costs incurred in 2021/22, the corresponding 2020/21 claims costs were particularly low as a result of fewer crashes occurring during the COVID-19 pandemic.

Net claims-incurred costs were also $1,346 million lower than the budgeted $3,838 million. There was also a favourable difference of $1,017 million in current year claims costs, which was mainly due to the increase in discount rate, the reduction in the amount reserved for future claims handling costs and a favourable difference of $329 million in prior years' claims adjustments.

Prior years' claims adjustments were better than budgeted mainly due to a higher discount rate and lower-than-expected bodily injury claims severities. The April 2019 product reform has so far lowered claims costs, including a favourable impact from the decision by the BC Court of Appeal. The decision allowed the expanded jurisdiction of the CRT over motor vehicle claims for minor injuries under the vehicle insurance system in place for injuries arising between April 1, 2019 and April 30, 2021. The decision overturns a previous judgement that found the CRT jurisdiction over these claims to be unconstitutional.

On July 8, 2022, the BC Supreme Court ruled the Disbursements and Expert Evidence Regulations as unconstitutional, which places restrictions on recovery of disbursements in vehicle injury actions at 6 percent of a settlement or court award. As a result of this decision, ICBC has included no savings in the provision for unpaid claims and has a negative impact on claims costs. On July 12, 2022, the Attorney General of BC filed a notice to appeal. At this stage of the proceeding the financial impact cannot be determined and can vary depending on the outcome.

$ millions	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Net Claims-Incurred Costs	**5,647**	**6,529**	**5,908**	**3,341**	**2,492**
Injury	3,902	4,854	4,327	2,002	824
Current year claims	3,334	3,498	2,986	2,110	1,482
Prior years adjustments	511	1,225	1,216	(357)	(385)
Change in claims handling costs reserves	57	131	125	249	(273)
Material Damage and Other	1,745	1,675	1,581	1,339	1,668
Current year claims	1,690	1,668	1,614	1,346	1,718
Prior years adjustments	52	(4)	(36)	(10)	(45)
Change in claims handling costs reserves	3	11	3	3	(5)

Data Source: ICBC financial systems

Injury claims

Current year injury claims, comprised of bodily injury claims and accident benefit claims, account for approximately 50 percent of current year claims-incurred costs in 2021/22. Injury claims include amounts for medical costs and future care, past and future wage loss, and external claims handling expenses. Injury claims in the legal-based system include compensation for pain and suffering, while injury claims in the Enhanced Care system include compensation for permanent impairments. Overall, the total cost of current-year injury claims has decreased in 2021/22 compared to 2020/21 primarily due to the implementation of Enhanced Care, including the reduction in the cost of litigation. The shift to a care-based model means more costs will be incurred under accident benefits, reducing bodily injury costs, which accounted for over 90 percent of injury claims costs prior to 2019/20.

$ millions	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Current Year Injury Claims Incurred (major categories)	**3,334**	**3,498**	**2,986**	**2,110**	**1,482**
Bodily Injury	3,114	3,162	2,420	1,728	223
Accident & Death Benefits	220	336	566	382	1,259

Data Source: ICBC financial systems

Material damage (non-injury) claims

Material damage claims are largely categorized into property or Basic vehicle damage, collision, comprehensive and windshield claims. Overall, the total cost of current-year material damage claims was higher than 2021/22 as a result of claims frequency returning to a more normal level from the lows seen in 2020/21, as well as increasing costs to repair or replace damaged vehicles.

$ millions	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Current Year Material Damage Claims Incurred (major categories)	**1,690**	**1,668**	**1,614**	**1,346**	**1,718**
Property damage	674	643	611	455	626
Collision	583	612	583	492	677
Comprehensive	198	195	202	196	239
Windshield	100	98	99	101	126
Other	135	120	119	102	50

Data Source: ICBC financial systems

Provision for unpaid claims

The provision for unpaid claims is the largest liability on the consolidated statement of financial position. It is an estimate of future claims payments relating to claims that have already occurred. The adequacy of this unpaid claims liability is reviewed and adjusted periodically throughout the fiscal year based on revised actuarial estimates, which include a provision for adverse deviations (see note 2d to the consolidated financial statements).

The provision for unpaid claims as at March 31, 2022 was $13,704 million; however, estimates for future payments can change significantly due to the time frame in which certain types of claims are settled, which can be over a number of years. The provision for unpaid bodily injury and accident benefits claims account for approximately 90 percent of total unpaid claims costs. As illustrated in the table below, only a small percentage of bodily injury and enhanced accident benefits claims costs are paid and known in the first year of the claim’s occurrence, with a greater portion of the costs being an estimate of claims costs payable in future years.

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6
Breakdown of Bodily Injury Costs (%) (typical accident year)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Paid	6%	10%	14%	26%	43%	66%
Unpaid	94%	90%	86%	74%	57%	34%

Data Source: ICBC financial system

	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	End of Year 6
Breakdown of Enhanced Accident Benefits Costs (%) (typical accident year)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Paid	15%	31%	38%	43%	46%	48%
Unpaid	85%	69%	62%	57%	54%	52%

Data Source: ICBC financial systems

ICBC commissions an external actuary to provide an independent assessment of the provision for unpaid claims. As part of the annual audit of the financial results, the external auditor's actuary also reviews the adequacy of the unpaid claims reserves in the context of the consolidated financial statements.

ICBC earns investment income on funds set aside for unpaid claims from the premiums that are collected for the related policies. Investment income is earned until the claims are ultimately paid. In accordance with accepted actuarial practice in Canada, ICBC reports the provision for unpaid claims on a discounted basis to reflect the time value of money. The discounted amount takes into account the expected timing of future payments related to unpaid claims (see note 15 to the consolidated financial statements). The discount rate is based on the expected return of ICBC's current investment portfolio. An increase in the discount rate applied to claims costs will reduce the unpaid claims balance while a decrease in the discount rate will increase the unpaid claims balance. As of March 31, 2022, the discount rate of 3.7 percent increased by 121 basis points from the prior period's discount rate of 2.5 percent, resulting in a decrease to the unpaid claims balance.

Road safety and loss management

In 2021/22, ICBC invested $55 million in road safety initiatives and loss management programs, which include auto crime and fraud prevention, investigation and detection to help reduce claims costs.

Using a safe systems approach, ICBC targets its road safety investments on the major risks that impact customers and costs, including distractions, high-risk driving, impaired driving and vulnerable road users. Over the past year, ICBC worked with partners throughout the province to deliver road safety programs that help protect customers from risks on the road by reducing the frequency and impact of crashes and crime.

ICBC continued to support enhanced enforcement initiatives through a funding agreement with the Ministry of Public Safety and Solicitor General. In 2021/22, ICBC invested approximately $26 million in enhanced enforcement such as CounterAttack, distracted driving, speed enforcement and seat belt checks. ICBC also invested in public education, awareness and community initiatives to help change driver behaviours. It combats fraud through deterrence, detection, enforcement and prevention efforts, and continues work to ensure fraudulent claims are detected in a timely manner and managed appropriately. ICBC works collaboratively between all business areas that identify and investigate fraudulent claims to reduce overall claims costs.

Operating expenses

Operating expenses include employee compensation and other expenses required to operate the insurance and non-insurance businesses (which consist of expenses for administering driver licenses, vehicle registration and licensing) with the exception of claims payments, commissions and premium taxes. In 2021/22, ICBC continued to manage its controllable operating expenses while transitioning to Enhanced Care on May 1, 2021.

In 2021/22, operating expenses increased to $931 million compared to $837 million in 2020/21. This is mainly due to a return to pre-COVID-19 levels in claims and claims-related areas. In addition, an increase in demand for driver licensing services to address the backlog of driver knowledge and road tests resulted in higher average full-time equivalents (FTEs) and related costs. Additionally, 2021/22 compensation increased for unionized employees as negotiated under the Collective Agreement, and pension expenses were higher than prior years due to a lower discount rate compared to prior year.

Operating expenses in 2021/22 were lower than budgeted due to fewer FTEs and related costs. Fewer overall FTEs were mainly the result of recruitment challenges. Costs incurred for the implementation of Enhanced Care were lower due to the refinement of estimates, as well as savings from continuing COVID-19 impacts resulting from supply chain issues and resource constraints. Additionally, pension expenses were lower than budgeted due to a higher than planned discount rate for pension liabilities.

Included in total operating expenses are non-insurance operating expenses of $124 million, primarily funded from Basic insurance premiums.

$ millions	2020/21 Actual	2021/22 Budget	2021/22 Actual
Operating Expenses	**837**	**1,011**	**931**
Claims related costs	446	552	504
Insurance	284	329	303
Non-Insurance	107	130	124

Below is a table of total operating expenses by nature:

$ millions	2020/21 Actual	2021/22 Budget	2021/22 Actual
Operating Expenses by Nature	**837**	**1,011**	**931**
Employee benefit expense	525	659	598
Professional, administrative and other	202	219	206
Depreciation and amortization	79	98	93
Road improvements and other traffic safety programs	31	35	34

Acquisition costs

Acquisition costs represent the amounts paid to brokers and appointed agents for the sale of ICBC's insurance products and the administration of driver and vehicle licensing transactions. Acquisition costs also include premium taxes (4.4 percent of premiums) collected and paid to the provincial government.

Consistent with the recognition of premium revenue earned over the duration of the policy, premium acquisition costs are deferred and amortized as expense on a similar basis. When future claims and related expenses, after consideration of investment income, are expected to exceed unearned premiums, the deferred premiums acquisition costs (DPAC) are written down and a premium deficiency liability is recognized. Conversely, where there has been a previous premium deficiency, a positive adjustment is made to eliminate the premium deficiency when unearned premiums are expected to exceed future claims and related expenses. As at March 31, 2022, the net Corporate DPAC asset was $285 million (see notes 19 and 20 in the accompanying consolidated financial statements).

Acquisition costs (including non-insurance commissions) of $691 million were lower than the prior year. This was mainly due to lower premiums this fiscal year resulting from the transition to Enhanced Care.

Acquisition costs were $13 million higher than planned primarily due to Optional premiums being higher than planned.

Investments

ICBC has an investment portfolio with a carrying value of $20.5 billion, which represented 87 percent of the corporation's total assets as at March 31, 2022.

Funds available for investment purposes come primarily from the premiums collected and set aside for unpaid claims. ICBC maintains an investment portfolio with significant allocation to high-quality fixed income securities.

As at March 31, 2022, 57 percent of the carrying value of the portfolio took the form of corporate and government bonds, bond funds, money market securities and mortgage instruments, while 43 percent of the portfolio was invested in equity and alternative investments (real estate, mezzanine debt and infrastructure investments).

Investment income

In 2021/22, investment income was $1,418 million. This was higher than the investment income in the prior year mainly due to higher equity distributions, equity gains triggered from transition of the investment portfolio to the new asset mix and from regular trading activities. Overall, these results equated to an accounting investment return of 7.0 percent in 2021/22 (compared to 5.1 percent in 2020/21) based on the average investment balance during the period on a cost basis.

Investment income was higher than budgeted primarily due to reasons discussed previously.

Equity

At March 31, 2022, ICBC's total equity was $3,715 million, which is an improvement from an equity of $1,867 million as at March 31, 2021. This improvement is primarily due to the positive net income in this fiscal year and prior year. Equity has historically helped to absorb significant unexpected increases in claims costs and volatility in the financial markets.

As at March 31, 2022, ICBC had a net unrealized loss of $133 million in other components of equity that comprised of $388 million in unrealized gains and $521 million in unrealized losses. The unrealized gains and losses included in other components of equity reflect the changes in fair value for bonds and equities and the realization of gains and losses during the year.

The adequacy of equity or capital base is an important factor in assessing the financial stability of an insurance company and is closely monitored by regulators. For federally regulated insurance companies, the common industry method used to measure financial stability is the Minimum Capital Test (MCT) ratio, an Office of the Superintendent of Financial Institutions (OSFI) risk-based capital adequacy framework, which assesses assets, policy liabilities and other potential liabilities to determine appropriate capital levels. Although ICBC is not federally regulated, prior to fiscal 2021, legislation and regulation required ICBC to use the OSFI MCT framework to set capital targets. During fiscal 2021, the government passed legislation to remove ICBC's requirements to set the Optional insurance management target and to transfer excess optional capital to government, thereby retaining capital for the benefit of customers. As such, ICBC is only required to set the Basic insurance capital target using OSFI's MCT framework.

As at March 31, 2022, ICBC's corporate MCT level of 99 percent was higher than the prior year primarily due to the improvement in net income. However, the MCT level is still lower than the approved targets mainly due to cumulative net losses from fiscal years prior to 2020/21. For further information on the Basic insurance and Optional insurance capital framework, please refer to notes 10, 22 and 24 in the accompanying consolidated financial statements.

Basic and Optional insurance operations

ICBC operates as an integrated company providing Basic and Optional insurance products and services. Integrated operations provide benefits to ICBC's customers, such as ease of service and savings achieved through economies of scale.

The majority of premium revenues and claims costs are specifically identifiable as Basic or Optional; however, certain costs are not tracked separately. For those costs that are not specifically identified as Basic or Optional, a financial allocation methodology, as approved by the British Columbia Utilities Commission (BCUC), is used to allocate costs between these two lines of business. Detailed financial information on Basic and Optional lines of business is included in note 24 in the accompanying consolidated financial statements. The following paragraphs provide a high-level summary of results for Basic and Optional lines of business, while the balance of the annual report discusses results of integrated operations.

The Basic insurance business this fiscal year recorded a net income of $1,302 million. The Basic net income was higher than in the prior year mainly due to lower claims costs and higher investment income, which were partially offset by lower premiums earned.

In 2021/22, the Optional insurance business net income was $915 million, which was higher than the prior year for reasons as stated above.

Risks and Uncertainties

ICBC is committed to adopting an effective enterprise risk management approach to properly oversee its risk exposure, reduce possible negative outcomes and contribute to the sound execution of its mandate, delivery of strategic priorities and quality of business operations across the organization.

The company employs an Enterprise Risk Management Framework ("Framework") to manage all risk management activities. The Framework, approved by the Board, provides a structural and standard way for ICBC to manage its risk at all levels and support the risk culture with a focus on active risk management in a supportive and collaborative way.

Risk management governance is established in the Framework which sets out the oversight of risks by the Board and Risk Committee formed by the Executive Leadership Team. The company adopts a Three Lines of Defense model to embed risk management at all levels with defined roles and responsibilities. The first line of defense, management and staff, has the ultimate ownership for risk and controls. The second line of defense, enterprise risk management, provides oversight of risks by reviewing, challenging and providing recommendations to ensure risk management is adequate and effective. The third line of defense, internal audit, assures the management of risk is reviewed independently.

The Framework defines risk management processes that allow ICBC to focus on significant adverse risks that are identified. The risk and control assessment activities are comprised of risk identification, risk analysis and risk treatment. Risks are identified through the standard Risk Taxonomy to ensure a comprehensive review on all potential risk areas. All identified key risks are analyzed quantitatively or qualitatively by the Risk Prioritization Matrix which provides consistent evaluation criteria based on risk impacts. The process of risk treatment includes formulation of risk mitigations and risk escalation or acceptance to ensure appropriate actions are taken to manage risk exposure within approved risk appetite. The Framework also provides risk visibility through other risk management tools including significant incident management and executive key risk indicators.

ICBC is exposed to a variety of evolving internal and external events which can have an impact on the company's overall risk profile and potentially alter the delivery of strategic and operational priorities. The company is taking a proactive approach in identifying, managing and monitoring its top and emerging risks exposures. On a semi-annual basis, senior leaders and executives identify the top and emerging risks to the organization and monitor these risks on a regular basis. The exercise involves the identification and ranking of risks as well as documentation of management actions to manage and mitigate those risk exposures.

Major Capital Projects

Major Capital Projects (over $50 million)	Year of Completion	Project Cost to March 31, 2022 ($m)	Estimated Cost to Complete ($m)	Total Cost ($m)
Enhanced Care program	2021/22	91	0	91
Description: This new way of providing auto insurance in B.C. built on previous reforms but also helped address the outstanding issue of high legal costs in order to achieve affordable insurance premiums for British Columbians. Among the suite of changes, Enhanced Care dramatically expanded care and treatment coverage for anyone injured in a crash by providing access to comprehensive accident benefits designed to cover all of the injured parties' needs; expanded coverage to all B.C. residents involved in accidents that arise from the use of a vehicle in B.C., Canada, or the US; and introduced direct compensation for property damage to align with the move away from a modified tort system. Enhanced Care program was implemented on May 1, 2021.				