



Financial Summary – September 2020

Financial Results

ICBC's corporate net income for the second quarter, which ended September 30, 2020, was \$394 million, of which \$383 million was attributed to ICBC and \$11 million was attributed to non-controlling interest.

ICBC has revised its year-end net income forecast to \$410 million, an increase of \$324 million from the Service Plan year-end net income forecast of \$86 million.

The increase is largely attributed to a reduction in claims costs as a result of changes in driving behaviour stemming from the COVID-19 pandemic. During the early stages of the pandemic in April, May and June, British Columbians were encouraged to avoid travel between communities unless essential. This led to fewer vehicles on BC roads, leading to fewer crashes and fewer claims filed by ICBC customers, resulting in a favourable impact on current year claims costs.

At the end of June, the province relaxed the restrictions, and through the months of July, August and September, more drivers returned to traveling on BC roads. Accordingly, claims intake increased during this time, although they were still below historical norms.

The product reform implemented in April 2019 that introduced a limit on pain and suffering payouts for minor injuries and expanded the scope of the Civil Resolution Tribunal for certain ICBC claim disputes continues to reduce claims costs and provide financial stability.

Premium revenue through the first six months of ICBC's fiscal year has been influenced by drivers making changes due to the pandemic such as cancelling policies or reducing insurance coverage. After experiencing lower premium revenue than expected through Q1, premium revenue increased moderately at the end of Q2, closer to normal trend.

ICBC's higher investment income compared to the same period last year is mainly due to lower interest rates leading to the realization of bond gains through trading activities and the disposition of investment properties.

The positive bottom line result of \$394 million net income and the improvement in the investment markets have improved ICBC's equity on the statement of financial position by \$1.3 billion; turning from a \$0.5 billion deficit position at 2019/20 fiscal year-end to a \$0.8 billion surplus position at the end of Q2 fiscal 2020/21.

Despite the positive signs emerging from ICBC's Q2 results, the corporation is monitoring several underlying risks to its financial situation. More and more drivers are returning to the roads, which could result in an increase in claims through the rest of the fiscal year. Claims from crashes that occurred before the April 2019 product reform continue to be a concern, representing roughly \$10 billion in open

claims. ICBC is also awaiting a decision on the constitutional challenge currently before the BC Supreme Court contesting the reform which represents a significant amount of uncertainty.

While ICBC continues to prudently monitor its investment portfolio, global investment markets remain volatile, adding uncertainty to ICBC's investment income forecasts. ICBC's capital levels are also still recovering after being severely depleted from consecutive years of billion dollar losses.

ICBC's Minimum Capital Test ratio is higher than last year primarily due to the recovery of the financial markets from COVID-19 since our previous year-end. ICBC's Minimum Capital Test ratio continues to be low, which impacts the ability to absorb any unanticipated adverse impacts.

ICBC continues to have a stable and low expense ratio.



Statement of Operations

For the Six Months Ended September 30, 2020 and 2019¹

(\$ Millions)	Basic		Optional		Corporate	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Premiums written	\$ 1,898	\$ 1,978	\$ 1,631	\$ 1,503	\$ 3,529	\$ 3,481
Premiums earned	1,769	1,812	1,422	1,368	3,191	3,180
Service fees and other income	39	43	30	29	69	72
Total earned revenues	1,808	1,855	1,452	1,397	3,260	3,252
Current year claims	1,447	1,505	907	1,000	2,354	2,505
Prior years' claims adjustments	38	259	61	60	99	319
Net claims incurred	1,485	1,764	968	1,060	2,453	2,824
Claims services, road safety and loss management services	143	151	70	74	213	225
Total claims and related costs	1,628	1,915	1,038	1,134	2,666	3,049
Administrative and Insurance expenses	63	64	80	86	143	150
Premium taxes and commissions	112	116	291	271	403	387
Deferred premium acquisition costs adjustment	-	(34)	-	-	-	(34)
Total claims and expenses	1,803	2,061	1,409	1,491	3,212	3,552
Underwriting income (loss)	5	(206)	43	(94)	48	(300)
Investment income	289	204	127	83	416	287
Income (loss) - insurance operations before impairment loss	294	(2)	170	(11)	464	(13)
Provincial licences and fines	300	328	-	-	300	328
Less:						
Licences and fines transferable to the Province	300	328	-	-	300	328
Non-insurance operating expenses	49	54	-	-	49	54
Commissions	16	15	-	-	16	15
Non-insurance other income	(1)	(4)	-	-	(1)	(4)
Total non-insurance expenses	364	393	-	-	364	393
Loss - non-insurance operations	(64)	(65)	-	-	(64)	(65)
Net income (loss) before impairment loss	230	(67)	170	(11)	400	(78)
Impairment loss	(4)	(6)	(2)	(3)	(6)	(9)
Net income (loss)	\$ 226	\$ (73)	\$ 168	\$ (14)	\$ 394	\$ (87)
Net income (loss) attributable to:						
Non-controlling interest ²	\$ 8	\$ -	\$ 3	\$ -	\$ 11	\$ -
Parent corporation	218	(73)	165	(14)	383	(87)
	\$ 226	\$ (73)	\$ 168	\$ (14)	\$ 394	\$ (87)
Insurance Industry Ratios						
%	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Loss ratio	92.0	105.6	73.0	83.0	83.5	95.9
Expense ratio	13.6	13.7	25.4	25.2	18.8	18.7
Combined ratio	105.6	117.5	99.1	109.1	102.7	113.9

¹ The financial results are unaudited and contain a number of estimates and assumptions regarding claims costs and savings. Final year end results will be subject to audit.

² Non-controlling interest net income is income that is attributable to the minority shareholder of a joint venture who has no control over decisions. Under IFRS, ICBC, as the parent, has to reflect 100% of the net income and disclose separately the portion related to non-controlling interest.



Statement of Financial Position

As at September 30, 2020¹ and March 31, 2020

(\$ Millions)	September 30 2020	March 31 2020
Assets		
Cash and cash equivalents	\$ 24	\$ 52
Accrued interest	70	69
Assets held for sale	28	216
Financial investments	19,851	17,501
Premium and other receivables	2,226	2,180
Reinsurance assets	30	32
Investment properties	595	610
Property, equipment, intangible and lease assets	446	438
Accrued pension benefits	61	64
Deferred premium acquisition costs and prepaids	446	410
	\$ 23,777	\$ 21,572
Liabilities and Equity (Deficit)		
Liabilities		
Current liabilities	\$ 366	\$ 399
Bond repurchase agreements and investment-related liabilities	2,184	2,406
Unearned premiums and premiums and fees received in advance	3,359	3,037
Lease liabilities	59	54
Pension and post-retirement benefits	228	219
Provision for unpaid claims	16,732	16,004
	22,928	22,119
Equity (Deficit)		
Deficit	(13)	(396)
Other components of equity	855	(165)
Equity (Deficit) attributable to parent corporation	842	(561)
Non-controlling interest	7	14
	849	(547)
	\$ 23,777	\$ 21,572
Minimum Capital Test ("MCT")	18%	-30%

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Glossary – September 2020

Combined ratio

A key measure of overall profitability within the insurance industry. It is the ratio of all costs (claims, claims-related costs, operating expenses, premium taxes and commissions, and deferred premium acquisition costs adjustment) to premiums earned. A lower combined ratio is better.

Current year claims

Current year claims expense is the total costs (paid and expected) to settle claims for all insured losses that have occurred during the current fiscal year, regardless of whether the loss has been reported to ICBC.

Deferred premium acquisition costs ("DPAC") Adjustment

The deferred premium acquisition costs adjustment is an accounting adjustment that limits the amount of commissions and premium taxes that can be deferred and recorded in the income statement over the policy term based on the future profitability. If the business is unprofitable, no deferral of expenses is permitted and these costs must be immediately recognized as expenses. If the business becomes profitable, then this accounting treatment is reversed.

Expense ratio

The ratio of operating expenses (excluding claims costs and claims-related costs), premium taxes and commissions to premiums earned. It excludes the deferred premium acquisition costs adjustment, Rate Affordability Action Plan and Enhanced Care Coverage implementation costs as these are one-off projects. A lower expense ratio is better.

Impairment Loss

An expense arising due to the decline in the value of an asset where the price that a knowledgeable third party is willing to pay for such asset is below cost.

Loss ratio

The loss ratio is an industry measure of claims and claims-related costs (claims services, road safety and loss management services) to premiums earned. The lower the percentage, the more profitable the product is.

Minimum Capital Test ("MCT")

An industry measure used to determine whether a company has sufficient capital levels, commensurate with the risks within its business. The measure is based on guidelines set by the Office of the Superintendent of Financial Institutions.

Non-controlling interest

ICBC's financial reporting standards attribute the total comprehensive income of investment partnerships between the majority and minority partners based on their respective ownership

interests. Non-controlling interest represents the portion of ICBC's net income and assets that are attributable to minority partner.

Prior years' claims adjustments

Prior years' claims adjustments are the change since the prior fiscal year-end in claims cost estimates for losses that occurred in prior fiscal periods.