CAS ANNUAL MEETING
Quebec City

Insurance Corporation of British Columbia: From Then to Now

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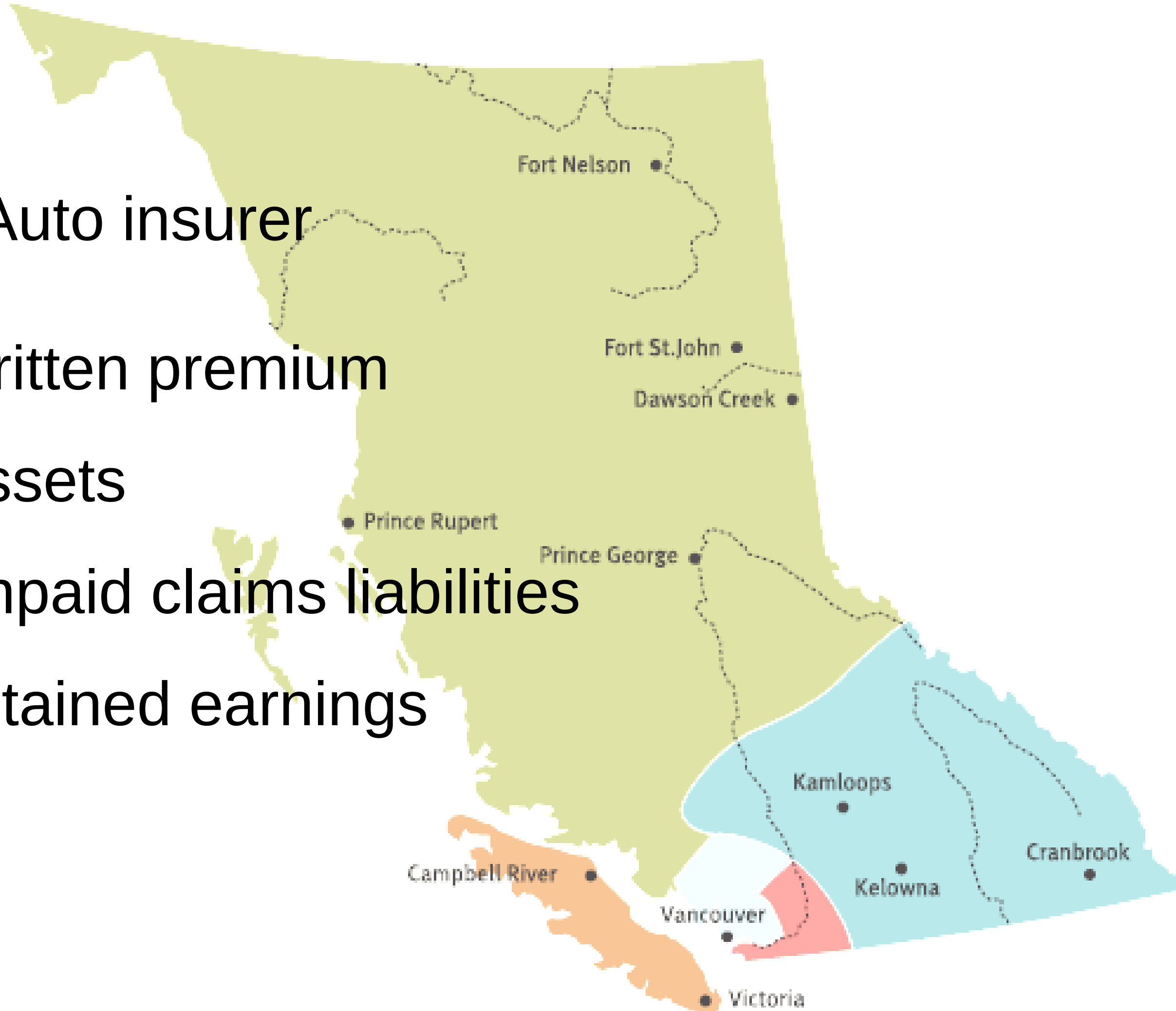
Outline

- ICBC Today
- The Road Traveled
- Products and Services
- Oversight and Regulation
- Actuarial Opportunities and Challenges

ICBC Today

Canada's largest Auto insurer

- $ 3.6 billion in written premium
- $10.9 billion in assets
- $ 5.6 billion in unpaid claims liabilities
- $ 2.2 billion in retained earnings

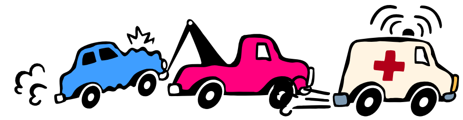


ICBC Service Delivery Network

2007 Highlights

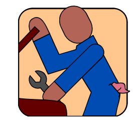
3.1 M (annualized) policies
$3.6 B written premium

900 Independent Brokers
$284 M commission payments



988,000 claims

Road Safety & Loss Management Programs
$ 51 M



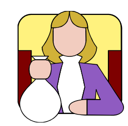
Material damage payments
$ 1.2 B

ICBC

5,000	Employees
40	Claim Centres
21	Driver Service Centres
4	Call Centres

1.1 M DLs **& BC IDs issued & 202,000 road tests**

Injury Payments
$ 1.4 B



Driver & Vehicle Licence Fees & Fines
collected on behalf of Government
$ 518 M

ICBC Products

Integrated Operations

Regulated

Basic coverage

Compulsory insurance coverage

- Third Party Legal Liability
- Accident Benefits
- Underinsured Motorist Protection (UMP)
- Hit & Run & Uninsured Motorists
- Inverse Liability Coverage

Loss Management & Road Safety

- Reduce crashes and auto crime

Non-Insurance Services

- Vehicle and Driver Licensing
- Vehicle Registration
- Government Debt Collection

Competitive

Optional coverage

Vehicle

- Collision
- Comprehensive
- Other

Equipment

- Motor Vehicle Equipment
- Excess Special Equipment
- Motor Home Contracts

Individual

- Extended Third Party Legal Liability
- Excess UMP
- Loss of Use
- Vehicle Travel Protection

Structure of Crown vs. Private

	Crown Corporation	Private Corporation
Shareholders	Government	Investors
Profit margin	To support capital base only	To support capital base and provide investor returns

The Road Traveled

Made-in-BC system, benefiting British Columbians:

- Profits stay in BC to benefit policyholders
- ICBC jobs contribute positively to the BC economy
- Expense efficiencies due to size
- Insurance tied to Licensing reduces the number of uninsured motorists
- Presence across the province
- Partnerships with communities

The Road Traveled

1973 – ICBC is established

1991 – Financial challenges

1996 – No-fault debate

1997 – “Drive to Save Lives”

2001 – Government Core Services Review

2003 – British Columbia Utilities Commission (BCUC) to regulate ICBC

2007 – Bill 93 becomes effective to ensure a “level playing field”

ICBC - Oversight

Oversight and Reporting

ICBC Board

Shareholder's Letter of Expectations

Treasury Board

External Auditor

Appointed Actuary

Select Standing Committee

BC Utilities Commission

Minister of Public Safety and Solicitor General

Auditor General

Controller General

Crown Agencies Secretariat

Strategic Planning

Current Context

Mission, Vision, Goals and Objectives

Corporate Measures and Targets

Corporate Strategies

Business Planning

Line of business strategies and tactics

Line of business measures and targets

Budgeting

Reporting on Performance

Providing information on how well we achieve our objectives and targets

BCUC Rate Regulation

- Per Utilities Commission Act
  - Rates must not be **unjust**, **unreasonable**, **unduly discriminatory** or **unduly preferential**
  - Rates will be determined by hearing, open to all interested parties
  - Rates can be reviewed on ICBC request, BCUC request or interested party request

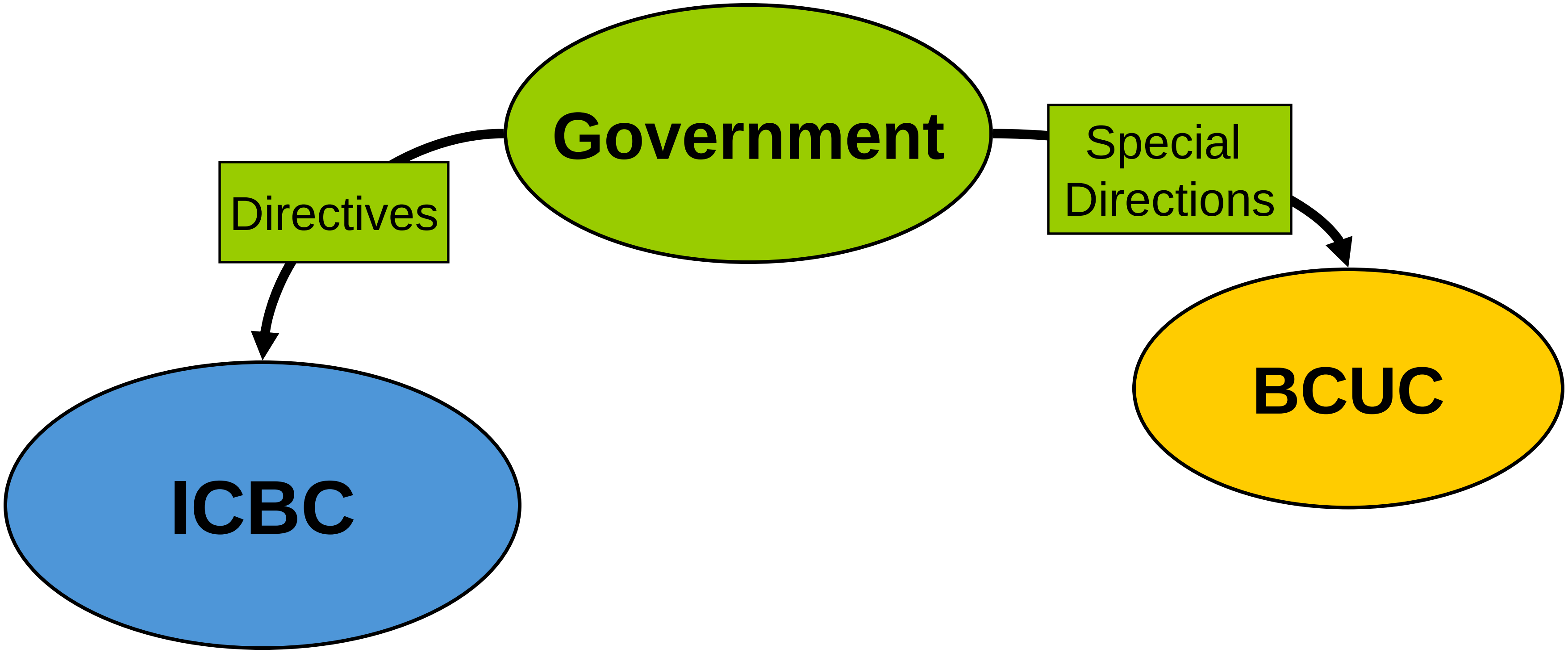
BCUC Process

- “Quasi-judicial”
- Public process
- Interest based

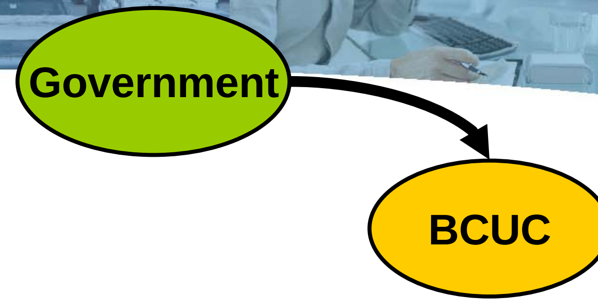
Insurance vs. Utilities

Insurance	Utilities
Risk Classification System	Rate Design
Rate Indications	Revenue Requirements

Regulation of ICBC



Special Direction IC2

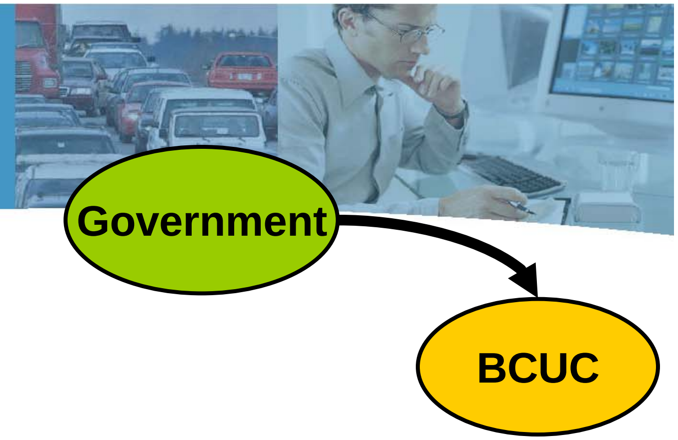


Excerpts from IC2:

3(1)(b)(ii) Commission must set rates in a way that will allow the Corporation to achieve by December 31, 2014 an MCT ratio of at least 100% on its Basic business

3(1)(c) Commission must fix rates on the basis of accepted actuarial practice

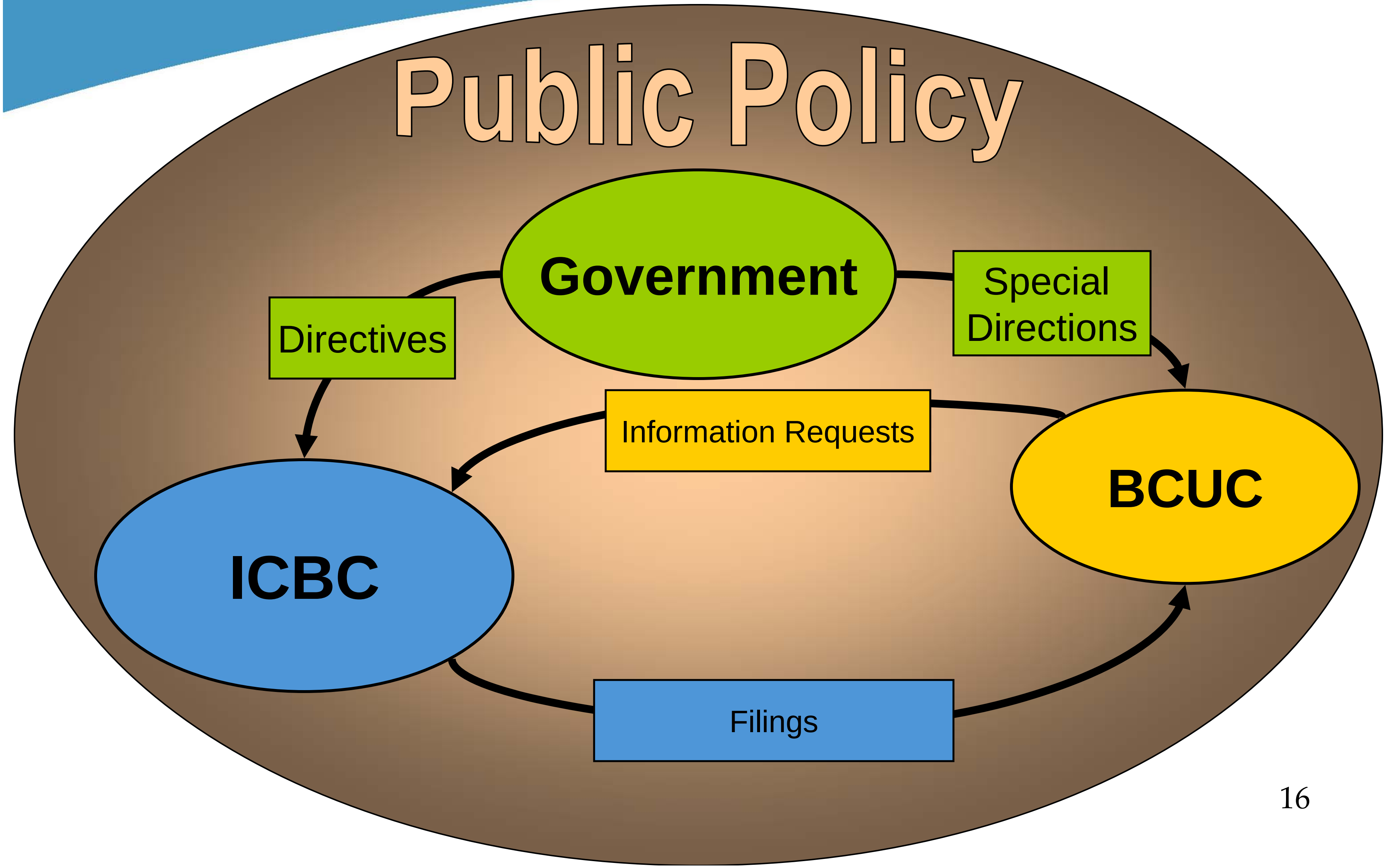
Special Direction IC2



Items in IC2 relating to rate design:

- Rating variables of age, gender and marital status cannot be used in pricing
- Discounts for disabled and seniors are permitted
- Rates are to remain relatively stable and predictable

Regulation of ICBC



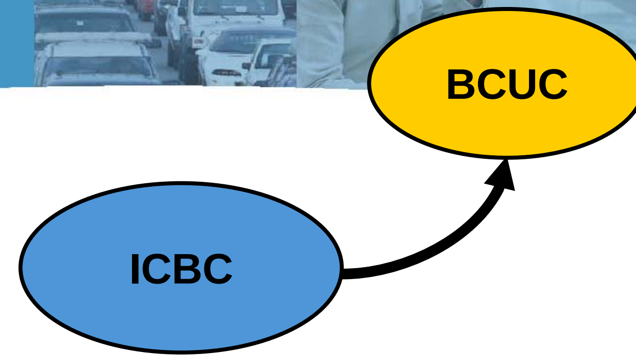
Actuarial Road

	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07
FCAS actuaries	1	1	0	1	1	3	5
ACAS actuaries	0	1	0	0	2	2	5
Analysts	9	8	10	8	8	9	7
Total Actl Staff	10	10	10	9	11	14	17

ICBC's Current Rate Design

- Rate Class
- Territory
- Claim Rated Scale
- Commercial Fleet Plan
- Seniors Discount
- Disability Discount
- Driver Penalty Point Premium
- Multiple Crash Premium

BCUC Applications – Actuarial Highlights



<u>2006 Revenue Requirements Application</u>

- Filed for and received approval of 6.5% overall rate increase
- Filed capital management plan, proposing a management target MCT ratio of 100%

<u>2007 Revenue Requirements Application</u>

- Filed for and received approval of 3.3% overall rate increase
- Filed capital management plan, proposing a management target MCT ratio of 130%

<u>2007 Rate Design Application</u>

- Filed for rate design relativity adjustments
- Introduced Other Operator rating variable
- Introduced Driver Risk Premium program

2007 Revenue Requirements Application

ICBC to raise rates

From D1

The government-owned insurer says it needs to raise basic premiums by 3.3 per cent in late April or early May to offset an estimated three- to four-per-cent increase in the costs of future injury claims. The higher premium translates into an average increase of $21.

At the same time, it wants to reduce rates for optional coverage by an average of 3.8 per cent or $26, although the amount will vary from driver to driver.

Of 2.2 million customers who buy both their basic and optional coverage from ICBC (about 85 per cent of B.C. motorists):

- 1.1 million will see their total rates go down or stay the same (about 275,000 will see rates fall by $20 to $50, and about 290,000 will see decreases of $5 to $20).
- 600,000 will pay between $5 and $20 more.
- 450,000 will pay $20 to $50 more.

ICBC says rate increases are being applied to the basic side of its business, o
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remain low a
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QUESTIONS