

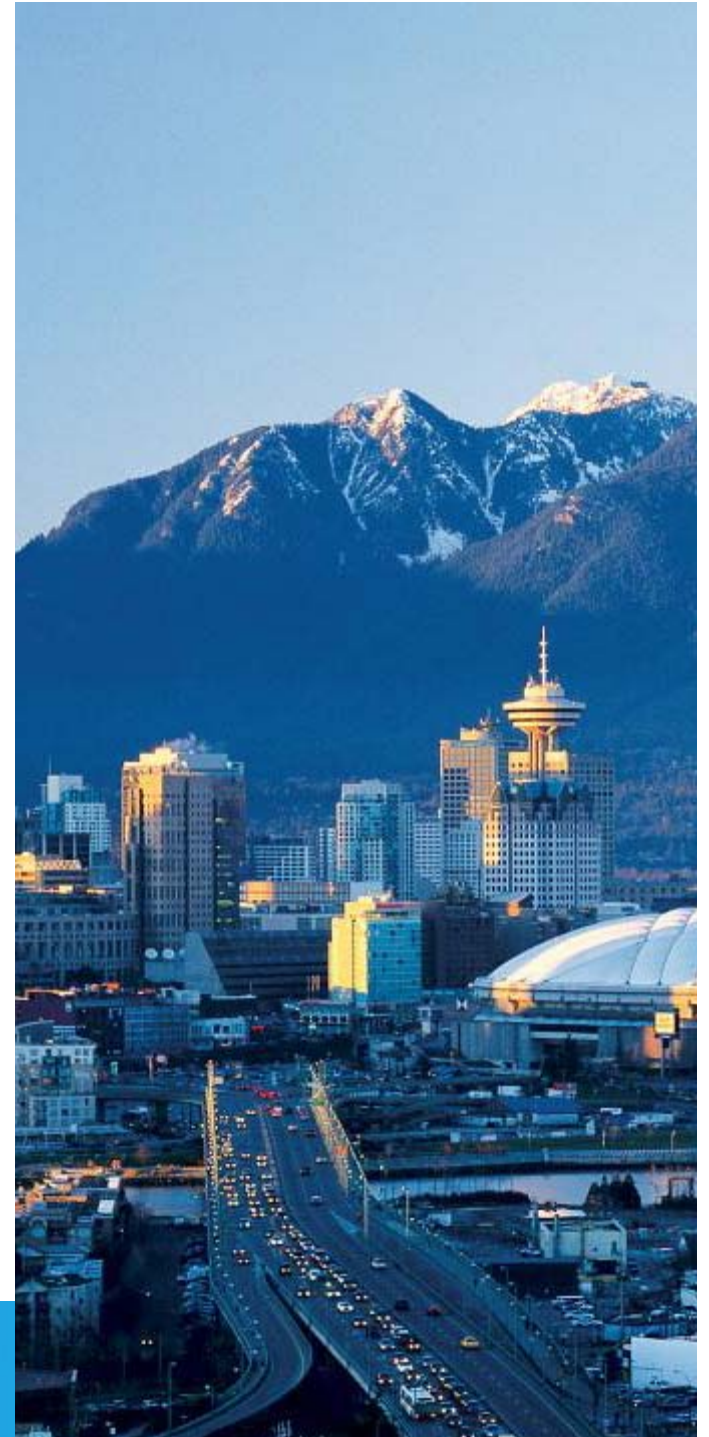


The Benefits of a Crown Corporation

CAS Spring Meeting – May 20, 2013
The Westin Bayshore Vancouver
Vancouver, British Columbia, Canada

Agenda

- Overview
- Road Travelled
- Insurance Landscape
- Benefits
- Challenges
- Final Analysis



Auto Insurance in Canada



What is a Crown?

- What is a Crown corporation?
- What is ICBC?
 - Shareholder Letter of Expectations



Overview of ICBC's operations

2012 highlights



3.4 million customers
\$3.9 B premiums written



900 independent brokers
\$332 M commission & fee payments



915,000 claims



5,187 FTE Employees
38 Claim Centres
21 DL Centres
4 Call Centres



**Road Safety & Loss
Management programs**
\$56 M



**Material damage
payments**
\$1.1 B



Driver & Vehicle License fees & fines
Collected on behalf of government
\$551 M

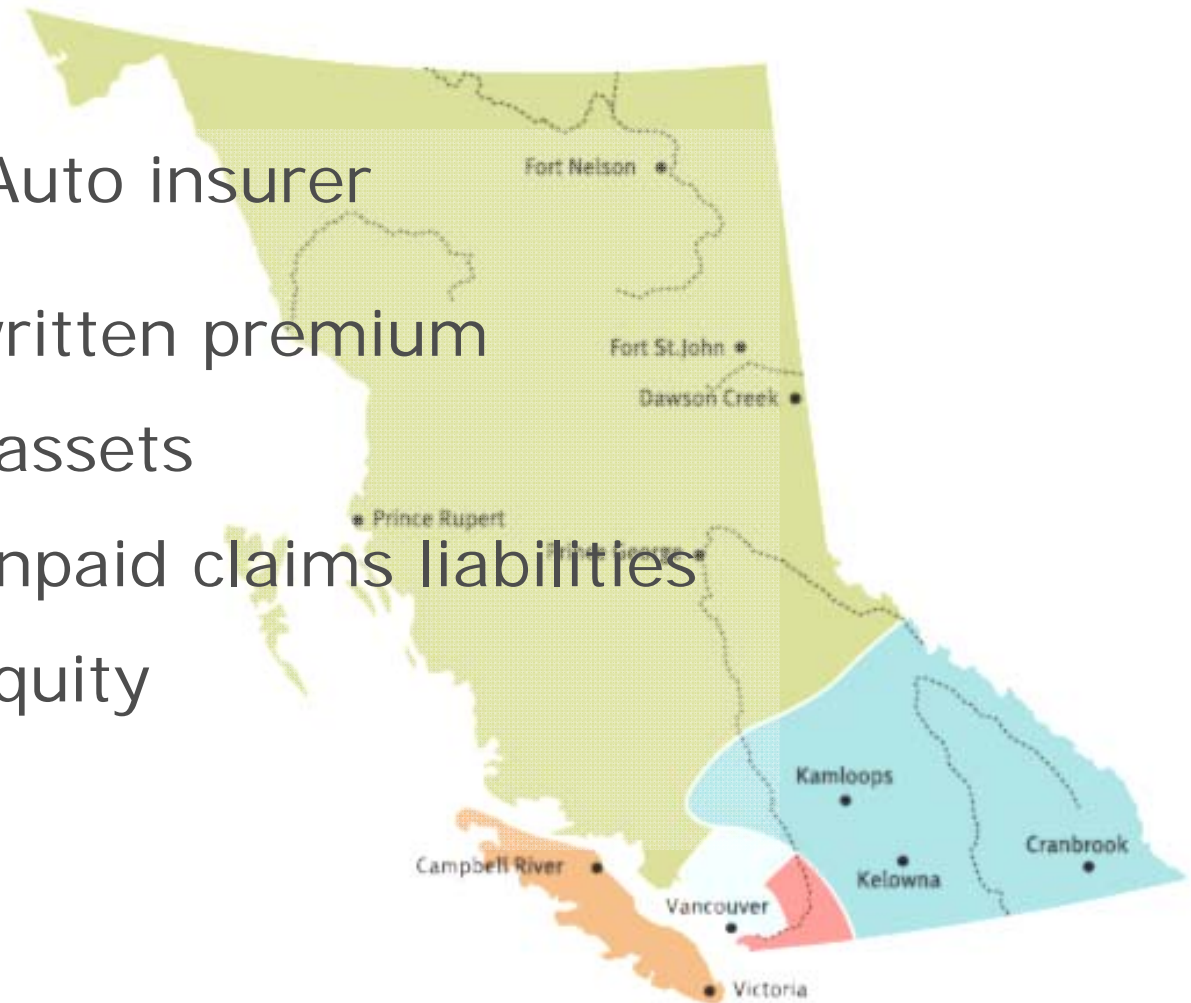


Bodily injury payments
\$1.5 B

ICBC Today

Canada's largest Auto insurer

- \$ 3.9 billion in written premium
- \$ 13.8 billion in assets
- \$ 7.0 billion in unpaid claims liabilities
- \$ 3.2 billion in equity



Compulsory Auto Insurance in BC

ICBC is the sole provider of the “Basic” (compulsory) coverage

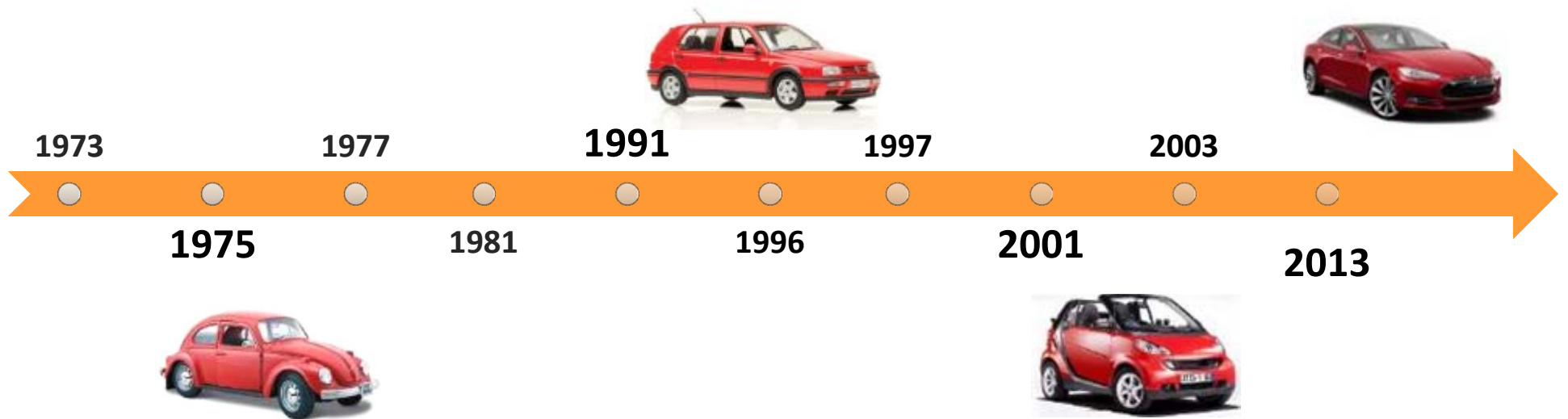
- Coverage includes:
 - \$200,000 – third party liability
 - \$150,000 – medical & rehab per person
 - \$1 million – underinsured motorist per person
- Regulated - rates and financial strength
- No policy forms

Optional Auto Insurance in BC

Open competition for “Optional” (non-compulsory) coverages

- ICBC’s Optional products include:
 - Extended third-party liability – limits up to \$5 M
 - Excess underinsured motorist - limits up to \$2 M
 - Collision
 - Comprehensive
 - Replacement coverage for most new vehicles

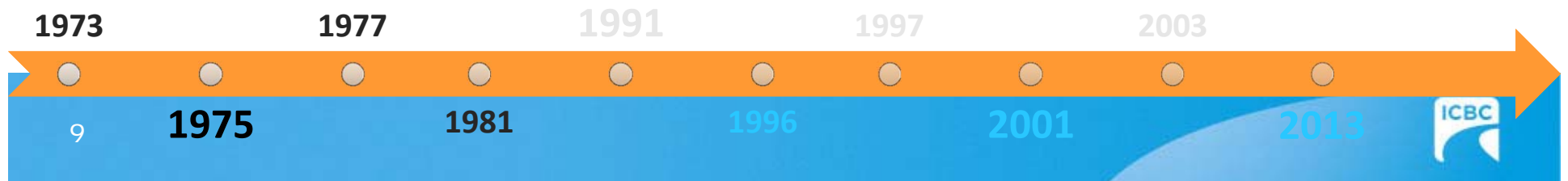
The Road Traveled



The Road Traveled



- 1973** – ICBC is established by “New Democratic Party” (a social-democratic party)
- 1975** – Change in Government to “Social Credit Party” (a conservative party)
- 1977** – Competition on optional coverages allowed
- 1981** – Significant rate pressures



1973

1977

1991

1997

2003

9

1975

1981

1996

2001

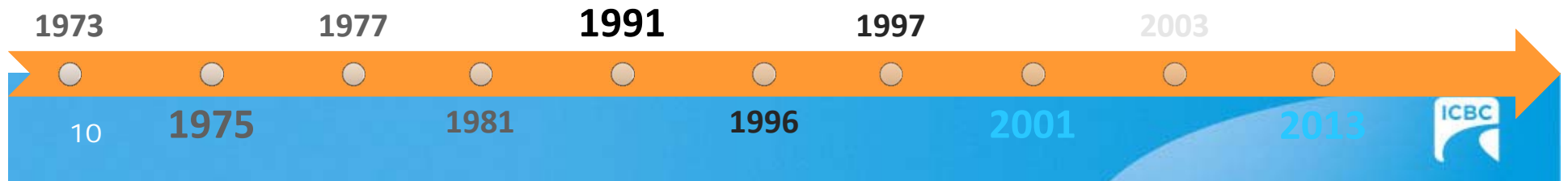
2013



The Road Traveled



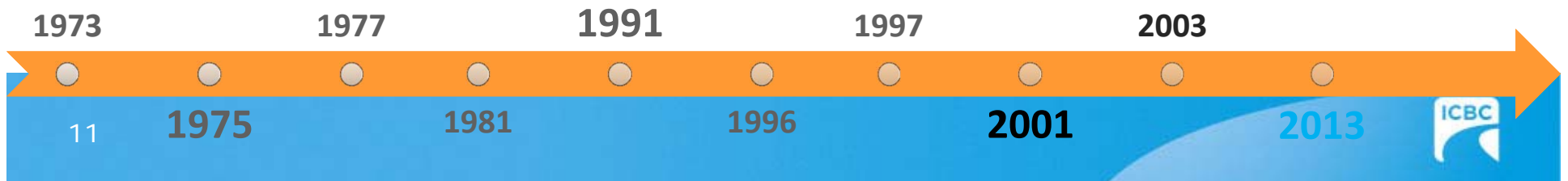
- 1991** – Government changes back to NDP
 - Significant financial challenges to address
- 1996** – ICBC assumes licensing services from Ministry of Transportation
- 1996** – No-fault debate
- 1997** – “Drive to Save Lives” campaign



The Road Traveled



- 2001** – Government changes hands to “Liberals”
(a business friendly party)
 - Government Core Services Review
- 2003** – British Columbia Utilities Commission
(BCUC) named to regulate ICBC

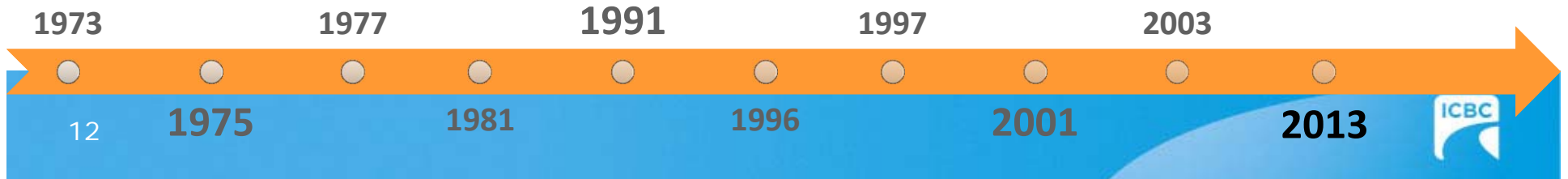


The Road Traveled



2013 – Election Year

- *Change in Government?*
- *Change in Mandate?*



1973

1977

1991

1997

2003

12

1975

1981

1996

2001

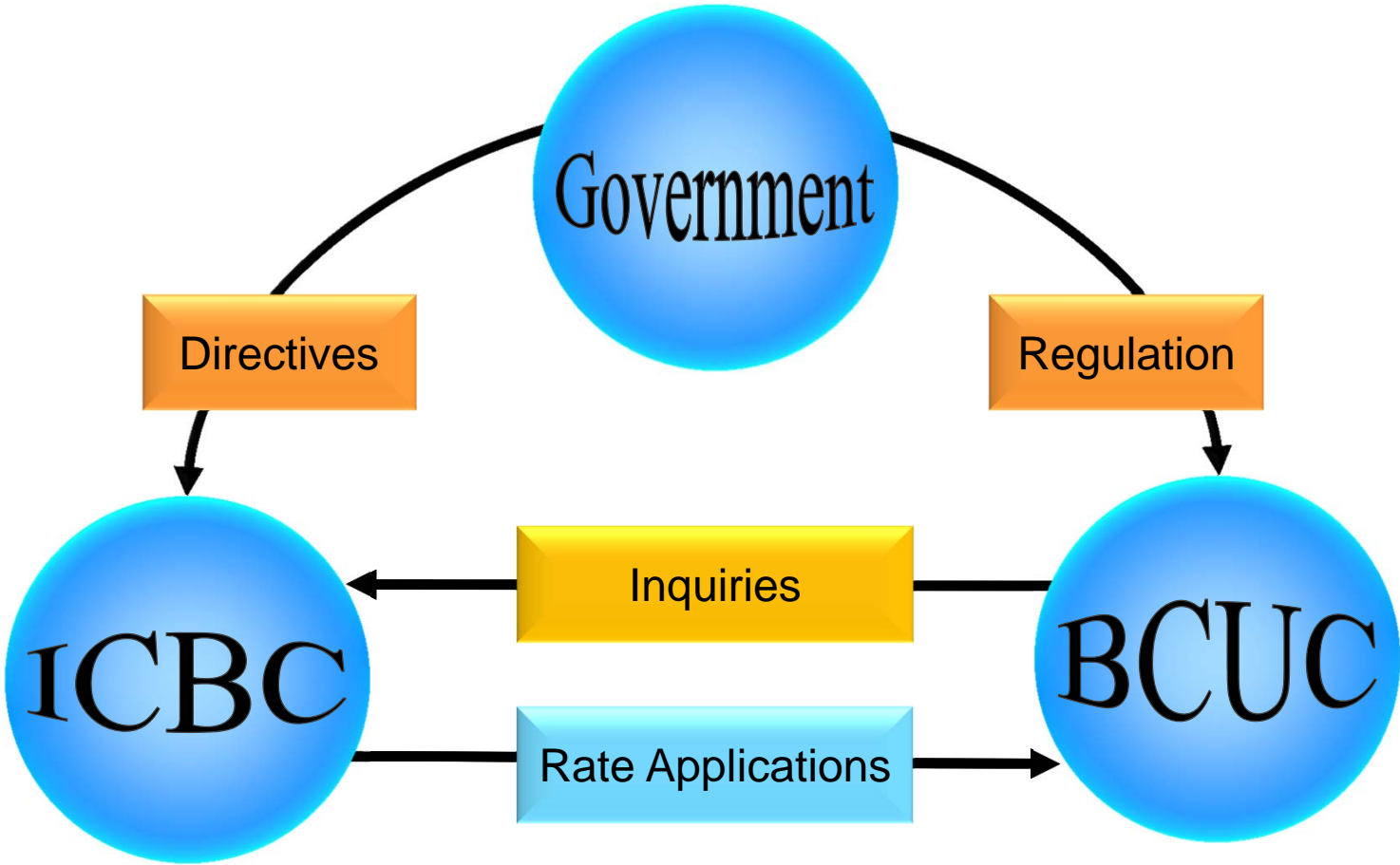
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Insurance Landscape



Regulation of ICBC



Benefits to the Public

- Synergies with other Crowns and governmental Ministries
- Efficiencies and Expertise that come from scale



Evolution of Driver Licensing



- Introduction of Facial Recognition



Synergies with Ministry of Health

The BC Services Card.



Synergies with Police and Courts

Face recognition software OK for nabbing rioters: Watchdog



A Vancouver Canucks fan poses for a photo in front of a burning vehicle at the corner of Georgia and Hamilton streets during the Stanley Cup riot.

Billing Synergies with Other Agencies

ICBC

PREMIUM

- Payplan returns/defaults*
- Driver penalty point premium/Driver risk premium*
- Returned cheques – ICBC/Government*
- Claim rated scale premium*
- Special coverage*
- Multiple Crash premium*
- Invalid refund*

CLAIMS

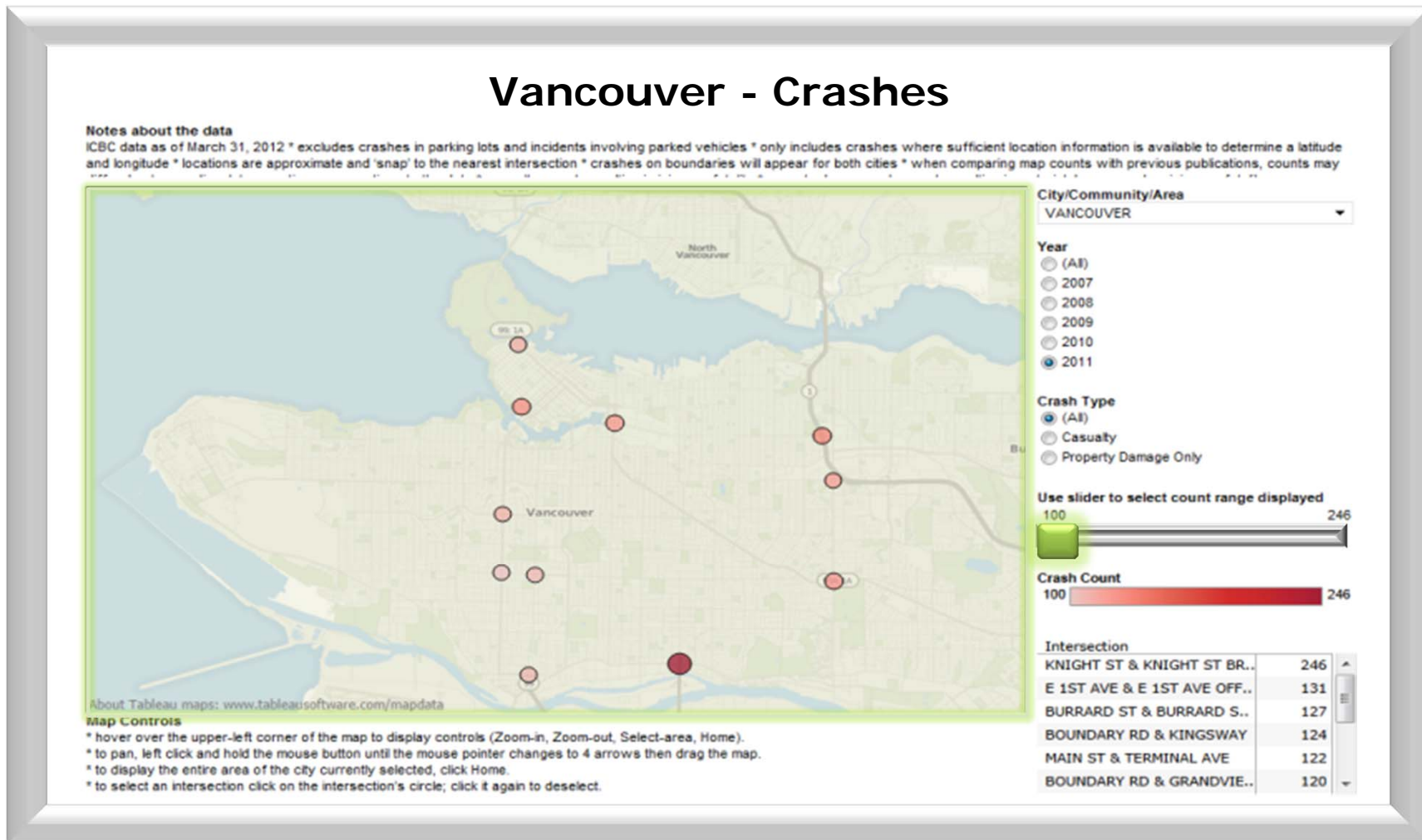
- Third party insurers
- Uninsured
- Subrogation

Government & Other Agencies

- Violation tickets*
- Red light program/Photo radar program*
- Motor vehicle court fines*
- Liquor control act tickets*
- Non-Motor vehicle tickets
- Federal contraventions
- Criminal code fines*
- Family Maintenance program*
- Golden Ears Bridge – Port Mann Bridge – Tolling initiatives*
- Translink Fines*
- Immediate Roadside Prohibition programs (IRP)*

**Refuse to issue drivers licence and vehicle licence*

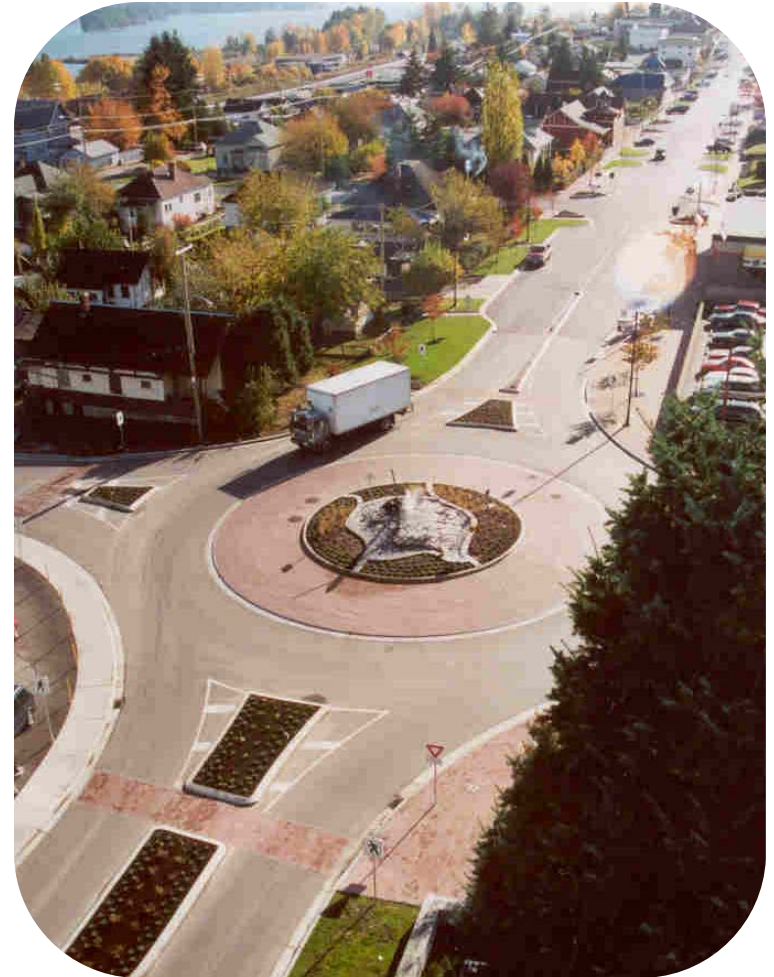
The whole picture can be seen



Synergies with Municipalities

Road Improvement Program

- Partnerships with municipalities and provincial government to make roads safer



Expert Medical Rehabilitation



Expertise with the severely injured

- ICBC’s rehab coordinators and administrators play an active role in the medical and rehab needs of our injured customers

Programs

- Hospital discharge program
- Network of approved service providers
- Development of individual rehab program
- Streamlined delivery of equipment

Challenges

- Managing expectations
- Managing competing public policy objectives

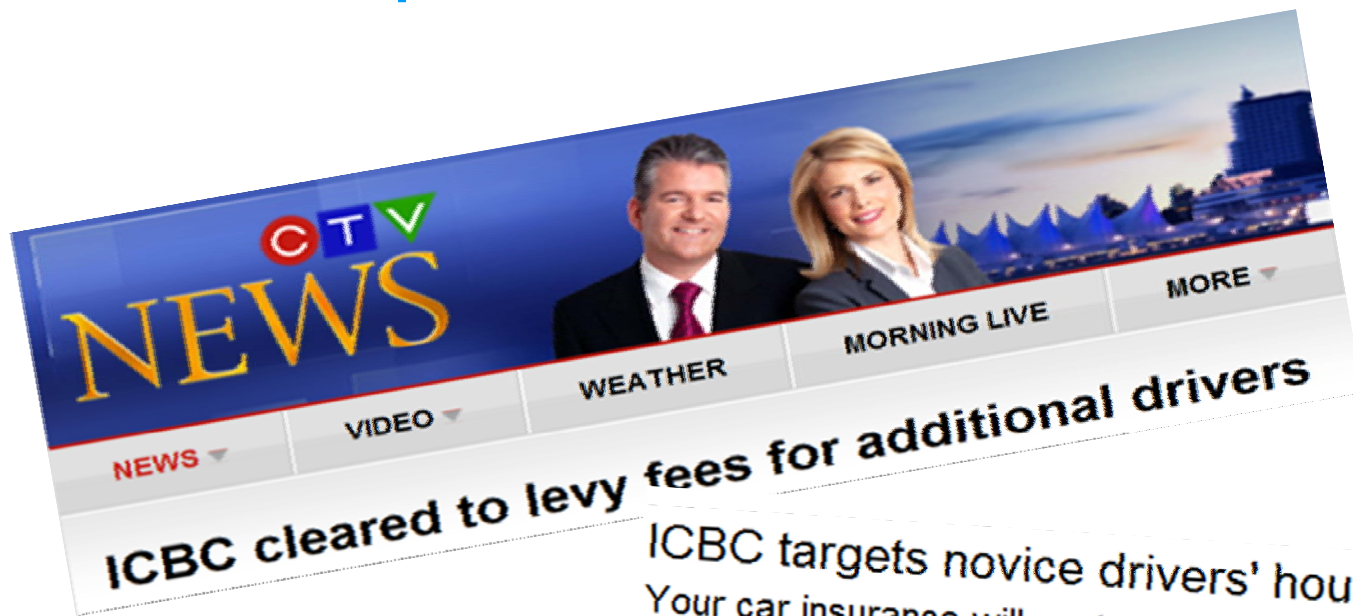
Insurance
Framework

Risk
Classification

Customers

Claims
Trends

Attempt at Risk-Based Pricing



ICBC targets novice drivers' households
Your car insurance will cost an extra \$25 if one or more less-experienced drivers from your household also use your vehicle and don't insure a vehicle of their own.
BY THE VANCOUVER SUN JANUARY 23, 2008

ICBC drops plan to charge extra \$25 fee

The Canadian Press

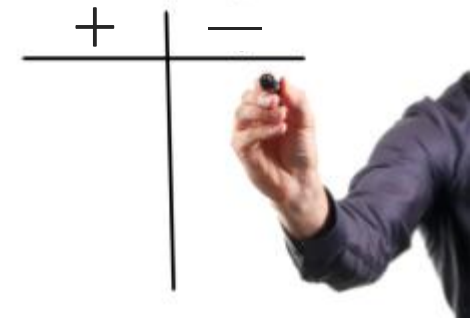
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Rate Change History

Year	Change
1980	10.0%
1981	38.0%
1982	20.0%
1983	4.0%
1984	6.0%
1985	2.0%
1986	-2.2%
1987	4.5%
1988	22.0%
1989	8.4%
1990	4.8%
1991	4.5%
1992	19.0%
1993	9.5%
1994	3.5%
1995	1.8%
1996	-3.5%
1997	0.0%
1998	0.0%
1999	-1.7%
2000	-1.7%
2001	0.0%
2002	7.4%
2003	4.8%

Since Utilities Commission Regulation	
Year	Change
2004	0.4%
2005	-3.4%
2006	3.7%
2007	0.2%
2008	-1.2%
2009	-1.4%
2010	-2.7%
2011	0.0%
2012	3.6%

Final Analysis



Benefits of a Crown insurer

- Low uninsured rate - takes all comers
- Economic benefits to the province
- Synergies with government operations
- Economies of scale & beyond

Downside of a Crown insurer

- Tension between business objectives and public policy objectives

Final Analysis

On the balance:
A good deal for BC

