



**INSURANCE CORPORATION OF BRITISH COLUMBIA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2024**

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## **Management's Responsibility for the Consolidated Financial Statements**

### **Scope of Responsibility**

Management prepares the accompanying consolidated financial statements and related information and is responsible for their integrity and objectivity. The statements are prepared in consistency with International Financial Reporting Standards as issued by the International Accounting Standards Boards (IFRS). These consolidated financial statements include amounts that are based on management's estimates and judgments, particularly our insurance contract liabilities. We believe that these statements present fairly ICBC's financial position, results of operations and cash flows, and that the other information contained in the annual report is consistent with the consolidated 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. The system includes written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors, who independently review and evaluate these controls. There is a quarterly risk assessment process, the results of which influence the development of the internal audit program. We continually monitor these internal accounting controls, modifying and improving them as business conditions and operations change. Policies that require employees to maintain the highest ethical standards have also been instituted. We recognize the inherent limitations in all control systems and believe our systems provide an appropriate balance between 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 consolidated financial statements are prevented or detected in the normal course of business.

### **Board of Directors and Audit Committee**

The Audit Committee, composed of members of the Board of Directors, oversees management's discharge of its financial reporting responsibilities. The Audit Committee recommends for approval to the Board of Directors the appointment of the external auditor and the appointed actuary. The Audit Committee meets no less than quarterly with management, our internal auditors and representatives of our external auditor to discuss auditing, financial reporting and internal control matters. The Audit Committee receives regular reports on the internal audit results and evaluation of internal control systems and it reviews and approves major accounting policies including alternatives and potential key management estimates or judgments. Both internal and external auditors and the appointed actuary have access to the Audit Committee without management's presence. The Audit Committee has reviewed these consolidated financial statements prior to recommending approval by the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

### **Independent Auditor and Actuary**

Our independent auditor, PricewaterhouseCoopers LLP, has audited the consolidated financial statements. Their audit was conducted in accordance with Canadian generally accepted auditing

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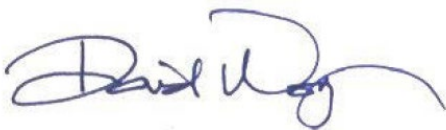
standards, which includes the consideration of our internal controls to the extent necessary to form an independent opinion on the consolidated financial statements prepared by management.

Nathalie Bégin of Towers Watson Canada Inc. is engaged as the actuary appointed and is responsible for carrying out an annual valuation of ICBC's policy liabilities and to provide an opinion regarding their appropriateness at the consolidated statement of financial position date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation, and associated regulations. The scope of the valuation encompasses the policy liabilities as well as any other matter specified in any direction that may be made by the regulator. Policy liabilities in an insurer's statement of financial position are the liabilities at the date of the statement of financial position on account of the insurer's policies, including commitments, that are in force at that date or that were in force before that date. The policy liabilities measured under IFRS 17 (i.e., insurance contract liabilities in regulated insurance entities), consist of a provision for unpaid claims and adjustment expenses on the expired portion of policies and of future obligations on the unexpired portion of policies. In performing the valuation of the liabilities for these contingent future events, which are by their very nature inherently variable, the actuary makes assumptions as to future loss ratios, trends, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the nature of the insurance policies.

The valuation is based on projections of future claims and claim adjustment expenses. It is certain that actual future claims and claim adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, the projections make no provision for new classes of claims or claims categories not sufficiently recognized in the claims database.

The actuary relies on data and related information prepared by the Corporation and makes use of the work of the auditor with respect to the verification of the underlying data used in the valuation for accuracy and completeness. The actuary may use and take responsibility for any accounting policies or methods or assumptions set by others, in accordance with Canadian Actuarial Standards of Practice.

Ms. Bégin will meet every year with PricewaterhouseCoopers' valuation actuaries and ICBC's management to discuss business developments, changes in claims processing and claims trends. These discussions assist the independent parties in developing expectations around and assessing management's estimate of the claims provision.



David Wong  
President and Chief Executive Officer  
Officer

June 13, 2024



Phil Leong  
Vice President, Finance & Chief Financial

June 13, 2024



## Independent auditor's report

To the Minister Responsible for Insurance Corporation of British Columbia and the Board of Directors of Insurance Corporation of British Columbia

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Insurance Corporation of British Columbia and its subsidiaries (together, the Corporation) as at March 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include material accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.



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## **Other information**

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Annual Service Plan Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
June 13, 2024

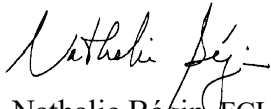
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## Actuary's Report

I have valued the policy liabilities of the Insurance Corporation of British Columbia for its consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended March 31, 2024.

In my opinion:

- The amount of policy liabilities is appropriate for this purpose.
- The valuation conforms to accepted actuarial practice in Canada and the consolidated financial statements fairly presents the results of the valuation.



Nathalie Bégin, FCIA, FCAS

Fellow, Canadian Institute of Actuaries  
Towers Watson Canada Inc.

Vancouver, British Columbia  
June 13, 2024

## Consolidated Statement of Financial Position

| (\$ THOUSANDS)   | March 31<br>2024 | March 31<br>2023<br>(Restated) <sup>1</sup> | April 1<br>2022<br>(Restated) <sup>1</sup> |
|--|------------------|---|--|
| <b>Assets</b>  |                  |   |  |
| Cash and cash equivalents (note 6)   | \$ 12,969        | \$ 25,957                                   | \$ 29,654                                  |
| Accrued interest (note 6)  | 28,497           | 46,717                                      | 40,024                                     |
| Prepays and other receivables (note 6)   | 307,804          | 222,096                                     | 725,056                                    |
| Assets held for sale (note 5)  | 21,577           | 41,274                                      | 208,420                                    |
| Financial investments (note 5)   | 17,820,510       | 19,158,090                                  | 20,001,102                                 |
| Derivative financial instruments (note 6)  | 804              | -   | 24,019                                     |
| Reinsurance contract assets (note 15)  | 35,408           | 36,669                                      | 47,516                                     |
| Investment properties (note 5)   | 234,284          | 305,791                                     | 255,044                                    |
| Property and equipment (note 11)   | 100,725          | 107,511                                     | 110,586                                    |
| Intangible assets (note 13)  | 175,870          | 204,197                                     | 252,167                                    |
| Lease assets (note 12)   | 58,461           | 54,763                                      | 56,206                                     |
| Accrued pension benefits (note 16)   | 262,336          | 202,685                                     | 245,213                                    |
|  | \$ 19,059,245    | \$ 20,405,750                               | \$ 21,995,007                              |
| <b>Liabilities and Equity</b>  |                  |   |  |
| <b>Liabilities</b>   |                  |   |  |
| Cheques outstanding (note 6)   | \$ 212,540       | \$ 215,237                                  | \$ 130,762                                 |
| Accounts payable and accrued charges   | 166,628          | 169,761                                     | 172,803                                    |
| Derivative financial instruments (note 6)  | 8,947            | 46,702                                      | 1,395                                      |
| Net bond repurchase agreements, investment-related, and other liabilities (note 7) | 257,510          | 1,930,036                                   | 2,669,037                                  |
| Premiums and fees received in advance  | 69,115           | 66,006                                      | 58,914                                     |
| Insurance contract liabilities (note 14)   | 12,607,439       | 13,710,281                                  | 14,803,573                                 |
| Lease liabilities (note 8)   | 57,125           | 52,313                                      | 53,670                                     |
| Pension and post-retirement benefits (note 16)                                     | 171,678          | 163,161                                     | 186,181                                    |
|  | 13,550,982       | 16,353,497                                  | 18,076,335                                 |
| <b>Equity</b>  |                  |   |  |
| Retained earnings  | 4,947,733        | 3,548,861                                   | 3,417,543                                  |
| Other components of equity   | 555,519          | 497,184                                     | 494,375                                    |
| Equity attributable to owner of the corporation                                    | 5,503,252        | 4,046,045                                   | 3,911,918                                  |
| Non-controlling interest   | 5,011            | 6,208                                       | 6,754                                      |
|  | 5,508,263        | 4,052,253                                   | 3,918,672                                  |
|  | \$ 19,059,245    | \$ 20,405,750                               | \$ 21,995,007                              |

<sup>1</sup> Restated for the adoption of IFRS 17 - Insurance contracts and IFRS 9 - Financial Instruments. Refer to Note 2 - Summary of material accounting policies.

*The accompanying notes are an integral part of these consolidated financial statements.*

Approved by the Board



Catherine Holt  
Chair of the Board of Directors



Len Boggio  
Director



## Consolidated Statement of Comprehensive Income

| (\$ THOUSANDS)  | For the year ended<br>March 31<br>2024 | For the year ended<br>March 31<br>2023<br>(Restated) <sup>1</sup> |
|---|--|---|
| <b>Insurance revenues (note 14)</b>                               | \$ 5,471,703                           | \$ 5,421,304  |
| <b>Insurance service expenses (note 14)</b>                       | (4,776,331)                            | (5,192,611)   |
| <b>Net expenses from reinsurance contracts (note 15)</b>          | (9,463)                                | (12,744)  |
| <b>Insurance service result</b>                                   | <u>685,909</u>                         | <u>215,949</u>  |
| <b>Net investment income (note 10)</b>                            | 1,426,716                              | 311,590   |
| Finance expenses from insurance contracts                         | (431,470)                              | (106,686)   |
| Finance income from reinsurance contracts                         | 1,094                                  | 416   |
| <b>Net insurance finance expenses (note 10)</b>                   | <u>(430,376)</u>                       | <u>(106,270)</u>  |
| <b>Net Insurance and investment result</b>                        | <u>1,682,249</u>                       | <u>421,269</u>  |
| Other operating income  | 28,948                                 | 17,961  |
| Other operating expenses  | (140,498)                              | (143,585)   |
| <b>Income - insurance operations</b>                              | <u>1,570,699</u>                       | <u>295,645</u>  |
| <b>Non-insurance operations</b>                                   |  |   |
| Provincial licences and fines revenue (note 18)                   | 671,816                                | 653,810   |
| Licences and fines transferable to the Province of B.C. (note 18) | (671,816)                              | (653,810)   |
| Operating expenses (note 17)                                      | (144,328)                              | (134,551)   |
| Commissions (note 17)   | (40,139)                               | (36,869)  |
| Other income  | 12,280                                 | 9,482   |
| <b>Loss - non-insurance operations</b>                            | <u>(172,187)</u>                       | <u>(161,938)</u>  |
| <b>Net income</b>   | <u>\$ 1,398,512</u>                    | <u>\$ 133,707</u>   |
| <b>Other comprehensive income</b>                                 |  |   |
| Pension and post-retirement benefits remeasurements (note 16)     | \$ 58,335                              | \$ 2,809  |
| <b>Total comprehensive income</b>                                 | <u>\$ 1,456,847</u>                    | <u>\$ 136,516</u>   |
| <b>Net income attributable to:</b>                                |  |   |
| Non-controlling interest  | \$ (360)                               | \$ 2,389  |
| Owner of the corporation  | 1,398,872                              | 131,318   |
|   | <u>\$ 1,398,512</u>                    | <u>\$ 133,707</u>   |
| <b>Total comprehensive income attributable to:</b>                |  |   |
| Non-controlling interest  | \$ (360)                               | \$ 2,389  |
| Owner of the corporation  | 1,457,207                              | 134,127   |
|   | <u>\$ 1,456,847</u>                    | <u>\$ 136,516</u>   |

<sup>1</sup> Restated for the adoption of IFRS 17 - Insurance contracts and IFRS 9 - Financial Instruments. Refer to Note 2 - Summary of material accounting policies.

*The accompanying notes are an integral part of these consolidated financial statements.*

## Consolidated Statement of Changes in Equity

| (\$ THOUSANDS)   | For the year ended March 31, 2024 |                                     |   |                                  |  |                          |              |
|--|-----------------------------------|-------------------------------------|---|----------------------------------|--|--------------------------|--------------|
|  | Retained Earnings                 | Other Components of Equity          |   |                                  | Total attributable to owner of the corporation | Non-Controlling Interest | Total Equity |
|  |                                   | Net change in financial investments | Pension and post-retirement benefits remeasurements | Total Other Components of Equity |  |                          |              |
| <b>Balance, beginning of year April 1, 2023 (Restated)</b>     | \$ 3,548,861                      | \$ -                                | \$ 497,184  | \$ 497,184                       | \$ 4,046,045                                   | \$ 6,208                 | \$ 4,052,253 |
| <b>Contributions</b>   |                                   |                                     |   |                                  |  | (837)                    | (837)        |
| <b>Disposition of subsidiary with non-controlling interest</b> |                                   |                                     |   |                                  |  | -                        | -            |
| <b>Comprehensive income</b>                                    |                                   |                                     |   |                                  |  |                          |              |
| Net income   | 1,398,872                         | -                                   | -   | -                                | 1,398,872                                      | (360)                    | 1,398,512    |
| Other comprehensive income                                     |                                   |                                     |   |                                  |  |                          |              |
| Pension and post-retirement benefits remeasurements (note 16)  | -                                 | -                                   | 58,335  | 58,335                           | 58,335   | -                        | 58,335       |
| Total other comprehensive income                               | -                                 | -                                   | 58,335  | 58,335                           | 58,335   | -                        | 58,335       |
| <b>Total comprehensive income</b>                              | 1,398,872                         | -                                   | 58,335  | 58,335                           | 1,457,207                                      | (360)                    | 1,456,847    |
| <b>Balance, end of year March 31, 2024</b>                     | \$ 4,947,733                      | \$ -                                | \$ 555,519  | \$ 555,519                       | \$ 5,503,252                                   | \$ 5,011                 | \$ 5,508,263 |

| (\$ THOUSANDS)   | For the year ended March 31, 2023 |                                     |   |                                  |  |                          |              |
|--|-----------------------------------|-------------------------------------|---|----------------------------------|--|--------------------------|--------------|
|  | Retained Earnings                 | Other Components of Equity          |   |                                  | Total attributable to owner of the corporation | Non-Controlling Interest | Total Equity |
|  |                                   | Net change in financial investments | Pension and post-retirement benefits remeasurements | Total Other Components of Equity |  |                          |              |
| <b>Balance, end of year March 31, 2022 (As reported)</b>       | \$ 3,347,398                      | \$ (133,372)                        | \$ 494,375  | \$ 361,003                       | \$ 3,708,401                                   | \$ 6,754                 | \$ 3,715,155 |
| Impact of the initial application of IFRS 17 and 9 (note 2)    | 70,145                            | 133,372                             | -   | 133,372                          | 203,517  | -                        | 203,517      |
| <b>Balance, beginning of year April 1, 2022 (Restated)</b>     | 3,417,543                         | -                                   | 494,375   | 494,375                          | 3,911,918                                      | 6,754                    | 3,918,672    |
| <b>Contributions</b>   |                                   |                                     |   |                                  |  | 622                      | 622          |
| <b>Disposition of subsidiary with non-controlling interest</b> |                                   |                                     |   |                                  |  | (3,557)                  | (3,557)      |
| <b>Comprehensive income (Restated)</b>                         |                                   |                                     |   |                                  |  |                          |              |
| Net income   | 131,318                           | -                                   | -   | -                                | 131,318  | 2,389                    | 133,707      |
| Other comprehensive income                                     |                                   |                                     |   |                                  |  |                          |              |
| Pension and post-retirement benefits remeasurements (note 16)  | -                                 | -                                   | 2,809   | 2,809                            | 2,809  | -                        | 2,809        |
| Total other comprehensive income                               | -                                 | -                                   | 2,809   | 2,809                            | 2,809  | -                        | 2,809        |
| <b>Total comprehensive income (Restated)</b>                   | 131,318                           | -                                   | 2,809   | 2,809                            | 134,127  | 2,389                    | 136,516      |
| <b>Balance, end of year March 31, 2023 (Restated)</b>          | \$ 3,548,861                      | \$ -                                | \$ 497,184  | \$ 497,184                       | \$ 4,046,045                                   | \$ 6,208                 | \$ 4,052,253 |

*The accompanying notes are an integral part of these consolidated financial statements.*

## Consolidated Statement of Cash Flows

| (\$ THOUSANDS)   | For the year ended<br>March 31<br>2024 | For the year ended<br>March 31<br>2023<br>(Restated) <sup>1</sup> |
|--|--|---|
| <b>Cash flow from (used in) operating activities</b>                   |  |   |
| Net income   | \$ 1,398,512                           | \$ 133,707  |
| Items not requiring the use of cash (note 22)                          | (473,651)                              | 411,291   |
| Changes in non-cash working capital (note 22)                          | (1,184,734)                            | (1,143,207)   |
| Cash flow (used in) operating activities                               | <u>(259,873)</u>                       | <u>(598,209)</u>  |
| <b>Cash flow from (used in) investing activities</b>                   |  |   |
| Purchase of financial investments and investment properties            | (34,070,426)                           | (23,993,057)  |
| Proceeds from sales of financial investments and investment properties | 36,140,203                             | 24,671,593  |
| Purchase of property, equipment and intangibles, net                   | (32,285)                               | (16,982)  |
| Cash flow from investing activities                                    | <u>2,037,492</u>                       | <u>661,554</u>  |
| <b>Cash flow from (used in) financing activities</b>                   |  |   |
| Net securities sold under repurchase agreements (note 22)              | (1,772,205)                            | (136,037)   |
| Principal payments on lease liabilities (note 22)                      | (15,705)                               | (15,480)  |
| Cash flow (used in) financing activities                               | <u>(1,787,910)</u>                     | <u>(151,517)</u>  |
| <b>Decrease in cash and cash equivalents during the year</b>           |  |   |
| Cash and cash equivalents, beginning of year                           | (10,291)                               | (88,172)  |
| Cash and cash equivalents, end of year                                 | <u>\$ (189,280)</u>                    | <u>\$ (101,108)</u>   |
| <b>Represented by:</b>   |  |   |
| Cash and cash equivalents (note 6)                                     | \$ 12,969                              | \$ 25,957   |
| Cheques outstanding (note 6)   | (212,540)                              | (215,237)   |
| Cash and cash equivalents, net   | <u>\$ (199,571)</u>                    | <u>\$ (189,280)</u>   |
| <b>Supplemental information</b>  |  |   |
| Interest and dividends received  | \$ 928,266                             | \$ 685,059  |

<sup>1</sup> Restated for the adoption of IFRS 17 - Insurance contracts and IFRS 9 - Financial Instruments. Refer to Note 2 - Summary of material accounting policies.

*The accompanying notes are an integral part of these consolidated financial statements.*

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# Notes to Consolidated Financial Statements

For the year ended March 31, 2024

## 1. Corporate Information

The Insurance Corporation of British Columbia (the Corporation or ICBC) is a wholly-owned Crown corporation of the Province of British Columbia (B.C.), not subject to income taxes under the *Income Tax Act (Canada)*, incorporated in 1973 and continued under the *Insurance Corporation Act (ICA)*, R.S.B.C. 1996 Chapter 228. The head office of the Corporation is 151 West Esplanade, North Vancouver, British Columbia. The Corporation operates and administers plans of universal compulsory vehicle insurance (Basic) and optional vehicle insurance (Optional) as set out under the *Insurance (Vehicle) Act*, and is also responsible for non-insurance services under the *Insurance Corporation Act* and the *Motor Vehicle Act*. Non-insurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection. The Corporation is subject to regulation by the British Columbia Utilities Commission (BCUC) with respect to Basic insurance rates and services (note 21).

Prior to May 1, 2021, Basic insurance included the following coverages: \$200,000 third party liability protection (higher for some commercial vehicles), access to accident benefits including a maximum of \$300,000 (note 3h) for medical and rehabilitation expenses and up to \$740 per week for wage loss (note 3h), \$1,000,000 underinsured motorist protection, inverse liability protection, and also protection against uninsured and unidentified motorists within and outside the Province of B.C.

As of May 1, 2021, the Corporation implemented a new care-based (Enhanced Care) insurance model and Basic insurance includes the following coverages: access to enhanced accident benefits providing care and recovery benefits with no overall limit, up to \$200,000 of basic vehicle damage coverage (BVDC), \$200,000 in third party liability protection (higher for some commercial vehicles), inverse liability protection, and \$1,000,000 underinsured motorist protection. Under the new insurance model, coverage for hit and run claims for vehicle damage is no longer being provided under Basic insurance, uninsured coverage no longer applies with respect to vehicle damage although BVDC will usually apply, and individuals are generally precluded from suing both with respect to bodily injuries covered by enhanced accident benefits and for vehicle damage in circumstances where BVDC may apply.

The Corporation also offers Optional insurance in a competitive environment, which includes, but is not limited to, the following coverages: extended third party liability, comprehensive, collision, loss of use, hit and run, and income top-up.

The Corporation's Basic and Optional insurance products are distributed by approximately 900 independent brokers located throughout the Province of B.C. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance; however, the Corporation currently only acts as a vehicle insurer.

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On June 6, 2024, the Corporation's Board of Directors authorized these consolidated financial statements for issue.

## **2. Summary of material accounting policies**

The material accounting policies adopted in preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **a) Basis of reporting**

The consolidated financial statements of the Corporation have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and required by the *Budget Transparency and Accountability Act*. The consolidated financial statements include the accounts of the Corporation and its subsidiary companies. The Corporation's reporting currency and functional currency for all of its operations is the Canadian dollar, unless otherwise stated.

The Corporation has applied IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* effective April 1, 2023. As a result, the Corporation restated certain comparative amounts and presented a third consolidated statement of financial position as at April 1, 2022 as regulated by these standards to reflect the opening balances on transition. The nature and effects of the key changes in the Corporation's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarized in note 2d, 2e, 2f and 4a. Except for changes in these sections, the Corporation has consistently applied the accounting policies as set out in note 2 to all periods presented in these consolidated financial statements.

The Corporation provides a number of non-insurance services on behalf of the Province of B.C. The costs associated with these non-insurance activities are borne by the Corporation. The amounts collected and remitted as well as the related costs are accounted for and presented separately in the consolidated statement of comprehensive income under non-insurance operations for greater transparency (note 18).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.

### **b) Basis of consolidation**

#### **Control**

The Corporation consolidates the financial statements of all subsidiary companies. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from the entity and has the ability to use its power to affect the amount of the returns. Entities are fully consolidated from the date on which control is transferred to the Corporation. All but one of

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the Corporation's investment properties (note 5b) are held individually in nominee holding companies. The Corporation also invests in financial investments (note 5a) through a number of investment entities, some of which are wholly-owned and therefore consolidated. The Corporation does not have any active operating subsidiary companies. All inter-company transactions and balances are eliminated.

Non-controlling interest (NCI), presented as part of equity, represents the portion of a subsidiary's profit or loss and net assets that are not attributable to the Corporation. The Corporation attributes total comprehensive income or loss of entities between the parent and the NCI based on their respective ownership interests.

When the Corporation loses control over an entity, it derecognizes the assets and liabilities of the entity, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

### **Significant influence**

Associates are entities over which the Corporation has significant influence, which means it has the power to participate in the financial and operating decisions of the investee but does not have control or joint control over the financial or operating policies. Associates generally involve a shareholding of 20% to 50% of the voting rights.

In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee. In such cases, judgment is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Corporation is exposed and the degree to which the Corporation can use its power or significant influence to affect its returns from investees.

Associates are accounted for using the equity method. The Corporation has determined that it does not have significant influence in any investments in which the Corporation has 20% or more holdings (note 3c) and accounts for these investments as available for sale.

### **Joint operation**

The Corporation classifies joint arrangement investments based on the Corporation's contractual rights and obligations, rather than the legal structure of the joint arrangement. The Corporation owns a 50% share of each of its three joint operations, one of which is with a Limited Partner. The joint operations are all investment properties in Canada.

The Corporation recognises its direct right to the assets, liabilities, revenues and expenses of the joint operations and its share of assets, liabilities, revenues and expenses.

### **c) Cash and cash equivalents**

Cash and cash equivalents are short-term, liquid investments that are subject to insignificant changes in fair value, including cash on hand, deposits with financial institutions that can be

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withdrawn without prior notice or penalty, and directly held money market securities with a term less than 90 days from the date of acquisition.

#### **d) Insurance contracts and reinsurance contracts held**

##### **Insurance contracts held**

The following summarizes of the Corporation's material accounting policies on insurance contracts held:

##### **Level of aggregation**

IFRS 17 *Insurance Contracts* requires insurance contracts to be aggregated into portfolios of contracts that are managed together and share similar risks. The Corporation includes both the Basic only and Basic and Optional contracts in one portfolio, as these contracts share similar risks and are managed together. The Basic coverage only or Basic and Optional coverage contracts cannot be further broken down due to interdependency of risk between Basic and Optional coverage as well as the fact that Optional coverage cannot be sold independently.

Contracts are then further disaggregated based on profitability, and each group does not include contracts issued more than one year apart. The Corporation groups contracts together in annual cohorts aligning with the Corporation's fiscal period and assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise.

##### **Recognition and derecognition**

The Corporation recognizes a group of insurance contracts issued from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due or when the first payment is received from the policyholder if there is no due date; or
- the date when facts and circumstances indicate the group of insurance contract is onerous.

Subsequently, all new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year.

The Corporation derecognizes insurance contracts when rights and obligations relating to the contract are extinguished or when the contract is modified in a way that would have significantly changed the accounting for the contract had the new terms always existed, in which case a new contract based on the modified term is recognized.

##### **Contract boundaries**

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if

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they arise from substantive rights and obligations that exist during the reporting period under which the Corporation can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when the Corporation has practical ability to reassess risks and can set a price or level of benefits that fully reflect those reassessed risks.

For all insurance contracts issued by the Corporation, the contract boundary aligns with the policy term of each contract and is always one year or less.

For all reinsurance contracts held by the Corporation, the contract boundary aligns with the reinsurance contracts coverage term of 12 months.

### **Premium allocation approach**

Insurance contracts contain two liability components – liability for remaining coverage (LRC) and liability for incurred claims (LIC). IFRS 17 provides an option for entities issuing or holding insurance contracts to measure the LRC under the General Measurement Model (GMM) or the Premium Allocation Approach (PAA). LIC must be measured under GMM as cash outflow is expected to be beyond one year.

For LRC, the Corporation elected to apply the PAA to all groups of insurance and reinsurance contracts based on the coverage period being one year or less. For all insurance contracts issued by the Corporation, the contract boundary aligns with the policy term of each contract and is always one year or less.

### **Liability for remaining coverage**

On initial recognition of a group of contracts, the carrying amount of the LRC is measured at the premium received to date and any amounts arising from the insurance acquisition cash flow. The corporation chooses to recognize insurance acquisition cash flow as an expense when incurred.

Subsequently, the carrying amount of LRC is increased by any further premium received and decreased by the amount recognized as insurance revenue for insurance services provided.

Since the time between providing each part of the coverage and related premium due date is no more than a year, the Corporation is not adjusting the LRC to reflect the time value money and the effect of financial risk.

Under PAA, a group of contracts is considered not onerous unless facts and circumstances indicate otherwise. When facts and circumstances indicate that a group of contracts may be onerous, the entity is required to assess profitability of the potentially onerous group of contracts. A group of insurance contracts is onerous if the fulfillment cash flows allocated to the group and any cash flows arising from the group in total are a net outflow. If a group of contract is onerous, the entity will recognize a loss in profit or loss and increase LRC to the extent that the current estimates of the fulfillment cash flow that relate to remaining coverage exceed the carrying amount of the LRC.



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The Corporation's policy is to assess the profitability of its portfolios using critical elements, which includes losses in historical years, risk adjustment margin, insurance service revenues and discount rates. If the portfolio is determined to be onerous, the Corporation will use the GMM to measure the portfolio's liability and if the portfolio has proven to be profitable, the Corporation will continue further monitoring on a quarterly basis.

### **Liability for incurred claims**

Liability for incurred claims (LIC) of a group of contracts are recognized at the amount of the fulfillment cash flow related to incurred claims. The fulfillment cash flows, which comprise:

- probability-weighted estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks associated with those future cash flows; and
- a risk adjustment for non-financial risk.

The future cash flow within LIC are discounted since the insurance contracts issued by the Corporation typically have a settlement period of over one year.

To reflect the time value of money and financial risk associated with those future cash flows, the Corporation has established discount yield curves using a bottom-up approach to reflect the characteristics of insurance contract liabilities. The bottom-up approach adds illiquidity premium to the risk free rate and uses a reference portfolio to derive an illiquidity premium curve.

The effect of the discounting is recognized as finance expenses from insurance contracts through the net (loss) income on the consolidated statement of comprehensive income.

The Corporation does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

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## **Insurance revenues**

The Corporation recognizes insurance revenue on a straight-line basis, based on the passage of time over the term of the insurance contract issued.

Service fees on the Corporation's payment plan are recognized monthly over the term of the insurance contract. For six or twelve month term insurance contracts, the Corporation's payment plan enables customers to make monthly or quarterly payments.

## **Insurance service expenses**

Insurance service expenses include incurred claims, changes relate to the liability for incurred claims, other attributable insurance service expenses and acquisition costs, which comprise both direct costs and an allocation of indirect costs, as well as losses and reversals on onerous contracts, if any.

## **Net Insurance finance income and expenses**

Net insurance finance income or expenses comprise the change in the carrying amount of insurance and reinsurance contract arising from the discount unwinding and changes in discount rates.

The Corporation has elected to record changes in discount rates in net income in the line insurance finance (expense) income.

## **Reinsurance contracts held**

The Corporation has elected to apply PAA to all groups of reinsurance contracts held on the basis of the coverage period beginning one year or less. The contract boundary aligns with the reinsurance contract coverage term of 12 months.

The Corporation combines the two reinsurance contracts held in a single portfolio, as they contain similar risks and are managed together. Both reinsurance contracts held are considered one group since they are in a net cost position with no significant possibility of a net gain arising subsequently.

On the initial recognition, the Corporation measures the remaining coverage at the amount of ceding premium paid. The carrying amount of a group of reinsurance contracts held at the end of the reporting period, presented as reinsurance assets on the consolidated statement of financial position, is the sum of the asset for remaining coverage and the incurred claims recoverable.

At subsequent reporting dates, the asset for remaining coverage is increased for ceding premium paid in the period and decreased for the amount of ceding premiums recognized as reinsurance expense for the services received in the period.

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## Transition

The Corporation applied the full retrospective approach in transition to IFRS 17 and restated the comparative period from April 1, 2022 to March 31, 2023 as if IFRS 17 had always applied, which includes restating opening balances as at April 1, 2022.

The Corporation has performed the following procedures retrospectively:

- identified, recognized and measured each group of contracts as if IFRS 17 have always been applied;
- derecognized previously reported balances that would not have existed if IFRS 17 had always been applied; and
- recognized any resulting net difference in equity.

## e) Financial Instruments

The following summarizes the Corporation's material accounting policies on financial instruments:

### Recognition and Classification

The Corporation recognizes a financial asset or a financial liability when it becomes party to the contractual provision of the instrument. Purchases and sales of financial assets are recognized on trade date, which is the date on which the Corporation commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred along with substantially all the risks and rewards of ownership.

On initial recognition, financial assets are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issuance of the financial assets. The Corporation classifies these financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not classified subsequent to their initial recognition unless the entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset that is a debt instrument is measured at amortized cost if it meets both the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are sole payments of principal and interest (SPPI).

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A financial asset that is a debt instrument is measured at FVOCI if it meets both the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All debt instruments not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition, an entity may irrevocably designate financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset that is an equity instrument is measured at FVOCI if it is not held for sale and the entity elects to apply the FVOCI option.

Except for other receivables, the Corporation elected to designate all debt instruments as FVTPL. These are debt instruments that otherwise meet the criteria to be measured as amortized cost or FVOCI based on the Corporation's business model objective of managing these debt instruments and the characteristics of their cash flows. However, the irrevocable election to designate these debt instruments as FVTPL was made to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets and insurance liabilities on different basis.

Other receivables are measured at amortized cost since it is held to collect cash flow and cash flows are SPPI.

The Corporation also classifies all other financial investments as FVTPL as they do not meet the criteria to be measured at amortized cost or FVOCI based on the characteristics of their cash flows.

All fair value changes of financial investments measured in FVTPL are recorded in investment income on the consolidated statement of comprehensive income. Transaction costs for financial assets recorded as FVTPL are expensed.

For all financial liabilities, the Corporation records them at FVTPL on initial recognition. The financial liabilities are subsequently measured at amortized cost (note 2l, 2m and 2n), except for the derivatives that are measured at FVTPL (note 2j).

### **Business model assessment**

The Corporation assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that business is managed and information is provided to management. The information considered includes:

- how the performance of the business model and the debt instruments held within that business model is evaluated and reported to the Corporation's key management personnel;

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- the risks that affect the performance of the business model and the debt instruments held within that business model and how those risks are managed; and
  - how managers of the business are compensated.

In addition, the Corporation considers the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity. Information about sales activity is not considered in isolation, but as part of a holistic assessment of how the entity's stated objective for managing the debt instrument is achieved and how cash flows are realized.

### **SPPI assessment**

Debt instruments held within a business model whose objective is to hold assets to collect contractual cash flow, or to both collect the contractual cash flows and sell the financial assets, are assessed to evaluate if their contractual cash flows are comprised of SPPI.

Contractual cash flows meet the SPPI criteria if such cash flow is consistent with a basic lending arrangement in which consideration for the time value of money and credit risk are the most significant elements of interest.

Where contractual features that introduce exposure to risks or volatility in the contractual cash flow unrelated to a basic lending agreement do not meet SPPI criteria, the related debt instrument is measured at FVTPL.

### **Impairment of financial assets**

The Corporation is required to apply the expected credit losses (ECL) impairment model to recognize a loss allowance up-front for either expected 12-month credit losses or expected lifetime credit losses for all instruments carried at amortized cost and FVOCI.

The model follows a general approach to calculate a financial instrument's impairment loss based on change in credit quality since initial recognition, delineated into three stages depending on significance of the change. Low credit risk simplification can be used if financial assets have low credit risk at the reporting date and the credit risks have not increased significantly since initial recognition. This simplification allows financial asset to recognize the 12-month ECLs only.

Financial assets measured at amortized cost and FVOCI are subject to the impairment assessment using the ECL model. None of the Corporation's financial investments, except for other receivables, is subjected to the ECL model since they are measured at FVTPL.

Other receivables comprise mostly of investment related receivables and receivables collected on behalf of the Province of B.C. The Corporation applies low credit risk simplification since they are short-term in nature and probability of default of these receivable is low.

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## Transition

The Corporation applied IFRS 9 retrospectively on a look-back basis at the date of the initial application on April 1, 2023 and restated the prior period from April 1, 2022 to March 31, 2023 as if IFRS 9 had always applied, which includes restating opening balances as at April 1, 2022.

The Corporation also elected to apply the classification overlay in IFRS 17 to financial assets derecognized in fiscal year 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 has been applied to such financial assets.

### f) IFRS 17 and 9 opening transition impact

The following tables summarize the impact of IFRS 17 and 9 on the Corporation's consolidated statement of financial position on transition date, April 1, 2022:

| (\$ THOUSANDS)                                  | Carrying amount |                |              |               |
|---|-----------------|----------------|--------------|---------------|
|   | IFRS 4 & IAS 39 | Presentation   | Measurement  | IFRS 17 & 9   |
| <b>As at April 1, 2022</b>                      |                 |                |              |               |
| Total assets                                    | \$ 23,664,204   | \$ (1,383,558) | \$ (285,639) | \$ 21,995,007 |
| Total liabilities                               | (19,949,049)    | 1,383,558      | 489,156      | (18,076,335)  |
| Equity attributable to owner of the corporation | (3,708,401)     | -              | (203,517)    | (3,911,918)   |
| Equity attributable to non-controlling interest | (6,754)         | -              | -            | (6,754)       |

| As at April 1, 2022  | IFRS 17 & 9       |
|--|-------------------|
| Write off of deferred acquisition costs asset                          | \$ (285,383)      |
| Application of risk adjustment methodology                             | 462,798           |
| Discount rate changes  | 27,121            |
| Change in reinsurance contract assets                                  | (376)             |
| Financial investments change from amortized cost to FVTPL              | (643)             |
| <b>Total impact of equity attributable to owner of the corporation</b> | <b>\$ 203,517</b> |

### g) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, and the sale is considered to be highly probable, are classified as held for sale. The Corporation classifies an asset as held for sale when the following conditions are met:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable, within 12 months of classification for sale;
- The asset is being actively marketed for sale at a reasonable purchase price; and
- Actions required to complete the plan indicate that it is unlikely the plan will significantly change or be withdrawn.

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Immediately before classification as held for sale, the assets are remeasured at cost less accumulated depreciation and impairment losses. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement, are recognized in profit or loss; these gains are not recognized in excess of any cumulative impairment loss. Once classified as held for sale, non-current assets are no longer amortized or depreciated (note 5).

#### **h) Translation of foreign currencies**

Foreign currency transactions are translated at exchange rates at the date of the sale or purchase. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the year-end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end are recognized in investment income. Translation differences on financial investments are also recorded in investment income.

#### **i) Fair value of financial assets**

In accordance with IFRS 13 *Fair Value Measurement*, the Corporation defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is classified as Level 1, 2 or 3, based on the degree to which inputs to the fair value measurement are observable:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs to the valuation methodology include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs to the valuation methodology are not based on observable market data.

An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation.

Specific valuation techniques used to determine the fair value of financial instruments include:

- For all investments except for segregated mortgages – the use of quoted prices where available, other observable market information, where available or valuation models and techniques that are based on non-observable market data.
- For segregated mortgages – the yield curve of Government of Canada bonds to the corresponding maturity dates of the underlying mortgages, plus an estimated risk premium. The risk premium is determined by factors such as the location of the property, tenant profile, and degree of leverage of the property.

These valuations are reviewed at each reporting date by management.

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**j) Derivative financial instruments**

The Corporation uses derivative financial instruments such as foreign currency forward contracts and foreign exchange swaps to manage foreign exchange risks and interest rate swaps to manage interest rate risks (note 6).

Derivative financial instruments are measured on the consolidated statement of financial position at fair value and are accounted for at FVTPL with all changes in fair value recorded in investment income on the consolidated statement of comprehensive income. The Corporation does not apply hedge accounting.

**k) Investment properties**

Properties held for rental income or capital appreciation that are not occupied by the Corporation are classified as investment properties.

The estimated fair value of the Corporation's investment properties is based on independent appraisals by professionally qualified external valuers made during the year or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

The Corporation has certain properties that serve dual purposes: investment and own-use. If the investment and own-use portions can be sold separately, or leased out separately under a finance lease, the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for own use in the supply of services or for administrative purposes. Where the portion held for own-use is significant, then the property is treated as property and equipment. The Corporation has two properties that serve a dual purpose and are classified as investment properties.

Investment properties are initially recognized at the fair value of the purchase consideration plus directly attributable costs. Subsequent to initial recognition, the investment properties are carried at cost, less accumulated depreciation, for the building portion, and impairment, if any.

Depreciation is provided on a straight-line basis at 2.5% to 5.0% of initial carrying value annually over the investment properties' useful life.

**l) Investment-related liabilities**

Investment-related liabilities include mortgage debt associated with investment properties (note 2k) and are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost.

**m) Net bond repurchase agreements**

During fiscal year 2023, the Corporation participated in the sale and repurchase of Government of Canada and Provincial bonds, which were sold and simultaneously agreed to be repurchased at a future date. These sale and repurchase arrangements were accounted for as financial liabilities and were initially recognized at fair value and subsequently measured at amortized cost. The



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interest rate at the time of the sale was the cost of borrowing the funds and was recognized as interest expense.

The Corporation also participated in the purchase and sale of Government of Canada and Provincial bonds, which were purchased and simultaneously agreed to be resold, to the same counterparty, at a future date with the market repurchase rate determining the forward contract price. These agreements were initially recognized at fair value and subsequently measured using effective interest method. These reverse repurchase arrangements had an offsetting effect to enhance performance by reducing interest expenses on the repurchase agreements and by economically hedging the interest rate, counterparty and collateral risks.

Assets transferred under repurchase or reverse repurchase agreements were not derecognized or recognized as substantially all the risks and rewards of ownership were retained by the Corporation or the counterparty in the case of the reverse repurchase agreements. The Corporation recorded a liability equal to the consideration received in repurchase agreements and offset the liability equal to the purchase price in reverse repurchase agreements.

As of March 31, 2024, the Corporation no longer directly participates in sale and repurchase arrangements.

#### **n) Accounts payable and accrued charges**

Accounts payable and accrued charges are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accruals are measured at amortized cost.

#### **o) Provisions**

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These provisions are included in the accounts payable and accrued charges and insurance contract liabilities, as presented on the consolidated statement of financial position. Future operating losses are not recognized.

Where the provision amounts are due more than 12 months after the reporting date, they are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

#### **p) Pension and post-retirement benefits**

The amounts recognized in net income (loss) in respect of defined benefit pension plans and post-retirement benefits are as follows:

- The Corporation's portion of the current service costs;
- Non-investment costs;
- Interest costs;

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- Past service costs; and
  - Impact of any curtailment or settlements during the year.

The current service cost is equal to the present value of benefits earned by members during the reporting year.

The non-investment costs are equal to expenses paid from the plans in the reporting year relating to the administration of the plans.

The interest costs are calculated using the discount rate at the beginning of the reporting year and applied to the net liability at the beginning of the reporting year.

Past service costs arise from plan amendments that increase or decrease the obligation. Past service costs are recognized immediately in net income (loss).

The changes in the defined benefit obligation and the changes in the fair value of plan assets that result from a curtailment or settlement of plan liabilities during the reporting year are recognized in net income (loss).

A plan's surplus is equal to the excess, if any, of the plan's assets over its obligations. For plans in a surplus, an asset is recognized on the consolidated statement of financial position to the extent that the Corporation can realize an economic benefit, in the form of a refund or a reduction in future contributions, at some point during the life of the plan or when the plan liabilities are settled. For plans in deficit, the resulting net liability is recognized on the consolidated statement of financial position.

The value recognized on the consolidated statement of financial position for each defined benefit pension plan and for post-retirement benefits is calculated at the end of the reporting year as follows:

- The defined benefit obligation of the plan;
- Less the fair value of the plan assets out of which the obligations are to be settled directly; and
- Adjusted for the net change of any surplus derecognized.

The Corporation recognizes all actuarial remeasurements (i.e., gains or losses) in the reporting year in which they arise, through OCI on the consolidated statement of comprehensive income.

Certain current and former employees of the Corporation who were formerly employed in the Motor Vehicle Branch are members of a separate plan, the BC Public Service Pension Plan. This is a multi-employer defined benefit plan for which the Corporation applies defined contribution accounting. Since the BC Public Service Pension Plan pools risks amongst the current and former members of many employers, there is no consistent or reliable basis for allocating the Corporation's portion of the obligation, assets, and costs. As a result, the Corporation expenses the contributions made. Contributions are subject to change in the future, depending on the funded status of the plan, and are split equally between all participating employers and all contributing active plan members.

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## q) Property and equipment

Property and equipment are initially recorded at fair value and subsequently measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the items, including retirement costs, if any. Subsequent costs, such as betterments, are included in the asset only when it is probable that future economic benefits associated with the item will flow to the Corporation. All other subsequent expenditures are recognized as repairs and maintenance. Capitalized software that is an integral part of the equipment is accounted for as equipment. Property and equipment are depreciated when they are available for use, on a straight-line basis over the estimated useful life of each asset, taking into account the residual value, at the following annual rates:

- Buildings 2.5% to 10%
- Furniture and equipment 10% to 33%
- Leasehold improvements Term of the lease

The assets' residual values and useful lives are reviewed annually and adjusted, if appropriate, at each reporting date. Land is not depreciated, as it is deemed to have an indefinite life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recorded in net income (loss).

## r) Lease assets and liabilities

At inception of a contract that conveys rights to the Corporation to use an identified asset, the Corporation assesses whether the contract is or contains a lease. This assessment involves exercising judgment to determine whether the Corporation has the right to control the use of an identified asset for a period of time in exchange for considerations. If the arrangement is, or contains a lease, the Corporation recognizes a lease asset and a lease liability at the commencement of the lease. Lease assets include both tangible and intangible assets.

The lease asset is initially measured based on the present value of future lease payments plus directly attributable cost, less any lease incentive received. Directly attributable costs are incremental costs of obtaining a lease that would not have otherwise been incurred and that are directly attributable to negotiating and securing a lease. The lease asset is amortized on a straight-line basis over the lesser of the lease term or the asset's useful life. The lease asset is subject to testing for impairment if there is an indicator for impairment.

Lease liability consists of fixed payments less incentive receivable, variable lease payments that depend on an index or a rate, residual value guarantee, and purchase options price less termination costs. Lease liability is measured at the present value of the remaining lease payments using the implicit rate or the incremental borrowing rate implicit in the lease.

When the lease contains an extension or purchase option that the Corporation considers reasonably certain to be exercised, the exercise price of the option is included in the lease liability.

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### **s) Intangible assets**

Capitalized software that is not an integral part of the equipment is accounted for as an intangible asset. Software development costs, which are comprised of labour and material costs for design, construction, testing, and other costs directly attributable to bringing the asset to a condition where it can be applied in its intended use, are capitalized for projects expected to be of continuing benefit to the Corporation, or expensed where the potential future benefits are uncertain or not quantifiable. Where software in development is not available for its intended use, the software development costs are classified as an asset under construction. Once the asset is available for intended use, it will be classified as an intangible asset.

Finite life intangible assets are initially recorded at fair value and subsequently carried at cost less accumulated amortization and impairment losses. Intangible assets with finite useful lives are amortized over their estimated useful lives when they are available for use on a straight-line basis at 10% to 20%, taking into account the residual value.

Indefinite life and not available for use intangible assets are not subject to amortization, but are assessed for indicators of impairment at each reporting date.

The assets' residual value and useful lives are reviewed annually and adjusted, if appropriate, at each reporting date.

### **t) Impairment of non-financial assets**

The Corporation's non-financial assets consist primarily of investment properties, property and equipment, intangible assets and lease assets. An impairment review is carried out at the end of each reporting year to determine if there are any indicators of impairment. When indicators of impairment exist, the Corporation assesses the asset for impairment. Investment properties are assessed for impairment as separate and identifiable cash-generating units, distinct from the other operations of the Corporation. All other assets are assessed as a group as their cash flows are generated from the operations of the Corporation. If an asset is impaired, the Corporation's carrying amount is written down to its estimated recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value In use.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. If there is a change in estimate of the recoverable amount, an impairment loss is reversed to net income on the consolidated statement of comprehensive income only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation, if no impairment loss had been recognized.

### **u) Current and non-current classification of assets and liabilities**

Assets are considered current when expected to be realized within one year of the reporting date. Liabilities are considered current when expected to be settled within one year of the reporting date. The Corporation presents the statement of financial position on basis of liquidity.

The classification of current and non-current assets and liabilities is disclosed in the notes to the consolidated financial statements.

Current assets include cash and cash equivalents, accrued interest, prepaids and other receivables, assets held for sale, financial investments, and derivative financial instruments. Non-current portion of the accrued interest, prepaids and other receivables is disclosed in note 6b.

Current liabilities include cheques outstanding, accounts payable and accrued charges, derivative financial instruments, and net bond repurchase agreements, investment related, and other liabilities. Non-current portion of the net bond repurchase agreement, investment related and other liabilities is disclosed in note 7.

#### v) Restatement and reclassification of prior year balances

As a result of the adoption of IFRS 17 and 9, the Corporation restated its financial statements as at March 31, 2023. The following tables summarize the prior year balances as reported and the adjustments made for restatement.

| (\$ THOUSANDS)                                  | Carrying amount        |                |              |               |
|---|------------------------|----------------|--------------|---------------|
| As at March 31, 2023                            | As previously reported | Presentation   | Measurement  | Restated      |
| Total assets                                    | \$ 22,186,402          | \$ (1,470,248) | \$ (310,404) | \$ 20,405,750 |
| Total liabilities                               | (18,427,217)           | 1,470,248      | 603,472      | (16,353,497)  |
| Equity attributable to owner of the corporation | (3,752,977)            |                | (293,068)    | (4,046,045)   |
| Equity attributable to non-controlling interest | (6,208)                | -              | -            | (6,208)       |

| As at March 31, 2023   | IFRS 17 & 9       |
|--|-------------------|
| Write off of deferred acquisition costs asset                          | \$ (306,554)      |
| Application of risk adjustment methodology                             | 519,638           |
| Discount rate changes  | 83,972            |
| Change in reinsurance contract assets                                  | (2,291)           |
| Financial investments change from amortized cost to FVTPL              | (1,697)           |
| <b>Total impact of equity attributable to owner of the corporation</b> | <b>\$ 293,068</b> |

The following table summarizes the impact of IFRS 9 on the classification and measurement of financial assets and liabilities on initial application date, April 1, 2023.

| (\$ THOUSANDS)  | Measurement category  |                    | Carrying amount |                  |               |
|---|-----------------------|--------------------|-----------------|------------------|---------------|
|   | IAS 39                | IFRS 9             | IAS 39          | Impact of IFRS 9 | IFRS 9        |
| <b>As at April 1, 2023</b>  |                       |                    |                 |                  |               |
| <b>Cash and cash equivalents</b>  | Amortized cost        | Amortized cost     | \$ 25,957       | \$ -             | \$ 25,957     |
| <b>Accrued interest</b>   | Loans and receivables | FVTPL              | \$ 46,717       | \$ -             | \$ 46,717     |
| <b>Other receivables</b>  |                       |                    |                 |                  |               |
| Other receivables   | Loans and receivables | Amortized cost     | \$ 163,843      | \$ -             | \$ 163,843    |
| Type 2 structured settlement assets   | FVTPL (Designated)    | FVTPL (Designated) | 14,964          | -                | 14,964        |
| <b>Total prepaids and other receivables</b>                                       |                       |                    | \$ 178,807      | \$ -             | \$ 178,807    |
| <b>Fixed-income investments</b>   |                       |                    |                 |                  |               |
| Money market securities   | AFS                   | FVTPL              | \$ 976,655      | \$ -             | \$ 976,655    |
| Mortgages   | Amortized cost        | FVTPL (Designated) | 62,753          | (1,697)          | 61,056        |
| Mortgage funds  | AFS                   | FVTPL              | 746,667         | -                | 746,667       |
| Bond funds  | AFS                   | FVTPL              | 1,888,703       | -                | 1,888,703     |
| Bonds   | AFS                   | FVTPL (Designated) | 6,880,073       | -                | 6,880,073     |
| <b>Equity investments</b>   |                       |                    |                 |                  |               |
| Domestic  | AFS                   | FVTPL              | -               | -                | -             |
| Global  | AFS                   | FVTPL              | 4,590,725       | -                | 4,590,725     |
| <b>Other financial investments</b>  |                       |                    |                 |                  |               |
| Domestic real estate  | AFS                   | FVTPL              | 967,175         | -                | 967,175       |
| Global real estate  | AFS                   | FVTPL              | 597,968         | -                | 597,968       |
| Global infrastructure   | AFS                   | FVTPL              | 833,980         | -                | 833,980       |
| Global mezzanine debt   | FVTPL (Designated)    | FVTPL              | 119,283         | -                | 119,283       |
| Global mezzanine debt   | AFS                   | FVTPL              | 73,923          | -                | 73,923        |
| Private assets  | AFS                   | FVTPL              | 1,421,882       | -                | 1,421,882     |
| <b>Total financial investments</b>  |                       |                    | \$ 19,159,787   | \$ (1,697)       | \$ 19,158,090 |
| <b>Cheques outstanding</b>  | Amortized cost        | Amortized cost     | \$ 215,237      | \$ -             | \$ 215,237    |
| <b>Accounts payable and accrued charges</b>                                       | Amortized cost        | Amortized cost     | \$ 169,761      | \$ -             | \$ 169,761    |
| <b>Derivative financial instruments investment-related, and other liabilities</b> | FVTPL                 | FVTPL              | \$ 46,702       | \$ -             | \$ 46,702     |
|   | Amortized cost        | Amortized cost     | \$ 1,930,036    | \$ -             | \$ 1,930,036  |

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### **3. Critical Accounting Estimates and Judgments**

In preparation of the consolidated financial statements, the Corporation makes judgments in applying the Corporation's accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements include the measurement of insurance contract liabilities, classification of financial instruments, and the assessment of significant influence. In addition, management makes assumptions in developing estimates in preparing the consolidated financial statements. Estimates subject to uncertainty include the LIC, the valuation of Level 3 investments, and the valuation of pension and post-retirement benefit obligations. Management believes its estimates and judgments to be appropriate; however, due to estimation uncertainty the actual results may be materially different. Particular sources of estimation uncertainty include the impacts of product reform and Enhanced Care and the related costs and savings on the LIC. Other sources of economic uncertainty include the effects of market economic conditions from the impacts of multiple conflicts internationally, persistence of inflation, and material damage supply chain and labour shortage issues. These areas of judgment and critical accounting estimates are described below.

Significant accounting estimates and judgments include:

#### **Areas of Judgment**

##### **a) Measurement of insurance contract liabilities**

The Corporation applies significant judgement when selecting the actuarial assumptions and methods used to determine the best estimate of future cash flows, including cash flows over which the entity has discretion, in measuring insurance contract liabilities related to its insurance contracts issued (note 14).

The Corporation also applies significant judgment when selecting the appropriate confidence level for risk adjustment used to calculate LIC. The risk adjustment is the compensation that the Corporation requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The method used to measure the risk adjustment is disclosed in note 2d. Judgment is also involved in selecting the illiquid premium in the discount yield curve used in discounting expected future cash flows.

##### **b) Classification of financial instruments**

Judgement is required to apply the business model criteria to investment portfolio of debt instruments. The Corporation also applied judgement to assess the relationships between its financial assets and related liabilities and to determine whether designating debt instruments at FVTPL significantly reduces an accounting mismatch.

##### **c) Significant influence**

The Corporation owns more than 20% of various investment entities. However, the Corporation does not have significant influence in any of these entities. In determining whether the Corporation has significant influence over an entity, judgment is applied considering all the facts such as

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whether or not it has the power or only protective rights to exert influence over investment activities.

## **Estimates Subject to Uncertainty**

### **d) Liability for incurred claims**

#### **Estimate of undiscounted future cash flows**

The Corporation establishes claims liabilities to cover estimated future cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported (IBNR) and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Corporation. The ultimate cost of claims liabilities is estimated by using standard actuarial methods.

The estimation of claims development involves assessing the future behaviour of incurred claims, taking into consideration changes to the insurance product, as well as the closure rates, payment patterns, consistency of the Corporation's claims handling procedures, the legal representation status of claims, historical delays in reporting of claims, and the historical and forecasted levels of inflation. In general, the more time required for the settlement of a group of claims, the more uncertain the estimates will be. Variability can be caused by receipt of additional information, significant changes in the average cost or complexity of claims over time, significant changes in the Corporation's claims operations, the timing of claims payments, product and legal reforms with limited or no experience, and future rates of investment return and inflation. The ultimate cost of claims that settle over a long period of time is particularly challenging to forecast for several reasons, which include changes in the legal environment, case law or legislative amendments, and periods of time between the occurrence date of a claim and the date it is reported to the Corporation. The Corporation is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the LIC. Such liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate to reflect ultimate loss expectations based upon historical experience patterns, current socio-economic trends and for certain claims, structured settlements that are provided in the form of consistent periodic payments as opposed to lump-sum payments.

The Corporation has considered the impacts of tort reform and the new Enhanced Care insurance model in the estimation of the LIC. The impact of these changes creates additional source of estimation uncertainty, as there is limited historical experience under the tort reform and the Enhanced Care insurance model.

#### **Discount rate**

The liability for incurred claims under the PAA is calculated by discounting expected future cash flows using a discount yield curve. The Corporation uses the bottom-up approach to derive the discount rate for future cash flows. Under this approach, the discount rate is determined as the risk free yield curve plus an illiquidity premium. The risk free yield curve is based on bond yields from Government of Canada bonds (risk-free rates). The illiquid



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premium is determined by reference to observable market rates of investment grade bonds adjusted with a liquidity constant reflecting the liquidity characteristic of insurance contracts.

### **Risk Adjustment for non-financial risk**

The risk adjustment is the compensation that the Corporation requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. It reflects an amount the Corporation would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Corporation has estimated the risk adjustment for LIC based on a quantile approach which determines the risk adjustment for non-financial risks by analyzing the distribution of the losses and selecting a quantile that reflects the Corporation's risk appetite. The risk adjustment for non-financial risk is calculated as the excess of the value at risk at the 90<sup>th</sup> percentile over the expected present value of the future cash flows.

### **e) Valuation of pension and post-retirement benefits**

The cost of pension and post-retirement benefits earned by employees is actuarially determined using the Projected Unit Credit Method and management's best estimate of future compensation levels and healthcare costs.

The key assumptions used in calculating the cost of pension and post-retirement benefits are the discount rate, rate of compensation increase, inflation rate, life expectancies and extended healthcare cost trends. Together with plan member data, these and other assumptions are used to estimate future benefit eligibility, amount and duration of payments. The rate determined for each of the key assumptions is disclosed in note 16.

The discount rate is used to calculate the present value of the expected future benefit payments and to calculate interest on the net liability. The discount rate is based on high-grade corporate bond yields at the measurement date.

The rate of compensation increase reflects individual job progression, general price level increases, productivity, seniority, promotion, and other factors.

The inflation rate assumption is based on an assessment of historical data, the Bank of Canada target inflation range and the inflation expectations implied by the Government of Canada nominal and real return long-term bond yields.

Life expectancies are based on Canadian mortality tables, and contain a provision for future longevity improvements.

The extended healthcare trend rate is based on an analysis of plan experience, assumptions about the trend in total healthcare costs, and the proportion that will be covered by private plans.

With the exception of the discount rate, which is based on market conditions at the financial statement date, all other assumptions are management's best estimate (note 16).

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**f) International conflicts**

Multiple conflicts internationally have caused instability in the global economy and market. The Corporation has determined there is minimal impact on its business activities and financial investments. However, there is ongoing uncertainty surrounding the extent of the potential macroeconomic impact on the Corporation's investment portfolio, pension assumptions, and business activities as the conflicts continue to evolve. The Corporation continues to monitor any direct impacts.

**g) 2019 legal-based product reform**

Legislation was enacted on May 17, 2018 to reform the Basic insurance product to limit pain and suffering payouts for minor injuries and create an independent dispute resolution process for injury claims effective April 1, 2019 (note 20). The product reform significantly decreased claims costs associated with accidents occurring on or after April 1, 2019. Key factors that contributed to the overall reduction in claims cost pressures include: a) the limit on general damages of \$5,500 apply to minor injuries, b) the enhancements in accident benefits coverage, c) other insurance (collateral benefits) are primary for most medical and wage loss amounts when it is available and, d) bodily injury claims disputes valued up to \$50,000 are resolved by the Civil Resolution Tribunal (CRT) instead of the Supreme Court of B.C.

The impact of the product reform has been favourable and contributed to improvement in the Corporation's financial stability. Given the limited history of the product reform, there is material estimation uncertainty in the measurement of these costs. Any recognition of additional impact has been reflected in the change in estimates for losses occurring in prior years.

**h) Enhanced Care**

On May 1, 2021, the Corporation implemented a new care-based insurance model (note 1). The impact of the new insurance model has been reflected in the estimate of current year and prior year claims costs. Given the limited historical experience under this model, there is estimation uncertainty in the measurement of these costs.

**i) Inflation**

Since the beginning of fiscal year 2023, there has been unusually high inflation. Higher inflation has impacted the cost of claims, and will continue to affect the cost of open claims. Uncertainty remains surrounding the extent and duration of the unusual high inflation, adding uncertainty due to potential impacts on the Corporation's investment portfolio, pension assumptions, and claims costs.

**j) Material damage supply chain and labour shortage**

The COVID-19 pandemic has triggered a global shortage of vehicle parts and computer chips resulting in extensive delay in vehicle repairs. The delay is further exacerbated by the shortage of skilled labour in the car repair industry in British Columbia. The situation is not expected to resolve in the next few years. Delays in vehicle repairs, particularly when combined with the current high

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inflation environment, result in estimation uncertainty in the measurement of costs associated with vehicle damage claims.

**k) Valuation of level 3 investments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques and relying on significant unobservable inputs. In these cases, the fair values are estimated from observable data in respect of similar financial instruments, unobservable data using models or both. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by an external qualified personnel independent of those that sourced them (note 2i).

Inherently there is significant estimation uncertainty arising from the judgments and assumptions in determining fair value of these investments.

**4. New Accounting Pronouncements**

**a) Standards and interpretations effective for the year ended March 31, 2024**

The Corporation has adopted the standards and interpretations that are relevant to the operations of the Corporation and effective for the year ended March 31, 2024. The following summarizes the changes in accounting policies and presentation of the consolidated financial statements as a result of the adoption of the new standards.

***IFRS 17 Insurance contracts***

The Corporation adopted IFRS 17 retrospectively on April 1, 2023. The standard establishes the principles of recognition, measurement, presentation and disclosure of insurance and reinsurance contracts and supersedes IFRS 4, the previous IFRS for accounting for insurance contracts. It introduces a measurement model based on the estimates of the present value of future cash flow that are expected to arise as the entity fulfills the contract and an explicit risk adjustment for non-financial risk. The Premium Allocation Approach (PAA) is an optional simplified measurement model that is also available for insurance and reinsurance contracts that meet the eligibility criteria.

The Corporation has qualified and has elected to apply the PAA model for all of its insurance and reinsurance contracts. The key changes of the Corporation's accounting policies resulting from IFRS 17 are as follows:

Level of aggregation - Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. The level of aggregation requirements in IFRS 17 limit the offsetting of profitable contracts against onerous ones. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. at an overall entity level rather than group of contracts level), the level of aggregation under IFRS 17 is more granular and

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may result in more contracts being identified as onerous and losses on onerous contracts being recognized sooner.

Deferral of acquisition cost – Insurance acquisition cash flow are costs that are directly attributable to selling or underwriting a portfolio of insurance contract. The Corporation previously recognized all acquisition costs as deferred acquisition costs and amortized throughout the life of the contract. For insurance contracts that are recognized using PAA and less than one year in length, IFRS 17 provides the option to expense acquisition cost as incurred. Under IFRS 17, the Corporation expenses eligible insurance acquisition cash flow when incurred.

Discount rate – IFRS 17 requires the use of a discount rate that reflects the characteristics of insurance contract liability when measuring LIC. Previously, the Corporation uses a discount rate that reflects its investment portfolio.

Risk adjustment – IFRS 17 requires the fulfillment cash flow to include a risk adjustment for non-financial risk. Previously, under IFRS 4, the Corporation includes a provision for adverse deviations (PfAD) to recognize the uncertainty in establishing best estimate of amounts required to settle all unpaid claims.

Under IFRS 17, insurance and reinsurance contracts that are assets or liabilities at a portfolio level are presented separately. LIC and LRC are also presented separately as a single line item “Insurance contract liabilities” in the consolidated statement of financial position. Under the PAA, unearned premium and premium receivables are part of the LRC.

For the consolidated statement of comprehensive income, insurance service result and insurance financial result from other sources of income/expense (i.e. investment and other) are separately presented. Under IFRS 17, expenses are classified as insurance acquisition cash flow and fulfillment cash flow within insurance or as other expenses when they are not directly attributable to insurance contracts. As a result, a portion of expenses classified as insurance operating expenses under IFRS 4 is now presented as other operating expenses under IFRS 17.

There are no significant changes in the consolidated statement of changes in equity and cash flow for the Corporation as a result of IFRS 17 except for the impact of IFRS transition captured in the opening balance of retained earnings.

In addition, IFRS 17 requires extensive new disclosures about amounts recognized in the financial statements including detailed reconciliations of contracts as well as disclosures about significant judgments made when applying IFRS 17. Disclosures are generally made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the consolidated financial statements.

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## **IFRS 9 *Financial instruments***

The Corporation adopted IFRS 9 retrospectively on April 1, 2023. IFRS 9 brings together the classification and measurement, impairment and hedge accounting to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 introduces a principles-based approach to the classification of financial assets generally based on an entity's business model and the nature of the cash flows of the asset. IFRS 9 also replaces the incurred loss model in IAS 39 for the recognition of impairment with a forward-looking ECL model. This requires considerable judgment about how changes in economic factors affect the ECL, which are determined on a probability-weighted basis. The new impairment model does not have a significant impact on the Corporation since most financial assets will be valued in FVTPL.

For financial liabilities, IFRS 9 largely retains the existing requirements for the initial recognition, classification, and measurement of financial liabilities as compared to IAS 39.

### **b) Standards and interpretations issued but not yet effective and not early adopted**

Standards and interpretations issued that are relevant to the operations of the Corporation, but not yet effective include:

- *IFRS 10 Consolidated Financial Statements and IAS 28 Long term Interests in Associates and Joint Ventures (Amendment)*. Effective for the annual periods beginning on or after a date to be determined by IFRS; early adoption is permitted. Changes to these standards amend the accounting for sales or contribution of assets between an investor and its associate or joint ventures, and accounting guidance for a parent in the loss of control of a subsidiary. The adoption is not expected to have a material impact on the Corporation's consolidated financial statements.
- *IFRS 18 Presentation and Disclosure in Financial Statements*. Effective for the annual periods beginning on or after January 1, 2027, and replaces *IAS 1 Presentation of Financial Statements*. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The adoption is not expected to have a material impact on the Corporation's consolidated financial statements.

## 5. Investments

### a) Financial investments

| (\$ THOUSANDS)                     |                      | Financial Investments       |                           |  |                      |
|------------------------------------|----------------------|-----------------------------|---------------------------|--|----------------------|
|                                    | Measurement category | Investments In Pooled Funds | Investments Held Directly | Investments Held Through Investment Entities | Total Carrying Value |
| <b>March 31, 2024</b>              |                      |                             |                           |  |                      |
| <b>Fixed-income investments</b>    |                      |                             |                           |  |                      |
| Money market funds                 | FVTPL                | \$ 858,697                  | \$ -                      | \$ 62  | \$ 858,759           |
| Mortgages                          | FVTPL (Designated)   | -                           | 52,547                    | -  | 52,547               |
| Mortgage funds                     | FVTPL                | 597,181                     | -                         | 251,574                                      | 848,755              |
| Bond funds                         | FVTPL                | 3,117,667                   | -                         | -  | 3,117,667            |
| <b>Bonds</b>                       |                      |                             |                           |  |                      |
| Federal                            | FVTPL (Designated)   | -                           | 1,597,260                 | -  | 1,597,260            |
| Provincial                         | FVTPL (Designated)   | -                           | 675,397                   | -  | 675,397              |
| Municipal                          | FVTPL (Designated)   | -                           | 9,807                     | -  | 9,807                |
| Corporate                          | FVTPL (Designated)   | -                           | 1,622,242                 | -  | 1,622,242            |
| Total bonds                        |                      | -                           | 3,904,706                 | -  | 3,904,706            |
| Total fixed-income investments     |                      | 4,573,545                   | 3,957,253                 | 251,636                                      | 8,782,434            |
| <b>Equity investments</b>          |                      |                             |                           |  |                      |
| Global                             | FVTPL                | 4,137,960                   | -                         | -  | 4,137,960            |
| Total equity investments           |                      | 4,137,960                   | -                         | -  | 4,137,960            |
| <b>Other financial investments</b> |                      |                             |                           |  |                      |
| Domestic real estate               | FVTPL                | 960,089                     | -                         | -  | 960,089              |
| Global real estate                 | FVTPL                | 1,076                       | -                         | 557,015                                      | 558,091              |
| Global infrastructure              | FVTPL                | 126,066                     | -                         | 1,117,807                                    | 1,243,873            |
| Global mezzanine debt              | FVTPL                | 155,155                     | -                         | -  | 155,155              |
| Private assets                     | FVTPL                | 1,270,484                   | -                         | 712,424                                      | 1,982,908            |
| Total other financial investments  |                      | 2,512,870                   | -                         | 2,387,246                                    | 4,900,116            |
| Total financial investments        |                      | \$ 11,224,375               | \$ 3,957,253              | \$ 2,638,882                                 | \$ 17,820,510        |
| <b>March 31, 2023</b>              |                      |                             |                           |  |                      |
| <b>Fixed-income investments</b>    |                      |                             |                           |  |                      |
| Money market funds                 | FVTPL                | \$ 976,655                  | \$ -                      | \$ -   | \$ 976,655           |
| Mortgages                          | FVTPL (Designated)   | -                           | 61,056                    | -  | 61,056               |
| Mortgage funds                     | FVTPL                | 558,705                     | -                         | 187,962                                      | 746,667              |
| Bond funds                         | FVTPL                | 1,888,703                   | -                         | -  | 1,888,703            |
| <b>Bonds</b>                       |                      |                             |                           |  |                      |
| Federal                            | FVTPL (Designated)   | -                           | 2,985,409                 | -  | 2,985,409            |
| Provincial                         | FVTPL (Designated)   | -                           | 1,179,487                 | -  | 1,179,487            |
| Municipal                          | FVTPL (Designated)   | -                           | -                         | -  | -                    |
| Corporate                          | FVTPL (Designated)   | -                           | 2,715,177                 | -  | 2,715,177            |
| Total bonds                        |                      | -                           | 6,880,073                 | -  | 6,880,073            |
| Total fixed-income investments     |                      | 3,424,063                   | 6,941,129                 | 187,962                                      | 10,553,154           |
| <b>Equity investments</b>          |                      |                             |                           |  |                      |
| Global                             | FVTPL                | 4,590,725                   | -                         | -  | 4,590,725            |
| Total equity investments           |                      | 4,590,725                   | -                         | -  | 4,590,725            |
| <b>Other financial investments</b> |                      |                             |                           |  |                      |
| Domestic real estate               | FVTPL                | 967,175                     | -                         | -  | 967,175              |
| Global real estate                 | FVTPL                | 1,788                       | -                         | 596,180                                      | 597,968              |
| Global infrastructure              | FVTPL                | 83,208                      | -                         | 750,772                                      | 833,980              |
| Global mezzanine debt              | FVTPL                | 193,206                     | -                         | -  | 193,206              |
| Private assets                     | FVTPL                | 967,919                     | -                         | 453,963                                      | 1,421,882            |
| Total other financial investments  |                      | 2,213,296                   | -                         | 1,800,915                                    | 4,014,211            |
| Total financial investments        |                      | \$ 10,228,084               | \$ 6,941,129              | \$ 1,988,877                                 | \$ 19,158,090        |

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The Corporation's investment in pooled funds are denominated 96.9% (2023 – 95.8%) in Canadian dollars. The Corporation's investment held through investment entities are denominated 100.0% (2023 – 100.0%) in Canadian dollars. The above equity and other financial investment disclosure presents the Corporation's interest in pooled funds and investments held through investment entities by looking through the funds, and classifying by the type of the underlying investments, which is consistent with how the Corporation manages risk and monitors performance.

### **Pooled funds and investments held through investment entities**

The Corporation invests in pooled funds and investments held through investment entities. The investment strategies of some of these funds and investments include the use of leverage. As at March 31, 2024, the Corporation's interest in pooled funds range from 0.1% to 29.3% (2023 – 0.1% to 37.3%) and investments held through investment entities range from 7.0% to 100.0% (2023 – 7.0 % to 100.0%) of the net assets of the respective funds and investments. The funds and investments are managed by external asset managers. The Corporation has a percentage ownership in each of the pooled funds and investments that entitle the Corporation to a proportional share in the respective fund's net assets. The carrying value of the Corporation's investments in pooled funds and investments held through investment entities as at March 31, 2024 is \$13.86 billion (2023 – \$12.22 billion).

The Corporation's maximum loss exposure from its interests in the pooled funds and investments held through investment entities is equal to the total fair value of these investments.

### **Asset-backed securities**

The Corporation may purchase bonds that are secured by various assets as part of its investment strategy. The majority of the bonds, issued by Canadian corporate entities and secured by credit card, auto, or equipment receivables, are called asset-backed securities. As at March 31, 2023, the carrying value of asset-backed securities included in financial investments is \$64.0 million. As at March 31, 2024, the Corporation has no investment in asset-backed securities.

The carrying value of mortgage-backed securities included in financial investments in the consolidated statement of financial position as at March 31, 2024 is \$33.5 million (2023 – nil). The weighted-average duration of the mortgage-backed securities in the Corporation's portfolio is 1.2 years and the coupon interest rates range from 1.0% to 1.2%.

## b) Investment properties

The movement in the carrying value of investment properties is as follows:

| (\$ THOUSANDS)  | 2024      |                | 2023      |                |
|---|-----------|----------------|-----------|----------------|
| <b>Cost</b>   |           |                |           |                |
| Balance, beginning of year                                  | \$        | 419,221        | \$        | 354,705        |
| Capital improvements  |           | 24,487         |           | 12,122         |
| Reclassification to assets held for sale                    |           | (53,216)       |           | (62,185)       |
| Reverted from assets held for sale to investment properties |           | -              |           | 182,697        |
| Disposals   |           | (69,067)       |           | (62,641)       |
| Impairment loss   |           | (5,159)        |           | (5,477)        |
| Balance, end of year  |           | <u>316,266</u> |           | <u>419,221</u> |
| <b>Accumulated depreciation</b>                             |           |                |           |                |
| Balance, beginning of year                                  |           | 113,430        |           | 99,661         |
| Depreciation  |           | 19,698         |           | 21,802         |
| Reverted from assets held for sale to investment properties |           | -              |           | 31,584         |
| Disposals   |           | (14,120)       |           | (18,043)       |
| Reclassification to assets held for sale                    |           | (37,026)       |           | (21,574)       |
| Balance, end of year  |           | <u>81,982</u>  |           | <u>113,430</u> |
| <b>Carrying value, end of year</b>                          | <b>\$</b> | <b>234,284</b> | <b>\$</b> | <b>305,791</b> |

The fair value of investment properties is \$0.32 billion (2023 – \$0.43 billion) and based on the inputs to the valuation technique used, the valuation of these investment properties is Level 3. As at March 31, 2024 and March 31, 2023, the estimated fair value is based on independent appraisals, by professionally qualified external valuers or using the income approach to estimate fair value through the direct capitalization method and/or the discounted cash flow analysis as determined by an external investment manager.

As at March 31, 2024, two (2023 – four) investment properties remain in assets held for sale.

## c) Lease income

The Corporation leases out its investment properties. As of March 31, 2024, the future minimum lease cash receipts under non-cancellable leases over the next five years and beyond are as follows:

| (\$ THOUSANDS)                     | 2024             |                   | 2023             |                   |
|------------------------------------|------------------|-------------------|------------------|-------------------|
|                                    | Lease Income     | Net Present Value | Lease Income     | Net Present Value |
| Up to 1 year                       | \$ 18,523        | \$ 17,582         | \$ 21,849        | \$ 20,860         |
| Greater than 1 year, up to 5 years | 51,528           | 43,570            | 53,646           | 46,282            |
| Greater than 5 years               | 15,853           | 11,595            | 22,212           | 16,824            |
|                                    | <u>\$ 85,904</u> | <u>\$ 72,747</u>  | <u>\$ 97,707</u> | <u>\$ 83,966</u>  |



## 6. Financial Assets and Liabilities

### a) Fair value hierarchy

The following table presents the fair value hierarchy for financial assets and liabilities measured at fair value in the consolidated statement of financial position. During fiscal years 2024 and 2023, there were no transfers between Level 1, Level 2 and Level 3. The Corporation's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

| (\$ THOUSANDS)                | Fair Value Measurements at Reporting Date |  |   |   |
|-------------------------------|---|--|---|---|
|                               | Fair Value                                | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <b>March 31, 2024</b>         |   |  |   |   |
| Cash and cash equivalents     | \$ 12,969                                 | \$ -   | \$ 12,969                                     | \$ -                                      |
| Fixed-income investments      | 8,782,434                                 | -  | 7,881,132                                     | 901,302                                   |
| Equity investments            | 4,137,960                                 | -  | 3,342,294                                     | 795,666                                   |
| Other financial investments   | 4,900,116                                 | -  | -   | 4,900,116                                 |
| <b>Total financial assets</b> | <b>\$ 17,833,479</b>                      | <b>\$ -</b>  | <b>\$ 11,236,395</b>                          | <b>\$ 6,597,084</b>                       |
| <b>March 31, 2023</b>         |   |  |   |   |
| Cash and cash equivalents     | \$ 25,957                                 | \$ -   | \$ 25,957                                     | \$ -                                      |
| Fixed-income investments      | 10,553,154                                | -  | 9,745,431                                     | 807,723                                   |
| Equity investments            | 4,590,725                                 | -  | 4,590,725                                     | -   |
| Other financial investments   | 4,014,211                                 | -  | -   | 4,014,211                                 |
| <b>Total financial assets</b> | <b>\$ 19,184,047</b>                      | <b>\$ -</b>  | <b>\$ 14,362,113</b>                          | <b>\$ 4,821,934</b>                       |

Cash and cash equivalents (Level 2) is valued using the end of day exchange rates. Level 2 equity investments are valued using net asset value or pricing matrices derived from yield quotations, or if one does not exist, cost plus accrued interest. Bonds and money market pooled fund within Level 2 fixed-income investments are valued using the quoted market price or dealer quotes for similar instruments exchanged in active markets.

The table below shows the movement of financial assets where fair value has been determined based upon significant unobservable inputs (Level 3).

The fair values of the real estate pooled investments are provided by the investment managers and are based on the appraised or calculated market value plus the net assets and liabilities combined with any cash flows. The global mezzanine debt fund's valuations are provided by the investment managers and are based on the discounted cash flow method using yields of assets with similar characteristics combined with cash flows. The global infrastructure valuations are provided by the investment manager and are based on various methods such as the discounted cash flows, appraisals and audited financial statements. The private fixed-income funds and private equity funds valuations are provided by the investment manager and are based on the observed external price, if one exists, or if one does not exist, discounted cash flows using the yields of externally priced comparable private or public fixed-income assets. The fair value of

directly held mortgages is determined to be consistent with Level 3 investments based on the inputs to the valuation technique used (note 2i). The consolidated mortgage fund's value is provided by the investment manager and is based on a discounted cash flow that uses a risk-free rate of return and a mortgage credit spread for the underlying fixed term mortgages. For its underlying variable mortgages, valuations are based on the principal balance plus accrued interest and for other mortgage investments, valuations may be based on audited financial statements and discounted cash flows.

| (\$ THOUSANDS)                    | Fair Value Measurements using<br>Level 3 Inputs |             |
|-----------------------------------|---|-------------|
|                                   | Equities and Other Financial<br>Investments     |             |
| <b>March 31, 2024</b>             |   |             |
| <b>Balance, beginning of year</b> | \$  | 4,821,934   |
| Additions                         |   | 2,715,108   |
| Disposals                         |   | (1,054,824) |
| Market value adjustment           |   | 114,866     |
| <b>Balance, end of year</b>       | \$  | 6,597,084   |
| <b>March 31, 2023</b>             |   |             |
| <b>Balance, beginning of year</b> | \$  | 3,969,529   |
| Additions                         |   | 2,124,628   |
| Disposals                         |   | (1,405,137) |
| Market value adjustment           |   | 132,914     |
| <b>Balance, end of year</b>       | \$  | 4,821,934   |

The fair value of derivative instruments not designated as accounting hedges is as follows:

| (\$ THOUSANDS)                               | 2024               |            | 2023               |            |
|--|--------------------|------------|--------------------|------------|
|  | Notional<br>Amount | Fair Value | Notional<br>Amount | Fair Value |
| <b>Non-designated derivative instruments</b> |                    |            |                    |            |
| <b>Assets</b>                                |                    |            |                    |            |
| Interest rate swap - investment properties   | \$ 91,850          | \$ 804     | \$ -               | \$ -       |
|  | \$ 91,850          | \$ 804     | \$ -               | \$ -       |
| <b>Liabilities</b>                           |                    |            |                    |            |
| Forward contracts                            | \$ 2,360,156       | \$ 8,947   | \$ 2,387,682       | \$ 45,598  |
| Foreign exchange swaps                       | -                  | -          | 260,000            | 357        |
| Interest rate swap - investment properties   | -                  | -          | 91,850             | 747        |
|  | \$ 2,360,156       | \$ 8,947   | \$ 2,739,532       | \$ 46,702  |

The Corporation uses foreign exchange forward contracts and swaps to hedge the foreign exchange risks associated with its foreign currency financial investments. The Corporation entered into an interest rate swap to naturally hedge the interest rate of one of the investment properties' mortgages. Other than the interest rate swap associated with one of the investment properties' mortgages, all forward contracts and swaps have settlement dates within one year.

The non-designated derivative financial instruments are classified as Level 2. Forward contracts are valued based on the difference between the forward rate at the contract initiation date and the remaining forward term rate on the reporting date. Swap contracts are valued at the present value of their expected cash flows on the reporting date.

### b) Other financial assets

Other financial assets include accrued interest and prepaids and other receivables. The fair values of the other financial assets approximate their carrying values due to their short-term nature, except for the fair value of the structured settlements, which is based on present value of future cash flows.

| (\$ THOUSANDS)               | 2024       | 2023       |
|------------------------------|------------|------------|
| Prepaids                     | \$ 43,907  | \$ 43,289  |
| Other receivables            | 263,897    | 178,807    |
|                              | \$ 307,804 | \$ 222,096 |
| Accrued interest             | 28,497     | 46,717     |
| Total other financial assets | \$ 336,301 | \$ 268,813 |
| Non-current portion          | \$ 16,425  | \$ 17,895  |

### c) Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, net bond repurchase agreements, investment-related and other liabilities, and lease liabilities. All financial liabilities are carried at cost or amortized cost. Except for lease liabilities, investment-related and other liabilities, the fair values of financial liabilities approximate their carrying values due to their short-term nature. The estimation of fair value of investment-related and other liabilities is discussed in note 7, and for lease liabilities in note 8.

As at March 31, 2024, the general ledger bank balances representing deposits in transit were \$212.7 million (2023 – \$159.9 million) and the general ledger bank balances representing outstanding cheques were \$425.2 million (2023 – \$375.1 million), netting to a cheques outstanding balance of \$212.5 million (2023 – \$215.2 million) on the consolidated statement of financial position.

## 7. Net Bond Repurchase Agreements, Investment Related and Other Liabilities

| (\$ THOUSANDS)  | 2024           | 2023           |
|---|----------------|----------------|
|   | Carrying Value | Carrying Value |
| Net bond repurchase agreements  | \$ -           | \$ 1,772,205   |
| Investment-related liabilities  | 97,047         | 105,728        |
| Other liabilities   | 160,463        | 52,103         |
| Total net bond repurchase agreements, investment-related, and other liabilities | \$ 257,510     | \$ 1,930,036   |
| Non-current portion   | \$ 97,249      | \$ 97,047      |

Investment-related liabilities are comprised of mortgage payable of \$97.0 million (2023 – \$105.7 million) with repayment terms ranging from within two years to five years (2023 – one year to six years) and interest rates ranging from 4.6% to 7.2% (2023 – 4.6% to 7.3%). The fair value of investment-related liabilities approximates carrying value. Other liabilities consist of accrued interest payable and unsettled trades. All of these liabilities are classified as Level 3 under the fair value hierarchy.

Estimated principal repayments for investment-related and other liabilities are as follows:

| (\$ THOUSANDS)                     | 2024 |         | 2023 |         |
|------------------------------------|------|---------|------|---------|
| Up to 1 year                       | \$   | 160,261 | \$   | 60,784  |
| Greater than 1 year, up to 5 years |      | 92,873  |      | 92,477  |
| Greater than 5 years               |      | 4,376   |      | 4,570   |
|                                    | \$   | 257,510 | \$   | 157,831 |

## 8. Lease Liabilities

Lease liabilities are as follows:

| (\$ THOUSANDS)   | 2024 |        | 2023 |        |
|--|------|--------|------|--------|
| Up to 1 year   | \$   | 12,983 | \$   | 11,406 |
| Greater than 1 year, up to 5 years                               |      | 34,384 |      | 34,805 |
| Greater than 5 years   |      | 19,324 |      | 12,593 |
| <b>Total undiscounted lease liabilities balance, end of year</b> | \$   | 66,691 | \$   | 58,804 |
| <b>Total discounted lease liabilities balance, end of year</b>   | \$   | 57,125 | \$   | 52,313 |
| Current  | \$   | 12,511 | \$   | 10,784 |
| Non-current  | \$   | 44,614 | \$   | 41,529 |

The fair value of lease liabilities is the present value of cash flows over the remaining term of the leases.

As at March 31, 2024, the Corporation did not have any leases committed to but not yet commenced (note 23). As at March 31, 2024, the Corporation had committed to facilities-related expenses associated with leased properties, over the next five years and beyond, at a net present value of \$30.5 million (2023 – \$31.6 million).

## 9. Management of Insurance and Financial Risk

As a provider of vehicle insurance products, effective risk management is fundamental in protecting earnings, cash flow, and ultimately the financial stability of the Corporation. The Corporation is exposed to various types of insurance and financial risks including risks of uncertainty resulting from the international conflicts and other economic uncertainties (note 3).

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## **a) Insurance risk**

The principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events have an element of randomness and the actual number and amount of claims and benefits will vary each year from the level established using statistical techniques.

The introduction of the new care-based insurance model has increased the insurance risk as the insurance liabilities for new injury claims under the care model must be established with only limited direct historical experience. The Corporation has considered relevant experience from other jurisdictions with similar products in determining the appropriate amount of the insurance liabilities. Actual results may be materially different and take many years to emerge.

Frequency is the average number of claims per policy, calculated by dividing the total number of claims by the total number of policies. Severity is the average cost of a claim calculated by dividing the total cost of claims by the total number of claims. There are a number of factors that influence the frequency and severity of claims.

Some factors are affected by the actions of the Corporation and a number of strategies are used to try and reduce cost pressures created by these factors, including claims operational changes, road safety programs, programs to influence driver behaviour such as impaired driving and distracted driving programs, public awareness campaigns, auto crime reduction initiatives, and fraud detection and investigation.

There are other factors that the Corporation has little or no control over, including weather, demographics, court issued settlement awards, plaintiff legal fees, pandemic events, and economic changes, including vehicle parts/repair inflation, supply chain issues and medical expense inflation that influence the cost of claims.

### **Sources of uncertainty in the estimation of the liability for incurred claims**

To manage the uncertainty associated with estimating the LIC, the Corporation's Chief Actuary employs standard actuarial methods. The estimation of the LIC is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied (note 3d), giving appropriate consideration to relevant changes in circumstances such as the 2019 legal-based product reform (note 3g), the new care-based insurance model (note 3h), high inflation (note 3i), and material damage supply chain issues and labour shortage (note 3j).

There is an inherent uncertainty regarding the assumptions to estimate the amount and timing of future claims payments that make up the liabilities for incurred claims. The Corporation is liable for all insured events that occurred during the term of the insurance contract, even if the loss is reported after the end of the contract term. In addition, injury claims may take a long period of time to settle.

Injury claims include bodily injury, accident benefits, and enhanced accident benefits, which account for approximately 37% (2023 – 40%) of current year claims costs, and 88% (2023 – 93%) of the LIC. The timing of payments of injury claims can be extended due to delayed reporting, as

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well as extended recovery time required for severe injuries, and the timing and amount of injury payments can exhibit considerable uncertainty because of the complex bodily injury claims environment, including the legal environment.

The Corporation's LIC can be affected by the frequency and severity of claims, the discount rate, and actuarial methods and assumptions. The frequency and severity of claims are discussed above, while the discount rate and the actuarial methods and assumptions are discussed in notes 3 and 14.

### **Concentration of insurance risk**

The Corporation has a diverse customer base as the sole provider of Basic insurance to all drivers in British Columbia. The Corporation operates in one provincial jurisdiction and provides vehicle insurance only, so there is a concentration of insurance risk with respect to geography, jurisdiction, and product type.

The impact of the concentration of insurance risk is quantified through Catastrophe modeling that the Corporation's reinsurance broker updates annually. This testing allows the Corporation to assess, monitor and manage these risks effectively. The concentration of insurance risk is also managed through an Automobile property damage catastrophe reinsurance treaty, a casualty catastrophe reinsurance treaty, and road safety programs such as road improvement strategies, the graduated licensing program, and the distracted driving campaign. As the sole provider of Basic insurance, the Corporation invests in and benefits the most from these programs.

### **Premium pricing risk**

The Corporation is the sole provider of Basic insurance and is not subject to competitive risk for its Basic insurance product. Basic insurance rates are set to cover costs after considering investment returns. Because the insurance rates are determined based on forward-looking estimates of costs, the unfavourable variance in costs, in particular claims costs, may result in Basic insurance premiums not being sufficient to cover costs.

The Corporation is subject to legislative requirements with respect to Basic insurance and applies to the BCUC for approval to change its Basic insurance rate. The Corporation is required to make Basic insurance rate applications and the BCUC is required to approve rates set according to accepted actuarial practice. These legislated requirements mitigate the underwriting risk associated with pricing for the Basic insurance product.

For the 2023 policy year, the Corporation has applied to the BCUC for a Basic rate change of 0.0%. The Basic rate application includes a government-directed capital provision equal to an amount of 7.0% of required premium, which is expected to allow the Corporation to continue to rebuild its depleted capital over the 24-month term of policy year 2023 (note 21).

The Corporation's Optional insurance products compete with other insurers and are subject to underwriting risk and competitive risk.

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**b) Financial risk****Concentration of financial risk**

The Corporation establishes investment portfolio level targets and limits with the objective of ensuring that portfolios are diversified across asset classes and individual investment risks. The Corporation reviews investment positions and risk exposures for concentration risk.

As at March 31, 2024, the equity and other financial investments portfolios were 29.0% (2023 – 28.6%) invested in the real estate sector, 12.6% (2023 – 12.9%) in the information technology sector, and 11.1% (2023 – 10.4%) in the financial sector. The bond portfolio was 56.0% (2023 – 50.2%) invested in the government sector and 19.1% (2023 – 24.1%) invested in the financial sector. See credit risk for a discussion of the government bonds.

**Concentration of geographical risk**

Geographical concentration risk arises when the investments are located in the same geographical region. The Corporation reduces geographical concentration risk by dispersing the investments in more than one geographical region. The Corporation is invested in diversified global pooled funds. As at March 31, 2024, the investment portfolio was 57.6% (2023 – 62.1%) invested in Canada, 30.8% (2023 – 26.0%) invested in the United States, and 11.6% (2023 – 11.9%) was invested elsewhere around the world.

**Price risk**

General economic conditions, political conditions, and other factors affect the equity markets, thereby also affecting the fair value of the equity investments, fixed-income funds, and other financial investments held by the Corporation. Fluctuations in the value of these investments impact the recognition of both unrealized and realized gains and losses on units of funds held. As at March 31, 2024, the impact of a 10% change in prices, with all other variables held constant, would result in an estimated corresponding change to profit or loss for equity investments, fixed-income funds, and other financial investments of approximately \$1.39 billion (2023 – \$1.22 billion).

The Corporation holds a widely diversified portfolio, diversified geographically, by sector, and by company, and has policies in place to limit and monitor total equity exposure and individual issuer exposure.

**Interest rate risk**

When interest rates increase or decrease, the market value of fixed-income investments will decrease or increase respectively with a larger market value impact on instruments with a long duration compared to instruments with a short duration. Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's directly held fixed-income portfolio. The Corporation is also indirectly exposed to interest rate risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities.

Fluctuation in interest rates also have an impact on the measurement of the discounted LIC. When interest rates increase or decrease, discounted LIC will decrease or increase respectively with a larger impact on claims with a longer expected payout term compared to claims with a shorter expected payout term.

The Corporation has policies in place to limit and monitor its exposure to interest rate risk in relation to the duration of its insurance contract liabilities.

The carrying values reported in the consolidated statement of financial position for cash and cash equivalents, other receivables, accounts payable and accrued charges, approximate their fair values and are not significantly impacted by fluctuations in interest rates.

In fiscal years 2024 and 2023, the Corporation did not use material derivative financial instruments to hedge interest rate risk on its investment portfolio.

The following table outlines the impacts on the Corporation's net income resulting from specific changes in interest rates as at March 31, 2024 and 2023:

| As at March 31, 2024  | Net income          |                     |
|---|---------------------|---------------------|
|   | 100 bps<br>Increase | 100 bps<br>Decrease |
| Liabilities for incurred claims   | \$ 298,611          | \$ (333,689)        |
| Financial investments <sup>1</sup>  | (102,567)           | 102,567             |
| Total   | \$ 196,044          | \$ (231,122)        |
| As at March 31, 2023  |                     |                     |
|   | Net income          |                     |
|   | 100 bps<br>Increase | 100 bps<br>Decrease |
| Liabilities for incurred claims   | \$ 354,445          | \$ (394,055)        |
| Financial investments <sup>1</sup>  | (181,734)           | 181,734             |
| Total   | \$ 172,711          | \$ (212,321)        |
| <sup>1</sup> Bonds and directly owned mortgage investments, which have direct exposure to interest rate risk. |                     |                     |

## Credit risk

Credit risk is the potential for financial loss to the Corporation if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents, fixed-income investments, other receivables, and structured settlements. The Corporation has credit risk arising from the premium to be received included in the insurance contract and reinsurance contract assets. The Corporation is also indirectly exposed to credit risk through its investments in fixed-income pooled funds and fixed-income investments held through investment entities. The total direct credit risk exposure is \$3.86 billion (2023– \$5.64 billion).



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## Fixed-income investments

Fixed-income investments with direct exposure to credit risk are comprised of directly held bonds and mortgages. The Corporation mitigates its overall exposure to credit risk in its fixed-income investments by holding the majority of its directly held fixed-income portfolio in investment grade bonds, and by limiting fixed-income credit investments to a maximum of 24.0% (2023 – 28.0%) of total investment assets. Credit risk in mortgages is mitigated by the security of the underlying mortgaged property.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

The maximum credit risk exposure for fixed-income investments pertain to directly held bond investments and to directly held mortgage investments; however, the Corporation considers Canadian government bonds to be risk-free. Therefore, the total fair value is \$2.36 billion (2023 – \$3.96 billion). There is minimal credit risk exposure to cash.

The counterparty risk associated with repurchase agreements is not material.

The Corporation's bonds by credit quality according to Standard and Poor's are as follows:

| (\$ THOUSANDS) | 2024                | 2023                |
|----------------|---------------------|---------------------|
| Bonds          |                     |                     |
| AAA            | \$ 1,689,522        | \$ 3,049,389        |
| AA             | 280,835             | 677,047             |
| A              | 1,402,541           | 2,226,728           |
| BBB            | 531,808             | 926,909             |
|                | <u>\$ 3,904,706</u> | <u>\$ 6,880,073</u> |

Directly held bond and mortgage investments are designated as FVTPL. The change in fair value attributable to the change in credit risk of these assets is generally insignificant in the absence of significant credit events occurring on specific assets. A fair value loss of \$nil for the fiscal year ended March 31, 2024 and 2023 is reflected in changes in fair value on financial investments related to significant credit events occurring on assets designated as FVTPL.

## Premium to be received and other receivables

The Corporation has a diverse customer base as it is the sole provider of Basic insurance to all drivers in British Columbia. While there is no significant individual concentration of credit risk, the Corporation's premiums to be received are comprised of customers with varying financial conditions. The credit risk for premium to be received is mitigated as a customer's policy may be cancelled if the customer is in default of a payment.

Other receivables, comprise mostly of broker receivables, investments related receivables and receivables collected on behalf of the Province of BC, are considered short term in nature and

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low probability of default. The maximum credit risk for all other receivables equals their carrying amount.

The collectability of premium to be received is considered within the cash flows in the measurement of LRC. As at March 31, 2024, the Corporation considered \$149.3 million (2023 – \$138.0 million) of its premium to be received to be uncollectible.

### Reinsurance contract assets

Failure of reinsurers to honour their obligations could result in losses to the Corporation. The maximum credit risk exposure equals the carrying amount of \$35.4 million (2023 – \$36.7 million). The Corporation has policies that require reinsurers to have a minimum credit rating of A-. No single reinsurer represents more than 25% of the total reinsurance placement in a contract year. Both these items mitigate the Corporation's exposure to credit risk. No amount owing from the reinsurers was considered impaired as at March 31, 2024 or March 31, 2023.

| (\$ THOUSANDS)                        | 2024 |        | 2023 |        |
|---------------------------------------|------|--------|------|--------|
| Assets for remaining coverage         | \$   | 33     | \$   | 4,272  |
| Assets for incurred claims            |      | 35,375 |      | 32,397 |
| Reinsurance contract assets (note 15) | \$   | 35,408 | \$   | 36,669 |

### Liquidity risk

A significant business risk of the insurance industry is the uncertain ability to match the cash inflows from premiums and the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The timing of most policy liability payments is not known, may take considerable time to determine precisely, and may be paid in partial payments.

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, except for the LIC, pension and post-retirement benefits, lease liabilities, and investment-related liabilities, are due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities. Where overall cash flows are negative, the Corporation maintains sufficient liquid assets to cover any shortfall from operations. In addition, the Corporation has a netting arrangement with its banks that permits positive bank balances to be offset against negative bank balances.

Liquidity risk is primarily controlled by holding government bonds and other highly liquid investments, which can be readily sold. In addition, the Corporation takes into account the overall historical liability settlement pattern and the historical cash in-flows as a basis to broadly define diversification and duration characteristics of the investment portfolio. The following table summarizes the maturity profile of the Corporation's fixed-income investments by contractual maturity or expected cash flow dates:

(\$ THOUSANDS)

|                       | Within<br>One Year | One Year<br>to Five Years | After<br>Five Years | Total        |
|-----------------------|--------------------|---------------------------|---------------------|--------------|
| <b>March 31, 2024</b> |                    |                           |                     |              |
| Bonds                 |                    |                           |                     |              |
| Canadian              |                    |                           |                     |              |
| Federal               | \$ -               | \$ 1,582,094              | \$ 15,166           | \$ 1,597,260 |
| Provincial            | -                  | 675,397                   | -                   | 675,397      |
| Municipal             | -                  | 9,807                     | -                   | 9,807        |
| Corporate             | 302,169            | 1,140,234                 | 179,839             | 1,622,242    |
| Total bonds           | 302,169            | 3,407,532                 | 195,005             | 3,904,706    |
| Mortgages             | 47,905             | 4,642                     | -                   | 52,547       |
|                       | \$ 350,074         | \$ 3,412,174              | \$ 195,005          | \$ 3,957,253 |
| <b>March 31, 2023</b> |                    |                           |                     |              |
| Bonds                 |                    |                           |                     |              |
| Canadian              |                    |                           |                     |              |
| Federal               | \$ -               | \$ 2,985,409              | \$ -                | \$ 2,985,409 |
| Provincial            | -                  | 1,179,487                 | -                   | 1,179,487    |
| Municipal             | -                  | -                         | -                   | -            |
| Corporate             | 355,473            | 2,236,805                 | 122,899             | 2,715,177    |
| Total bonds           | 355,473            | 6,401,701                 | 122,899             | 6,880,073    |
| Mortgages             | 7,944              | 53,112                    | -                   | 61,056       |
|                       | \$ 363,417         | \$ 6,454,813              | \$ 122,899          | \$ 6,941,129 |

## Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation has direct foreign exchange risk on its US pooled fund investments. A 10% change in the US exchange rate as at March 31, 2024 would change the fair value of the US pooled fund investments and result in a change to profit or loss of \$34.5 million (2023 – \$43.3 million). However, this is mitigated by the use of forward contracts and swaps (note 6a). The Corporation does not have direct foreign exchange risk on its money market securities, global equity, global real estate, mortgage funds, and infrastructure & renewable resources investments; however, the Corporation is exposed to indirect foreign exchange risk.

The Corporation has policies in place to limit and monitor its exposure to currency risks.

## 10. Investment Income and Net Insurance Finance Expenses

| (\$ THOUSANDS)   | 2024                | 2023              |
|--|---------------------|-------------------|
| <b>Interest income</b>                                       |                     |                   |
| Fixed-income investments                                     | \$ 472,354          | \$ 368,350        |
| Other financial investments                                  | 14,046              | 16,002            |
|  | <u>486,400</u>      | <u>384,352</u>    |
| <b>Dividends, distributions, and other income (expenses)</b> |                     |                   |
| Equity investments   | 256,692             | 126,580           |
| Other financial investments                                  | 227,615             | 205,603           |
| Income from investment properties                            | 4,742               | 7,876             |
| Impairment loss - investment properties                      | (5,159)             | (5,477)           |
| Investment management fees                                   | (39,168)            | (33,683)          |
| Other  | (71,924)            | 23,649            |
|  | <u>372,798</u>      | <u>324,548</u>    |
| <b>Gains (losses) on investments</b>                         |                     |                   |
| Fixed-income investments                                     | (153,244)           | (280,513)         |
| Equity investments   | 76,271              | 89,749            |
| Other financial investments                                  | (40,871)            | (52,005)          |
|  | <u>(117,844)</u>    | <u>(242,769)</u>  |
| <b>Unrealized gains (losses) from fair value changes</b>     |                     |                   |
| Financial investments  | 648,353             | (85,962)          |
| Derivative financial instruments                             | 37,009              | (68,579)          |
|  | <u>685,362</u>      | <u>(154,541)</u>  |
| <b>Total investment income</b>                               | <u>\$ 1,426,716</u> | <u>\$ 311,590</u> |

| (\$ THOUSANDS)   | 2024             | 2023             |
|--|------------------|------------------|
| <b>Amounts recognized in investment income for investment properties</b>   |                  |                  |
| Rental income  | \$ 42,753        | \$ 54,309        |
| Direct operating expenses that generated rental income                     | (38,174)         | (45,541)         |
| Direct operating expenses (recoveries) that did not generate rental income | 163              | (892)            |
| Income from investment properties  | 4,742            | 7,876            |
| Gain on sale of investment properties                                      | 9,675            | 69,567           |
| <b>Total amount recognized in investment income</b>                        | <u>\$ 14,417</u> | <u>\$ 77,443</u> |

| (\$ THOUSANDS)                            | 2024                | 2023                |
|---|---------------------|---------------------|
| <b>Insurance finance expenses</b>         |                     |                     |
| Finance expenses from insurance contracts | \$ (431,470)        | \$ (106,686)        |
| Finance income from reinsurance contracts | 1,094               | 416                 |
| <b>Net insurance finance expenses</b>     | <u>\$ (430,376)</u> | <u>\$ (106,270)</u> |

During fiscal year 2024, net investment income from financial investments designated as FVTPL is \$136.0 million (2023 - \$75.2 million).

## 11. Property and Equipment

| (\$ THOUSANDS)                     | Land             | Buildings        | Furniture & Equipment | Leasehold Improvements | Total             |
|------------------------------------|------------------|------------------|-----------------------|------------------------|-------------------|
| <b>March 31, 2024</b>              |                  |                  |                       |                        |                   |
| <b>Cost</b>                        |                  |                  |                       |                        |                   |
| Balance, beginning of year         | \$ 30,448        | \$ 178,722       | \$ 123,324            | \$ 30,051              | \$ 362,545        |
| Additions                          | -                | 3,055            | 8,153                 | 3,025                  | 14,233            |
| Disposals                          | (5,386)          | (905)            | (4,842)               | (285)                  | (11,418)          |
| Balance, end of year               | 25,062           | 180,872          | 126,635               | 32,791                 | 365,360           |
| <b>Accumulated depreciation</b>    |                  |                  |                       |                        |                   |
| Balance, beginning of year         | -                | 154,134          | 81,932                | 18,968                 | 255,034           |
| Disposals                          | -                | (905)            | (4,842)               | (285)                  | (6,032)           |
| Depreciation charge for the year   | -                | 2,303            | 10,406                | 2,924                  | 15,633            |
| Balance, end of year               | -                | 155,532          | 87,496                | 21,607                 | 264,635           |
| <b>Net book value, end of year</b> | <b>\$ 25,062</b> | <b>\$ 25,340</b> | <b>\$ 39,139</b>      | <b>\$ 11,184</b>       | <b>\$ 100,725</b> |
| <b>March 31, 2023</b>              |                  |                  |                       |                        |                   |
| <b>Cost</b>                        |                  |                  |                       |                        |                   |
| Balance, beginning of year         | \$ 30,699        | \$ 182,518       | \$ 135,901            | \$ 28,001              | \$ 377,119        |
| Additions                          | -                | 923              | 10,004                | 2,058                  | 12,985            |
| Disposals                          | (251)            | (4,719)          | (22,581)              | (8)                    | (27,559)          |
| Balance, end of year               | 30,448           | 178,722          | 123,324               | 30,051                 | 362,545           |
| <b>Accumulated depreciation</b>    |                  |                  |                       |                        |                   |
| Balance, beginning of year         | -                | 156,141          | 94,155                | 16,237                 | 266,533           |
| Disposals                          | -                | (4,311)          | (22,579)              | (5)                    | (26,895)          |
| Depreciation charge for the year   | -                | 2,304            | 10,356                | 2,736                  | 15,396            |
| Balance, end of year               | -                | 154,134          | 81,932                | 18,968                 | 255,034           |
| <b>Net book value, end of year</b> | <b>\$ 30,448</b> | <b>\$ 24,588</b> | <b>\$ 41,392</b>      | <b>\$ 11,083</b>       | <b>\$ 107,511</b> |

## 12. Lease Assets

| (\$ THOUSANDS)                     | Leased<br>Facilities | Leased<br>Equipment | Leased<br>Computer<br>Hardware | Leased<br>Computer Software<br>Intangibles | Total            |
|------------------------------------|----------------------|---------------------|--------------------------------|--|------------------|
| <b>March 31, 2024</b>              |                      |                     |                                |  |                  |
| <b>Cost</b>                        |                      |                     |                                |  |                  |
| Balance, beginning of year         | \$ 73,489            | \$ 2,802            | \$ 5,875                       | \$ 28,796                                  | \$ 110,962       |
| Additions                          | 9,468                | 60                  | -                              | 9,250                                      | 18,778           |
| Disposals                          | (2,202)              | -                   | -                              | -  | (2,202)          |
| Balance, end of year               | 80,755               | 2,862               | 5,875                          | 38,046                                     | 127,538          |
| <b>Accumulated depreciation</b>    |                      |                     |                                |  |                  |
| Balance, beginning of year         | 31,557               | 2,722               | 2,121                          | 19,799                                     | 56,199           |
| Disposals                          | (2,202)              | -                   | -                              | -  | (2,202)          |
| Depreciation charge for the year   | 7,831                | 34                  | 1,043                          | 6,172                                      | 15,080           |
| Balance, end of year               | 37,186               | 2,756               | 3,164                          | 25,971                                     | 69,077           |
| <b>Net book value, end of year</b> | <b>\$ 43,569</b>     | <b>\$ 106</b>       | <b>\$ 2,711</b>                | <b>\$ 12,075</b>                           | <b>\$ 58,461</b> |
| <b>March 31, 2023</b>              |                      |                     |                                |  |                  |
| <b>Cost</b>                        |                      |                     |                                |  |                  |
| Balance, beginning of year         | \$ 62,812            | \$ 2,805            | \$ 4,051                       | \$ 28,796                                  | \$ 98,464        |
| Additions                          | 10,882               | 65                  | 1,824                          | -  | 12,771           |
| Disposals                          | (205)                | (68)                | -                              | -  | (273)            |
| Balance, end of year               | 73,489               | 2,802               | 5,875                          | 28,796                                     | 110,962          |
| <b>Accumulated depreciation</b>    |                      |                     |                                |  |                  |
| Balance, beginning of year         | 23,953               | 2,739               | 1,232                          | 14,334                                     | 42,258           |
| Disposals                          | (205)                | (43)                | -                              | -  | (248)            |
| Depreciation charge for the year   | 7,809                | 26                  | 889                            | 5,465                                      | 14,189           |
| Balance, end of year               | 31,557               | 2,722               | 2,121                          | 19,799                                     | 56,199           |
| <b>Net book value, end of year</b> | <b>\$ 41,932</b>     | <b>\$ 80</b>        | <b>\$ 3,754</b>                | <b>\$ 8,997</b>                            | <b>\$ 54,763</b> |

## 13. Intangible Assets

| (\$ THOUSANDS)                     | 2024              | 2023              |
|------------------------------------|-------------------|-------------------|
| <b>Cost</b>                        |                   |                   |
| Balance, beginning of year         | \$ 571,362        | \$ 562,455        |
| Additions                          | 30,642            | 15,475            |
| Disposals                          | (60,802)          | (6,568)           |
| Balance, end of year               | 541,202           | 571,362           |
| <b>Accumulated amortization</b>    |                   |                   |
| Balance, beginning of year         | 367,165           | 310,288           |
| Disposals                          | (60,802)          | (6,568)           |
| Amortization charge for the year   | 58,969            | 63,445            |
| Balance, end of year               | 365,332           | 367,165           |
| <b>Net book value, end of year</b> | <b>\$ 175,870</b> | <b>\$ 204,197</b> |

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The Corporation's intangible assets consist of externally purchased software and any directly attributable costs required to bring the software to a condition where it is available for use.

The balance of intangible assets includes \$23.2 million (2023 – \$10.1 million) in assets under development.

Management conducted an impairment assessment and concluded no significant impairment indicators.

There were no indefinite life intangible assets as at March 31, 2024 and March 31, 2023.

#### **14. Insurance contract liabilities**

##### **Liability for incurred claims – Estimate of future cash flows to fulfill insurance contracts**

##### **Actuarial methods and assumptions for incurred claims**

The Corporation typically employs three standard actuarial methods to analyze the ultimate claims costs, augmented by more in-depth analyses as needed:

- The incurred development method;
- The paid development method; and
- The Bornhuetter-Ferguson method.

The standard methods call for a review of historical loss and count development patterns. As part of this review, the Corporation calculates loss and count development factors, which represent the period-to-period changes in a given loss year's incurred loss amount. Based on an examination of the loss development factors, the Corporation's Chief Actuary selects a best estimate of development factors that forecast future loss development.

A key assumption that the loss and count development factors rely on is a selected baseline. The baseline for the majority of the coverages is the average of the most recent four loss years. The use of a baseline helps maintain consistency in the loss and count development factors from one reserve review to another. Circumstances may arise when the standard methods are no longer appropriate to use. In these cases, and in accordance with accepted actuarial practice, modifications to the methods are made or alternative methods are employed that are specific and appropriate to the circumstances. Circumstances may include a change in the insurance product or claims settlement environment, a change in the handling or reserving of claims, or an emerging trend in the statistical data used in the analysis.

Because of the change in insurance coverages provided following the introduction of Enhanced Care on May 1, 2021, there is limited direct historical information available for some of the coverages currently provided. Where possible, appropriate historical claims data has been selected to supplement the data for each coverage, for example by separating claims that occurred within and outside of British Columbia, and accounting for hit-and-run and non-vehicle damage liability claims.

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An additional method is employed to address the particularly complex legal-based injury claims environment, which includes shifts in the legal representation rate, the frequency mix of claims by severity of injury, and the settlement rate of claims. This additional method uses legal status and claim severity to separate bodily injury claims data into segments of similar complexity and is based on the Adler-Kline claim closure model. It has allowed the Corporation's Chief Actuary to capture changes in the claim settlement rates within each segment, and changes in the mix of claims by segment, which impacts the bodily injury severity trend rate. Within this segmented analysis, the number of large bodily injury claims is estimated with reference to the number of large bodily injury claims that will emerge as a proportion of the pending legal-based claims at each age.

The cost of injury claims associated with accidents occurring on or after April 1, 2019 but before May 1, 2021 are estimated from the methods described above. Severity estimates for accident benefits claims also make use of assumptions consistent with the pricing model used to establish the premium rate for policies in effect at the time, which includes assumptions about income distribution and proportion of injured claimants that have access to collateral benefits.

Additional methods are used to estimate the severity of enhanced accident benefits claims, associated with accidents occurring on or after May 1, 2021. These claims fall under a new insurance model (note 3h3hi), and are therefore expected to follow different patterns from the historical loss and count development patterns on which the three standard methods rely. The Corporation continues to gain experience on enhanced accident benefits claims and to assess to what extent British Columbia claims data may be appropriately used in the estimation of ultimate claims costs.

The first additional method uses assumptions for the severity of these claims that are consistent with the pricing model used to establish the premium rate for policies effective May 1, 2021, and with additional relevant information regarding inflation expectations and claim severity from other jurisdictions with similar products.

A second additional method has been introduced to estimate the cost of Permanent Impairment benefits within the enhanced accident benefits claims. The amount of these benefits are defined in regulations and relate to the extent of the injuries. This method considers the range of benefits that could apply based on injury classifications associated with enhanced accident benefits claims to establish an additional estimate for the cost of Permanent Impairment benefits.

An additional method has been applied to estimate the cost of basic vehicle damage claims and optional collision and comprehensive claims. The Corporation has observed a high rate of growth in the average cost of repair and total loss claims in the most recent fiscal years, concurrent with some delay in the ability of repair facilities to complete repairs, which affects the timing and development of losses. The additional method is based on the development of paid severities.

The timing of when the unpaid ultimate claims costs will be paid depends on the line of business. Injury claims generally take longer to settle than material damage claims and exhibit greater variability as to the timing and amount ultimately paid to settle a claim. Historical patterns of claims payment data are used to estimate the future claims payment pattern.



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Discount rate and risk adjustment for non-financial risk used to determine LIC are disclosed in note 3d.

## Changes in Assumptions

### Discount rate

The Corporation discounts its LIC using a discount yield curve which comprises a risk free yield curve plus an illiquidity premium. As a result of the change in the discount yield curve, there was a favourable adjustment to both current and prior years' LIC of \$35.1 million (2023 – favourable adjustment of \$391.3 million). Yield curves used to discount cash flow for insurance and reinsurance contracts are as follow:

|                | One Year | Five Years | Ten Years | Twenty Years | Thirty Years |
|----------------|----------|------------|-----------|--------------|--------------|
| March 31, 2024 | 5.47%    | 4.89%      | 5.09%     | 5.21%        | 5.06%        |
| March 31, 2023 | 5.47%    | 4.73%      | 4.87%     | 5.24%        | 4.94%        |

\*Annual Effective Spot Rate as at Fiscal Year End of Term (Years)

### Change in loss development assumptions

Actuarial assumptions pertaining to loss and count development for all coverages were reviewed and revised in light of an additional year of actual experience. There were material changes in development assumptions.

The Corporation has observed further increases in the time from when a vehicle damage claim is reported to when the vehicle is repaired. The disruption in supply chains related to the economic impacts of the COVID-19 global pandemic, and the shortage of skilled labour in the car repair industry, continue to impact claims more than 2 years beyond the date of loss. In response, claims development assumptions for vehicle damage claims have been adjusted to reflect that these claims are expected to be paid out over a longer time period than was previously assumed. This represents a change from fiscal year 2023, where the corresponding development assumptions returned to baseline patterns beyond 2 years. The change in assumptions to reflect the increased time to pay vehicle damage claims has increased the liabilities for incurred claims by \$133.0 million, holding all other assumptions constant.

The severity of large bodily injury claims paid in fiscal year 2024 was unusually low relative to prior fiscal years. Assumptions regarding the future severity of bodily injury claims have relied on a trended average of the most recent ten years, in order to put less weight on the unusual experience from the current year. This represents a change from fiscal year 2023, where the trended average was taken over a baseline period (the most recent six years). This change in assumptions for large bodily injury claims has the effect of increasing the liability for incurred claims by \$64.5 million, holding all other assumptions constant.

## Sensitivity Analysis

The sensitivity to significant assumptions is outlined below. The analysis is performed for possible changes in the assumptions with all other assumptions held constant, showing the impact on the LIC and net income in the table below. Movements in these assumptions may be non-linear and may be correlated with one another.

| (\$ THOUSANDS)                                      |                     | 2024         | 2023         |
|---|---------------------|--------------|--------------|
| <b>Assumption</b>                                   | <b>Sensitivity</b>  |              |              |
| Discount rate                                       | + 1ppt <sup>1</sup> | \$ (298,600) | \$ (310,600) |
| Discount rate                                       | - 1ppt              | \$ 333,700   | \$ 341,400   |
| Future emergence of large bodily injury claims      | + 10%               | \$ 252,700   | \$ 401,300   |
| Severity of unpaid bodily injury claims             | + 10%               | \$ 707,900   | \$ 936,900   |
| Severity of unpaid Enhanced Accident Benefit claims | + 10%               | \$ 212,000   | \$ 223,300   |
| Severity of unpaid Material Damages claims          | + 10%               | \$ 115,100   | \$ 85,000    |

<sup>1</sup> ppt = percentage point

In fiscal year 2023, the sensitivity to a 1ppt change in future inflation rates (\$184.3 million) was included due to a significantly heightened uncertainty in the inflation forecast as at March 31, 2023. In fiscal year 2024, the inflation has stabilized and there is much less uncertainty in its forecast as at March 31, 2024. Therefore, inflation is no longer considered relevant to represent a significant sensitivity scenario.

## Reconciliation of the liability for remaining coverage and liability for incurred claims

| (\$ THOUSANDS)   | 2024                               |   |                                 |               | 2023                               |   |                                 |               |       |
|--|------------------------------------|---|---------------------------------|---------------|------------------------------------|---|---------------------------------|---------------|-------|
|  | Liabilities for remaining coverage |   | Liabilities for incurred claims |               | Liabilities for remaining coverage |   | Liabilities for incurred claims |               | Total |
|  | Excluding Loss Component           | Estimates of present value of future cash flows | Risk Adjustment                 | Total         | Excluding Loss Component           | Estimates of present value of future cash flows | Risk Adjustment                 |               |       |
| <b>Insurance contract liabilities, beginning of year</b>     | \$ 1,137,044                       | \$ 11,388,746                                   | \$ 1,184,491                    | \$ 13,710,281 | \$ 1,486,930                       | \$ 12,077,043                                   | \$ 1,239,600                    | \$ 14,803,573 |       |
| <b>Insurance revenue</b>                                     | (5,471,703)                        | -   | -                               | (5,471,703)   | (5,421,304)                        | -   | -                               | (5,421,304)   |       |
| <b>Insurance service expenses</b>                            |                                    |   |                                 |               |                                    |   |                                 |               |       |
| Incurred claims  | -                                  | 3,814,565                                       | 286,947                         | 4,101,512     | -                                  | 3,458,424                                       | 167,868                         | 3,626,292     |       |
| Directly attributable expenses                               | -                                  | 616,635   | -                               | 616,635       | -                                  | 598,952   | -                               | 598,952       |       |
| Insurance acquisition expenses                               | -                                  | 766,304   | -                               | 766,304       | -                                  | 689,597   | -                               | 689,597       |       |
| Changes that relate to past service - adjustments to the LIC | -                                  | (208,640)                                       | (499,480)                       | (708,120)     | -                                  | 500,747   | (222,977)                       | 277,770       |       |
|  | -                                  | 4,988,864                                       | (212,533)                       | 4,776,331     | -                                  | 5,247,720                                       | (55,109)                        | 5,192,611     |       |
| <b>Insurance service result</b>                              | (5,471,703)                        | 4,988,864                                       | (212,533)                       | (695,372)     | (5,421,304)                        | 5,247,720                                       | (55,109)                        | (228,693)     |       |
| <b>Insurance finance expenses</b>                            | -                                  | 431,470   | -                               | 431,470       | -                                  | 106,686   | -                               | 106,686       |       |
| <b>Total changes in statement of comprehensive income</b>    | (5,471,703)                        | 5,420,334                                       | (212,533)                       | (263,902)     | (5,421,304)                        | 5,354,406                                       | (55,109)                        | (122,007)     |       |
| <b>Cash flows</b>  |                                    |   |                                 |               |                                    |   |                                 |               |       |
| Premiums received  | 5,983,002                          | -   | -                               | 5,983,002     | 5,071,418                          | -   | -                               | 5,071,418     |       |
| Claims and other expenses paid                               | -                                  | (6,051,249)                                     | -                               | (6,051,249)   | -                                  | (5,378,581)                                     | -                               | (5,378,581)   |       |
| Insurance acquisition cash flows                             | -                                  | (770,693)                                       | -                               | (770,693)     | -                                  | (664,122)                                       | -                               | (664,122)     |       |
| <b>Total cash flows</b>                                      | 5,983,002                          | (6,821,942)                                     | -                               | (838,940)     | 5,071,418                          | (6,042,703)                                     | -                               | (971,285)     |       |
| <b>Insurance contract liabilities, end of year</b>           | \$ 1,648,343                       | \$ 9,987,138                                    | \$ 971,958                      | \$ 12,607,439 | \$ 1,137,044                       | \$ 11,388,746                                   | \$ 1,184,491                    | \$ 13,710,281 |       |

During fiscal year 2024, the Corporation approved the issuing of a Rebate totalling \$398.2 million to policyholders who had an active eligible Basic insurance certificate that was in effect during the month of February 2024. As at March 31, 2024, the Rebate amount of \$398.2 million is reflected as a reduction in insurance revenue in the consolidated statement of comprehensive income, and the payable is included in insurance contract liabilities in the consolidated statement of financial position.

The Corporation has assessed and identified no onerous insurance contracts for the fiscal year ended March 31, 2024 and 2023.

### Claims development table

The top half of the table illustrates how the Corporation's estimate of total undiscounted claims costs for each loss year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

As a result of the change in year-end in fiscal 2017, there are two claims development tables: one as at March 31, 2024 and one as at December 31, 2015. The Corporation changed from a December 31 to a March 31 year end in fiscal 2017, and therefore there are eight years of historical data in the first table as at March 31, 2024.

Claims development table as at March 31, 2024:

| (\$ THOUSANDS)   |             |             |              |              |              |              |              |              |              |              |                      |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------------|
| Fiscal Loss Year*  | 2015        | 2016        | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         | Total                |
| <b>Estimate of ultimate claims costs (gross of reinsurance, undiscounted):</b> |             |             |              |              |              |              |              |              |              |              |                      |
| - At end of fiscal loss year   | \$ -        | \$ -        | \$ 4,372,966 | \$ 4,968,820 | \$ 5,208,101 | \$ 4,524,433 | \$ 3,376,605 | \$ 3,382,219 | \$ 3,865,616 | \$ 4,233,213 |                      |
| - One year later   | -           | 4,037,775   | 4,529,126    | 5,229,618    | 5,312,311    | 4,155,162    | 3,169,382    | 3,298,887    | 3,735,449    | -            |                      |
| - Two years later  | 3,695,574   | 4,184,489   | 4,762,695    | 5,490,881    | 5,326,839    | 4,118,627    | 2,895,013    | 3,255,603    | -            | -            |                      |
| - Three years later  | 3,757,390   | 4,450,883   | 5,015,000    | 5,483,201    | 5,410,875    | 3,864,190    | 2,934,926    | -            | -            | -            |                      |
| - Four years later   | 3,960,331   | 4,595,394   | 4,948,037    | 5,516,400    | 5,771,575    | 3,955,376    | -            | -            | -            | -            |                      |
| - Five years later   | 4,072,014   | 4,581,417   | 4,964,606    | 5,905,928    | 5,808,253    | -            | -            | -            | -            | -            |                      |
| - Six years later  | 4,047,419   | 4,627,181   | 5,213,142    | 5,908,891    | -            | -            | -            | -            | -            | -            |                      |
| - Seven years later  | 4,045,981   | 4,734,545   | 5,237,148    | -            | -            | -            | -            | -            | -            | -            |                      |
| - Eight years later  | 4,094,782   | 4,750,260   | -            | -            | -            | -            | -            | -            | -            | -            |                      |
| - Nine years later   | 4,089,231   | -           | -            | -            | -            | -            | -            | -            | -            | -            |                      |
| Current estimate of cumulative claims (gross)                                  | 4,089,231   | 4,750,260   | 5,237,148    | 5,908,891    | 5,808,253    | 3,955,376    | 2,934,926    | 3,255,603    | 3,735,449    | 4,233,213    | 43,908,350           |
| Cumulative payment of claims (gross)   | (3,867,394) | (4,397,000) | (4,612,080)  | (4,685,417)  | (4,065,459)  | (2,651,606)  | (1,968,983)  | (2,291,748)  | (2,512,615)  | (1,906,550)  | (32,958,852)         |
| <b>Cumulative claims liabilities (gross) - fiska</b>                           | \$ 221,837  | \$ 353,260  | \$ 625,068   | \$ 1,223,474 | \$ 1,742,794 | \$ 1,303,770 | \$ 965,943   | \$ 963,855   | \$ 1,222,834 | \$ 2,326,663 | \$ 10,949,498        |
| Cumulative claims liabilities (gross) - prior years                            |             |             |              |              |              |              |              |              |              |              | \$ 305,195           |
| Undiscounted unallocated loss adjustment expense reserve                       |             |             |              |              |              |              |              |              |              |              | 705,536              |
| Effect of discounting  |             |             |              |              |              |              |              |              |              |              | (2,108,088)          |
| Effect of the risk adjustment margin for non-financial risk                    |             |             |              |              |              |              |              |              |              |              | 971,957              |
| Other directly attributable expenses expected to be paid within one year       |             |             |              |              |              |              |              |              |              |              | 134,997              |
| <b>Total Liability for incurred claims (gross)</b>                             |             |             |              |              |              |              |              |              |              |              | <b>\$ 10,959,096</b> |

\*Fiscal Loss Year refers to the year ended March 31

The table above reflects the total LIC of \$10.96 billion (2023 – \$12.57 billion) before amounts recoverable on incurred claims for the reinsurance contract assets held. The total LIC after amounts of reinsurance recoverable on incurred claims of \$0.04 billion (2023 – \$0.03 billion) would be \$10.92 billion (2023 – \$12.54 billion). The cumulative payments of fiscal loss year 2024 for the year ended March 31, 2024 are \$1.91 billion (2023 – \$1.71 billion).

The history for two prior periods ending December 31 is shown in the below claims development table as at December 31, 2015 due to the Corporation's change in year end in fiscal 2017:

| (\$ THOUSANDS)   |              |              |
|--|--------------|--------------|
| Accident Year  | 2014         | 2015         |
| <b>Estimate of undiscounted ultimate claims costs:</b> |              |              |
| - At end of accident year                              | \$ 3,372,304 | \$ 3,765,040 |
| - One year later                                       | 3,518,858    | -            |
| - Two years later                                      | -            | -            |

The expected maturity of the claims liabilities is analyzed below (undiscounted and gross of reinsurance):

| (\$ THOUSANDS) |                       |                     |                       |                        |                       |                    |               |
|----------------|-----------------------|---------------------|-----------------------|------------------------|-----------------------|--------------------|---------------|
|                | Less than<br>One Year | One to<br>Two Years | Two to<br>Three Years | Three to<br>Four Years | Four to<br>Five Years | Over Five<br>Years | Total         |
| March 31, 2024 | \$ 3,952,415          | \$ 2,284,355        | \$ 1,379,382          | \$ 881,910             | \$ 565,073            | \$ 2,897,094       | \$ 11,960,229 |
| March 31, 2023 | \$ 4,298,305          | \$ 2,632,441        | \$ 1,821,372          | \$ 1,157,010           | \$ 701,802            | \$ 2,626,197       | \$ 13,237,127 |

The claims liabilities for future payment beyond one year is \$8.01 billion (2023 – \$8.94 billion). There is no amounts payable on demand in 2024 and 2023.

The weighted-average term to settlement of the discounted claims liabilities as at March 31, 2024 is 3.1 years (2023 – 2.8 years).

## 15. Reinsurance contract assets

The Corporation maintains casualty and catastrophe reinsurance to protect against significant losses.

The Corporation entered into one year casualty and catastrophe reinsurance contracts beginning January 1, 2024 and 2023 as follows:

- a) For individual catastrophic occurrences, portions of losses up to \$275.0 million (2023 – \$275.0 million) in excess of \$50.0 million (2023 – \$50.0 million); and
- b) For individual casualty loss occurrences, portions of losses up to \$43.0 million (2023 – \$44.0 million) in excess of \$7.0 million (2023 – \$6.0 million).

These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer. The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant loss from reinsurer insolvency.

## Reconciliation of the remaining coverage and incurred claims components

| (\$ THOUSANDS)   | 2024                              |   |  |           | 2023                              |   |  |           |       |
|--|-----------------------------------|---|--|-----------|-----------------------------------|---|--|-----------|-------|
|  | Assets for Remaining Coverage     |   | Amounts Recoverable on Incurred Claims |           | Assets for Remaining Coverage     |   | Amounts Recoverable on Incurred Claims |           | Total |
|  | Excluding Loss Recovery Component | Estimates of present value of future cash flows | Risk Adjustment                        | Total     | Excluding Loss Recovery Component | Estimates of present value of future cash flows | Risk Adjustment                        | Total     |       |
| Net reinsurance contract assets, beginning of year         | \$ 4,272                          | \$ 29,468                                       | \$ 2,929                               | \$ 36,669 | \$ 4,296                          | \$ 39,381                                       | \$ 3,839                               | \$ 47,516 |       |
| Allocation of reinsurance premiums                         | (16,856)                          | -   | -                                      | (16,856)  | (14,046)                          | -   | -                                      | (14,046)  |       |
| Amounts recoverable for incurred claims and other expenses | -                                 | 7,363   | 30                                     | 7,393     | -                                 | 2,212   | (910)                                  | 1,302     |       |
| Net income (expense) from reinsurance contracts held       | (16,856)                          | 7,363   | 30                                     | (9,463)   | (14,046)                          | 2,212   | (910)                                  | (12,744)  |       |
| Reinsurance finance income                                 | -                                 | 1,094   | -                                      | 1,094     | -                                 | 416   | -                                      | 416       |       |
| Total changes in comprehensive income                      | (16,856)                          | 8,457   | 30                                     | (8,369)   | (14,046)                          | 2,628   | (910)                                  | (12,328)  |       |
| <b>Cash flows</b>  |                                   |   |  |           |                                   |   |  |           |       |
| Premiums paid  | 12,617                            | -   | -                                      | 12,617    | 14,022                            | -   | -                                      | 14,022    |       |
| Amounts received   | -                                 | (5,509)   | -                                      | (5,509)   | -                                 | (12,541)  | -                                      | (12,541)  |       |
| Total cash flows   | 12,617                            | (5,509)   | -                                      | 7,108     | 14,022                            | (12,541)  | -                                      | 1,481     |       |
| Net reinsurance contract assets, end of year               | \$ 33                             | \$ 32,416                                       | \$ 2,959                               | \$ 35,408 | \$ 4,272                          | \$ 29,468                                       | \$ 2,929                               | \$ 36,669 |       |

## 16. Pension and Post-Retirement Benefits

### Plan information

The Corporation sponsors a defined benefit registered pension plan for its current and former management and confidential employees (the Management and Confidential Plan). Subject to the terms of the plan, the Management and Confidential Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. Employees are required to contribute to the Management and Confidential Plan. Effective January 1, 2019, all Management and Confidential employees contribute 50% of the current cost benefits.

In addition, the Corporation sponsors two supplemental pension plans for certain employees. The Corporation is the legal administrator of the Management and Confidential Plan and the two supplemental pension plans. Subject to the terms of the plans, pensions are indexed in line with increases in the Consumer Price Index (CPI) up to fixed or sustainable maximums for certain periods of service.

The Corporation also contributes to two other defined benefit pension plans for which it is not the sole sponsor. Current and former employees of the Corporation who are or were members of the Movement of United Professionals are members of the MoveUP/Insurance Corporation of British Columbia Pension Plan (MoveUP Plan). Half of the Trustees of the MoveUP Plan are appointed by the Corporation and the other half by MoveUP. The Board of Trustees of the MoveUP Plan is the legal plan administrator. The MoveUP Plan provides benefits to members based on their length of service and eligible earnings in the best five years of plan membership. MoveUP employees are required to contribute 50% of the cost of benefits to the MoveUP Plan. Subject to the terms of the plan, pensions are indexed in line with increases in the CPI. The Corporation's former Motor Vehicle Branch employees participate in the BC Public Service Pension Plan. The Corporation has no fiduciary responsibility for, or role in the governance of, the MoveUP Plan or the BC Public Service Pension Plan.

The Management and Confidential Plan, MoveUP Plan, and the BC Public Service Pension Plan are subject to the statutory requirements (including minimum funding requirements) of the British Columbia *Pension Benefits Standards Act* (PBSA) and the *Income Tax Act* (Canada). Each plan's pace of funding is set out in their respective funding policies.

The Corporation pays life insurance premiums, extended healthcare, and dental costs as post-retirement benefits for its qualifying retirees. The benefits are not prefunded. Benefit entitlements differ for management and confidential and bargaining unit employees, as stated within the terms of the plans.

The Corporation measures its defined benefit obligations and the fair value of plan assets for accounting purposes at the end of the Corporation's fiscal year. Defined benefit obligations are extrapolated from the most recent actuarial valuation date for each of the plans. The Management and Confidential Plan and the MoveUP Plan actuarial valuations are as at December 31, 2021 and the post-retirement benefits actuarial valuation is as at January 1, 2022. Updated actuarial valuations for the Management and Confidential Plan and the MoveUP Plan are expected to be no later than December 31, 2024. These results will be reflected in the consolidated financial statements in the year immediately following their preparation.

On its consolidated statement of financial position, the Corporation does not recognize its portion of any surplus assets held by the MoveUP Plan because it cannot realize a future economic benefit in respect of those assets.

An additional liability may be recognized in some instances if minimum future funding requirements are expected to generate a future surplus. These instances are ones where the Corporation would not be able to access or realize a future economic benefit from the future surplus. The Corporation has determined that no additional liability is required to be recognized in respect of solvency funding payments made to the Management and Confidential Plan. This is because the British Columbia PBSA permits the Corporation to secure these payments with a letter of credit in lieu of cash solvency payments or to deposit them in the plan's Solvency Reserve Account (SRA), for which any surpluses in this account would ultimately be refundable to the Corporation. Furthermore, the Corporation may realize an economic benefit related to future current service cost, in respect of the Corporation, exceeding minimum funding requirements.

The weighted-average durations of the pension plans and post-retirement benefits are shown below, along with the approximate proportions of the defined benefit obligation by membership category:

|   | Pension Plans |          | Post-Retirement Benefits |          |
|---|---------------|----------|--------------------------|----------|
|   | 2024          | 2023     | 2024                     | 2023     |
| Weighted-average duration               | 18 years      | 18 years | 13 years                 | 13 years |
| Proportion of obligation in respect of: |               |          |                          |          |
| - Active members                        | 44.6%         | 44.2%    | 40.8%                    | 40.8%    |
| - Deferred members                      | 6.8%          | 6.9%     | 0.0%                     | 0.0%     |
| - Retired members                       | 48.6%         | 48.9%    | 59.2%                    | 59.2%    |

Since pensions are adjusted to changes in the CPI, the pension plans are exposed to changes in levels and volatility in Canada's inflation rate.

In addition, the plans' obligations are exposed to interest rate risk and changes in the life expectancy for pensioners. As the plan assets include significant investments in quoted equity shares, the Corporation is also exposed to equity market risk.

### Contributions to all pension and post-retirement benefit plans

Total contributions for employee future benefits for 2024, consisting of cash contributed by the Corporation to all of the funded pension plans and in respect of benefits paid from its unfunded pension and post-retirement benefits, were \$39.2 million, net of a withdrawal from the SRA (2023 – \$44.1 million). Estimated employer contributions for the year ending March 31, 2025 are \$54.6 million, excluding any withdrawal from the SRA. The estimate is based on the plans' most recent actuarial funding valuations.

As at March 31, 2024, the Corporation secured certain solvency funding requirements through payments made into the SRA totalling \$0.0 million (2023 – \$ 0.2 million). The SRA is a separate account, established to hold solvency and transfer deficiency payments made under a defined benefit component of a pension plan. The only funds that may be deposited to the SRA are payments made in respect of a solvency deficiency. Because the Management and Confidential Plan was certified to have a solvency ratio greater than 100% as of December 31, 2022, solvency and transfer deficiency payments are no longer required. Furthermore, the Corporation received Superintendent consent to withdraw a portion of the Plan's accessible solvency excess from the SRA. Consequently, on October 20, 2023, the Corporation received \$10.5 million as a withdrawal.

### Financial information

These consolidated financial statements include the assets and liabilities of all plans, excluding the BC Public Service Pension Plan, sponsored by the Corporation. The amounts recorded on the consolidated statement of financial position are as follows:

| (\$ THOUSANDS)                       | Pension Plans     |                   | Post-Retirement Benefits |                     | Total            |                  |
|--------------------------------------|-------------------|-------------------|--------------------------|---------------------|------------------|------------------|
|                                      | 2024              | 2023              | 2024                     | 2023                | 2024             | 2023             |
| <b>Assets</b>                        |                   |                   |                          |                     |                  |                  |
| Accrued pension benefits             | \$ 262,336        | \$ 202,685        | \$ -                     | \$ -                | \$ 262,336       | \$ 202,685       |
| <b>Liabilities</b>                   |                   |                   |                          |                     |                  |                  |
| Pension and post-retirement benefits | (26,415)          | (24,977)          | (145,263)                | (138,184)           | (171,678)        | (163,161)        |
| <b>Net total asset (liability)</b>   | <b>\$ 235,921</b> | <b>\$ 177,708</b> | <b>\$ (145,263)</b>      | <b>\$ (138,184)</b> | <b>\$ 90,658</b> | <b>\$ 39,524</b> |

One of the pension plans is in a net asset position and, as a result, that plan is required to be reported as an asset on the consolidated statement of financial position. The net total asset for all of the Corporation's pension plans and post-retirement benefits as at March 31, 2024 is \$90.6 million (2023 – \$39.5 million) asset, which is reflected in the consolidated statement of financial position as a \$262.3 million (2023 - \$202.7 million) asset and a \$171.7 million (2023 - \$163.2 million) liability as illustrated in the table above.

Information regarding the pension plans and post-retirement benefits is as follows:

| (\$ THOUSANDS)                              | Pension Plans |              | Post-Retirement Benefits |              |
|---|---------------|--------------|--------------------------|--------------|
|   | 2024          | 2023         | 2024                     | 2023         |
| <b>Plan assets</b>                          |               |              |                          |              |
| Fair value, beginning of year               | \$ 2,810,453  | \$ 2,847,487 | \$ -                     | \$ -         |
| Interest on plan assets                     | 140,914       | 116,606      | -                        | -            |
| Actuarial gain (loss) on assets             | 174,362       | (124,188)    | -                        | -            |
| Employer contributions                      | 32,599        | 38,175       | 6,600                    | 5,922        |
| Employee contributions                      | 41,785        | 36,687       | -                        | -            |
| Benefits paid                               | (109,146)     | (103,414)    | (6,600)                  | (5,922)      |
| Non-investment expenses                     | (600)         | (900)        | -                        | -            |
| Fair value, end of year                     | 3,090,367     | 2,810,453    | -                        | -            |
| <b>Defined benefit obligation</b>           |               |              |                          |              |
| Balance, beginning of year                  | 2,541,836     | 2,640,232    | 138,184                  | 148,223      |
| Current service cost                        | 82,067        | 94,679       | 5,443                    | 7,428        |
| Interest cost                               | 129,413       | 110,486      | 7,002                    | 6,214        |
| Remeasurements on obligation                |               |              |                          |              |
| - due to changes in financial assumptions   | 88,421        | (228,890)    | 1,234                    | (20,058)     |
| - due to changes in demographic assumptions | -             | -            | -                        | (1,343)      |
| - due to participant experience             | 81            | 28,743       | -                        | 3,642        |
| Benefits paid                               | (109,146)     | (103,414)    | (6,600)                  | (5,922)      |
| Balance, end of year                        | 2,732,672     | 2,541,836    | 145,263                  | 138,184      |
| <b>Funded status – plans in deficit</b>     | (26,415)      | (24,977)     | (145,263)                | (138,184)    |
| <b>Funded status – plans in surplus</b>     | 384,110       | 293,594      | -                        | -            |
| <b>Funding surplus (deficit)</b>            | 357,695       | 268,617      | (145,263)                | (138,184)    |
| <b>Impact of surplus derecognition</b>      | (121,774)     | (90,909)     | -                        | -            |
| <b>Net total asset (liability)</b>          | \$ 235,921    | \$ 177,708   | \$ (145,263)             | \$ (138,184) |

The net total expense for the pension plans and post-retirement benefits is \$46.4 million (2023 – \$66.4 million). In addition, the Corporation contributed \$0.3 million in 2024 (2023 – \$0.3 million) to the BC Public Service Pension Plan.



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## Assets

The pension plans' assets consist of:

|  | Percentage of Plan Assets |               |
|--|---------------------------|---------------|
|  | 2024                      | 2023          |
| Cash, cash equivalent and accrued interest | 0.5%                      | 1.5%          |
| Fixed-income investments                   |                           |               |
| Money market funds                         | 0.8%                      | 1.0%          |
| Bond funds                                 | 8.1%                      | 7.5%          |
| Government bonds                           | 11.6%                     | 10.7%         |
| Corporate bonds                            | 5.3%                      | 6.5%          |
| Mortgage funds                             | 0.9%                      | 0.2%          |
| Mortgages                                  | 0.8%                      | 0.3%          |
| Equity investments                         |                           |               |
| Domestic                                   | 3.6%                      | 5.3%          |
| Global                                     | 39.0%                     | 36.0%         |
| Other financial investments                |                           |               |
| Domestic real estate                       | 7.2%                      | 8.6%          |
| Global real estate                         | 6.3%                      | 7.7%          |
| Global infrastructure                      | 5.2%                      | 4.7%          |
| Global mezzanine debt                      | 0.7%                      | 1.0%          |
| Private assets                             | 10.0%                     | 9.0%          |
|  | <u>100.0%</u>             | <u>100.0%</u> |

Fixed-income funds, except for mortgage funds, and equity investments are valued using published quotations sourced from an independent data provider. Mortgage funds and other financial investments valuations are based on various methods such as the discounted cash flows, appraisals and audited financial statements.

Pension plan assets generated a return of 11.3% (2023 – negative 0.3%) for the year ended March 31, 2024.

For the Management and Confidential Plan, the administrator compares the investment performance of the fund against the median investment performance of a peer group of comparable pension funds at least quarterly. In addition, there are monthly and quarterly asset allocation reviews performed to ensure compliance with investment policies. For the MoveUP Plan, the long-term objective is to obtain an investment return that will exceed the investment return assumption used in the actuarial valuation and to provide positive real growth. The Trustees have outsourced the Chief Investment Officer (CIO) who reviews the fund managers' performance on a quarterly basis. The outsourced CIO invests funds based on the Trustees' approved Statement of Investment Policy.

As at March 31, 2024 and March 31, 2023, the Corporation's pension plans did not hold any of the Corporation's securities or assets nor were any of the plans' assets used by the Corporation during these years.

## Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's defined benefit obligation are as follows (weighted-average assumptions):

|                               | Pension Plans |       | Post-Retirement Benefits |       |
|-------------------------------|---------------|-------|--------------------------|-------|
|                               | 2024          | 2023  | 2024                     | 2023  |
| Discount rate                 | 4.97%         | 5.04% | 4.93%                    | 4.99% |
| Rate of compensation increase | 3.02%         | 3.02% | n/a                      | n/a   |
| Pension inflation rate        | 2.00%         | 2.00% | n/a                      | n/a   |

Mortality assumptions are significant in measuring the obligations under the defined benefit plans. Future longevity improvements have been considered and included where appropriate. The following table summarizes the life expectancy for members, in years, based on the mortality assumption used:

| 2024   |        | 2023   |        |
|--|--------|--|--------|
| Life expectancy at 65 for a member currently |        | Life expectancy at 65 for a member currently |        |
| Age 65                                       | Age 45 | Age 65                                       | Age 45 |
| 24.1   | 25.4   | 24.0   | 25.3   |

As at March 31, 2024, the extended healthcare trend rate is assumed to be 4.9% per annum, changing over sixteen years to 4.1% per annum thereafter. As at March 31, 2023, the extended healthcare trend rate is assumed to be 4.7% per annum for the first year, changing over seventeen years to 4.1% per annum thereafter.

The plans' sensitivity to significant assumptions is shown below:

| (\$ THOUSANDS)   | Pension Plans |            | Post-Retirement Benefits |           |
|--|---------------|------------|--------------------------|-----------|
|  | 2024          | 2023       | 2024                     | 2023      |
| Estimated increase in defined benefit obligation - end of year due to: |               |            |                          |           |
| 1ppt <sup>1</sup> decrease in discount rate                            | \$ 493,913    | \$ 452,415 | \$ 18,814                | \$ 17,824 |
| 1ppt increase in salary increase rate                                  | \$ 78,783     | \$ 70,087  | n/a                      | n/a       |
| 1ppt increase in pension inflation rate                                | \$ 375,023    | \$ 345,824 | n/a                      | n/a       |
| 1ppt increase in healthcare trend rate                                 | n/a           | n/a        | \$ 7,681                 | \$ 7,308  |
| 1 year increase in life expectancy                                     | \$ 74,176     | \$ 69,090  | \$ 2,631                 | \$ 2,506  |

<sup>1</sup> ppt = percentage point

The sensitivity to the significant assumptions has been determined assuming all other assumptions remain unchanged. If multiple assumptions were to change at the same time, there may be correlations between assumptions that could result in different impacts than simply adding the individual sensitivities above.

## 17. Expenses by Nature

| (\$ THOUSANDS)  | 2024         | 2023         |
|---|--------------|--------------|
| <b>Expenses – by nature</b>   |              |              |
| Premium taxes and commissions                                       | \$ 763,696   | \$ 687,517   |
| Employee benefit expense:   |              |              |
| Compensation and other employee benefits                            | 560,200      | 519,360      |
| Pension and post-retirement benefits (note 16)                      | 46,684       | 66,719       |
| Professional and other services                                     | 47,928       | 40,447       |
| Road improvements and other traffic safety programs                 | 34,411       | 31,125       |
| Building operating expenses   | 26,318       | 26,905       |
| Merchant and bank fees  | 48,995       | 42,879       |
| Office supplies and postage   | 22,280       | 22,717       |
| Computer costs  | 37,963       | 36,066       |
| Depreciation and amortization (notes 11 and 13)                     | 74,602       | 78,841       |
| Depreciation for lease assets (note 12)                             | 15,080       | 14,189       |
| Interest expense on lease liabilities                               | 2,284        | 2,053        |
| Other   | 27,463       | 34,736       |
|   | \$ 1,707,904 | \$ 1,603,554 |
| <b>Expenses by operation</b>  |              |              |
| Insurance operations  |              |              |
| Premium taxes, commissions and other acquisition costs <sup>1</sup> | \$ 766,304   | \$ 689,597   |
| Claims services <sup>1</sup>  | 439,515      | 431,813      |
| Directly attributable operating expenses <sup>1</sup>               | 126,110      | 117,669      |
| Road safety and loss management services <sup>1</sup>               | 51,010       | 49,470       |
| Other operating expenses  | 140,498      | 143,585      |
| Non-insurance operations  |              |              |
| Operating expenses  | 144,328      | 134,551      |
| Commissions   | 40,139       | 36,869       |
|   | \$ 1,707,904 | \$ 1,603,554 |

<sup>1</sup> Expenses attributed to insurance acquisition cash flows and other directly attributable expenses comprise expenses incurred in the reporting period that relate directly to the fulfilment of insurance contracts issued within IFRS 17's scope. Refer to note 14 Insurance contract liabilities - Reconciliation of the liability for remaining coverage and liability for incurred claims

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## 18. Related Party Transactions

ICBC is a wholly-owned Crown corporation of the Province of B.C.

All transactions with the Province of B.C.'s ministries, agencies, and Crown corporations occurred in the normal course of providing insurance, registration, and licensing for motor vehicles, which is representative of fair value unless otherwise disclosed in these notes. The Corporation has elected to apply the exemption for government-related entities under IAS 24 *Related Party Disclosures*.

All transactions with the Corporation's subsidiary companies occurred in the normal course of investing in investment properties (note 2k), pooled funds and investment entities (note 6a).

The Corporation acts as an agent for the Ministry of Finance regarding the collection of provincial taxes on imported and privately sold used vehicles and motor vehicle-related debts. The Corporation is the sole provider of Basic insurance (note 1) in the Province of B.C. and, therefore, insures, at market rates, vehicles owned or leased by the Province of B.C. and its controlled entities. As a consequence of these relationships, the Corporation has, at any time, amounts owing to or from various government departments or ministries in the ordinary course of business.

The Corporation is also responsible for collecting and remitting in full to the Province of B.C. all driver license fees as well as vehicle-related fees for acquiring and distributing licence plates including permits and other fees and fines. These collections are not revenue to the Corporation. The costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C. are borne by the Corporation. These collections on behalf of and payments to the Province of B.C. are disclosed in the consolidated statement of comprehensive income under non-insurance operations.

The Corporation has defined key management as members of the Board of Directors and management employees at the Senior Director and equivalent level and above. The compensation for key management is shown below:

| (\$ THOUSANDS)                           | 2024            | 2023            |
|--|-----------------|-----------------|
| <b>Key management compensation</b>       |                 |                 |
| Compensation and other employee benefits | \$ 5,050        | \$ 4,925        |
| Pension and post-retirement benefits     | 511             | 537             |
|  | <u>\$ 5,561</u> | <u>\$ 5,462</u> |

As at March 31, 2024, \$0.7 million (2023 – \$0.5 million) was payable to key management.

The Corporation contributes to several defined benefit pension and post-retirement plans. Transactions with these entities are disclosed in note 16. As at March 31, 2024, \$1.5 million (2023 – \$1.4 million) was payable to these plans for employer contributions. In addition, the Corporation provides certain administrative and office services to the plans at no charge. During the year ended March 31, 2024, the Corporation incurred \$2.4 million (2023 – \$2.5 million) in administrative expenses and investment governance fees on behalf of these plans interest-free.

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## 19. Capital Management

The Corporation's capital is comprised of retained earnings and other components of equity. The Corporation's objectives for managing capital are to maintain financial strength, including the management of ongoing business risks and protection of its ability to meet the obligations to policyholders and others.

The Corporation operates two lines of insurance business, Basic and Optional. As prescribed in *Special Direction IC2 to the British Columbia Utilities Commission (Special Direction IC2)* for Basic insurance, and in line with federally regulated insurers competing for Optional insurance, the Corporation has established capital targets based upon the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI) and OSFI's Guideline for the minimum capital test (MCT). The MCT is a ratio of capital available to capital required, and utilizes a risk-based formula to assess the capital adequacy, including financial risk and long-term financial stability, of an insurance company.

For the Basic insurance business, *Special Direction IC2* requires the Corporation to determine capital targets in accordance with a capital management plan approved by the BCUC (note 21).

On December 12, 2022, *Special Direction IC2* was amended. These amendments introduced a capital provision requirement equal to 7.0% of required premium, suspended the requirement to maintain a Basic MCT ratio of at least 100%, suspended the customer renewal credit, repealed the rate smoothing framework except for the requirement for the BCUC to fix rates in a manner that does not decrease existing rates, and defined policy year 2023 as the 24-month period from April 1, 2023 to March 31, 2025. On October 11, 2023, BCUC approved the Corporation's revenue requirement application for a 0.0% rate change for policy year 2023 (note 23).

For the Optional insurance business, the Corporation follows a capital management plan, which is approved by the Corporation's Board of Directors and reviewed at least every three years. The Optional insurance capital target level is calculated based on the MCT guideline and is assessed by considering various factors that reflects the Corporation's risk profile, risk appetite, and risk tolerance.

The Corporation continues to benefit from product reforms (notes 3g and 3h) that contribute to the financial stability of the insurance system, and is building Basic capital over time as a result of the capital provision included in Basic rates.

For fiscal year 2024, the Corporation had higher than expected investment income, which has enabled the Corporation to approve a \$398.2 million premium rebate (note 14) to policyholders while continuing to grow capital.

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## 20. Contingencies and Commitments

### a) Structured settlements

Certain injury claims are settled through the use of various structured settlements which require the Corporation to provide the claimant with periodic payments.

The Corporation purchases an annuity from an approved life insurance company to make these payments. In the event the life insurance company fails in its obligation, the risk to the Corporation is mitigated as the claimant will continue to receive payments, up to certain limits, from a not-for-profit organization that is funded by the insurance industry and designated by the Federal Government under the *Insurance Companies Act (Canada)*. The Corporation is only responsible for making payments for the excess, if any, between the claimant's annuity payments and the payment from the not-for-profit organization. At present, three federally licensed life insurance companies are used by the Corporation. The present value of these structured settlements as at March 31, 2024 is approximately \$0.91 billion (2023 – \$0.94 billion), which are not recorded in the consolidated financial statements of the Corporation. Management does not believe any provision for credit risk is required in relation to these annuities as at March 31, 2024, as all utilized life insurance companies are rated investment-grade and outstanding balances are backed by the not-for-profit organization. The not-for-profit organization provides guarantees of up to \$2,000 a month or 85% of the promised monthly income benefit, whichever is higher. The Corporation's exposure to credit risk beyond the guarantee is insignificant. To date, the Corporation has not experienced any losses resulting from these arrangements.

### b) Other

The Corporation has committed to participating in the future funding of multiple investment programs. Unfunded commitments, excluding mezzanine debt, as at March 31, 2024 were \$1.94 billion (2023 – \$1.84 billion). The timing of the funding and related acquisition of investments is uncertain, as it is dependent on appropriate investing opportunities identified by the investment manager.

In 2017, the Corporation committed to invest in a limited partnership for mezzanine debt over a period of 10 years. As at March 31, 2024, unfunded commitment was \$59.9 million USD (2023 – \$58.0 million USD).

### c) Pending Litigation

A notice of civil claim was filed in March 2020 against the Corporation and the Province of B.C. The proposed class action alleges the Corporation has been making payments to the provincial Medical Services Plan contrary to law. It is further alleged that the payments have cost ratepayers hundreds of millions of dollars, driving up insurance costs (ratepayer claim) and have also caused accident victims to receive fewer benefits (accident victim claim). In April 2022 the British Columbia Supreme Court dismissed the plaintiff's application for certification of the ratepayer claim, but certified the class for the accident victim claim. Both parties appealed and the appeal was heard in May 2023. On December 19, 2023, the Court of Appeal set aside the dismissal of the certification of the ratepayer claims and set back to the chambers judge for consideration of the

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remaining certification requirements and also dismissed the Corporation's appeal seeking de-certification of the accident victim claim. This means that the class action for the accident victim claims will proceed. At this stage of the proceedings, the probability of success on the accident victim claim cannot be determined; however, any potential financial impact to the Corporation would not be significant.

On July 4, 2022, a claim was filed against the Attorney General of B.C. challenging Enhanced Care. The claimants argue that the Enhanced Care legislation is a violation of equality rights under s. 15 of the *Canadian Charter of Rights and Freedoms* and grants the CRT power that violates the jurisdiction of the B.C. Supreme Court and as a result is unconstitutional. At this stage of the proceeding, the probability of success cannot be determined.

In March 2024, a claim was filed against the Attorney General of BC and ICBC challenging the November 2023 amendments to the *Disbursement and Expert Evidence Regulation* under the *Evidence Act*. The claimants allege that the legislation is an unauthorized exercise of the government's authority and that it infringes on the *Canadian Charter of Rights and Freedoms* and the *Constitution Act*. The application was heard in April 2024 and the judge reserved their decision. At this very early stage of the proceedings, the probability of success cannot be determined and the financial effect can vary depending on the outcome.

## **21. Regulation over Basic Insurance**

As discussed in note 1, the Corporation is subject to regulation by the BCUC. The BCUC has jurisdiction over the Corporation's rates and services for Basic insurance, and responsibility for ensuring that the Basic insurance business does not subsidize the Corporation's Optional insurance business.

The BCUC is required to ensure that the Corporation's Basic insurance rates are not unjust, unreasonable, unduly discriminatory nor unduly preferential, including that, rates are not based on age, gender or marital status.

The BCUC is required to approve rates set on the basis of accepted actuarial practice, in a manner that allows the Corporation to collect sufficient revenue to pay for costs allocated to the Basic insurance line of business, to ensure that the Corporation has sufficient Basic insurance capital, and to ensure that increases or decreases in rates are phased in, in a relatively stable and predictable manner.

The BCUC initiates regulatory processes upon application by the Corporation but may also do so on its own initiative. It may make use of processes such as a written proceedings, oral hearings, or negotiated settlement processes to review applications and subsequently issue legally binding decisions. The Corporation is required to reimburse a portion of the BCUC's general operating expenses as well as costs associated with each proceeding. The BCUC can also order the Corporation to reimburse other proceeding participants for specified costs such as legal and expert witness fees.

As required by the regulatory framework, the Corporation maintains a Basic insurance capital management plan that is reviewed and approved by the BCUC. As discussed in note 19, certain

sections of the Basic insurance capital management plan were superseded by the December 2022 amendments to *Special Direction IC2*, which also defined the 2023 policy year as 24 months (April 1, 2023 to March 31, 2025) (note 23).

On October 11, 2023, BCUC approved the Corporation's proposed Basic insurance rate change of 0.0% for policy year 2023. BCUC had previously approved a 15.0% decrease in Basic insurance rates for policy year 2021.

## 22. Indirect Method Cash Flow Details

The following table illustrates the details of the consolidated statement of cash flows:

| (\$ THOUSANDS)  | March 31<br>2024      | March 31<br>2023      |
|---|-----------------------|-----------------------|
| <b>a) Items not requiring the use of cash</b>                             |                       |                       |
| Bad debt expense  | \$ 13,107             | \$ 9,993              |
| Pension and post-retirement benefits (notes 16 and 17)                    | 46,684                | 66,719                |
| Amortization and depreciation of:   |                       |                       |
| Investment properties (note 5)  | 19,788                | 21,802                |
| Property, equipment and intangibles (notes 11 and 13)                     | 74,602                | 78,841                |
| Lease assets (note 12)  | 15,080                | 14,189                |
| Retirement of property, equipment and intangibles                         | (15,951)              | 167                   |
| Impairment loss on investment properties (notes 5 and 10)                 | 5,159                 | 5,477                 |
| Interest on lease liabilities   | 2,351                 | 2,054                 |
| Interest on mortgages payable   | 157                   | (158)                 |
| Unrealized (gain) loss on financial investments (note 10)                 | (648,353)             | 85,962                |
| Unrealized (gain) loss on derivative financial instruments (note 10)      | (37,009)              | 68,579                |
| Gain on sale of investment properties (note 10)                           | (9,675)               | (69,567)              |
| Loss on financial investments   | 60,409                | 127,233               |
|   | <u>\$ (473,651)</u>   | <u>\$ 411,291</u>     |
| <b>b) Changes in non-cash working capital</b>                             |                       |                       |
| Accrued interest  | \$ 18,220             | \$ (6,693)            |
| Derivative financial instruments  | (1,550)               | 746                   |
| Reinsurance assets  | 1,261                 | 10,847                |
| Accrued pension benefits  | (3,557)               | (13,265)              |
| Prepays and other receivables   | (27,988)              | (8,562)               |
| Accounts payable and accrued charges                                      | 5,614                 | (14,024)              |
| Net bond repurchase agreements, investment-related, and other liabilities | (41,075)              | 5,081                 |
| Premiums and fees received in advance                                     | 3,109                 | 7,092                 |
| Insurance contract liabilities  | (1,102,842)           | (1,093,292)           |
| Pension and post-retirement benefits                                      | (35,926)              | (31,137)              |
|   | <u>\$ (1,184,734)</u> | <u>\$ (1,143,207)</u> |



The table below details the changes in the Corporation's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing are those for which cash flows were, or future cash flows will be, classified in the Corporation's consolidated statement of cash flows as cash flows from financing activities.

| (\$ THOUSANDS)                          | March 31, 2023      | Financing cash<br>flows | Non-cash<br>changes | March 31, 2024   |
|---|---------------------|-------------------------|---------------------|------------------|
| Net bond repurchase agreements (note 7) | \$ 1,772,205        | \$ (1,772,205)          | \$ -                | \$ -             |
| Lease liabilities (note 8)              | 52,313              | (15,705)                | 20,517              | 57,125           |
|   | <u>\$ 1,824,518</u> | <u>\$ (1,787,910)</u>   | <u>\$ 20,517</u>    | <u>\$ 57,125</u> |

| (\$ THOUSANDS)                          | March 31, 2022      | Financing cash<br>flows | Non-cash<br>changes | March 31, 2023      |
|---|---------------------|-------------------------|---------------------|---------------------|
| Net bond repurchase agreements (note 7) | \$ 1,947,260        | \$ (136,037)            | \$ (39,018)         | \$ 1,772,205        |
| Lease liabilities (note 8)              | 53,670              | (15,480)                | 14,123              | 52,313              |
|   | <u>\$ 2,000,930</u> | <u>\$ (151,517)</u>     | <u>\$ (24,895)</u>  | <u>\$ 1,824,518</u> |

### 23. Subsequent Event

In May 2024, the Corporation has entered into a 15-year lease commitment with three 5-year options to renew. The total undiscounted lease payments over the lease term, inclusive of the renewal options, is \$256.1 million.

In May 2024, BCUC has approved a one-year extension of policy year 2023 to end on March 31, 2026, consequently extending the basic rate change of 0% to March 31, 2026.

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**Supplemental Information (unaudited)**

## Allocation of Basic and Optional amounts

The Corporation operates as an integrated entity in its provision of Basic insurance, Optional insurance and Non-insurance products and services. In order to allocate its revenues and costs among the Basic insurance, Optional insurance and Non-insurance lines of business, the Corporation follows a BCUC-approved financial allocation methodology. This methodology is summarized below.

The majority of the Corporation's insurance revenues and costs associated with Basic insurance and Optional insurance can be directly attributed and do not require further process of allocation. Non-insurance revenues and costs are fully allocated to Basic insurance based on *Special Direction IC2*. A pro-rata approach is used to allocate revenues and costs that are not directly attributable to the Basic, Optional or Non-insurance businesses. This approach is based on the drivers of those revenues and costs, the degree of causality, and any BCUC directives.

On January 31, 2024, the Corporation submitted an application to the BCUC to update its financial allocation methodology. Proposed changes that BCUC approves, if any, will be reflected in the Corporation's consolidated financial statements starting in fiscal year 2024/25.

| (\$ THOUSANDS)   | Basic Coverage |                    | Optional Coverage |                    | Total        |                    |
|--|----------------|--------------------|-------------------|--------------------|--------------|--------------------|
|  | 2024           | 2023<br>(Restated) | 2024              | 2023<br>(Restated) | 2024         | 2023<br>(Restated) |
| <b>Insurance revenues</b>  | \$ 2,959,288   | \$ 3,257,440       | \$ 2,512,415      | \$ 2,163,864       | \$ 5,471,703 | \$ 5,421,304       |
| <b>Insurance service expenses</b>                                  | (2,472,811)    | (2,520,422)        | (2,303,520)       | (2,672,189)        | (4,776,331)  | (5,192,611)        |
| <b>Net expenses from reinsurance contracts</b>                     | (1,916)        | (3,539)            | (7,547)           | (9,205)            | (9,463)      | (12,744)           |
| <b>Insurance service result</b>                                    | 484,561        | 733,479            | 201,348           | (517,530)          | 685,909      | 215,949            |
| <b>Net investment income</b>                                       | 985,204        | 207,120            | 441,512           | 104,470            | 1,426,716    | 311,590            |
| <b>Net insurance finance expenses</b>                              | (301,443)      | (74,849)           | (128,933)         | (31,421)           | (430,376)    | (106,270)          |
| <b>Net insurance and investment result</b>                         | 1,168,322      | 865,750            | 513,927           | (444,481)          | 1,682,249    | 421,269            |
| <b>Other operating expenses</b>                                    | (56,913)       | (60,926)           | (54,637)          | (64,698)           | (111,550)    | (125,624)          |
| <b>Income - insurance operations</b>                               | 1,111,409      | 804,824            | 459,290           | (509,179)          | 1,570,699    | 295,645            |
| <b>Loss - non-insurance operations - licensing</b>                 | (172,187)      | (161,938)          | -                 | -                  | (172,187)    | (161,938)          |
| <b>Net income (loss) for the year</b>                              | \$ 939,222     | \$ 642,886         | \$ 459,290        | \$ (509,179)       | \$ 1,398,512 | \$ 133,707         |
| <b>Net income (loss) attributable to:</b>                          |                |                    |                   |                    |              |                    |
| Non-controlling interest   | \$ (249)       | \$ 1,588           | \$ (111)          | \$ 801             | \$ (360)     | \$ 2,389           |
| Owner of the corporation   | 939,471        | 641,298            | 459,401           | (509,980)          | 1,398,872    | 131,318            |
|  | \$ 939,222     | \$ 642,886         | \$ 459,290        | \$ (509,179)       | \$ 1,398,512 | \$ 133,707         |
| <b>Equity</b>  |                |                    |                   |                    |              |                    |
| Retained earnings, beginning of year (Restated)                    | \$ 2,748,880   | \$ 2,107,582       | \$ 799,981        | \$ 1,309,961       | \$ 3,548,861 | \$ 3,417,543       |
| Net income (loss) for the year, owner of the corporation           | 939,471        | 641,298            | 459,401           | (509,980)          | 1,398,872    | 131,318            |
| Retained earnings, end of year                                     | 3,688,351      | 2,748,880          | 1,259,382         | 799,981            | 4,947,733    | 3,548,861          |
| Other components of equity, beginning of year (Restated)           | 347,514        | 345,595            | 149,670           | 148,780            | 497,184      | 494,375            |
| Pension and post-retirement benefits remeasurements (note 16)      | 40,076         | 1,919              | 18,259            | 890                | 58,335       | 2,809              |
| Other components of equity, end of year                            | 387,590        | 347,514            | 167,929           | 149,670            | 555,519      | 497,184            |
| Total equity attributable to owner of the corporation              | 4,075,941      | 3,096,394          | 1,427,311         | 949,651            | 5,503,252    | 4,046,045          |
| Non-controlling interest, beginning of year (Restated)             | 3,756          | 4,245              | 2,452             | 2,509              | 6,208        | 6,754              |
| Change in net assets for the year, non-controlling interest        | (598)          | (2,077)            | (239)             | (858)              | (837)        | (2,935)            |
| Net income for the year, non-controlling interest                  | (249)          | 1,588              | (111)             | 801                | (360)        | 2,389              |
| Total equity attributable to non-controlling interest, end of year | 2,909          | 3,756              | 2,102             | 2,452              | 5,011        | 6,208              |
| <b>Total Equity</b>  | \$ 4,078,850   | \$ 3,100,150       | \$ 1,429,413      | \$ 952,103         | \$ 5,508,263 | \$ 4,052,253       |