



INSURANCE CORPORATION OF BRITISH COLUMBIA
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2025

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 accordance with International Financial Reporting Standards as issued by the International Accounting Standards Boards (IFRS Accounting Standards). 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

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 appointed actuary 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 Corporation 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.



Jason McDaniel
Interim President and Chief Executive
Officer
June 12, 2025



Phil Leong
Vice President, Finance & Chief Financial
Officer
June 12, 2025



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

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, 2025 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 Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2025;
- 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, comprising material accounting policy information and other explanatory information.

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.

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.

PricewaterhouseCoopers LLP
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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.

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 Accounting Standards, 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.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

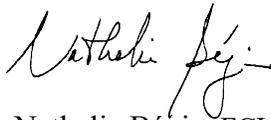
Vancouver, British Columbia
June 12, 2025

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, 2025.

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 12, 2025

Consolidated Statement of Financial Position

(\$ THOUSANDS)	March 31 2025	March 31 2024
Assets		
Cash and cash equivalents (note 5)	\$ 17,911	\$ 12,969
Accrued interest (note 5)	20,511	28,497
Prepays and other receivables (note 5)	366,991	307,804
Assets held for sale (note 6)	17,676	21,577
Financial investments (note 6)	18,052,048	17,820,510
Derivative financial instruments (note 6)	-	804
Reinsurance contract assets (note 13)	39,356	35,408
Investment properties (note 6)	179,421	234,284
Property and equipment (note 7)	98,318	100,725
Intangible assets (note 8)	149,210	175,870
Lease assets (note 9)	48,961	58,461
Accrued pension benefits (note 14)	300,042	262,336
	\$ 19,290,445	\$ 19,059,245
Liabilities and Equity		
Liabilities		
Cheques outstanding (note 5)	\$ 313,154	\$ 212,540
Accounts payable and accrued charges (note 5)	157,239	166,628
Derivative financial instruments (note 6)	93,568	8,947
Investment-related and other liabilities (note 10)	302,384	257,510
Premiums and fees received in advance	77,322	69,115
Insurance contract liabilities (note 12)	10,891,754	12,607,439
Lease liabilities (note 9)	49,491	57,125
Pension and post-retirement benefits (note 14)	209,010	171,678
	12,093,922	13,550,982
Equity		
Retained earnings	6,600,329	4,947,733
Other components of equity	592,940	555,519
Equity attributable to owner of the corporation	7,193,269	5,503,252
Non-controlling interest	3,254	5,011
	7,196,523	5,508,263
	\$ 19,290,445	\$ 19,059,245

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

Approved by the Board



Catherine Holt
Chair of the Board of Directors



Nelson Chan
Chair of the Audit Committee

Consolidated Statement of Comprehensive Income

(\$ THOUSANDS)	For the year ended March 31 2025	For the year ended March 31 2024
Insurance revenues (note 12)	\$ 5,987,523	\$ 5,471,703
Insurance service expenses (note 12)	(4,832,965)	(4,776,331)
Net expenses from reinsurance contracts (note 13)	(10,323)	(9,463)
Insurance service result	<u>1,144,235</u>	<u>685,909</u>
Net investment income (note 15)	1,410,807	1,426,716
Finance expenses from insurance contracts	(578,172)	(431,470)
Finance income from reinsurance contracts	1,839	1,094
Net insurance finance expenses (note 15)	<u>(576,333)</u>	<u>(430,376)</u>
Net Insurance and investment result	<u>1,978,709</u>	<u>1,682,249</u>
Other operating income	29,461	28,948
Other operating expenses (note 16)	(174,314)	(140,498)
Income - insurance operations	<u>1,833,856</u>	<u>1,570,699</u>
Non-insurance operations		
Provincial licences and fines revenue (note 17)	683,017	671,816
Licences and fines transferable to the Province of B.C. (note 17)	(683,017)	(671,816)
Operating expenses (note 16)	(152,707)	(144,328)
Commissions (note 16)	(41,325)	(40,139)
Other income	11,387	12,280
Cost of non-insurance operations	<u>(182,645)</u>	<u>(172,187)</u>
Net income	<u>\$ 1,651,211</u>	<u>\$ 1,398,512</u>
Other comprehensive income		
Items that will not be reclassified to net income		
Pension and post-retirement benefits remeasurements (note 14)	\$ 37,421	\$ 58,335
Total comprehensive income	<u>\$ 1,688,632</u>	<u>\$ 1,456,847</u>
Net income attributable to:		
Non-controlling interest	\$ (1,385)	\$ (360)
Owner of the corporation	<u>1,652,596</u>	<u>1,398,872</u>
	<u>\$ 1,651,211</u>	<u>\$ 1,398,512</u>
Total comprehensive income attributable to:		
Non-controlling interest	\$ (1,385)	\$ (360)
Owner of the corporation	<u>1,690,017</u>	<u>1,457,207</u>
	<u>\$ 1,688,632</u>	<u>\$ 1,456,847</u>

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, 2025				
	Retained Earnings	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity
Balance, beginning of year	\$ 4,947,733	\$ 555,519	\$ 5,503,252	\$ 5,011	\$ 5,508,263
Distributions				(372)	(372)
Comprehensive income					
Net income	1,652,596	-	1,652,596	(1,385)	1,651,211
Other comprehensive income					
Pension and post-retirement benefits remeasurements (note 14)	-	37,421	37,421	-	37,421
Total other comprehensive income	-	37,421	37,421	-	37,421
Total comprehensive income	1,652,596	37,421	1,690,017	(1,385)	1,688,632
Balance, end of year	\$ 6,600,329	\$ 592,940	\$ 7,193,269	\$ 3,254	\$ 7,196,523

(\$ THOUSANDS)	For the year ended March 31, 2024				
	Retained Earnings	Other Components of Equity: Pension and post-retirement benefits remeasurements	Total attributable to owner of the corporation	Non-Controlling Interest	Total Equity
Balance, beginning of year	\$ 3,548,861	\$ 497,184	\$ 4,046,045	\$ 6,208	\$ 4,052,253
Distributions				(837)	(837)
Comprehensive income					
Net income	1,398,872	-	1,398,872	(360)	1,398,512
Other comprehensive income					
Pension and post-retirement benefits remeasurements (note 14)	-	58,335	58,335	-	58,335
Total other comprehensive income	-	58,335	58,335	-	58,335
Total comprehensive income	1,398,872	58,335	1,457,207	(360)	1,456,847
Balance, end of year	\$ 4,947,733	\$ 555,519	\$ 5,503,252	\$ 5,011	\$ 5,508,263

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

Consolidated Statement of Cash Flows

(\$ THOUSANDS)	For the year ended March 31 2025	For the year ended March 31 2024
Cash flow from (used in) operating activities		
Net income	\$ 1,651,211	\$ 1,398,512
Items not requiring the use of cash (note 21)	(401,433)	(473,651)
Changes in non-cash working capital (note 21)	(1,833,725)	(1,184,734)
Cash used in operating activities	(583,947)	(259,873)
Cash flow from (used in) investing activities		
Purchase of financial investments and investment properties	(26,125,419)	(34,070,426)
Proceeds from sales of financial investments and investment properties	26,595,031	36,140,203
Purchase of property, equipment and intangibles, net	(27,878)	(32,285)
Cash flow from investing activities	441,734	2,037,492
Cash flow from (used in) financing activities		
Net securities sold under repurchase agreements (note 21)	-	(1,772,205)
Proceeds from investment liabilities	59,910	-
Principal payments on lease liabilities (note 21)	(13,369)	(15,705)
Cash flow from (used in) financing activities	46,541	(1,787,910)
Decrease in cash and cash equivalents during the year		
Cash and cash equivalents, beginning of year	(199,571)	(189,280)
Cash and cash equivalents, end of year	\$ (295,243)	\$ (199,571)
Represented by:		
Cash and cash equivalents (note 5)	\$ 17,911	\$ 12,969
Cheques outstanding (note 5)	(313,154)	(212,540)
Cash and cash equivalents, net	\$ (295,243)	\$ (199,571)
Supplemental information		
Interest and dividends received	\$ 1,065,586	\$ 928,266

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

Notes to Consolidated Financial Statements

For the year ended March 31, 2025

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 20).

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.

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.

On June 12, 2025, 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 Accounting Standards) 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 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 17).

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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 the Corporation's investment properties (note 6c) are held individually in consolidated nominee holding companies. The Corporation also invests in financial investments (note 6a) through a number of structured entities, some of which are wholly-owned and therefore consolidated. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. 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 fair value through profit and loss.

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 one joint operation with a Limited Partner, and is an investment property 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 and deposits with financial institutions that can be withdrawn without prior notice or penalty.

d) Insurance contracts and reinsurance contracts held

Insurance contracts held

The following summarizes 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.

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 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, at any time during the coverage period, 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.

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 and expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

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 and 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 net insurance finance expense.

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.

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).

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 2k and 2l), except for the derivatives that are measured at FVTPL (note 2i).

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;
- 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 assets 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, broker 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 receivables is low.

f) 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.

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 6).

g) 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.

h) 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 are discussed in note 6.

i) 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 5).

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.

j) 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 one property that serves 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 one property that serves dual purpose and is classified as investment property.

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.

k) Investment-related liabilities

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

l) 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.

m) 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.

n) 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;
- 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's liabilities are settled. For plans in a 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's 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, and will not be subsequently reclassified to net 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.

o) 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).

p) 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.

q) 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.

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

r) 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.

s) 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 5a.

Current liabilities include cheques outstanding, accounts payable and accrued charges, derivative financial instruments, and investment related and other liabilities. Non-current portion of the investment related and other liabilities is disclosed in note 10.

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, the current and possible future Canadian and US tariffs, 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 12).

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 3d. 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 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 consolidated statement of financial position 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.

The Corporation has considered the impacts of current tariffs between Canada and US in the estimation of the LIC. These tariffs will impact the cost of parts and vehicle prices as well as future inflation rate affecting the costs to settle both injury and material damage claims. The potential changes to the tariffs and broader economic impacts create uncertainties in the estimates.

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 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 90th percentile (2024 – 90th 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 14.

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 14).

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 financials. 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 19). 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) Material damage supply chain and labour shortage

The automotive supply chain continues to be subject to disturbance from various factors which can affect vehicle parts availability and cost, such as increased shipping costs, labour disruptions, and auto industry's response to the North America trade landscape. The impact of a weakened supply chain is exacerbated by the shortage of skilled labour in the car repair industry in British Columbia, where some stabilization has been observed but challenges remain. These supply chain and labour market pressures create estimation uncertainty in the measurement of costs associated with vehicle damage claims.

j) 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 external qualified personnel independent of those that sourced them (note 2h).

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, 2025

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, 2025. There were no material impacts to the Corporation's consolidated financial statements from the adoption of new standards or amendments.

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 Accounting Standards; 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 Corporation is currently assessing the impact of this new standard on the presentation and disclosure of its consolidated financial statements.
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures*. Effective for the annual periods beginning on or after January 1, 2026; early adoption is permitted. The objective of the amendments are to clarify and improve the classification and measurement of financial instruments, following a 2022 post-implementation review. The Corporation is currently assessing the impact of these amendments on the presentation and disclosure of its consolidated financial statements.

5. Financial Assets and Liabilities

a) Financial assets

Financial assets include cash and cash equivalents, accrued interest, other receivables, financial investments (note 6), derivative financial instruments (note 6), and lease assets (note 9). The prepaids of \$49.0 million (2024 - \$43.9 million) are non-financial assets.

Cash and cash equivalents and accrued interest are considered current due to their short-term nature, and their fair values approximate their carrying values.

The fair values of other receivables approximate their carrying values due to their short-term nature, except for the fair value of the structured settlements, which is based on the present value of future cash flows. As at March 31, 2025, \$11.7 million (2024 – \$12.6 million) of other receivables are non-current.

The fair values of financial investments, derivative financial instruments, and lease assets are discussed in their respective notes.

b) Financial liabilities

Financial liabilities include cheques outstanding, accounts payable and accrued charges, investment-related and other liabilities (note 10), and lease liabilities (note 9).

All financial liabilities are carried at cost or amortized cost. Cheques outstanding, accounts payable and accrued charges are expected to mature under one year and their fair values approximate their carrying values due to their short-term nature. The maturity profile and estimation of fair value of investment-related and other liabilities and lease liabilities are discussed in their respective notes, as referenced above.

As at March 31, 2025, the general ledger bank balances representing deposits in transit were \$143.0 million (2024 – \$212.7 million) and the general ledger bank balances representing outstanding cheques were \$456.2 million (2024 – \$425.2 million), netting to a cheques outstanding balance of \$313.2 million (2024 – \$212.5 million) on the consolidated statement of financial position.

6. Investments

a) Financial investments

(\$ THOUSANDS)	Financial Investments ¹		
	Measurement category	March 31, 2025	March 31, 2024
Fixed-income investments			
Money market pooled funds	FVTPL	\$ 762,316	\$ 858,759
Mortgages	FVTPL (Designated)	3,987	52,547
Mortgage pooled funds	FVTPL	991,478	848,755
Bond pooled funds	FVTPL	4,190,967	3,117,667
Bonds			
Federal	FVTPL (Designated)	1,109,750	1,597,260
Provincial	FVTPL (Designated)	448,716	675,397
Municipal	FVTPL (Designated)	80,515	9,807
Corporate	FVTPL (Designated)	1,175,163	1,622,242
Total bonds		2,814,144	3,904,706
Total fixed-income investments		8,762,892	8,782,434
Equity investments			
Global equity pooled funds	FVTPL	2,758,864	4,137,960
Total equity investments		2,758,864	4,137,960
Other financial investments			
Domestic real estate pooled funds	FVTPL	1,001,613	960,089
Global real estate pooled funds	FVTPL	793,553	558,091
Global infrastructure pooled funds	FVTPL	1,731,139	1,243,873
Global mezzanine debt pooled funds	FVTPL	107,191	155,155
Private assets pooled funds	FVTPL	2,896,796	1,982,908
Total other financial investments		6,530,292	4,900,116
Total financial investments		\$ 18,052,048	\$ 17,820,510

¹ Pooled funds may include pooled funds or other pooled investment vehicles

Pooled funds are structured entities (note 2b). The Corporation's maximum exposure to loss from its interest in these structured entities is equal to the total fair value of its investments held by such entities. The Corporation does not have any rights that will give it the ability to direct the relevant activities of these entities.

b) 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 2025 and 2024, 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. The Corporation does not have any investments with quoted prices in active markets for identical assets (Level 1).

(\$ THOUSANDS)	Fair Value Measurements at Reporting Date		
	Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2025			
Cash and cash equivalents	\$ 17,911	\$ 17,911	\$ -
Fixed-income investments	8,762,892	7,767,427	995,465
Equity investments	2,758,864	1,763,255	995,609
Other financial investments	6,530,292	-	6,530,292
Total financial assets	\$ 18,069,959	\$ 9,548,593	\$ 8,521,366
March 31, 2024			
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
Total financial assets	\$ 17,833,479	\$ 11,236,395	\$ 6,597,084

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. Bonds and money market pooled funds 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 Level 3 investments are based on various valuation methodologies as described below, plus the net asset value of the fund. The real estate pooled investments valuations are based on the appraised or calculated market value. The global mezzanine debt and global infrastructure funds' valuations are based on various methods, including discounted cash flows, appraisals and audited financial statements. The private pooled investments' valuations 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 mortgage fund's value 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. All valuations are provided by the investment managers. The Corporation does not have sufficient information to conduct sensitivity analysis on the fair values of the investments using unobservable inputs.

(\$ THOUSANDS)		Recurring Fair Value Measurements using Level 3 Inputs			
	Fixed-Income Investments	Equity Investments	Other Financial Investments	Total	
March 31, 2025					
Balance, beginning of year	\$ 901,302	\$ 795,666	\$ 4,900,116	\$ 6,597,084	
Additions	365,039	361,352	2,716,875	3,443,266	
Disposals	(322,419)	(135,073)	(1,118,280)	(1,575,772)	
Market value adjustment	51,543	(26,336)	31,581	56,788	
Balance, end of year	\$ 995,465	\$ 995,609	\$ 6,530,292	\$ 8,521,366	
March 31, 2024					
Balance, beginning of year	\$ 807,723	\$ -	\$ 4,014,211	\$ 4,821,934	
Additions	330,058	704,174	1,680,876	2,715,108	
Disposals	(276,381)	(23,216)	(755,227)	(1,054,824)	
Market value adjustment	39,902	114,708	(39,744)	114,866	
Balance, end of year	\$ 901,302	\$ 795,666	\$ 4,900,116	\$ 6,597,084	

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

(\$ THOUSANDS)	2025		2024	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Non-designated derivative instruments				
Assets				
Interest rate swap - investment properties	\$ -	\$ -	\$ 91,850	\$ 804
	\$ -	\$ -	\$ 91,850	\$ 804
Liabilities				
Forward contracts	\$ 2,785,328	\$ 92,262	\$ 2,360,156	\$ 8,947
Interest rate swap - investment properties	91,321	1,306	-	-
	\$ 2,876,649	\$ 93,568	\$ 2,360,156	\$ 8,947

The Corporation uses foreign exchange forward contracts to hedge the foreign exchange risks associated with its foreign currency financial investments. The Corporation entered into interest rate swaps to naturally hedge the interest rate of one of the investment properties' mortgages (note 10). 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.

c) Investment properties

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

(\$ THOUSANDS)	2025	2024
Cost		
Balance, beginning of year	\$ 316,266	\$ 419,221
Capital improvements	9,679	24,487
Reclassification to assets held for sale	(31,982)	(53,216)
Disposals	(46,587)	(69,067)
Impairment loss	(6,647)	(5,159)
Balance, end of year	<u>240,729</u>	<u>316,266</u>
Accumulated depreciation		
Balance, beginning of year	81,982	113,430
Depreciation	11,594	19,698
Disposals	(12,682)	(14,120)
Reclassification to assets held for sale	(19,586)	(37,026)
Balance, end of year	<u>61,308</u>	<u>81,982</u>
Carrying value, end of year	<u>\$ 179,421</u>	<u>\$ 234,284</u>

The fair value of investment properties is \$253.2 million (2024 – \$319.9 million) and based on the inputs to the valuation technique used, the valuation of these investment properties is Level 3. As at March 31, 2025 and March 31, 2024, 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, 2025, two (2024 – two) investment properties remain in assets held for sale.

7. Property and Equipment

(\$ THOUSANDS)	Land	Buildings	Furniture & Equipment	Leasehold Improvements	Total
March 31, 2025					
Cost					
Balance, beginning of year	\$ 25,062	\$ 180,872	\$ 126,635	\$ 32,791	\$ 365,360
Additions	-	4,866	9,299	699	14,864
Disposals	-	-	(17,811)	(1,171)	(18,982)
Balance, end of year	25,062	185,738	118,123	32,319	361,242
Accumulated depreciation					
Balance, beginning of year	-	155,532	87,496	21,607	264,635
Disposals	-	-	(17,811)	(1,169)	(18,980)
Depreciation charge for the year	-	2,382	11,175	3,712	17,269
Balance, end of year	-	157,914	80,860	24,150	262,924
Net book value, end of year	\$ 25,062	\$ 27,824	\$ 37,263	\$ 8,169	\$ 98,318
March 31, 2024					
Cost					
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
Accumulated depreciation					
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
Net book value, end of year	\$ 25,062	\$ 25,340	\$ 39,139	\$ 11,184	\$ 100,725

8. Intangible Assets

(\$ THOUSANDS)	2025	2024
Cost		
Balance, beginning of year	\$ 541,202	\$ 571,362
Additions	23,207	30,642
Disposals	(3,611)	(60,802)
Balance, end of year	560,798	541,202
Accumulated amortization		
Balance, beginning of year	365,332	367,165
Disposals	(3,611)	(60,802)
Amortization charge for the year	49,867	58,969
Balance, end of year	411,588	365,332
Net book value, end of year	\$ 149,210	\$ 175,870

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 \$30.2 million (2024 – \$23.2 million) in assets under development.

Management conducted an assessment and concluded no significant impairment indicators.

There were no indefinite life intangible assets as at March 31, 2025 and March 31, 2024.

9. Lease Assets and Lease Liabilities

Lease assets are as follows:

(\$ THOUSANDS)	Leased Facilities	Leased Equipment	Leased Computer Hardware	Leased Computer Software Intangibles	Total
March 31, 2025					
Cost					
Balance, beginning of year	\$ 80,755	\$ 2,862	\$ 5,875	\$ 38,046	\$ 127,538
Additions	2,932	1,798	81	269	5,080
Disposals	(537)	-	-	(1,140)	(1,677)
Balance, end of year	83,150	4,660	5,956	37,175	130,941
Accumulated depreciation					
Balance, beginning of year	37,186	2,756	3,164	25,971	69,077
Disposals	(438)	-	-	(1,140)	(1,578)
Depreciation charge for the year	7,584	294	1,068	5,535	14,481
Balance, end of year	44,332	3,050	4,232	30,366	81,980
Net book value, end of year	\$ 38,818	\$ 1,610	\$ 1,724	\$ 6,809	\$ 48,961
March 31, 2024					
Cost					
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
Accumulated depreciation					
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
Net book value, end of year	\$ 43,569	\$ 106	\$ 2,711	\$ 12,075	\$ 58,461

Lease liabilities are as follows:

(\$ THOUSANDS)	2025		2024	
Up to 1 year	\$	13,084	\$	12,983
Greater than 1 year, up to 5 years		27,627		34,384
Greater than 5 years		16,554		19,324
Total undiscounted lease liabilities balance, end of year	\$	57,265	\$	66,691
Total discounted lease liabilities balance, end of year	\$	49,491	\$	57,125
Current	\$	12,801	\$	12,511
Non-current	\$	36,690	\$	44,614

As at March 31, 2025, the Corporation is committed to a lease with \$256.1 million (2024 - \$nil) of undiscounted lease payments over the lease term, inclusive of renewal options, but the lease has not yet commenced.

10. Investment Related and Other Liabilities

(\$ THOUSANDS)	2025		2024	
		Carrying Value		Carrying Value
Investment-related liabilities	\$	156,957	\$	97,047
Other liabilities		145,427		160,463
Total investment-related and other liabilities	\$	302,384	\$	257,510
Non-current portion	\$	90,183	\$	97,249

Investment-related liabilities are comprised of mortgages payable of \$91.9 million (2024 – \$97.0 million) and a promissory note of \$65.0 million (2024 – \$10.6 million), payable upon demand. The repayment terms are within two to five years (2024 – three to five years) and interest rates ranging from 3.7% to 5.0% (2024 – 4.6% to 7.2%). 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)	2025		2024	
Up to 1 year	\$	212,201	\$	160,261
Greater than 1 year, up to 5 years		90,183		92,873
Greater than 5 years		-		4,376
	\$	302,384	\$	257,510

11. 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).

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, impacts of multiple conflicts internationally, current trade tariffs between Canada and US, 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), and material damage supply chain issues and labour shortage (note 3i).

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 36% (2024 – 37%) of current year claims costs, and 89% (2024 – 88%) of the LIC. The timing of payments of injury claims can be extended due to delayed reporting, as 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 12.

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 (note 18). 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.

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

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, 2025, the equity and other financial investments portfolios were 20.2% (2024 – 29.0%) invested in the real estate sector, 13.7% (2024 – 10.7%) in the industrials sector, and 12.4% (2024 – 11.1%) in the financial sector. The bond portfolio was 56.4% (2024 – 56.0%) invested in the government sector and 18.8% (2024 – 19.1%) 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, 2025, the investment portfolio was 62.5% (2024 – 57.6%) invested in Canada, 29.4% (2024 – 30.8%) invested in the United States, and 8.1% (2024 – 11.6%) 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, 2025, 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 \$1.52 billion (2024 – \$1.39 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.

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 2025 and 2024, 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, 2025 and 2024:

As at March 31, 2025	Net income	
	100 bps Increase	100 bps Decrease
Liabilities for incurred claims	\$ 300,404	\$ (340,375)
Financial investments ¹	(82,755)	82,755
Total	\$ 217,649	\$ (257,620)
As at March 31, 2024	Net income	
	100 bps Increase	100 bps Decrease
Liabilities for incurred claims	\$ 298,611	\$ (333,689)
Financial investments ¹	(102,567)	102,567
Total	\$ 196,044	\$ (231,122)

¹ 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. Fixed-income investments with direct exposure to credit risk are comprised of directly held bonds and mortgages. The total direct credit risk exposure is \$3.47 billion (2024— \$3.86 billion).

Fixed-income investments

The Corporation mitigates its overall exposure to credit risk in its fixed-income investments by holding the majority of its fixed-income portfolio through a pooled fund structure, and by limiting fixed-income credit investments to a maximum of 26.0% (2024 – 24.0%) of total investment assets. This approach provides diversification across a broad range of issuers and reduces exposure to individual credit events. There is minimal credit risk exposure to cash.

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 Corporation's directly held bond investments by credit quality according to Standard and Poor's are as follows:

(\$ THOUSANDS)	2025	2024
Bonds		
AAA	\$ 1,214,879	\$ 1,689,522
AA	467,420	280,835
A	593,802	1,402,541
BBB	538,043	531,808
	<u>\$ 2,814,144</u>	<u>\$ 3,904,706</u>

The maximum credit risk exposure for fixed-income investments pertains to directly held bond investments and to directly held mortgage investments; however, the Corporation considers Canadian government bonds to be risk-free. Therefore, the maximum credit risk exposure is equal to the total fair value of all other directly held bond and mortgage investments, which amounts to \$1.71 billion (2024 – \$2.36 billion).

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, 2025 and 2024 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

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, 2025, the Corporation considered \$174.3 million (2024 – \$149.3 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 \$39.4 million (2024 – \$35.4 million). The Corporation has policies to monitor credit rating of reinsurers. All reinsurers 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, 2025 or March 31, 2024.

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. These liquid assets include money market pooled funds and level 2 global equity pooled funds (Note 6), and fixed-income investments maturing within one year as disclosed in the table below. 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 One Year	One Year to Five Years	After Five Years	Total
March 31, 2025				
Bonds				
Canadian				
Federal	\$ 11,991	\$ 997,761	\$ 99,998	\$ 1,109,750
Provincial	-	407,052	41,664	448,716
Municipal	-	80,515	-	80,515
Corporate	163,490	792,517	219,156	1,175,163
Total bonds	175,481	2,277,845	360,818	2,814,144
Mortgages	3,987	-	-	3,987
	\$ 179,468	\$ 2,277,845	\$ 360,818	\$ 2,818,131
March 31, 2024				
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

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 is primarily exposed to currency risk through its direct investments in funds denominated in foreign currencies, as well as indirectly through investments in funds that hold assets denominated in foreign currencies. The table below summarizes the Corporation's exposure to currency risks:

(\$ THOUSANDS)	2025	2024
Direct currency risk exposure - USD	\$ 269,492	\$ 344,698
Indirect currency risk exposure - USD	8,762,669	7,821,069
Indirect currency risk exposure - other foreign currencies	3,092,249	3,038,411
	\$ 12,124,410	\$ 11,204,178

The Corporation has policies in place to limit and monitor its exposure to currency risks. In addition, the Corporation uses currency hedging strategies, where deemed appropriate, by entering into foreign exchange forwards (note 6b). A 10 percent appreciation in the Canadian dollar on foreign currency-based financial investments, net of the offsetting impact from the Corporation's currency hedging strategies, would change the fair value of the financial

investments and result in a change to profit or loss of \$933.9 million (2024 – \$884.4 million). The Corporation also leverages the investment manager’s currency hedging strategies within the pooled funds to minimize the indirect currency risk exposure.

12. 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.

An additional method is employed to address the particularly complex legal-based injury claims environment, which includes shifts in the frequency mix of claims by claim size and complexity, and the settlement rate of claims. This additional method uses claim size 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. This method has been simplified compared to last year, at which time the legal status of claims was also used for segmentation, because the remaining

legal-based claims without legal representation were no longer significant. 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 Adler-Kline claim closure model is also applied to medical and rehabilitation costs on accident benefits claims to capture changes in the level, trend, and limit associated with these costs following changes to the accident benefit product that were effective in 2018 and 2019. These changes included an increase in the regulated rates for several medical treatment fees, the introduction of indexing for the regulated rates for medical treatment fees based on the increase in the BC consumer price index, and a doubling of the medical rehabilitation limit to \$300,000.

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 3h), 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, with additional relevant information regarding inflation expectations and claim severity from other jurisdictions with similar products.

A second additional method is used 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.

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.

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 an unfavourable adjustment to LIC of \$237.5 million (2024 – favourable adjustment of \$35.1 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, 2025	3.44%	3.96%	4.59%	5.06%	4.91%
March 31, 2024	5.47%	4.89%	5.09%	5.21%	5.06%

* 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 stabilization and some reduction in the cycle time from when a vehicle damage claim is reported to when the vehicle is repaired, following increases seen over the previous two years that followed a disruption in supply chains related to the economic impacts of the COVID-19 global pandemic, and a shortage of skilled labour in the car repair industry. In response, claims development assumptions for vehicle damage claims are now set based on the standard methods, using development assumptions derived from the experience observed over the latest one to four years. This represents a change from last year, in which a method based on the development of paid severities was combined with a claim count estimate that was adjusted to reflect an increased level of claims paid beyond 2 years to estimate the cost of basic vehicle damage claims and optional collision and comprehensive claims. The change in assumptions to reflect increased stability in the cycle time to pay vehicle damage claims has decreased the liability for incurred claims by \$142.3 million, holding all other assumptions constant.

With the emergence of additional claims experience for Permanent Impairment claims beginning to indicate some stability, the Corporation has begun to place some reliance on its observed count development in balance with the prior expectation of the number of claims based on the number of basic vehicle damage claims and information from other jurisdictions regarding the propensity of Permanent Impairment claims. This represents a change from last year, where the number of Permanent Impairment claims were estimated solely based on the propensity information. This change in approach has the effect of decreasing the liability for incurred claims by \$98.2 million, holding all other assumptions constant.

An increased number of large bodily injury claims have emerged in the current year, as a proportion of the remaining pending. As the remaining claims have been determined to be more complex, this pattern is expected to persist to some degree in the future. This means that more large claims remain to be recognized in the future, which has been reflected in the actuarial assumptions by relying on the pattern from the latest two years to forecast the large claims emergence (previously 4 years). This change in assumptions has the effect of increasing the liability for incurred claims by \$215.6 million.

As the number of outstanding legal-based bodily injury claims declines, the expected cost of the remaining claims has increased, including a notable increase in the average case reserve level relative to claims of comparable age in recent prior fiscal years. The trends applied to future claim payments in the Adler-Kline claim closure model for large bodily injury claims have been increased by 1% to reflect an expectation of higher future costs associated with claims closing as the legal-based product continues to run off. This change in assumptions has the effect of increasing the liability for incurred claims by \$104.4 million.

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 in the table below and it is the same as impact on net income and Equity. Movements in these assumptions may be non-linear and may be correlated with one another.

(\$ THOUSANDS)		2025	2024
Assumption	Sensitivity		
Discount rate	+ 1ppt ¹	\$ (300,400)	\$ (298,600)
Discount rate	- 1ppt	\$ 340,400	\$ 333,700
Future emergence of large bodily injury claims	+ 10%	\$ 173,000	\$ 252,700
Severity of unpaid bodily injury claims	+ 10%	\$ 529,700	\$ 707,900
Severity of unpaid Enhanced Accident Benefit claims	+ 10%	\$ 232,000	\$ 212,000
Severity of unpaid Material Damages claims	+ 10%	\$ 90,700	\$ 115,100
¹ ppt = percentage point			

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

(\$ THOUSANDS)	2025			2024				
	Liabilities for remaining coverage	Liabilities for incurred claims		Total	Liabilities for remaining coverage	Liabilities for incurred claims		Total
	Excluding Loss Component	Estimates of present value of future cash flows	Risk Adjustment		Excluding Loss Component	Estimates of present value of future cash flows	Risk Adjustment	
Insurance contract liabilities, beginning of year	\$ 1,648,343	\$ 9,987,138	\$ 971,958	\$ 12,607,439	\$ 1,137,044	\$ 11,388,746	\$ 1,184,491	\$ 13,710,281
Insurance revenue	(5,987,523)	-	-	(5,987,523)	(5,471,703)	-	-	(5,471,703)
Insurance service expenses								
Incurred claims	-	3,810,548	226,274	4,036,822	-	3,814,565	286,947	4,101,512
Directly attributable expenses	-	638,128	-	638,128	-	616,635	-	616,635
Insurance acquisition expenses	-	843,053	-	843,053	-	766,304	-	766,304
Changes that relate to past service - adjustments to the LIC	-	(298,088)	(386,950)	(685,038)	-	(208,640)	(499,480)	(708,120)
	-	4,993,641	(160,676)	4,832,965	-	4,988,864	(212,533)	4,776,331
Insurance service result	(5,987,523)	4,993,641	(160,676)	(1,154,558)	(5,471,703)	4,988,864	(212,533)	(695,372)
Insurance finance expenses	-	578,172	-	578,172	-	431,470	-	431,470
Total changes in statement of comprehensive income	(5,987,523)	5,571,813	(160,676)	(576,386)	(5,471,703)	5,420,334	(212,533)	(263,902)
Cash flows								
Premiums received	5,971,483	-	-	5,971,483	5,983,002	-	-	5,983,002
Claims and other expenses paid	-	(6,274,646)	-	(6,274,646)	-	(6,051,249)	-	(6,051,249)
Insurance acquisition cash flows	-	(836,136)	-	(836,136)	-	(770,693)	-	(770,693)
Total cash flows	5,971,483	(7,110,782)	-	(1,139,299)	5,983,002	(6,821,942)	-	(838,940)
Insurance contract liabilities, end of year	\$ 1,632,303	\$ 8,448,169	\$ 811,282	\$ 10,891,754	\$ 1,648,343	\$ 9,987,138	\$ 971,958	\$ 12,607,439

During fiscal year 2025, the Corporation approved the issuing of a Rebate totalling \$406.1 million (2024 – \$398.2 million) to policyholders who had an active eligible Basic insurance certificate that was in effect during the month of January 2025 (2024 – February 2024). As at March 31, 2025, the Rebate amount is reflected as a reduction in insurance revenue in the consolidated statement of comprehensive income, and the remaining payable of \$353.4 million (2024 – \$398.2 million) 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, 2025 and 2024.

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. The Corporation changed from a December 31 to a March 31 year end in fiscal 2017, and therefore there are only nine years of historical data in the table.

Claims development table as at March 31, 2025:

(\$ THOUSANDS)											
Fiscal Loss Year*	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of ultimate claims costs (gross of reinsurance, undiscounted):											
- 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	\$ 4,130,087	
- 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	3,830,389	-	
- Two years later	4,184,489	4,762,695	5,490,881	5,326,839	4,118,627	2,895,013	3,255,603	3,507,979	-	-	
- Three years later	4,450,883	5,015,000	5,483,201	5,410,875	3,864,190	2,934,926	3,160,434	-	-	-	
- Four years later	4,595,394	4,948,037	5,516,400	5,771,575	3,955,376	3,059,459	-	-	-	-	
- Five years later	4,581,417	4,964,606	5,905,928	5,808,253	4,136,696	-	-	-	-	-	
- Six years later	4,627,181	5,213,142	5,908,891	6,016,184	-	-	-	-	-	-	
- Seven years later	4,734,545	5,237,148	6,026,542	-	-	-	-	-	-	-	
- Eight years later	4,750,260	5,262,160	-	-	-	-	-	-	-	-	
- Nine years later	4,754,903	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims (gross)	4,754,903	5,262,160	6,026,542	6,016,184	4,136,696	3,059,459	3,160,434	3,507,979	3,830,389	4,130,087	43,884,833
Cumulative payment of claims (gross)	(4,529,109)	(4,849,914)	(5,206,679)	(4,838,515)	(3,077,122)	(2,211,928)	(2,379,488)	(2,661,382)	(2,752,497)	(2,090,908)	(34,597,542)
Cumulative claims liabilities (gross) - fiscal loss years from 2015 to 2024	\$ 225,794	\$ 412,246	\$ 819,863	\$ 1,177,669	\$ 1,059,574	\$ 847,531	\$ 780,946	\$ 846,597	\$ 1,077,892	\$ 2,039,179	\$ 9,287,291
Cumulative claims liabilities (gross) - fiscal loss years from 2016 to 2025											402,808
Undiscounted unallocated loss adjustment expense reserve											512,690
Effect of discounting											(1,911,504)
Effect of the risk adjustment margin for non-financial risk											811,282
Other directly attributable expenses expected to be paid within one year											156,884
Total Liability for incurred claims (gross)											\$ 9,259,451

*Fiscal Loss Year refers to the year ended March 31

The table above reflects the total LIC of \$9.26 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 \$0.03 billion would be \$9.23 billion. The cumulative payments of fiscal loss year 2025 for the year ended March 31, 2025 are \$2.09 billion.

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

(\$ THOUSANDS)							
	Less than One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	Over Five Years	Total
March 31, 2025	\$ 3,182,473	\$ 1,663,232	\$ 1,085,309	\$ 706,986	\$ 484,593	\$ 3,080,196	\$ 10,202,789
March 31, 2024	\$ 3,952,415	\$ 2,284,355	\$ 1,379,382	\$ 881,910	\$ 565,073	\$ 2,897,094	\$ 11,960,229

The claims liabilities for future payment beyond one year is \$7.02 billion (2024 – \$8.01 billion). There is no amounts payable on demand in 2025 and 2024.

The weighted-average term to settlement of the discounted claims liabilities as at March 31, 2025 is 3.6 years (2024 – 3.1 years).

13. 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, 2025 and 2024 as follows:

- a) For individual catastrophic occurrences, portions of losses up to \$300.0 million (2024 – \$275.0 million) in excess of \$50.0 million (2024 – \$50.0 million); and
- b) For individual casualty loss occurrences, portions of losses up to \$43.0 million (2024 – \$43.0 million) in excess of \$7.0 million (2024 – \$7.0 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)	2025				2024				
	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	\$ 33	\$ 32,416	\$ 2,959	\$ 35,408	\$ 4,272	\$ 29,468	\$ 2,929	\$ 36,669	
Allocation of reinsurance premiums	(16,432)	-	-	(16,432)	(16,856)	-	-	(16,856)	
Amounts recoverable for incurred claims and other expenses	-	6,650	(541)	6,109	-	7,363	30	7,393	
Net income (expense) from reinsurance contracts held	(16,432)	6,650	(541)	(10,323)	(16,856)	7,363	30	(9,463)	
Reinsurance finance income	-	1,839	-	1,839	-	1,094	-	1,094	
Total changes in comprehensive income	(16,432)	8,489	(541)	(8,484)	(16,856)	8,457	30	(8,369)	
Cash flows									
Premiums paid	21,332	-	-	21,332	12,617	-	-	12,617	
Amounts received	-	(8,900)	-	(8,900)	-	(5,509)	-	(5,509)	
Total cash flows	21,332	(8,900)	-	12,432	12,617	(5,509)	-	7,108	
Net reinsurance contract assets, end of year	\$ 4,933	\$ 32,005	\$ 2,418	\$ 39,356	\$ 33	\$ 32,416	\$ 2,959	\$ 35,408	

14. 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 certain 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 actuarial valuation is as at December 31, 2021, the MoveUP Plan actuarial valuation is as at December 31, 2023 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 and December 31, 2026, respectively. 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	
	2025	2024	2025	2024
Weighted-average duration	19 years	18 years	13 years	13 years
Proportion of obligation in respect of:				
- Active members	45.1%	44.6%	41.3%	40.8%
- Deferred members	6.8%	6.8%	0.0%	0.0%
- Retired members	48.1%	48.6%	58.7%	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 2025, 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 \$18.6 million, net of a refund from the SRA (2024 – \$39.2 million). Estimated employer contributions for the year ending March 31, 2026 are \$56.8 million, excluding any refund from the SRA. The estimate is based on the plans' most recent actuarial funding valuations.

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 and December 31, 2023, solvency and transfer deficiency payments are no longer required. Furthermore, the Corporation received Superintendent consent to receive a refund of a portion of the plan's accessible solvency excess from the SRA. Consequently, on September 27, 2024, the Corporation received \$33.0 million (October 20, 2023 – \$10.5 million) as a refund.

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	
	2025	2024	2025	2024	2025	2024
Assets						
Accrued pension benefits	\$ 300,042	\$ 262,336	\$ -	\$ -	\$ 300,042	\$ 262,336
Liabilities						
Pension and post-retirement benefits	(51,137)	(26,415)	(157,873)	(145,263)	(209,010)	(171,678)
Net total asset (liability)	\$ 248,905	\$ 235,921	(157,873)	\$ (145,263)	\$ 91,032	\$ 90,658

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.

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

(\$ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2025	2024	2025	2024
Plan assets				
Fair value, beginning of year	\$ 3,090,367	\$ 2,810,453	\$ -	\$ -
Interest on plan assets	152,993	140,914	-	-
Actuarial gain on assets	135,479	174,362	-	-
Employer contributions	44,362	43,147	7,224	6,600
Employee contributions	42,950	41,785	-	-
Benefits paid	(110,447)	(109,146)	(7,224)	(6,600)
Solvency reserve account refund	(32,960)	(10,548)	-	-
Non-investment expenses	(900)	(600)	-	-
Fair value, end of year	3,321,844	3,090,367	-	-
Defined benefit obligation				
Balance, beginning of year	2,732,672	2,541,836	145,263	138,184
Current service cost	93,500	82,067	6,140	5,443
Interest cost	137,744	129,413	7,286	7,002
Remeasurements on obligation				
- due to changes in financial assumptions	159,072	88,421	6,408	1,234
- due to participant experience	60,398	81	-	-
Benefits paid	(110,447)	(109,146)	(7,224)	(6,600)
Balance, end of year	3,072,939	2,732,672	157,873	145,263
Funded status – plans in deficit	(51,137)	(26,415)	(157,873)	(145,263)
Funded status – plans in surplus	300,042	384,110	-	-
Funding surplus (deficit)	248,905	357,695	(157,873)	(145,263)
Impact of surplus derecognition	-	(121,774)	-	-
Net total asset (liability)	\$ 248,905	\$ 235,921	\$ (157,873)	\$ (145,263)

The net total expense for the pension plans and post-retirement benefits is \$55.7 million (2024 – \$46.4 million). In addition, the Corporation contributed \$0.3 million in 2025 (2024 – \$0.3 million) to the BC Public Service Pension Plan.

Assets

The pension plans' assets consist of:

	Percentage of Plan Assets	
	2025	2024
Cash, cash equivalent and accrued interest	1.3%	0.5%
Fixed-income investments		
Money market funds	0.8%	0.8%
Bond funds	8.5%	8.1%
Government bonds	12.7%	11.6%
Corporate bonds	5.7%	5.3%
Mortgage funds	2.0%	0.9%
Mortgages	0.0%	0.8%
Equity investments		
Domestic	3.3%	3.6%
Global	35.3%	39.0%
Other financial investments		
Domestic real estate	5.9%	7.2%
Global real estate	5.5%	6.3%
Global infrastructure	5.1%	5.2%
Global mezzanine debt	0.6%	0.7%
Private assets	13.3%	10.0%
	100.0%	100.0%

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 9.4% (2024 – 11.3%) for the year ended March 31, 2025.

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, 2025 and March 31, 2024, 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	
	2025	2024	2025	2024
Discount rate	4.63%	4.97%	4.55%	4.93%
Rate of compensation increase	3.01%	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:

2025		2024	
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	25.5	24.1	25.4

As at March 31, 2025, the extended healthcare trend rate is assumed to be 5.1% per annum, changing over fifteen years to 4.1% per annum thereafter. 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.

The plans' sensitivity to significant assumptions is shown below:

(\$ THOUSANDS)	Pension Plans		Post-Retirement Benefits	
	2025	2024	2025	2024
Estimated increase in defined benefit obligation - end of year due to:				
1ppt ¹ decrease in discount rate	\$ 573,776	\$ 493,913	\$ 20,992	\$ 18,814
1ppt increase in salary increase rate	\$ 92,817	\$ 78,783	n/a	n/a
1ppt increase in pension inflation rate	\$ 432,393	\$ 375,023	n/a	n/a
1ppt increase in healthcare trend rate	n/a	n/a	\$ 8,339	\$ 7,681
1 year increase in life expectancy	\$ 86,163	\$ 74,176	\$ 2,715	\$ 2,631

¹ 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.

15. Investment Income and Net Insurance Finance Expenses

(\$ THOUSANDS)	2025	2024
Interest income		
Fixed-income investments	\$ 453,483	\$ 472,354
Other financial investments	6,174	14,046
	<u>459,657</u>	<u>486,400</u>
Dividends, distributions, and other income (expenses)		
Equity investments	367,427	256,692
Other financial investments	375,965	227,615
Income (loss) from investment properties	(891)	4,742
Gain on sale of investment properties	20,635	9,675
Impairment loss - investment properties	(6,647)	(5,159)
Investment management fees	(34,918)	(39,168)
Other	(75,623)	(81,599)
	<u>645,948</u>	<u>372,798</u>
Gains (losses) on investments		
Fixed-income investments	82,653	(153,244)
Equity investments	427,934	76,271
Other financial investments	(66,282)	(40,871)
	<u>444,305</u>	<u>(117,844)</u>
Unrealized (losses) gains from fair value changes		
Financial investments	(55,788)	648,353
Derivative financial instruments	(83,315)	37,009
	<u>(139,103)</u>	<u>685,362</u>
Total investment income	<u>\$ 1,410,807</u>	<u>\$ 1,426,716</u>

(\$ THOUSANDS)	2025	2024
Amounts recognized in investment income (loss) for investment properties		
Rental income	\$ 36,242	\$ 42,753
Direct operating expenses that generated rental income	(37,331)	(38,174)
Direct operating expenses that did not generate rental income	198	163
Total income from investment properties	<u>(891)</u>	<u>4,742</u>

(\$ THOUSANDS)	2025	2024
Insurance finance (expense) income		
Insurance contracts - Interest accreted	\$ (406,289)	\$ (455,321)
Insurance contracts - Effect of changes in interest rates and other financial assumptions	(171,883)	23,851
Reinsurance contracts - Interest accreted	1,263	1,156
Reinsurance contracts - Effect of changes in interest rates and other financial assumptions	576	(62)
Net insurance finance expenses	<u>\$ (576,333)</u>	<u>\$ (430,376)</u>

During fiscal year 2025, net investment income from financial investments designated as FVTPL is \$248.2 million (2024 – \$136.0 million).

16. Expenses by Nature

(\$ THOUSANDS)	2025	2024
Expenses – by nature		
Premium taxes	\$ 270,918	\$ 251,389
Commissions	569,216	512,307
Employee benefit expense:		
Compensation and other employee benefits	584,602	560,200
Pension and post-retirement benefits (note 14)	55,938	46,684
Professional and other services	43,442	47,928
Road improvements and other traffic safety programs	36,045	34,411
Building operating expenses	29,093	26,318
Merchant and bank fees	52,259	48,995
Office supplies and postage	20,886	22,280
Computer costs	46,619	37,963
Depreciation and amortization (notes 7 and 8)	67,136	74,602
Depreciation for lease assets (note 9)	14,481	15,080
Interest expense on lease liabilities	2,429	2,284
Other	56,463	27,463
	\$ 1,849,527	\$ 1,707,904
Expenses by operation		
Insurance operations		
Premium taxes, commissions and other acquisition costs ¹	\$ 843,053	\$ 766,304
Claims services ¹	462,150	439,515
Directly attributable operating expenses ¹	122,904	126,110
Road safety and loss management services ¹	53,074	51,010
Other operating expenses	174,314	140,498
Non-insurance operations		
Operating expenses	152,707	144,328
Commissions	41,325	40,139
	\$ 1,849,527	\$ 1,707,904

¹ 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 12 Insurance contract liabilities - Reconciliation of the liability for remaining coverage and liability for incurred claims

17. 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 2j), and financial investments (note 6).

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)	2025	2024
Key management compensation		
Compensation and other employee benefits	\$ 4,994	\$ 5,050
Pension and post-retirement benefits	523	511
	<u>\$ 5,517</u>	<u>\$ 5,561</u>

As at March 31, 2025, \$0.8 million (2024 – \$0.7 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 14. As at March 31, 2025, \$1.7 million (2024 – \$1.5 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, 2025, the Corporation incurred \$2.2 million (2024 – \$2.4 million) in administrative expenses and investment governance fees on behalf of these plans.

18. 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's capital targets are in accordance with a capital management plan approved by the BCUC (note 20).

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, the BCUC approved the Corporation's revenue requirement application for a 0.0% Basic rate change for policy year 2023.

On May 8, 2024, *Special Direction IC2* was amended to extend policy year 2023 by one year to end on March 31, 2026. On May 23, 2024, the BCUC approved the one-year extension of policy year 2023, consequently keeping the basic rate change of 0% in effect up to March 31, 2026.

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 reflect the Corporation's risk profile, risk appetite, and risk tolerance.

The Corporation builds Basic capital over time through the capital provision included in Basic rates.

The Corporation continues to benefit from product reforms (note 3g and 3h) that contribute to the financial stability of the insurance system. For fiscal years 2025 and 2024, the Corporation had higher than expected investment income, which has enabled the Corporation to approve a premium rebate (note 12) to policyholders while continuing to grow capital.

19. 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, 2025 is approximately \$0.89 billion (2024 – \$0.91 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, 2025, 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, 2025 were \$2.37 billion (2024 – \$1.94 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, 2025, unfunded commitment was \$47.3 million USD (2024 – \$59.9 million USD).

In fiscal year 2025, the Corporation committed to a seven-year software services agreement. As at March 31, 2025, \$120.5 million was outstanding.

c) Pending Litigation

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. The claimants have not moved the claim forward since July 2022. 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 BC Supreme Court dismissed the interim application to suspend the amendments in May 2024, and the petition was heard in July 2024, with a decision pending. 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.

On October 21, 2024, a notice of civil claim was filed against the Corporation. The proposed class action alleges that the Corporation advised the Claimant that the Corporation's Authorization to Provide Medical Information was legally required to be signed during the claim process following injuries from a collision, and that the Corporation subsequently used the form to obtain personal and private medical history of the Claimant that was not relevant and without informing the Claimant. The class action lawsuit is framed as a breach of privacy claim coupled with bad faith. At this early stage of the proceedings, the probability of success cannot be determined, nor can the financial impact on the Corporation.

20. 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, and to ensure that rates are not based on age, gender or marital status.

The BCUC is required to approve Basic insurance 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 and Non-insurance lines of business, including a capital provision, and to ensure that increases or decreases in rates are phased in, in a relatively stable and predictable manner.

As required by the regulatory framework, the Corporation maintains a Basic insurance capital management plan that is reviewed and approved by the BCUC. The BCUC is also required to ensure that the Corporation has sufficient Basic insurance capital, in accordance with the approved capital management plan (note 18).

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.

21. Indirect Method Cash Flow Details

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

(\$ THOUSANDS)	March 31 2025	March 31 2024
a) Items not requiring the use of cash		
Bad debt expense	\$ 15,457	\$ 13,107
Pension and post-retirement benefits (notes 14 and 16)	55,938	46,684
Amortization and depreciation of:		
Investment properties (note 6)	11,594	19,788
Property, equipment and intangibles (notes 7 and 8)	67,136	74,602
Lease assets (note 9)	14,481	15,080
Retirement of property, equipment and intangibles	(1,491)	(15,951)
Impairment loss on investment properties (notes 6 and 15)	6,647	5,159
Interest on lease liabilities	2,429	2,351
Interest on mortgages payable	(718)	157
Unrealized loss (gain) on financial investments (note 15)	55,788	(648,353)
Unrealized loss (gain) on derivative financial instruments (note 15)	83,315	(37,009)
Gain on sale of investment properties (note 15)	(20,635)	(9,675)
(Gain) loss on financial investments	(691,374)	60,409
	<u>\$ (401,433)</u>	<u>\$ (473,651)</u>
b) Changes in non-cash working capital		
Accrued interest	\$ 7,986	\$ 18,220
Derivative financial instruments	2,110	(1,550)
Reinsurance assets	(3,948)	1,261
Accrued pension benefits	18,249	(3,557)
Prepays and other receivables	(17,642)	(27,988)
Accounts payable and accrued charges	(18,089)	5,614
Other liabilities	(77,773)	(41,075)
Premiums and fees received in advance	8,207	3,109
Insurance contract liabilities	(1,715,685)	(1,102,842)
Pension and post-retirement benefits	(37,140)	(35,926)
	<u>\$ (1,833,725)</u>	<u>\$ (1,184,734)</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, 2024	Financing cash flows	Non-cash changes	March 31, 2025
Investment-related liabilities (note 10)	\$ 97,047	\$ 59,910	\$ -	\$ 156,957
Lease liabilities (note 9)	57,125	(13,369)	5,735	49,491
	<u>\$ 154,172</u>	<u>\$ 46,541</u>	<u>\$ 5,735</u>	<u>\$ 206,448</u>

(\$ THOUSANDS)	March 31, 2023	Financing cash flows	Non-cash changes	March 31, 2024
Net bond repurchase agreements	\$ 1,772,205	\$ (1,772,205)	\$ -	\$ -
Investment-related liabilities (note 10)	105,728	-	(8,681)	97,047
Lease liabilities (note 9)	52,313	(15,705)	20,517	57,125
	<u>\$ 1,930,246</u>	<u>\$ (1,787,910)</u>	<u>\$ 11,836</u>	<u>\$ 154,172</u>

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 in accordance with *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.

(\$ THOUSANDS)	Basic Coverage		Optional Coverage		Total	
	2025	2024	2025	2024	2025	2024
Insurance revenues	\$ 3,015,293	\$ 2,959,288	\$ 2,972,230	\$ 2,512,415	\$ 5,987,523	\$ 5,471,703
Insurance service expenses	(2,438,090)	(2,472,811)	(2,394,875)	(2,303,520)	(4,832,965)	(4,776,331)
Net expenses from reinsurance contracts	(730)	(1,916)	(9,593)	(7,547)	(10,323)	(9,463)
Insurance service result	576,473	484,561	567,762	201,348	1,144,235	685,909
Net investment income	979,490	985,204	431,317	441,512	1,410,807	1,426,716
Net insurance finance expenses	(414,886)	(301,443)	(161,447)	(128,933)	(576,333)	(430,376)
Net insurance and investment result	1,141,077	1,168,322	837,632	513,927	1,978,709	1,682,249
Other operating expenses	(78,973)	(56,913)	(65,880)	(54,637)	(144,853)	(111,550)
Income - insurance operations	1,062,104	1,111,409	771,752	459,290	1,833,856	1,570,699
Cost of non-insurance operations	(182,645)	(172,187)	-	-	(182,645)	(172,187)
Net income for the year	\$ 879,459	\$ 939,222	\$ 771,752	\$ 459,290	\$ 1,651,211	\$ 1,398,512
Net income attributable to:						
Non-controlling interest	\$ (962)	\$ (249)	\$ (423)	\$ (111)	\$ (1,385)	\$ (360)
Owner of the corporation	880,421	939,471	772,175	459,401	1,652,596	1,398,872
	\$ 879,459	\$ 939,222	\$ 771,752	\$ 459,290	\$ 1,651,211	\$ 1,398,512
Equity						
Retained earnings, beginning of year	\$ 3,688,351	\$ 2,748,880	\$ 1,259,382	\$ 799,981	\$ 4,947,733	\$ 3,548,861
Net income for the year, owner of the corporation	880,421	939,471	772,175	459,401	1,652,596	1,398,872
Retained earnings, end of year	4,568,772	3,688,351	2,031,557	1,259,382	6,600,329	4,947,733
Other components of equity, beginning of year	387,590	347,514	167,929	149,670	555,519	497,184
Pension and post-retirement benefits remeasurements	25,858	40,076	11,563	18,259	37,421	58,335
Other components of equity, end of year	413,448	387,590	179,492	167,929	592,940	555,519
Total equity attributable to owner of the corporation	4,982,220	4,075,941	2,211,049	1,427,311	7,193,269	5,503,252
Non-controlling interest, beginning of year	2,909	3,756	2,102	2,452	5,011	6,208
Change in net assets for the year, non-controlling interest	(263)	(598)	(109)	(239)	(372)	(837)
Net income for the year, non-controlling interest	(962)	(249)	(423)	(111)	(1,385)	(360)
Total equity attributable to non-controlling interest, end of year	1,684	2,909	1,570	2,102	3,254	5,011
Total Equity	\$ 4,983,904	\$ 4,078,850	\$ 2,212,619	\$ 1,429,413	\$ 7,196,523	\$ 5,508,263