



## INSURANCE CORPORATION OF BRITISH COLUMBIA

### 2008-09 EXECUTIVE COMPENSATION DISCLOSURE STATEMENT

In keeping with the guidelines provided by the Public Sector Employer's Council (PSEC), the following table outlines the total compensation earned by ICBC's President and Chief Executive Officer (CEO) and the next four highest paid "Named Executive Officers" (NEOs) for services during the 12 months of the fiscal year ended December 31, 2008.

#### 2008 Executive Compensation Summary

Name and Position	Base Salary (a)	Bonus (b)	Incentive (c)	Pension (d)	Health & Wellness Benefits (e)	All Other Compensation (f)	Grand Total (2008)	Previous Year's Total (2007)
Jon Schubert <sup>1</sup> President & CEO	\$ 44,423	\$ 40,000	\$ 11,661	\$ 3,700	\$ 798	\$ 3,128	\$ 103,710	NA
Paul Taylor <sup>2</sup> President & CEO	\$ 103,846	\$ -	\$ -	\$ 16,000	\$ 2,717	\$ 17,545	\$ 140,109	\$ 524,759
Geri Prior <sup>3</sup> Chief Financial Officer	\$ 287,413	\$ -	\$ 130,019	\$ 41,600	\$ 8,638	\$ 22,140	\$ 489,810	\$ 457,091
Craig Horton Senior Vice President Claims	\$ 246,755	\$ 15,000	\$ 98,671	\$ 38,800	\$ 5,201	\$ 22,182	\$ 426,609	\$ 115,855
Donnie Wing <sup>4</sup> Senior VP Insurance, Marketing & Underwriting	\$ 248,140	\$ -	\$ 90,540	\$ 33,700	\$ 8,457	\$ 30,635	\$ 411,472	\$ 387,267
Camille Minogue Chief Actuary	\$ 238,053	\$ -	\$ 79,486	\$ 30,800	\$ 7,734	\$ 20,128	\$ 376,201	\$ 367,993

**Table:**

- (a) Value of the base salary earned during the year
- (b) Commencement bonus paid in accordance with employment contract
- (c) Dollar value of all amounts paid under the Short Term Incentive Plan (STIP) in recognition of performance in the fiscal year specified, but paid the following fiscal year
- (d) Individual current service cost for contributory defined benefit pension plan and the supplemental employee retirement plan (SERP)
- (e) The dollar value of employer contributions to non-statutory benefits for each NEO such as: Extended Health, Dental, Group Life, Accidental Death and Dismemberment, Long-term disability, MSP Premiums, Other life insurance policy
- (f) All other compensation not reported elsewhere, including:
  - Perquisite allowance
  - Dollar value of statutory employer contribution such as CPP, EI and Workers Compensation
  - Vacation or leave payouts

**Footnotes:**

- 1 Jon Schubert joined ICBC as CEO in November 2008
- 2 Paul Taylor, CEO resigned from ICBC effective May 2, 2008
- 3 Geri Prior acted as the Interim President & CEO May 2, 2008 to November 14, 2008 and amounts reported are inclusive of additional base salary of \$14,859 and additional STIP of \$6,722 while acting as Interim President & CEO
- 4 Donnie Wing acted as Chief Financial Officer May 6, 2008 to November 14, 2008 and amounts reported are inclusive of additional base salary of \$13,579 and additional STIP of \$4,955 while acting as Chief Financial Officer

## **Discussion of Executive Compensation**

The Human Resources and Compensation Committee is a standing Committee of the ICBC Board of Directors.

The purpose of the Human Resources and Compensation Committee (the "Committee") is to assist the Board of Directors in fulfilling its obligations relating to human resources and compensation policy and related matters and to establish a plan of continuity and development of Executive Management for the Corporation.

The Human Resources and Compensation Committee is responsible for guiding Executive Management and assisting the Board of Directors in determining appropriate human capital practices and compensation strategies that support Corporate objectives. The Board of Directors has final approval on all compensation matters within the overall direction provided by the Public Sector Employers' Council (PSEC).

The duties and responsibilities of the Committee include the following, subject to the powers and duties of the Board of Directors:

- Review and recommend the Corporation's compensation and benefits philosophy, strategy, and guidelines and review their compliance with laws and any applicable guidelines established by PSEC.
- Review and recommend to the Board of Directors the collective bargaining strategy for the Corporation.
- Review and recommend to the Board of Directors the Corporation's strategy respecting human resources management and planning, including recruitment, training, performance management and related matters and to report to the Board of Directors on the implementation of these strategies at least once a year.
- Review and recommend to the Board of Directors the Corporation's strategy respecting labour relations management as required.

During 2008, the Committee achieved the following:

- i) Conducted a review of the Short Term Incentive Plan (STIP) for management employees to ensure that the plan continued to meet the Corporation's objectives.
- ii) In accordance with Government guidelines, issued the Executive Compensation Disclosure Statement in July 2008.
- iii) Introduced health assessments for executives. Health assessments are commonly provided among organizations in Canada to reduce the risk of extended or unexpected absence for health reasons.
- iv) Implemented a new Hours of Work policy for management employees to reduce the potential liability arising from certain groups of Management employees working overtime.

## **Executive Compensation Policy**

The Corporation compensates its Executive Management within a policy that is linked to its strategic business interests and objectives. The policy is intended to sustain a competitive position in the labour market, allowing the Corporation to attract and retain key talent while rewarding performance. The policy applies to all Executives and Management group employees, except the CEO. Annual salary increases and incentive compensation are variable and are based on individual, divisional, and corporate performance.

The Board of Directors sets the CEO's compensation program within the guidelines determined by the Public Sector Employers' Council.

## **ICBC's Adopted Labour Market Position**

ICBC has adopted a labour market position based on the markets in which ICBC competes for talent. That market position is expressed as a Corporate policy and is stated as the market median (P50) for similar positions within the following three, equally weighted comparator groups;

- Canadian Insurance Companies – Assets between \$1 - \$15 billion
- Canadian Broad Industry – Revenue between \$1 - \$10 billion
- Canadian Government, Quasi-Government and Crown Corporations

The information from the comparator groups is based on the executive compensation databank of the consulting firm Towers Perrin. ICBC uses this market data to establish its direct compensation, base salary and Short-Term Incentive Pay (STIP).

## **Base Salary**

The Committee annually reviews, for recommendation to the Board, adjustments to the salary range structure by referencing a number of compensation outlook surveys to determine current compensation trends. The salary range adjustment allows the Corporation to maintain its desired position in a competitive labour market.

The Board of Directors also adopts an annual salary budget for performance-based salary increases. This budget is based on salary increase trends in the comparable labour market. Salary increases for Executives and Management group employees are based on individual employee performance and salary position in the range. At the beginning of the year, a performance plan is developed for each employee, which outlines the responsibilities and objectives for the year. At the end of the year, the employee is rated against the targets. Movement within the salary range is predicated on the employee's performance.

## **Short-Term Incentive Pay (STIP)**

Short-Term Incentive Pay (STIP) is awarded to the CEO based on corporate and individual performance, while for Executives, STIP is awarded based on corporate, divisional, and individual performance.

For the CEO, Jon Schubert, corporate performance carries a weight of 75%, while individual

performance is weighted 25%. The STIP maximum target for the CEO is 35% and the actual award can range from 0% to a maximum of 35% of base salary. There is no longer a Long-Term Incentive Pay (LTIP) program.

The previous CEO, Paul Taylor, was eligible to earn both Short-Term Incentive Pay (STIP) and Long-Term Incentive Pay (LTIP). The combined award of both of these variable pay plans was 0% to a maximum of 66% of base salary.

For the Executives, except the Chief Actuary, corporate performance carries a weight of 50%, divisional performance carries a weight of 30%, and individual performance carries a weight of 20%. The STIP target for executives is 35% and the award can range from 0% to a maximum of 52.5% of base salary.

In the case of the Chief Actuary, all performance weightings are the same as for other senior Executives, but the STIP target is 28%. An award can range from 0% to a maximum of 42%.

On an annual basis, the Board of Directors approves the corporate performance targets to be used for determining Short-Term Incentive Pay (STIP) for all management group employees.

Corporate performance is measured against four components, each carrying an equal weighting:

- Customer Focus: Measured through customer satisfaction surveys for insurance services, claims services and driver licensing.
- Financial Responsibility: Financial measures include Loss Ratio, Expense Ratio, and Combined Ratio.
- High Performing, Engaged & Capable People: Employee Engagement, as measured from an annual employee opinion survey, absenteeism, voluntary attrition.
- Operational Excellence: Operational measures in terms of insurance cost per policy, and cost per driver services transaction.

The following table provides a summary of the corporate measures which were the basis for 2008 STIP.

**Table 1: Short-Term Incentive Pay (STIP)**

<b>Corporate Goals</b>	<b>Corporate Measure</b>	<b>2008 Plan</b>	<b>Weight</b>
<b>Customer Focus</b>	Insurance Services Satisfaction	93%*	25%
	Driver Licensing Satisfaction	91%	
	Claims Services Satisfaction	83%	
<b>Financial Responsibility</b>	Combined Ratio	106.1%	25%
	Loss Ratio	87.0%	
	Expense Ratio (excluding DPAC)**	19.5%	
<b>High Performing, Engaged &amp; Capable People</b>	Employee Engagement	52%	25%
	Absenteeism	10.0 days	
	Voluntary Attrition	Below 4%	
<b>Operational Excellence</b>	Insurance operating cost per policy	\$193	25%
	Driver Licensing cost per transaction	\$9.4	

\*2008 Plan was revised from 90% to 93%. The original plan of 90% was set to reflect the expectation of rate design changes to be implemented during 2008. The timing of these changes has been deferred.

\*\*DPAC is the Deferred Premium Acquisition Costs

Divisional and individual performance for NEOs is measured against division targets approved by the CEO, except in the case of the Chief Actuary, whose department and individual performance plan is approved by the CFO. STIP awards are made in recognition of performance in the fiscal year specified, but paid in the fiscal year following once all corporate, divisional and individual performance results are finalized.

ICBC's incentive program is tied to meeting corporate, divisional and individual performance objectives. In the face of the economic challenges in 2008, our employees were able to meet or exceed corporate goals.

ICBC's performance was strong thanks to a moderation in claims, strict control over operating costs and continued customer transaction satisfaction.

STIP is one part of an Executive's total annual compensation and is not guaranteed. It is not paid until after the Executive has been evaluated against individual, divisional and corporate performance objectives.

ICBC is the largest auto insurance company and one of the largest property and casualty insurers in Canada. It is a complex company that requires experienced staff. To attract and retain a high caliber of employees, ICBC must provide competitive compensation and benefits. Strong leadership is needed to continue generating the type of positive performance the company achieved in 2008.

### **Perquisite Allowance**

The perquisite allowance is a cash allowance paid to the NEOs. The NEOs have the flexibility to allocate the cash allowance toward various personal expense matters such as a health spending account, vehicle allowance and fuel. The perquisite allowance is \$18,500 per year for the Executives and \$17,000 for the Chief Actuary.

### **Vacation**

The Corporation provides four weeks of vacation per year to the CEO and NEOs. NEOs are provided with an additional two weeks vacation in every fifth year.

Unused annual vacation can be carried forward to the following calendar year, which will be paid out if it is not been used by the end of the second calendar year.

### **Pension**

The Corporation provides a contributory defined benefit pension plan for all Executive and Management group employees. The benefit provided is 2% of the best 5 years' average earnings multiplied by years of plan participation. The Plan is integrated with the Canada Pension Plan and provides guaranteed indexing.

In addition to the basic pension plan, Executive employees are also eligible for the Supplemental Employee Retirement Plan (SERP). The SERP plan compensates for Income Tax Act maximums that apply to the basic pension plan, thus preserving the income replacement objective for higher income employees. Such SERPs are common in both the private and public sectors.

Both the basic pension plan and the SERP are valued at the current service cost, which is the estimated actuarial present value of the pension benefits earned in the year, minus the Executive's own pension contributions. Current service cost is related to base salary, varies by gender and increases with age.

### **Health and Wellness Benefits**

ICBC provides a comprehensive benefit program for executive employees and their immediate families. Programs include provincial medical, extended health, dental, group life, short and long term disability, travel accident insurance, Executive Health Assessment, and an Employee

and Family Assistance Program. All programs are paid by the Corporation. Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance, group RRSP and a health spending account.