

ICBC 2003 Rate Changes

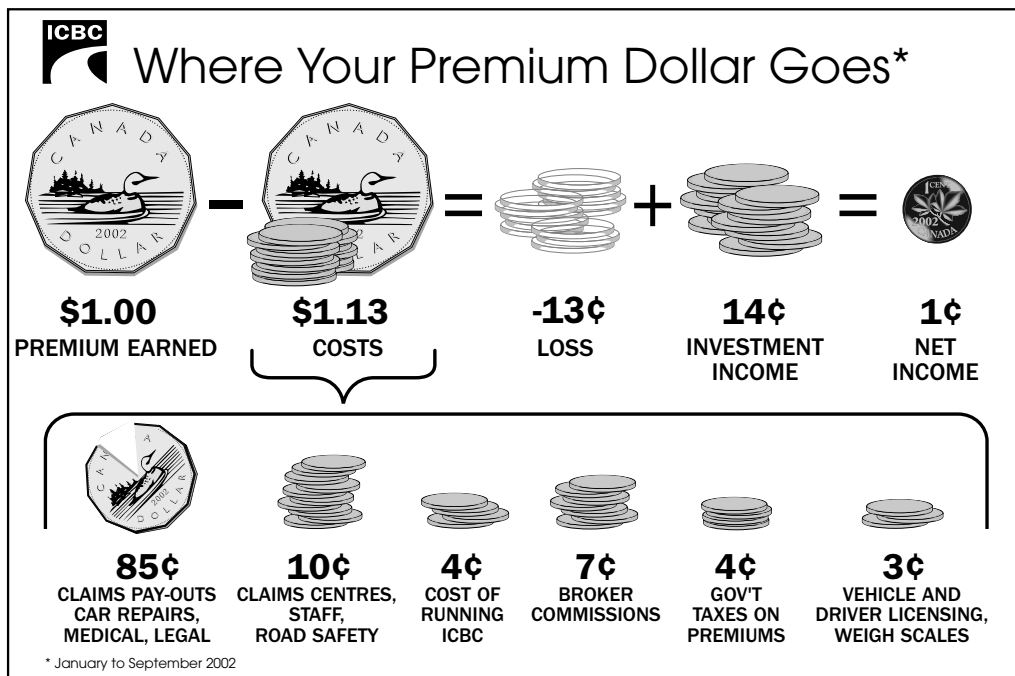
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1. Factors Affecting Rates in 2003

The Canadian property and casualty industry experienced one of its worst years ever in 2001, and continues to struggle in 2002. ICBC is not immune to many of the factors that have plagued the industry as a whole.

Where your premium dollar goes

- In the first nine months of 2002, for every dollar ICBC received in premiums from its customers, the corporation spent \$1.13.
- This 13 cent loss was only offset by 14 cents in investment income, yielding a net income of roughly one cent on every premium dollar.
- This is a very slim margin, which would be wiped out by just a one per cent increase in claims costs.



Claims costs are up, with no sign of relief to come

- In the first nine months of 2002, current year claims increased by \$181 million over the same period in 2001. Increased speed, rising costs of injury claims, higher priced vehicles and parts, and auto crime are contributing factors.
- Individual claims are increasing in average costs per claim, with the average cost of all injury claims up 7.9 per cent, while the average costs of property damage claims is up 4.1 per cent.
- Auto crime is even worse. The number of claims for vehicle theft is up 10 per cent.
- These trends show no sign of abating.

Investment income positive, but reduced compared to previous years

- ICBC's return on its investment portfolio is 6.6 per cent for the first nine months of 2002, compared to an interest rate of about four per cent on medium-term government bonds. In 2001, ICBC's return (including accounting changes) was eight per cent.
- With low interest rates and stock markets extremely volatile, ICBC cannot count on maintaining its current rate of return. Most

analysts are predicting lower returns. ICBC will continue its risk-averse investing posture.

ICBC has reduced its controllable costs by 22 per cent.

- ICBC's workforce has been reduced by over 1,300 or 20 per cent from its peak in April, 2001.
- At the same time, ICBC continues its commitment to customer service and has maintained or improved its results in customer satisfaction surveys.
- ICBC has reduced its costs substantially, so further savings will be much smaller.

Net income is needed to rebuild reserves.

- ICBC is forecasting a modest net income for 2002, which will be used to help rebuild the corporation's reserves. The reserve is maintained to protect customers from unexpected losses arising from unusual events or factors.
- ICBC's reserves have diminished due to decisions prior to the last election including the \$219 million cost of the pre-election dividend payment, \$141 million write-down of the Central City development (of which \$41 million was recouped from TechBC) and a six-year rate freeze.

2. What 2003 rates mean for B.C. drivers

Summary of changes

- **Premiums:**
 - For private passenger vehicles, the average increases are:
 - 1.4 per cent for basic coverage
 - 7.6 per cent for optional coverages
 - The average increase is 3.9 per cent.
 - The average premium increase is 4.8 per cent overall (including both private passenger and commercial vehicles).
 - For experienced drivers (ten or more years driving experience), discounts on optional insurance increase to as much as 20 per cent.
- **Rating Inequities:**
 - ICBC will continue the process begun last year to adjust premiums for optional insurance depending on the relative risk that customers represent (individual's driving and claims record, territory, vehicle use and type of vehicle), capping increases to avoid rate shock.
- **Deductibles and Other Product Changes:**
 - ICBC will begin to manually underwrite and increase deductibles for customers with an extensive history of comprehensive or collision claims.

Summary of impacts

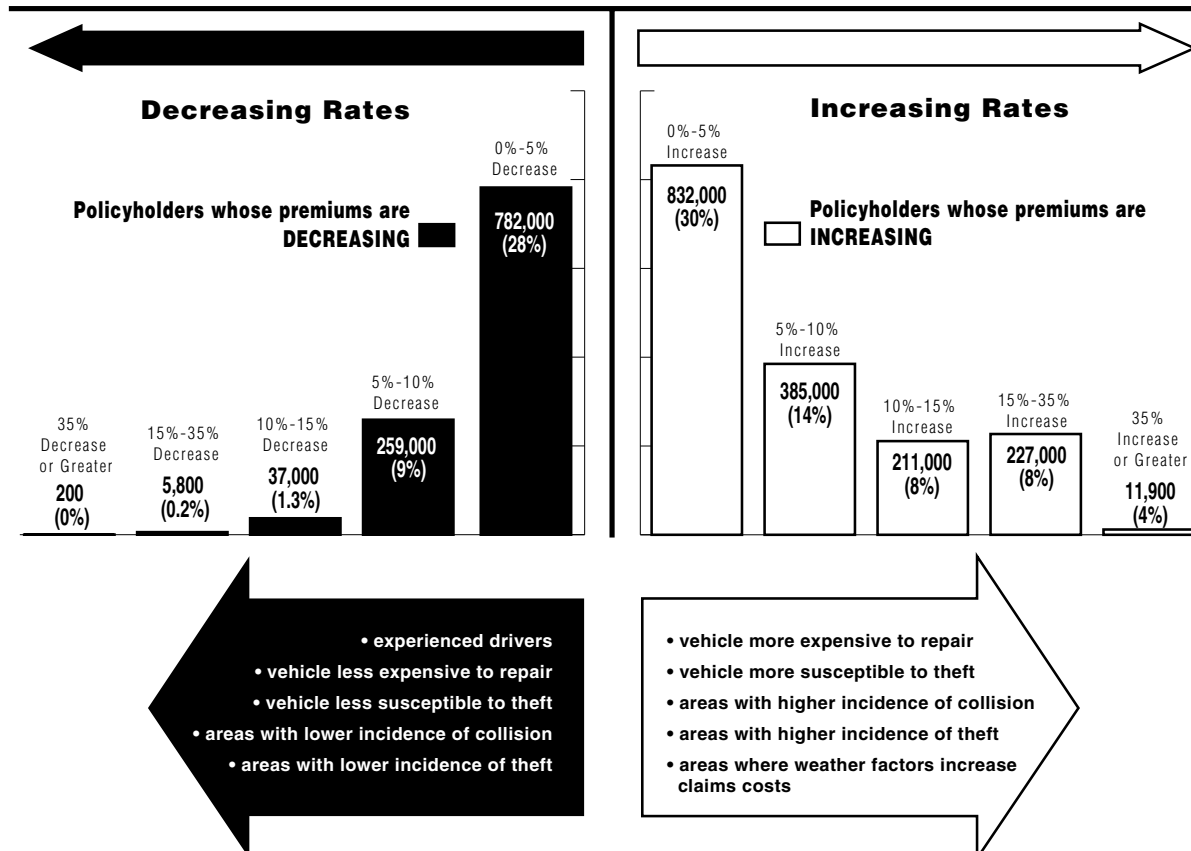
• **Private Passenger Vehicles:**

- The average increase is 3.9 per cent.
- Rates will drop for over one million customers (40 per cent); twice as many as last year.
- Smaller percentage increase overall compared to last year.
- Largest decreases in premiums: experienced drivers of 1980s and early 1990s family vehicles.
- Largest increases in premiums: inexperienced drivers of sports cars and high-end luxury vehicles.
- Impacts will vary across geographical area depending on claims history.

• **Commercial Vehicles:**

- The average increase is 11.9 per cent.
- Rate adjustments are a direct reflection of the claims experience in this highly competitive market. (ICBC has approximately 40 per cent of the optional insurance market.) Poor performing accounts will see much larger increases.
- Rates will drop for over 80,000 policyholders (33 per cent).
- Rates will increase for approximately 38,000 (16 per cent) customers by only zero per cent to five per cent per vehicle; 47,000 (19 per cent) will see an increase of five per cent to 10 per cent per vehicle; and 80,000 (33 per cent) will see an increase of 10 per cent or more.
- Fewer than 100 policyholders will see an increase of 50 per cent to 100 per cent.

Distribution of Policyholders by Percentage Premium Change (all rate classes, all territories)



Rate Impacts for Typical Customer Profiles

VEHICLE	CITY	DRIVING EXPERIENCE/ CLAIM HISTORY	2002 RATE	2003 RATE
1992 Chev Cavalier RS	Vancouver	<ul style="list-style-type: none"> • 10 years driving experience • No at-fault claims 	\$1084	\$ 995
1995 Mazda MPV LX passenger van	Vancouver	<ul style="list-style-type: none"> • Five years driving experience • One at-fault claim 	\$2916	\$3039
2002 Chevrolet Camaro Z-28	Vancouver	<ul style="list-style-type: none"> • Two years driving experience • No at-fault claims 	\$3604	\$4580

Note: All examples have the same coverage:

- \$2 million Third Party Liability
- \$300 collision - comprehensive deductibles
- Vehicle is driven to and from work / school (more than 15 km)

Regional Comparison

CITY	2002 RATE	2003 RATE
• Nanaimo	\$ 933	\$ 914
• Williams Lake	\$1157	\$1218
• Vancouver	\$1256	\$1224
• Abbotsford	\$1128	\$1170
• Kelowna	\$ 947	\$ 949
• Prince George	\$1076	\$1075
• Cranbrook	\$ 947	\$1040
• Victoria	\$ 840	\$ 801

Note: All household drivers have at least 10 years driving experience and no at-fault claims. Vehicle in all examples is a 1996 Toyota Camry LE.

How ICBC sets premiums

- For all customers, premiums are set on the basis of the following factors:
 - Where you live (traffic volume, weather, etc.)
 - Vehicle use (to and from work, pleasure only, business, etc.)
 - Vehicle type (how expensive to repair, how susceptible to theft, etc.)
 - Your claim record.
- ICBC does not discriminate on the basis of age, gender or marital status.
- In addition, customers can control their premium by increasing or decreasing their deductible and the extent of optional coverage they choose.
- Customers wanting more information about how rate changes affect them should contact their local broker.