

SECOND ANNUAL REPORT FOR THE YEAR ENDING FEBRUARY 28, 1975



INSURANCE CORPORATION
OF BRITISH COLUMBIA



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INSURANCE CORPORATION OF BRITISH COLUMBIA

ANNUAL REPORT

For the Year Ending February 28, 1975

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BOARD OF DIRECTORS

The Honourable Robert M. Strachan,
Chairman of the Board and President,
Insurance Corporation of British Columbia,
Minister of Transport and Communications.

The Honourable Dennis G. Cocke,
Vice-Chairman of the Board,
Insurance Corporation of British Columbia,
Minister of Health.

Joseph H. Corsbie, C.G.A.,
General Manager, Dogwood Credit Union.

The Honourable Ernest Hall,
Provincial Secretary and Minister of Travel Industry.

David M. Korbin, C.A.,
President, British Columbia Development Corporation.

Peter A. Lusztig, Ph.D.,
Professor and Chairman, Division of Finance,
Faculty of Commerce and Business Administration,
University of British Columbia.

Norman Bortnick, F.C.A.,
Executive Vice-President and General Manager,
Insurance Corporation of British Columbia.

ADMINISTRATIVE OFFICE

1055 West Georgia Street,
Vancouver, B.C. V6E 3R4

AUDITORS

Deloitte, Haskins & Sells,
Chartered Accountants,
Vancouver, B.C.

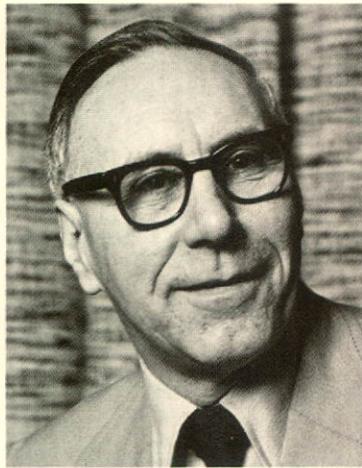
BANKER

Royal Bank of Canada,
Vancouver, B.C.

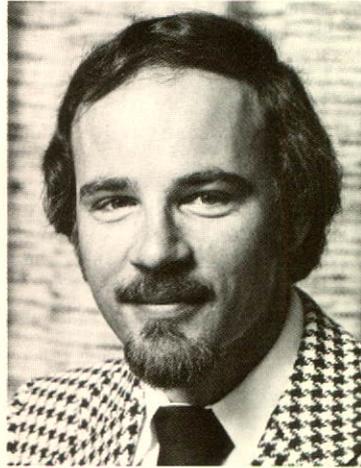
*The Honourable
Robert M. Strachan,
Chairman of the Board
and President*



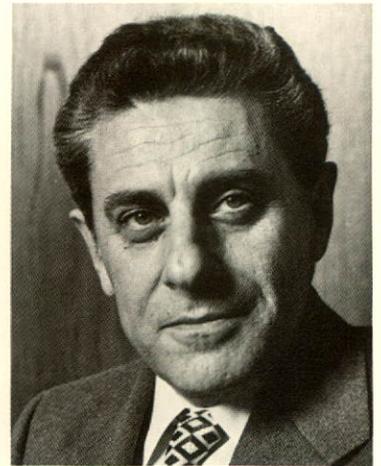
Joseph H. Corsbie, C.G.A.



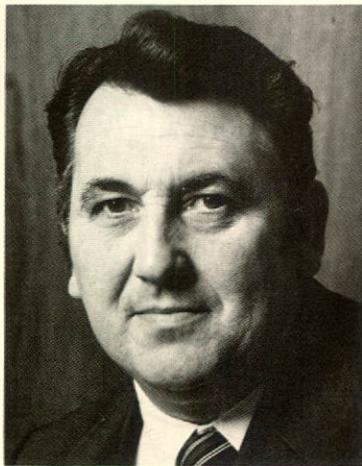
David M. Korbin, C.A.



*Norman Bortnick, F.C.A.,
Executive Vice-President
and General Manager*



*The Honourable
Dennis G. Cocke,
Vice-Chairman of the Board*



The Honourable Ernest Hall



Peter A. Lusztig, Ph.D.



PRESIDENT'S REPORT

On February 28, 1975, your Insurance Corporation of British Columbia completed its first full year of operations.

It was a year of inflation and recession, of rising costs and economic apprehension across the nation and the most unprofitable twelve months in the history of the automobile insurance business in North America. The Canadian operations of the property and casualty insurance companies in the private sector have estimated that their 1974 underwriting losses will exceed \$290 million.

In just 316 days from the date of the enabling Legislation creating the Insurance Corporation of British Columbia, all motorists and vehicles in British Columbia were insured by the Corporation. This was truly a remarkable achievement, unparalleled in Canadian business, of which British Columbians can be justifiably proud.

It was an eventful and challenging year in which the Corporation proved its ability to effectively serve the needs of British Columbians.

I believe your Corporation has been more responsive than previous insurers to legitimate consumer requirements in matters such as modification of rates, service procedures, provision of claim facilities and the free access for all citizens to a special information centre in the Head Office located in Vancouver.

British Columbia motorists are now served by a network of efficient and attractive drive-in claim centres. Thirteen of these are now open in cities throughout the province with six more soon to be built.

The operations of the Corporation for the current year resulted in an underwriting loss slightly in excess of \$2 million in the General Insurance business, and in the Automobile Insurance Act Fund the claims and expenses exceeded revenue by \$34.2 million. This includes a provision for unreported claims of \$11.2 million.

The Autoplan results were adversely influenced by the refusal of numerous private insurance companies to extend coverage to many thousands of British Columbians before Autoplan commenced operations. The Corporation made arrangements to provide coverage to these motorists and this added \$1 million to the start-up costs.

Regrettably, the private industry also saw fit to cancel its obligations through its own Traffic Victims' Indemnity Fund before Autoplan became operational. As a result, many innocent victims of accidents which involved uninsured motorists were left vulnerable. The Corporation has undertaken the task of processing these claims, all of which occurred prior to the inception of Autoplan.

In establishing the premium rates for the 1974-75 fiscal year, the Insurance Corporation of British Columbia reviewed the rates of all major insurance companies operating in British Columbia. Following these evaluations, the Corporation established rates which guaranteed that most private passenger car and light truck owners would not be required to pay more than in the previous year. Therefore, the Autoplan rates were set at the 1972-73 level, in spite of the increases in automobile insurance rates implemented by the private sector in other provinces.

Prior to Autoplan, there were two primary abuses in the automobile insurance system. Many motorists were discriminated against, forcing them to resort to a special and more costly facility for obtaining insurance.

Failing that, the motorist could gamble by not obtaining insurance, resulting in thousands of uninsured motorists on the highway and exposing innocent citizens to the risk of dire financial loss. Autoplan has virtually eliminated these abuses.

Autoplan has also introduced greater operating efficiencies. Total Administrative and Operating Expenses, despite a 10% salary increase during the year to all employees, were held to a very satisfactory level, and were well within original estimates.

The rate of accident frequency and severity is of great concern to the Corporation and the impact of the mounting claims experience has a marked effect on the financial results of the Corporation. For the first seven months of operations of Autoplan, claims incurred averaged \$15.3 million per month and were well within estimates. However, in the period October through February, the average monthly claims incurred increased by 26%.

There is very little the Corporation can do to protect itself or its insureds from the consequences of rampant national or world-wide inflation. The Corporation has succeeded in lessening the full force of price-level changes on the costs of operation, but the upward momentum of these costs is very strong and every attempt will continue to be made to protect the insured's premium dollars against unreasonable demands.

The Corporation is committed to a positive and active program of accident prevention and control, currently coordinating its resources with those of other organizations interested in highway safety. The Corporation is also conducting its own research to curtail the terrible toll on the highway.

Today, your Insurance Corporation provides motorists of the Province with an automobile insurance service that is a unique combination of broad protection at the lowest possible cost with quick, convenient and equitable claims settlements. It is a level of service and protection which is not surpassed anywhere in Canada.

The serious building of pressure on existing insurance rates must not be underestimated. Only greater efforts by motorists in British Columbia directed at reducing automobile accidents can provide an offset. Ultimately, the motorists of the Province set their own rates by their driving habits.

The Corporation contributes towards lower premiums through the prudent investment of the funds it receives and by maintaining low administrative costs. In the past year, Administrative Expenses were held to a remarkable 8%, which together with agents commissions and amortization of start-up costs resulted in a total operating expense of only 17%. At the same time, the accounts of the Corporation include \$850,000 in taxes, approximately half of which is represented by grants in lieu of taxes, equivalent to full municipal taxes, and half by Provincial premium and fire marshal taxes.

Investment operations provided \$9.2 million additional revenues which contributed directly to maintaining lower rates. The usual practice of private insurance companies is to disregard investment income in setting rates.

In its first full year of operations, the General Insurance business was subjected to abnormal economic stresses and unrealistic price competition which beset the entire property and casualty insurance industry in Canada. These factors, together with the high claim frequency, resulted in an underwriting loss for the year of \$2.2 million.

The General Insurance business in open competition continued to expand during the past year, and the Corporation is now one of the largest underwriters in the Province. During the past year close to 30,000 policyholders were provided coverage yielding \$15 million in gross premiums written. Furthermore, all 1,700 schools in the Province were insured by the Corporation. The immediate support for your Corporation from residents and businesses of this Province is highly gratifying.

In the year ahead, underwriting standards will be reviewed and revised; coverages in some lines will be curtailed and rates in other lines will be increased to improve the position of the General Insurance Operations. The Corporation will continue to assume its responsibilities in providing service responsive to the needs of the public and in bringing the needed measure of stability to the General Insurance market in British Columbia.

In the coming year, an increase in automobile premium rates of the magnitude necessary to absorb claims and administration expense increases was not considered to be a satisfactory means of balancing the Automobile Insurance Act Fund.

Provision was made by the Provincial Legislature to allocate revenue to the

Corporation. This has enabled the Corporation to minimize the differences in rates across the Province by discounting the present rate structure. As a result, most vehicle owners will enjoy savings in their 1975-76 insurance premiums.

The Corporation will continue to emphasize the control of expenses and the introduction of cost saving measures without compromising the quality of the Corporation's service.

The richest resource of any organization is its people. The success that the Corporation has achieved in the past year is due, in great measure, to the skill, enthusiasm and efforts of all men and women within the organization. Their contribution is gratefully acknowledged.

In the year ahead, the Corporation will again be required to address many different problems, and once again its actions will be directed at serving the interests of the public, enhancing the well-being of the community and advancing the economy of the Province.

In conclusion, I wish to express my sincere thanks to all members of the Board of Directors for their valuable counsel and service during this busy, challenging and productive year.



*R. M. Strachan,
Chairman and President.*

April 25, 1975



Adjusters record accident details in private interview rooms adjacent to where damaged vehicles are inspected. All centres also handle claims on the Corporation's general insurance policies.

REPORT ON THE YEAR'S OPERATIONS

The INSURANCE CORPORATION OF BRITISH COLUMBIA is a Provincial Crown Corporation created in April 1973 to engage in and carry on a business of insurance in all its classes.

The Corporation's primary function, outlined in the Automobile Insurance Act of the Province of British Columbia (S.B.C. 1973, Chapter 6), is to provide and administer a complete automobile insurance plan, commonly known as AUTOPLAN.

In addition to administering AutoPlan, the Corporation provides a full line of General Insurance services including burglary, robbery, fire, fidelity, liability, multi-peril, boiler and machinery and ocean marine. Major classes of property insured include personal contents, private dwellings, mobile homes, pleasure boats, inland cargoes, contractors' equipment, farm, commercial and industrial buildings as well as schools and churches.

Vehicles which cannot be driven safely are towed to claim centres for inspection. New drive-in centres have special sections where trucks and towed-in vehicles are handled.



Autoplan — Operations

A new era of service and protection was inaugurated on March 1st, 1974, when a comprehensive automobile insurance plan came into effect in British Columbia. On that date, under the provisions of the Automobile Insurance Act, the Insurance Corporation of British Columbia was required to provide basic automobile



insurance to every vehicle registered in British Columbia. Autoplan resulted in the Corporation becoming the largest non-life insurance company in Canada.

A refund program was carried out in fulfillment of a promise that virtually all motorists would not pay a higher rate in 1974 with the commencement of Autoplan, than they did previously for insurance offered by the private sector. As a result of this program, 26,000 motorists received refunds totalling \$835,000.

Autoplan — Financial

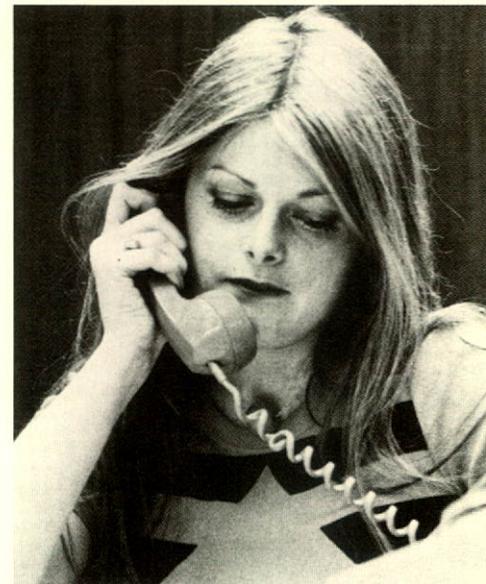
In its first year of operation, the revenue of Autoplan was \$187.6 million from automobile insurance premiums, \$18 million from drivers' insurance premiums and \$9.2 million from investments, for a total revenue of \$214.8 million.

It is the policy of the Corporation to invest available funds in short term securities, with maturities primarily ranging from 30 to 120 days. Investments of the Corporation not only contribute to lower premiums but broaden the economic base and strengthen the financial fibre of the Province. Over the past 12 months, income from investments yielded an average return of 10% per annum.

Expenses amounted to \$34.5 million, of which \$16.4 million were administrative expenses, \$14.1 million commissions and \$4 million amortization of start-up costs.

Drivers' Insurance

Effective March 1, 1974, provision was made for every licenced driver in British Columbia to have a driver's insurance certificate. Premiums charged for these certificates allowed for a more equitable sharing of total insurance costs by requiring drivers to contribute to the Autoplan fund just as owners contribute through their vehicle insurance premiums. As a means of encouraging safe driving, annual premiums were based on the number of demerit points on each driver's record. Annual premiums ranged from \$10 for those with five demerit points or less to \$410 for drivers with twenty or more demerit points. Two million drivers' insurance certificates were issued up to February 28, 1975, for a total premium of \$25 million, of which \$18 million is earned revenue in the current fiscal year.



The motor vehicle insurance premiums and the drivers' insurance certificate premiums are credited to the Automobile Insurance Act Fund. The Corporation administers the Fund from which benefits are paid in the event of deaths, injuries and damages sustained in automobile accidents.

Claims Service

British Columbia motorists are now served by one of the world's most advanced and efficient claim service systems.

The heart of this system is in the thirteen new drive-in claim centres now in operation in cities throughout the Province. As attractive as they are functional, these centres have been carefully designed and landscaped to complement the communities in which they are located. The overall shape is characterized by distinctive diagonal building lines formed of pre-cast concrete panels. Concrete is also prominent inside the buildings but it is softened by the warm tones of Western Red Cedar panelling and spots of bright colours which create a pleasant environment for both staff and customers.

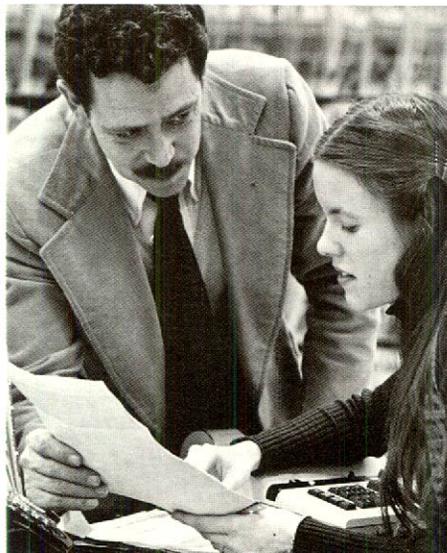
While they all follow the same general design, every centre has been individually planned to fit the site and use requirements of each location. In high traffic areas, larger centres have been built. All centres have separate sections for trucks and towed-in vehicles.

The drive-in system is the most efficient and economical method of providing claim service for vehicle owners, repair shops and the insurer.

When a motorist is involved in an accident, he simply drives to the nearest claim centre. There, accident details are recorded while the damage is inspected and an estimate prepared in just a few minutes. The motorist then is able to take his car to the repair shop of his choice. If a vehicle cannot be driven safely because of damage, it is towed to a claim centre.

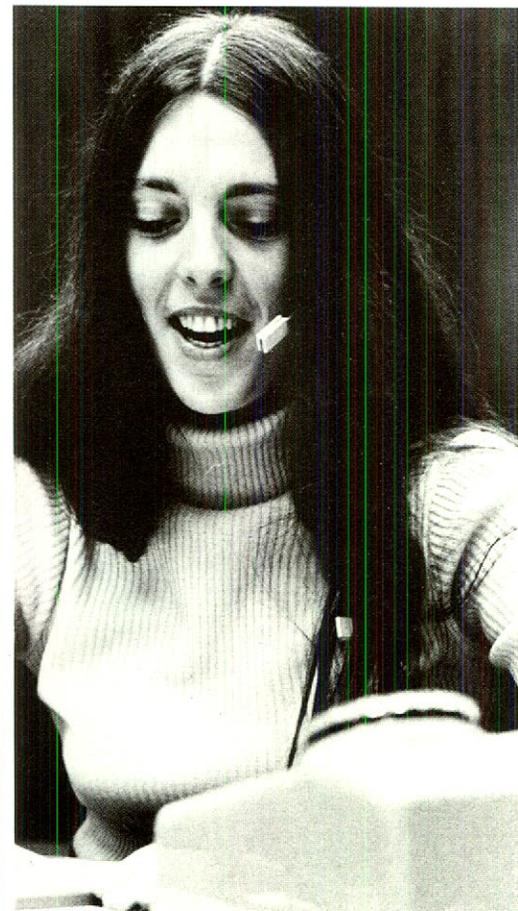
Since it is no longer necessary to obtain several repair estimates, motorists are saved considerable time and inconvenience, bodyshops have lower estimating costs, and the Corporation saves on administrative expenses.

Drive-in claim centres are located in larger cities where claims volume is heaviest. Smaller communities are served by nine branch offices and by resident adjusters who regularly visit remote areas. Seven temporary facilities are also in use pending construction of permanent drive-in centres. Additional facilities will be introduced as required by future claims experience.



During the fiscal year ending February 28, 1975, close to one-half million claims were processed by the Corporation. While it is unfortunate that claims of this magnitude have occurred, it is a tribute to the staff that this number of claims were handled efficiently, fairly and with dispatch. Claims incurred and claims adjustment costs for the period under review totalled \$214.5 million.

As the Province's vehicle population continues to grow, a corresponding increase can be expected in the demands placed on the claim service system. The Insurance Corporation of British Columbia will continue to meet these new needs efficiently and economically.



General Underwriting

The Insurance Corporation of British Columbia is already one of the largest general insurers in British Columbia with \$15 million in gross premiums written, before reinsurance.

During 1974, the Corporation issued over 20,000 personal insurance policies, as well as 7,000 commercial insurance policies. That part of Section 24 of the Insurance Corporation of British Columbia Act was activated, which provides that the Corporation will insure schools throughout the Province. The Corporation provides property and casualty insurance on all 1,700 Provincial schools.

The Corporation has arranged for reinsurance of risks with insurance organizations throughout the world.



Marketing

Autoplan insurance is available to British Columbia motorists through 122 Motor Vehicle Branch offices and 854 independent insurance agents. In addition, eight new sales offices were opened by the Insurance Corporation of British Columbia in January. The Corporation also offered a mail-in service for Autoplan renewals. Training in Autoplan 1974-75 procedures was provided at sixty-seven seminars conducted in 1974 attended by 1,856 insurance agency staff members and 191 Motor Vehicle Branch personnel.

Public Information

Interest in the Corporation remained high and reached a peak as the year-end approached. The public was afforded easy, direct access to information through a mail and telephone enquiry service which handled 4,450 letters and 386,000 phone calls. Five thousand motorists with special enquiries, mainly in the settlement of claims, were provided with assistance by a customer relations section. Facts about the Corporation were disseminated to all parts of the Province through releases to the news media and by means of informative advertisements and pamphlets.





Accident Prevention

A research division within the Corporation is studying the root cause of accidents, and the efficacy of various forms of traffic safety education.

The Corporation has also assisted in the development of community-sponsored courses designed to reduce repeat offences by motorists convicted of impaired driving.

During the past year, a total of \$515,000 was paid to 10,300 drivers under the Driver Education Incentive Program. This program was launched by the Corporation early in 1974 as a means of promoting the development of safe driving habits by encouraging new drivers to enroll in approved professional driver training courses.

Prospects

The Corporation looks to the future with full confidence in the continuing effectiveness of the Autoplan concept, providing the motorists of British Columbia with automobile insurance coverage at the lowest possible cost.

In General Insurance, the Corporation plans to initiate programs that will bring stability to the British Columbia insurance market. This will be accomplished primarily through competitive but realistic rates, applied to up-to-date property values.

Operating activities in the year ahead will continue to emphasize quality of service and economy of operations as essential standards of performance.



Damaged cars are driven in to be inspected in bright, clean indoor bays. Here, estimators assess the cost of repairs. Each centre has four to sixteen bays, depending on the volume handled.

AUTOMOBILE INSURANCE ACT FUND

Year Ended February 28, 1975

	1975	%
Revenue		
Vehicle premiums earned	\$187,582,000	91%
Drivers' premiums earned	18,028,000	9
Total premiums earned	205,610,000	100
Investment income	9,234,000	4
Total revenue	214,844,000	104
Claims incurred and adjustment costs	214,494,000	104
Expenses		
Administrative	16,431,000	8
Commissions	14,078,000	7
Amortization of start-up costs	4,020,000	2
	34,529,000	17
Total claims and expenses	249,023,000	121
Excess of Claims and Expenses over Revenue for the Year	\$ 34,179,000	17%

The Insurance Corporation of British Columbia Act, Section 16 (2), provides that payments in relation to Gasoline Tax, Motive-fuel Use Tax and Motor Vehicle Fees may be made to the Corporation from the Consolidated Revenue Fund of the Province in amounts as considered advisable by the Lieutenant-Governor in Council. (Note 9).

The accompanying notes are an integral part of the financial statements.

GENERAL INSURANCE OPERATIONS*Year Ended February 28, 1975 (With Prior Period Figures for Comparison)*

	1975	1974 (5 months) (note 2)
Revenue		
Net premiums written	\$8,471,000	\$1,466,000
Less increase in unearned premiums	3,326,000	1,214,000
Net premiums earned	5,145,000	252,000
Claims incurred and adjustment costs	4,844,000	255,000
Expenses		
Administrative	2,229,000	469,000
Commissions	446,000	33,000
Amortization of start-up costs	45,000	—
Total claims and expenses	7,564,000	757,000
Underwriting Loss	2,419,000	505,000
Investment Income	220,000	—
Operating Loss	\$2,199,000	\$505,000

The accompanying notes are an integral part of the financial statements.

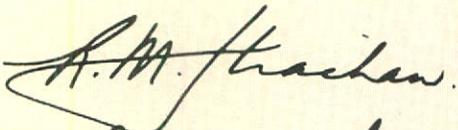
BALANCE SHEET

At February 28, 1975 (With Prior Period Figures for Comparison)

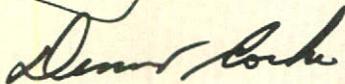
ASSETS	1975	1974 (note 2)
Cash	\$ 4,829,000	\$ 2,756,000
Cash in hands of agents	19,862,000	8,504,000
Investments at market value (note 4)	110,286,000	100,068,000
Receivables	14,385,000	15,498,000
Prepaid commissions expense	11,061,000	12,896,000
Prepaid operating expenses	2,291,000	1,768,000
Inventories (note 3)	646,000	508,000
Property and equipment (notes 3 and 5)	32,431,000	16,108,000
Receivable from the Automobile Insurance Act Fund	34,179,000	—
Unamortized start-up costs	19,828,000	11,678,000
	\$249,798,000	\$169,784,000

The accompanying notes are an integral part of the financial statements.

Approved by the Board:



DIRECTOR



DIRECTOR

LIABILITIES	1975	1974 (note 2)
Accounts payable and accrued charges	\$ 29,492,000	\$ 14,697,000
Motor Vehicle Branch	11,730,000	10,173,000
Premium taxes payable	439,000	55,000
Premiums received in advance (note 3)	112,700,000	143,918,000
Unearned premiums (notes 3 and 6)	11,890,000	1,214,000
Provision for unpaid claims (note 3)	86,251,000	232,000
Total liabilities	252,502,000	170,289,000
DEFICIT		
Opening balance	505,000	—
Operating loss	2,199,000	505,000
Closing balance	2,704,000	505,000
	\$249,798,000	\$169,784,000

CHANGES IN FINANCIAL POSITION*Year Ended February 28, 1975 (With Prior Period Figures for Comparison)*

	1975	1974 (note 2)
Resources Provided		
Net resources provided by operations	\$ 82,619,000	\$ (14,903,000)
Premiums received in advance	112,700,000	143,918,000
Advances from Province of B.C.	—	18,000,000
Collected for Motor Vehicle Branch	49,931,000	29,829,000
	245,250,000	176,844,000
Resources Applied		
Transfer of premiums to Automobile Insurance Act Fund	143,918,000	—
Property and equipment	17,094,000	16,182,000
Start-up costs	12,215,000	11,678,000
Repayment to Province of B.C.	—	18,000,000
Remitted to Motor Vehicle Branch	48,374,000	19,656,000
	221,601,000	65,516,000
Increase in Resources	23,649,000	111,328,000
Cash and Investments — start of period	111,328,000	—
Cash and Investments — end of period	\$134,977,000	\$111,328,000

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (ICBC) is incorporated as a crown corporation under the Insurance Corporation of British Columbia Act, S.B.C. 1973 (1st session), Chapter 44, assented to April 18, 1973. By subsequent approval of the Lieutenant-Governor in Council, and in accordance with the Act, ICBC has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the plan of automobile insurance described in the Automobile Insurance Act (AIA).

By regulation under the AIA, the plan of automobile insurance is administered as a Fund which is an entity for financial accounting purposes. Also by regulation, a statement showing the results of the operation of the Fund is attached to the financial statement of the Insurance Corporation of British Columbia and the balance of the Fund, which represents its net operating position, is reflected in the balance sheet of the Corporation. All assets and liabilities are held by ICBC. The Fund consists of the revenues and expenses attributable to the AIA operations.

2. BASIS OF REPORTING

As prescribed by Section 18(3) of the Insurance Corporation of British Columbia Act as amended June 20, 1974, the financial statements of the Corporation are presented in accordance with generally accepted accounting principles. In this respect, the reporting conforms to that suggested in a 1974 research study of the Canadian Institute of Chartered Accountants. Not all property and casualty insurance companies in Canada report on this basis. The financial results for the period ended February 28, 1974, have been restated where necessary to comply with generally accepted accounting principles.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories of salvage vehicles are valued at the average selling price for the year. All other inventories are valued at cost.

Prepaid 1975 Autoplan Administrative Expenses

Costs incurred in the period ended February 28, 1975, relating to the operations of the AIA Fund for 1975-76, totalling \$1,662,000 are recorded as prepaid expenses to be charged to 1975-76 operations. Included in the current year operations of the Fund are \$1,265,000 of Autoplan costs deferred from the previous year.

Depreciation

Depreciation is provided on a straight-line basis commencing in the month following that in which assets are placed in service at rates which will amortize the original cost over the useful life of each asset.

Start-up Costs

Costs associated with the commencement of operations of ICBC and the AIA Fund have been deferred and are being amortized on a straight-line basis from March 1, 1974, or from the date incurred, whichever is later, to February 28, 1979.

Premium Acquisition Costs

Commissions and premium taxes are

deferred and charged to expense over the terms of the policies to which such costs relate.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relates to the unexpired term of each insurance policy.

Premiums Received in Advance

This amount represents vehicle premiums received to February 28, 1975, which relate to the following fiscal year.

Provision for Unpaid Claims

The provision for unpaid claims is established on the basis of reported losses plus an estimate for unreported losses as of February 28, 1975. Estimated unreported losses included in the provision for unpaid claims at February 28, 1975, are as follows:

Automobile Insurance	
Act Fund	\$11,023,000
General Insurance	185,000
	\$11,208,000

4. INVESTMENTS

It is the intention to use all investments held at February 28, 1975, for short-term purposes. Consequently investments are carried at market value and the excess (\$601,000) of market value over cost is included in investment income.

5. PROPERTY AND EQUIPMENT

The cost of major classes of property and equipment and the related depreciation rates are as follows:

	1975	1974	Depreciation Rates
Land	\$ 9,674,000	\$ 9,045,000	—
Buildings	19,283,000	456,000	5-10%
Construction in progress	—	5,137,000	—
Furniture and equipment	3,454,000	1,279,000	10-25%
Leasehold improvements	865,000	265,000	See Below
	33,276,000	16,182,000	
Accumulated depreciation and amortization	845,000	74,000	
	\$32,431,000	\$16,108,000	

Leasehold improvements are amortized over the life of the lease plus the first renewal period.

6. UNEARNED PREMIUMS

	1975	1974
General Insurance	\$ 4,540,000	\$1,214,000
Drivers' premium	7,350,000	—
	<u>\$11,890,000</u>	<u>\$1,214,000</u>

7. COMMITMENTS

In addition to the \$32,431,000 net cost of Property and Equipment included in the balance sheet, an estimated further amount of \$6,800,000 has been committed in respect of the building and land acquisition program.

The Corporation is committed to make the following payments during the next four years on property and equipment leased for periods of more than one year:

1976	\$3,300,000
1977	2,900,000
1978	2,500,000
1979	1,800,000

The Corporation is currently negotiating its first contract with the

Office and Technical Employee's Union, Local 378. While the Union is requesting a settlement involving retroactive payment, no agreement has been reached.

8. LITIGATION

By the recent decision in the case of The Canadian Indemnity Company Ltd. et al vs. the Attorney General of British Columbia, the Supreme Court of British Columbia held in favour of the Attorney General.

An appeal from that decision to the British Columbia Court of Appeal is pending and in the event that a further appeal is made to the Supreme Court of Canada, a final decision may not be forthcoming for approximately two years.

Should a decision favourable to The Canadian Indemnity Company Ltd. et al be rendered such companies would be free to re-enter the field of automobile insurance in British Columbia.

9. SUPPLEMENTARY REVENUE

Under Section 16(2) of the Insurance Corporation of British Columbia Act, the Lieutenant-Governor in Council may, by order, direct the Minister of Finance to pay to the Insurance Corporation of British Columbia such amounts as are considered advisable but not to exceed the equivalent of the proceeds of:

- (a) A tax of ten cents per gallon on every gallon taxable under the Gasoline Tax Act 1943 and 1958, Coloured Gasoline Tax Act and Motive-Fuel Use Tax Act and;
- (b) Such portion as is considered advisable of the fees payable under the Motor Vehicle Act, Commercial Transport Act and Motor Carrier Act.

AUDITORS' REPORT

The Honourable Robert M. Strachan,
Minister of Transport
and Communications,
Province of British Columbia.

We have examined the balance sheet of the Insurance Corporation of British Columbia as at February 28, 1975, and the statements of general insurance operations and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered

necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Corporation as at February 28, 1975, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period (after revision of the financial statements for that period as explained in Note 2).

Our examination also included the statement of operations of the Automobile Insurance Act Fund for

the year ended February 28, 1975. In our opinion this statement presents fairly the results of the operation of the Fund in accordance with generally accepted accounting principles consistently applied.

Deloitte, Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
April 22, 1975

