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May 13, 2016

Ms. Christina Zacharuk  
President & CEO  
Public Sector Employers' Council Secretariat  
Suite 210 – 880 Douglas Street  
Victoria, B.C. V8W 2B7

Dear Ms. Zacharuk,

Re: 2015 Statement of Executive Compensation – ICBC

On behalf of the Board of Directors of ICBC, attached is ICBC's Statement of Executive Compensation for the fiscal year ending December 31, 2015.

As per the Public Sector Executive Compensation Reporting Guidelines, I, the undersigned, hereby attest that to the best of my information and belief, the following is true:

- The board is aware of the executive compensation paid in the 2015 fiscal year.
- The compensation information being disclosed is accurate and includes all compensation paid by the employer, foundations, subsidiaries, or any other organization related to or associated with the employer.
- It includes the value of any pre or post-employment payments made during the 12 month period before or after the term of employment.
- Compensation provided was within approved compensation plans and complies with these guidelines.

Yours truly,

A handwritten signature in blue ink, which appears to read "Barry Penner". The signature is fluid and cursive, with a large initial "B" and "P".

Barry Penner, QC  
Chair, ICBC Board of Directors

Enclosure(s)



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Reporting Period: Fiscal Year 2015  
(January 1, 2015 – December 31, 2015)

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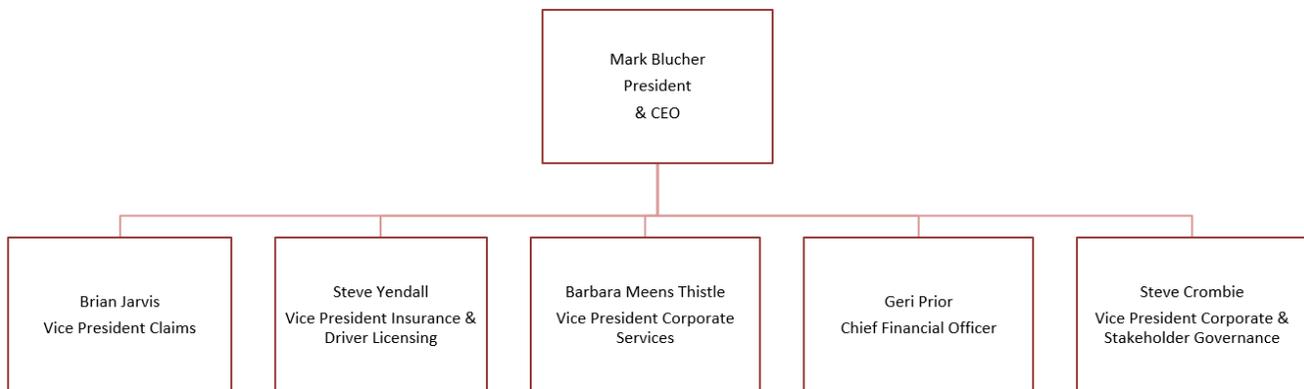
# INSURANCE CORPORATION OF BRITISH COLUMBIA

## 2015 STATEMENT OF EXECUTIVE COMPENSATION

### 1. INTRODUCTION

ICBC is a provincial Crown corporation established in 1973 to provide universal auto insurance, driver licensing, and vehicle licensing and registration to B.C. motorists. ICBC's corporate strategy is to be a low cost and operationally efficient company that provides consistent, quality service to its customers.

ICBC is a complex, multi-billion dollar company that requires talented management and staff. ICBC's total compensation philosophy is to provide market-competitive total compensation to attract and retain the required skills, talent, and experience at an affordable cost to taxpayers and ratepayers. The following Executives are responsible for leading the management of ICBC's business and the implementation of its corporate strategy:



In accordance with the guidelines provided by the Public Sector Employer's Council ("PSEC"), ICBC must disclose all compensation provided to the President and Chief Executive Officer ("CEO") and the next four highest ranking/paid "Named Executive Officers" ("NEOs"). The following outlines the governance, compensation philosophy, and total value of executive compensation for services during the 12 months of the fiscal year ended December 31, 2015.

### 2. GOVERNANCE

Executive compensation is reviewed by both the Board and the Human Resources and Compensation Committee (the "Committee"). The terms of reference as related to total compensation for each are outlined below.

#### Board of Directors

- Approve the CEO's compensation package and performance against pre-determined annual objectives.
- Approve the total compensation strategy and philosophy to be applied to all ICBC employees.
- Review and approve all compensation matters acting upon the advice of the CEO and upon recommendation of the Committee.
- In its sole discretion, review and amend the payment level of the annual incentive plan to better reflect the actual performance of the Corporation.

## **Human Resources and Compensation Committee**

- 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 make recommendations to the Board respecting the administration of pension plans of which ICBC is an administrator and ensure the obligations of ICBC as administrator of those plans are met. Review and approve before implementation, any proposed change to a pension plan administered by ICBC other than any change which i) according to legal advice, is required to comply with applicable law, or ii) according to actuarial advice has no measurable impact on the cost of the pension plan and is desirable for administrative or other reasons.
- In consultation with the CEO, review and recommend the compensation, including incentive, benefit and retirement plans, for the Executive team.
- Review the annual Executive Compensation Disclosure Statement as required by the Public Sector Employer's Council.
- For purposes of administering the Holdback Incentive Plan, review and recommend to the Board the annual corporate framework and targets for the Holdback Incentive Plan.
- For the purpose of administering the Holdback Incentive Plan based on corporate performance, review year-end corporate results and recommend to the Board any recognition of corporate performance for the purpose of incentives calculation and the level of that performance.
- Review and recommend the CEO's compensation, including incentive, benefit and retirement plans, to the Board for approval, subject to legislative guidelines then in effect.

## **3. COMPENSATION DISCUSSION AND ANALYSIS**

ICBC's executive compensation is guided by the Crown Corporation Executive Compensation Policy, linked to its strategic business interests and objectives, and balanced with ensuring alignment to the broader public sector.

ICBC's compensation programs generally apply to all Executives and Management Group employees, with some Executive and CEO exceptions as noted herein. Annual salary increases and incentive compensation when granted, are variable, based on public policy, corporate and individual performance. The Board of Directors (the "Board") sets the CEO's total compensation within the guidelines set by PSEC and applicable legislation.

### **3.1 Total Compensation Philosophy**

In response to PSEC's June 2015 mandate to implement a common compensation philosophy for the B.C. Public Sector, ICBC amended its total compensation philosophy for Executives and Management Group employees which has been approved by the Board and PSEC.

## **Objective**

ICBC's amended total compensation philosophy is designed to:

- Competitively attract, develop and retain high quality talent with the depth of skills, knowledge and competencies required to achieve ICBC's strategic and operational priorities;
- Inspire and support high performance, accountability and fiscal responsibility;
- Link rewards with company and individual performance;
- Create a solid relationship with employees that is built on trust, fair treatment, and mutual respect;
- Complement the intrinsic value of the workplace environment;
- Support the direction and long term goals of ICBC and government.

## **Core Principles**

ICBC's total compensation philosophy is underpinned by four core principles:

- **Performance** – compensation programs support and promote a performance-based organizational culture. ICBC's provision of salary increases and salary holdback awards are not guaranteed. They are based on individual merit and dependent on achieving its corporate performance objectives.
- **Differentiation** – differentiation of salary is supported where there are differences in position scope or due to superior individual team contributions. ICBC's job evaluation process and performance management program ensure salary differentiation is managed in an objective, consistent manner.
- **Accountability** – compensation decisions are objective and based upon a clear and well documented business rationale that demonstrates the appropriate expenditure of public funds. ICBC's compensation policies and guidelines set out clear procedures and authorizations for the administration of all compensation decisions.
- **Transparency** – compensation programs are designed, managed and communicated in a manner that ensures the program is clearly understood by employees and the public while protecting individual personal information.

## **Benchmarking Practices**

### **a) Market Comparator Groups**

ICBC's total compensation philosophy is a hybrid approach which is based on three distinct market comparator groups, or market benchmarks:

- 1) B.C. Public Sector Organizations includes Crown corporations, BC Public Service, health sector, K-12 education, community social services, regional government, municipalities and various public bodies; and
- 2) Other Provincial Jurisdictions where relevant and available, excluding territories; and
- 3) Private Sector Organizations which includes general industry and the property and casual insurance industry as well as for talent with specialized expertise and/or in high demand with significant recruitment pressure from the private sector.

## **b) Job Categories**

Job categories have been established to align ICBC's pay practices with the practices of the different comparator groups. ICBC's competitive positioning ensures that each job's total cash target reflects the 50th percentile total cash target provided by its relative comparator group. For the purpose of competitive market analysis, jobs at ICBC would fall into one of the four categories:

- 1) **General business roles** are the majority of jobs supporting the day-to-day business operations
- 2) **Roles in high demand by general industry** would include specialized or technical jobs filled by talent in high demand with significant recruitment pressure from the private sector
- 3) **Key industry specific roles** are jobs that are difficult to recruit and/or critical jobs requiring specialized expertise in the property and casual insurance industry.
- 4) **Executive roles** – those positions deemed to be at the executive level in accordance with PSEC guidelines. ICBC forgoes labour market comparisons for Executive positions and makes Executive compensation decisions entirely based on PSEC policy. As Executive compensation is set by public policy, market comparisons of any nature are only illustrative for guidance, not determinative.

## **3.2 Total Forms of Executive Compensation**

### **a) Base Salary**

Executive compensation is set by public policy. The Committee annually reviews, for recommendation to the Board and then approval by PSEC, adjustments to the salary range structure and the annual salary budget, if any. Salary increases for Executives, if granted, are based on their individual employee performance. At the beginning of the year, a performance plan is developed for each Executive, which outlines their responsibilities and objectives for the year. At the end of the year, the Executive is rated against the targets.

Effective July 1, 2015, PSEC provided an opportunity for public sector employers to recognize specific compensation challenges as a result of the 2012 public sector salary freeze policy. This opportunity allowed for a one-time modest salary increase to a limited number of Management Group employees.

For the remaining Executives and Management Group employees who did not meet the salary freeze relief criteria, the salary freeze remain in effect. Specifically, no adjustments to ICBC's salary range structures and no performance-based salary increases have not been granted.

### **b) Holdback Incentive Plan**

The Holdback Incentive Pay ("HIP") plan is designed to reduce the incentive pay opportunity and eliminates the ability to earn more than 100% of target for outstanding corporate and/or individual performance. The HIP plan provides a single overall corporate focus that is shared by all Executives and Management Group employees, as well as individual targets in the HIP plan for personal contribution to the successful execution of the corporate strategic objectives.

HIP is a variable component of the CEO's and the NEO's total annual cash compensation. Their

HIP reward is tied to meeting corporate and individual performance objectives with a maximum target of 20%. The respective weight of these two components varies by job level to reflect the level of influence on the corporate objectives. The HIP components' weightings are 75% corporate performance and 25% individual performance for the CEO and 60% corporate and 40% individual for the rest of the Executives.

A financial trigger is also built in within the HIP plan to ensure a minimum level of corporate performance occurred and that this funds ICBC's ability to pay a performance-based incentive for eligible employees. The financial trigger is determined by the outcome of net income for the fiscal year and is reviewed and set by the Board on an annual basis.

The final HIP payment are subject to the actual outcome of net income for a fiscal year and must first meet the pre-defined corporate financial trigger before any payment is made. If the actual net income is below target, HIP payments at all job levels will be reduced or eliminated.

In 2015, ICBC's corporate performance was measured against five components, in support of corporate priorities:

1. **Net Income:** Net income is the difference between total revenue earned (premiums, service fees and investment income) and total expenses (claims incurred, operating costs, acquisition costs and non-insurance expenses). Net income contributes to retained earnings which helps protect policyholders against significant unexpected losses and volatile rates.
2. **Optional Capital Net of Transformation Program Reserve:** Optional capital means the Minimum Capital Test ("MCT") for ICBC's Optional insurance capital reserve. MCT is an industry measure to determine if ICBC has sufficient capital to protect policyholders from financial risk and provide long-term financial stability. Essentially, it represents the financial strength of ICBC's Optional business.
3. **Combined Ratio:** The Combined Ratio is a key measure of overall profitability in the insurance industry and is calculated as the ratio of all costs (claims and claims-related costs, administrative costs, acquisition costs and non-insurance costs) to all insurance premium dollars earned.
4. **Focus on Bodily Injury Costs:** The bodily injury cost is total amount of loss and expense payments that is paid to investigate and settle all BI claims from crashes occurred in a year. Keeping the bodily injury costs under control is a key corporate priority.
5. **Focus on Material Damage Costs:** The material damage cost is total amount of loss and expense payments that is paid to investigate and settle all MD claims from crashes occurred in a year. The main categories of material damage claims include property damage, collision, and comprehensive claims.

#### c) Vacation

ICBC provides six weeks of vacation per year to the CEO. NEOs are provided with four weeks of vacation and an additional two weeks of vacation in every fifth year of employment for that year only. Unused annual vacation can be carried forward to the following calendar year, which will be paid out to limit ICBC liability if it is not been used by the end of the subsequent calendar year.

#### d) Pension

ICBC provides a contributory defined benefit pension plan, which is the basic plan for all Executives. In addition to the basic pension plan, Executives are eligible for the Supplemental Employee

Retirement Plan (“SERP”).

Both the basic pension plan and the SERP are valued at the average current service cost for Executives, less the average member contributions. A portion of HIP is treated as pensionable income for Executives based on their position and date of hire. Incentive pay is non-pensionable for Executives hired on or after September 1, 2013.

**e) Health and Wellness Benefits**

ICBC provides a comprehensive benefit program for Executives 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.

Voluntary, employee funded programs are available for life insurance, accidental death and dismemberment insurance and group RRSP.

Executives hired on or after September 1, 2013 are ineligible for the management post-employment benefits program.

**4 SUMMARY COMPENSATION TABLE**

The table below provides a summary of total compensation for ICBC’s CEO and next four highest ranking/paid NEO’s for fiscal year 2015, including payments to previous NEO who have left ICBC during and prior to 2015.

Summary Compensation Table at FISCAL, 2015

Name and Position	Salary	Holdback Incentive Plan Compensation	Benefits	Pension	All Other Compensation (expanded below)	Total		Previous Two Years Totals	
						2015	2014	2014	2013
Mark Blucher, President & CEO <sup>1</sup>	\$ 334,125	\$ 4,060	\$ 18,332	\$ 43,964	\$ 2,699	\$ 403,179	\$ 469,615	\$ 457,709	
Geri Prior, Chief Financial Officer <sup>2</sup>	\$ 331,650	\$ 6,447	\$ 18,736	\$ 43,953	\$ 5,240	\$ 406,026	\$ 482,292	\$ 489,107	
Brian Jarvis, Vice President Claims <sup>3</sup>	\$ 286,875	\$ 5,577	\$ 16,531	\$ 38,019	\$ 3,620	\$ 350,622	\$ 411,583	\$ 433,103	
Barbara Meens Thistle, Vice President Corporate Services <sup>4</sup>	\$ 260,000	\$ 5,054	\$ 15,057	\$ 33,800	\$ 1,395	\$ 315,306	\$ 264,170	N/A	
Steve Yendall, Vice President Insurance & Driver Licensing <sup>5</sup>	\$ 250,183	\$ 4,864	\$ 15,906	\$ 32,524	\$ 1,414	\$ 304,890	\$ 181,630	N/A	
Camille Minogue, Former Chief Actuary <sup>6</sup>	\$ 284,592	\$ 6,921	\$ 6,689	\$ 37,897	\$ 3,831	\$ 339,930	\$ 402,318	\$ 409,593	
Sheila Eddin, Former Vice President Transformation <sup>7</sup>	\$ 279,787	\$ 5,439	\$ 11,691	\$ 37,079	\$ -	\$ 333,996	\$ 453,772	\$ 423,402	

Summary Other Compensation Table at FISCAL, 2015

Name and Position	All Other Compensation	Severance	Vacation payout	Leave payout	Vehicle / Transportation Allowance	Perquisites / other Allowances	Other
Mark Blucher, President & CEO	\$ 2,699	\$ -	\$ 1,285	\$ -	\$ 1,414	\$ -	\$ -
Geri Prior, Chief Financial Officer	\$ 5,240	\$ -	\$ 3,827	\$ -	\$ 1,414	\$ -	\$ -
Brian Jarvis, Vice President Claims	\$ 3,620	\$ -	\$ 2,207	\$ -	\$ 1,414	\$ -	\$ -
Barbara Meens Thistle, Vice President Corporate Services	\$ 1,395	\$ -	\$ -	\$ -	\$ 1,395	\$ -	\$ -
Steve Yendall, Vice President Insurance & Driver Licensing	\$ 1,414	\$ -	\$ -	\$ -	\$ 1,414	\$ -	\$ -
Camille Minogue, Former Chief Actuary	\$ 3,831	\$ -	\$ 3,831	\$ -	\$ -	\$ -	\$ -
Sheila Eddin, Former Vice President Transformation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- Overall, the CEO and active NEO's has a lower salary because there was a 27th pay period in 2014. 2014/15 "Pension" values in last year's submission was reported utilizing a different reporting methodology than our standard resulting in a different pension rate %. The 2014/15 "Pension" values have been corrected with the standard pension rate reporting methodology. As a result, the 2014/15 Total Compensation amounts have also been corrected.
- Mark Blucher's total compensation is lower than that of the previous year due to a significantly lower incentive payout.
  - Geri Prior's total compensation is slightly higher than that of the CEO. This is primarily due to the unused vacation payout in 2015. Overall, her total compensation is lower than that of the previous year due to significantly lower incentive payout.
  - Brian Jarvis's total compensation is lower than that of the previous year due to a significantly lower incentive payout.
  - Barbara Meens Thistle's total compensation is higher than that of the previous year, partially offset by the lower HIP, because she was hired on April 7, 2014 and her 2015 total compensation reflects the first full year of earnings in her role.
  - Steve Yendall's total compensation is higher than that of the previous year, partially offset by the lower HIP, because he was hired on June 23, 2014 and his 2015 total compensation reflects the first full year of earnings in his role. In addition, expanded responsibilities to his role resulted in an increase in base salary.
  - Camille Minogue left ICBC effective February 14, 2015. Her 2015 total compensation includes salary continuance and payout of unused vacation. She will be on salary continuance until July 14, 2016.
  - Sheila Eddin left ICBC effective December 1, 2014. Her 2015 total compensation includes salary continuance. She will be on salary continuance until June 1, 2016.