

**BRITISH
COLUMBIA**

The Best Place on Earth

SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

**THE MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL (PSSG)
(AS REPRESENTATIVE OF THE SHAREHOLDER,
THE GOVERNMENT OF BRITISH COLUMBIA)**

AND

**THE CHAIR OF THE
INSURANCE CORPORATION OF BRITISH COLUMBIA (ICBC)
(AS REPRESENTATIVE OF THE CORPORATION)**

PURPOSE

This Shareholder's Letter of Expectations between the Shareholder and the Corporation is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the Shareholder and the Corporation on corporate mandate including high-level performance expectations, public policy issues and strategic priorities¹. It will be reviewed annually and updated as required. The Shareholder's Letter of Expectations is the basis for the development of the Corporation's Service Plans and Annual Service Plan Reports. The Letter applies to the Shareholder and the Corporation. This Letter does not create any legal or binding obligations on the part of the Shareholder or the Corporation but rather is intended to define and promote a positive and co-operative working relationship.

¹ The Province of British Columbia's Crown Agency Accountability System (CAAS) (http://www.gov.bc.ca/cas/attachments/shareholder's_expectations_manual_2006.pdf) establishes guiding principles for the governance of Crown corporations. The CAAS also identifies roles and responsibilities for the Shareholder and Crown corporations, and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed.

CORPORATION ACCOUNTABILITIES

Government has provided the following mandate and direction to ICBC:

- to continue its mandate to provide Basic and Optional vehicle insurance in an integrated manner for BC motorists; and
- to continue its mandate to provide driver licensing, vehicle registration and licensing, violation ticket and government fine collection services on behalf of the Province.

In responding to government's performance expectations and the general and specific frameworks and direction of the Shareholder, the Corporation will:

- Conduct its affairs to achieve its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and consistent with principles of efficiency, effectiveness, and customer service;
- Prepare Service Plans with clearly articulated goals, objectives, strategies and performance measures and targets, and Annual Reports that detail progress toward achieving those goals, and post both documents on its website;
- Display all annual Statement of Financial Information schedules prepared under the *Financial Information Act* in an easily accessible location on its website (some of this information is included in annual reports and does not need to be otherwise displayed);
- Conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by the Shareholder;
- Develop and implement strategies to manage risks identified in the Service Plan;
- Comply with the Shareholder's requirements to make the public sector carbon neutral by 2010, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations;
- Encourage staff involvement in developing ideas and new solutions to meet government's climate change objectives, including energy conservation programs and fleet and traffic management initiatives, and report on results achieved;
- Support the Shareholder's ActNow BC initiative by implementing practices which promote a healthier lifestyle, physical activity, and healthy food choices;
- Provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities; and
- Provide information to the Shareholder immediately if the Corporation is unable to meet the targets identified in its Service Plan.

In addition, the Shareholder directs the Corporation to take the following specific actions:

- Comply with all legislation and regulations applicable to ICBC's activities, including the Optional insurance framework under the *Insurance (Vehicle) Act* and the data-sharing

- provisions authorised by the Minister under that Act, as well as direction from the British Columbia Utilities Commission (BCUC) in its regulation of ICBC Basic Insurance rates;
- Comply with and implement government directives and special initiatives regarding the Corporation's mandate as may arise from time to time as a priority for government;
 - Meet its Service Plan targets and operate the business in an efficient and effective manner to keep rates low and stable for the benefit of its customers;
 - Inform the Shareholder on a regular basis of any major changes occurring or likely to occur within the Corporation notwithstanding the terms of the Service Agreement with respect to prior notice and approval;
 - Operate within the Service Agreement between PSSG, on behalf of the Province, and ICBC to support effective and efficient management of the non-insurance services ICBC provides on behalf of the Province;
 - Work with the Shareholder on initiatives that can complement the Shareholder's road safety and climate action objectives;
 - Continue to address driver licensing service, security and fraud priorities including commitments under the Canadian Driver Licensing Agreement;
 - Support implementation of an enhanced driver's licence (EDL) as an alternative to the passport by conducting the initial limited-release phase to help inform subsequent expansion of EDL availability, eventually to include all Canadian citizens residing in B.C.;
 - Continue to develop and implement effective strategies to manage the trend of rising bodily injury insurance costs; and
 - Share information with the Shareholder and legitimate collection and enforcement agencies to the extent permitted by law for purposes of collections and enforcement.

SHAREHOLDER'S RESPONSIBILITIES

The Shareholder is responsible for the legislative, regulatory and public policy framework in which Crown corporations operate. In order to meet these responsibilities and support achievement of government's performance expectations, the Shareholder will:

- Establish, review, revise and communicate the Crown corporations' mandates;
- Establish the overall and Crown-specific financial frameworks under which Crown corporations operate (borrowing, investment, and payment to the Shareholder);
- Issue performance management guidelines, including guidelines for service planning and annual reports (<http://www.gov.bc.ca/cas/publications/index.html>);
- Provide strategic input and advice to Crown corporations in the development of their Service Plans and Annual Reports;
- Provide broad policy direction and confirmation of general frameworks/principles to Crown corporations, within which the Crown corporations may establish and apply specific policies/processes;
- Advise Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporations; and
- Issue directives or orders or sponsor submissions on behalf of Crown corporations that may be required to seek decisions or policy direction by the Executive Council or its

committees, in order to facilitate Crown corporations fulfilling their mandate and achieving the performance targets outlined in Crown corporations' Service Plans.

The Shareholder has developed policies for ministries and Crown corporations for Capital Asset Management (<http://www.fin.gov.bc.ca/tbs/camf.htm>) and Board remuneration policies for Crown agencies (<http://www.gov.bc.ca/cas/publications/index.html>). The shareholder has also issued Best Practice Guidelines for board governance and disclosure (<http://www.lcs.gov.bc.ca/brdo/governance/index.asp>). During the term of this Letter, the Shareholder may provide policy direction to the Crown agency sector, and will communicate any such direction, including implementation expectations, to Crown corporations as decisions are made.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives and targets identified in Crown corporations' Service Plans.

Specific to the Corporation, the Shareholder:

- Approves the Corporation's mandate to provide Basic and competitive Optional vehicle insurance under the *Insurance Corporation Act*;
- Has placed ICBC under the regulatory authority of the BCUC for the purposes of setting Basic insurance rates and ensuring that ICBC's basic insurance revenue does not cross subsidize its optional insurance products;
- Continues the Corporation as an agent of the Crown;
- Confirms that the Corporation has retained the power and authority to:
 - promote and improve road safety,
 - collect fines from violations under the *Offence Act* and under the *Federal Contraventions Act* pursuant to the agreement between the Federal and Provincial governments, and
 - collect revenue generated from licenses, permits and other fees under the *Motor Vehicle Act*, the *Commercial Transportation Act*, and the *Sales Tax Act* (of BC) on behalf of government; and
- Sets out the driver licensing and vehicle licensing and registration framework in the *Motor Vehicle Act*.

Further, the Shareholder will:

- Facilitate appropriate legislative, regulatory and policy changes and provide direction to the Corporation to enable the Corporation to achieve its goals and objectives and comply with Optional insurance legislative and regulatory framework under the *Insurance (Vehicle) Act*;
- Subject to requirements set out in applicable legislation and the Service Agreement, provide direction to ICBC so that it can comply with and implement government directives and special initiatives regarding the Corporation's mandate as may arise from time to time as a priority for government;
- Ensure that the appropriate consultation and notification occurs on significant policy and legislative issues that may impact the Corporation notwithstanding the terms of the Service Agreement with respect to prior notice and approval;

- Continue working with ICBC to implement and operate within the terms of the Service Agreement between PSSG and ICBC to support effective and efficient management of ongoing shared responsibilities for non-insurance ICBC programs; and
- Continue working with ICBC and providing direction regarding driver licensing service and security strategies; including the use of the driver's licence as an alternative to the passport, strategies to address rising bodily injury costs; and ICBC business process and system changes required to support road safety initiatives.

AREAS OF SHARED ACCOUNTABILITY:

Communications

It is agreed by both the Shareholder and the Corporation that, to ensure effective and efficient day-to-day communications and relationship building, officials representing both parties will be tasked with implementing the contents of this Letter and keeping the Minister Responsible and the Board of Directors informed of progress in a timely fashion.

Reporting

The Shareholder and the Corporation are committed to enhanced transparency and accountability to the public. The Shareholder has put in place a public reporting structure set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act*. The Shareholder has provided the Corporation with a reporting calendar which sets out financial and performance reporting requirements (<http://www.gov.bc.ca/cas/publications/index.html>). The Corporation agrees that it will meet these financial and performance reporting requirements recognizing that the Corporation's fiscal year corresponds to the calendar year. If government determines that changes to the reporting requirements are necessary, the Shareholder will communicate these to the Corporation in a timely manner.

It is agreed by both the Shareholder and the Corporation that there will be advance discussion and review of key strategic documents such as Service Plans, Quarterly Financial Reports and Annual Reports. These discussions will be completed sufficiently in advance of deadlines to ensure effective and timely input by the Shareholder.

In addition to these financial and performance reporting requirements, the Corporation agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.

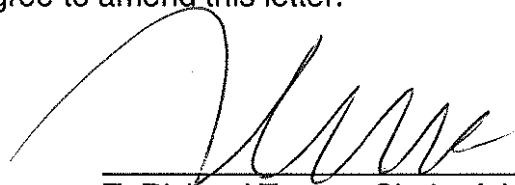
The Shareholder and the Corporation agree that, as a matter of course, each will advise the other in a timely manner of any issues that may materially impact the business of the Corporation or the interests of the Shareholder.

It is agreed that the Corporation will post the most recent signed copy of the Shareholder Letter of Expectations on its website. Crown Agencies Secretariat will also post a signed copy of the Letter on its website.

Review and Revision of this Letter

The Minister of Public Safety and Solicitor General is accountable for undertaking reviews of this Letter and monitoring its implementation. The Crown Agencies Secretariat is responsible for co-ordinating the overall process for preparing Shareholder's Letters of Expectation, and may assist the Minister in undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and the Corporation will discuss any issues and may agree to amend this letter.


Honourable John van Dongen
Minister of Public Safety and Solicitor General


T. Richard Turner, Chair of the Board
Insurance Corporation of
British Columbia

April 14, 2008
Date

April 7/08
Date

- cc. Honourable Gordon Campbell
Premier
- Jessica McDonald
Deputy Minister to the Premier and Cabinet Secretary
- Chris Trumpy
Deputy Minister and Secretary to Treasury Board
Ministry of Finance
- Molly Harrington
Chief Executive Officer
Assistant Deputy Minister
Crown Agencies Secretariat
- David Morhart
Deputy Minister
Ministry of Public Safety and Solicitor General
- Paul Taylor
Chief Executive Officer
Insurance Corporation of British Columbia