



SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

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

AND

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

PURPOSE

The Shareholder's Letter of Expectations between the Shareholder and the Corporation is an agreement of the respective roles and responsibilities and high-level performance expectations for the Corporation's three fiscal years of 2004, 2005, and 2006¹. It will be updated and renewed annually for each subsequent three-year period. The Letter will serve as the basis of agreement between the Shareholder and the Corporation on the Corporation's mandate, the public policy issues, strategic priorities and performance

¹ The Province of British Columbia's *Governance Framework for Crown Corporations* (http://www.gov.bc.ca/cas/down/govframe_redraft.pdf) establishes guiding principles for the governance of Crown corporations. The Governance Framework 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

expectations, and will, as a result, inform the development of the Corporation's Service Plans and Annual Service Plan Reports.

The Letter applies to the Shareholder, the Corporation and its subsidiaries. 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 support a positive and co-operative working relationship.

Given that:

Government is committed to ICBC's role of providing basic and competitive optional auto insurance for BC motorists and in providing licensing and registration services on behalf of the province. Government is committed to the following reforms of ICBC:

- Transfer of commercial vehicle compliance and motor carrier functions from ICBC to government; and
- Moving ICBC under the regulatory authority of the British Columbia Utilities Commission (BCUC) for the purpose of setting basic premium rates and to ensure that basic insurance operations do not cross subsidize optional insurance operations.

The Parties hereby specifically agree that:

CORPORATION ACCOUNTABILITIES

In responding to Shareholder's performance expectations for the Corporation 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 the principles of efficiency, effectiveness, customer service and maintaining the lowest possible premiums for British Columbians;
- Prepare Service Plans (<http://www.icbc.com>) with clearly articulated goals, objectives, strategies and performance measures and targets, and annual reports which detail progress toward achieving those goals;
- Develop and implement strategies to mitigate risks identified in the Service Plan, particularly the cost of capital and financial viability of the Corporation and the optimization of financial performance;
- Initiate and/or make proposals to improve the organization's effectiveness and efficiency for consideration by the Shareholder; and;
- Provide information to the Shareholder 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 fully with the requirements of the BCUC in its regulation of ICBC;
- Comply with all regulations, legislation and other law applicable to ICBC's activities;
- Operate the business of the Corporation in an efficient and effective manner for the benefit of its customers;
- Within the scope of its competitive responsibilities, ICBC will focus on operating efficiently and effectively to keep premiums as low as possible in a competitive environment.
- Meet the Service Plan targets, including net income, for 2004, 2005, and 2006.
- Implement its part of the Memorandum of Understanding between ICBC and PSSG to guide the transfer of Commercial Vehicle Compliance and Motor Carrier functions from ICBC to government, and provide annual funding of \$24.7 million to government for the management of these functions up to and including March 31, 2006;
- 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;
- Inform the PSSG 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;
- Enter into an agreement with the Shareholder to transfer responsibility for the provision of certain road safety enforcement programs, and provide funding to government of 1% of basic insurance premiums earned for this purpose subject to the provisions of an agreement to be entered into between PSSG and ICBC; and
- Implement the changes to the Graduated Licensing Program as approved by the Shareholder;
- Meet the government direction of a net 33% reduction in the Corporation's regulations from the established 2002 baseline.

SHAREHOLDER RESPONSIBILITIES

Specific to the Corporation, the Shareholder has:

- continued the Corporation as an agent of the Shareholder under the *Insurance Corporation Act*;
- confirmed that the Corporation has retained the power and authority to promote and improve highway safety, and collect fines from violations under the *Offence Act* 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;

- set out the driver and vehicle licensing and registration framework in the *Motor Vehicle Act*;
- Moved ICBC under the regulatory authority of the British Columbia Utilities Commission (BCUC) for the purposes of setting basic insurance premiums and to ensure ICBC's basic insurance does not cross subsidize its optional products.
- Approved changes to the Graduated Licensing Program for implementation by the Corporation;

Further, the Shareholder will:

- Enter into an agreement with ICBC to transfer responsibility for the provision of certain road safety enforcement programs, and receive from ICBC 1% of basic insurance premiums earned for this purpose subject to the provisions of an agreement to be entered into between PSSG and ICBC;
- Implement its part of the Memorandum of Understanding between ICBC and PSSG to guide the transfer of Commercial Vehicle Compliance and Motor Carrier functions from ICBC to government;
- Continue working with ICBC to implement the Service Agreement between PSSG and ICBC to support effective and efficient management of ongoing shared responsibilities for non-insurance ICBC programs as per the guidelines established in the Service Agreement;
- Assist the Corporation to reduce regulations applicable to the Corporation by 33% net relative to the established 2002 baseline.
- Introduce legislative amendments to the *Insurance Motor Vehicle Act* and the *Insurance Act* to enhance competition in the optional automobile insurance market; and
- Facilitate the appropriate legislative and regulatory change to enable the Corporation to achieve its goals and objectives.
- Introduce regulations which will:
 - Bring the sections of the *Insurance Corporation Amendment Act* into force which regulate ICBC's competitive behaviour in the optional insurance market;
 - Amend the Special Direction IC1 to the British Columbia Utilities Commission to direct it to accommodate the transfer and utilization of funding for road safety enforcement programs so that they are considered in the setting of basic insurance rates;
 - Establish long-term regulatory direction to the British Columbia Utilities Commission under Section 47 of the Insurance Corporation Amendment Act with respect to financial outcome targets, including minimum capital requirements, by which the British Columbia Utilities Commission will undertake its activities with respect to applications submitted by ICBC.

- 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;

The Shareholder is responsible for the legislative, regulatory and public policy framework in which Crown corporations operate. To support the Corporation's achievement of performance objectives, the Shareholder will:

- Establish, review, revise and communicate Crown corporations' mandates;
- Establish the overall and Crown specific financial frameworks under which Crown corporations operate (borrowing, investment, and contribution to the Shareholder);
- Issue performance management guidelines, including guidelines for service planning and annual reports (<http://www.gov.bc.ca/cas/rpts/>);
- Provide strategic input and advice to Crown corporations' in the development of their Service Plans;
- Advise Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporation; and
- Issue directives or orders, or sponsoring 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 mandates and achieving the performance targets outlined in Crown corporations' Service Plans.

During the term of this Letter, the Shareholder anticipates providing policy direction in a number of areas that will affect all Crown corporations, including:

- Capital Asset Management Framework;
- enterprise risk management;
- compensation policy ;
- zoning and land use;
- property taxation;
- First Nations policy and treaty mandates;
- climate change;
- donation policy; and
- environmental remediation.

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

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, that 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.

Reporting:

The Shareholder and the Corporation are committed to enhanced transparency and accountability to the public. While both parties note that reporting to the Shareholder and the public continues to evolve, 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 will provide the Corporation a financial reporting calendar and the detailed list of performance reporting requirements - see CAS website <http://www.gov.bc.ca/cas>. The Corporation agrees that it will meet these financial and performance reporting requirements, recognizing that the Corporation operates on a calendar year basis.

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.

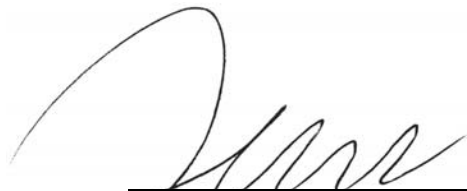
The Shareholder and the Corporation agree, that as a matter of course, each will advise in a timely manner of any issues that may materially impact the business of the Corporation or the interests of the Shareholder.

Review and Revisions of this letter:

In addition to co-ordinating the overall process for preparing this Letter on behalf of the Shareholder, the Crown Agencies Secretariat is also accountable for undertaking an annual review of this Letter as well as monitoring its implementation. It is noted that this Letter can, if necessary, be modified in advance of the annual review if deemed necessary by one or both parties.



Honourable Rich Coleman
Minister of Public Safety and the Solicitor General



Rick Turner, Chair of the Board
Insurance Corporation of BC

cc. Honourable Gordon Campbell
Premier

Ken Dobell
Deputy Minister to the Premier
Office of the Premier

Dana Hayden
Chief Executive Officer, Crown Agencies Secretariat