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May 29, 2013

Automobile Insurance Rate Board Mandate and Roles Document

This Mandate and Roles Document for the Automobile Insurance Rate Board ("Agency") has been developed collaboratively between the President of Treasury Board and Minister of Finance and the Agency to reflect a common understanding of their respective roles and responsibilities.

Nothing in this mandate and roles document is intended to or shall interfere with the Agency's proper exercise of any statutory powers of decision. Although the Agency is part of Alberta Treasury Board and Finance for administrative purposes, the Agency is an independent body making independent decisions.

1. Agency Mandate

The Agency is a regulatory agency created by section 599 of the *Insurance Act.* It has jurisdiction:

- to adjust annually automobile insurance rates for basic coverage of private passenger vehicles, in accordance with section 4 of the Automobile Insurance Premiums Regulation (AIPR);
- to receive notices from insurers of increases in rates for certain rating variables under a rating program for basic coverage for private passenger vehicles, in accordance with section 5 of the AIPR;
- if directed to do so by the Superintendent of Insurance, to review and, if appropriate, adjust rates under the rating program of an insurer for basic coverage for private passenger vehicles, in accordance with section 6 of the AIPR;
- to review information filed with the Board by insurers regarding rating programs and rates for additional coverage, in accordance with section 9 of the AIPR;
- to review proposed private passenger rating programs, rates and other information filed by insurers with the Board and, if satisfied, set the rates for basic coverage, in accordance with section 10 of the AIPR; and
- to exercise the duties and functions formerly exercised by the Alberta Automobile Insurance Board with respect to the insurance of automobiles other than private passenger vehicles, in accordance with section 19 or the AIPR.

In accordance with section 600(1) of the *Insurance Act*, the Minister of Finance on November 29, 2007 expanded the Board's mandate to include public education and information related to automobile insurance on an ongoing basis.

In adjusting premiums for basic coverage the Board considers the criteria set out in section 4(3) of the AIPR; including the following criteria recommended by the Superintendent and approved by the Board:

- a percent of premium profit provision;
- fair and predictable rates;
- rate stability over a 3-5 year horizon; and
- the automobile insurance market.

Vision
The vision of the Automobile Insurance Rate Board is "An efficient and effective automobile insurance market with fair and predictable rates".

Mission
The mission of the Automobile Insurance Rate Board is "As an independent body, the AIRB will regulate rating programs of Alberta automobile insurers to ensure premiums are fair and predictable. The Board will also ensure consumers have access to information to facilitate informed choices".

Values
RESPECT - We foster an environment where consumers, industry, government and Board/staff members are valued and heard.
ACCOUNTABILITY- We are accountable for our actions and to contribute to the efficacy of the auto insurance system.
INTEGRITY- We behave ethically and are open, honest and fair in our dealings.
EXCELLENCE - We use innovation and continuous improvement to achieve excellence.

Applicable Legislation and Regulations
The Agency has responsibilities under, and is subject to, a number of statutes and regulations including:

- *Financial Administration Act* (FAA)
- *Government Accountability Act*
- *Freedom of Information and Protection of Privacy Act* (FOIP)
- *Public Service Act*
- *Insurance Act*
- *Automobile Insurance Premiums Regulation* and the
- *Automobile Insurance Rate Board Fees Regulation.*

2. Duties and Responsibilities

The Government is responsible for the legislative, regulatory and policy frameworks in which the Agency operates.

a) The Minister

The Minister is accountable to the Legislature for the Agency. The Minister reports to the Legislature on the affairs of the Agency and answers questions about the Agency.
The Minister:

- in accordance with section 600(1) of the *Insurance Act* appoints, or recommends the appointment of, the Board Members and the Chair based on her/his assessment that the appointees have the appropriate knowledge, skills, experience and values to assist the Agency in achieving its objectives and performing its functions;
- monitors the operations and performance of the Agency to ensure that it is fulfilling its mandate in compliance with Government policies;
- participates in the process of setting and monitoring the Agency's strategic direction and targets;
- informs the Agency of Government policies and direction affecting the work of the Agency and
- may, if the Minister considers it appropriate to do so, exercise any of the powers and perform any of the duties or functions of the Board under the *Insurance Act*.

b) The Deputy Minister

The Deputy Minister supports and acts under the general direction of the Minister. The Deputy Minister is responsible for the following activities which have been delegated by the Minister:

- conducting regular (at least every seven years) reviews of the Agency's mandate and purpose to determine if the work of the Agency is still relevant to the needs of Albertans, if it is aligned with Government priorities and if the operations and functions are being carried out in a manner that can achieve Government objectives.

c) The Superintendent of Insurance

The Superintendent of Insurance is a non-voting Board Member.

The Superintendent of Insurance, in addition to being a Board member, keeps the Board up to date on Government policies, direction and initiatives, and marketplace issues, that relate to automobile insurance.

d) The Department of Treasury Board and Finance ("Department")

In order to meet the responsibilities delegated to the Agency, the Government and the Department are responsible for supporting the Agency in the following areas:

- providing facilities for Board staff and meetings;
- financial administration and services;
- human resources administration and services;
- information technology services; and
- communications services.

With the exception of the above, the Board's operations are funded wholly through a levy to Industry which the Board issues at the mid-point of each fiscal year. This levy funds all Board honoraria and travel expenses, manpower, advertising, contract services, material and supplies and other expenses. Agency surpluses/shortfalls are offset against future levies.

e) The Board

The Board is responsible for the governance of the Agency and overseeing the management of the Agency's business and affairs. The Board guides the Agency's strategic direction, evaluates the performance of the Agency's Chief Executive Officer/Executive Director (ED), approves and monitors the Agency's business plan, operational plan and financial results and is ultimately accountable to the Minister. Board members must act honestly, in good faith, leaving aside personal interests to advance the public interest and the mandate of the Agency.

The Board is responsible for:

- identifying appropriate business processes to assist in fulfilling its mandate including:
  - frequency of meetings, and
  - use of teleconference participation;
- ensuring that all Directors comply with the Agency's Charter of Expectations;
- establishing such committees as it deems necessary to carry out its duties and ensuring that a written mandate of each committee is reviewed and approved annually;

- The Board has considered various committee structures; however, due to the size and nature of the Board, a formal committee structure has not been adopted. In its place the Board has chosen to implement ad-hoc committees to serve specific issues as they arise. In particular, the Board considered the establishment of an Audit committee; however, as the Board is not a separate entity, its finances are reported as an entity under Treasury Board and Finance and as such are subject to audit by the Auditor General's office;

- appointing the ED; monitoring and evaluating the ED's performance; and recommending the ED's compensation;
- ensuring that adequate plans are in place for management development and succession, and conducts an annual review of such plans;
- monitoring the financial performance of the Agency, ensuring that, the financial results are reported on a timely and regular basis and in accordance with any legislated requirements including Generally Accepted Accounting Principles (GAAP);
- ensuring that all material developments, and significant emergent issues of the Agency, are disclosed to the Minister on a timely basis;
- overseeing compliance with all relevant policies, procedures and standards by which the Agency operates and ensuring that the Agency operates at all times in compliance with all applicable laws and regulations, and to the highest ethical standards;
- approving all matters which require Board approval as prescribed by applicable legislation and regulations. The Board ensures that such matters are brought to the attention of the Minister if necessary;
- providing an orientation to the particular practices of their organization, including their governance practices;
- providing ongoing development opportunities for their Directors;
- ensuring that the Board, through a process led by the Chair (or delegated committee), conducts a bi-annual evaluation and review of the performance of the Board, the Chair of the Board and individual Directors. The Board reviews the results of the evaluations and discusses opportunities to improve Board effectiveness. Individual Director evaluations are used to identify opportunities to improve the individual Director's competence and to inform the re-appointment process;
- preparing and providing to the Minister, a Business Plan and Annual Report for each fiscal year, in the form and at a time acceptable to the Minister in accordance with s. 601 of the *Insurance Act*. These documents are made available to the public through the Agency's website;
- addressing how the Agency interacts with the public and establishing policies that clearly identify roles and responsibilities in the area of communication with the public;
- developing mechanisms to communicate with the Minister and the Department on items of mutual concern;
- engaging in a strategic planning process which includes the consideration of the principal risks associated with the Agency's business. The management of these risks is assigned to the ED and the status is periodically reviewed by the Board. The ED is charged with the responsibility to assure that the Board and its committees are kept well informed of changing risks on a timely basis; and
- exercise and perform any other duties assigned to it by the Minister or prescribed by the regulations.

f) Board Chair

With direction from the Board, the Chair represents the Board and its interests, as well as

the interests of the Agency, in dealing with the Minister, the Department, the ED, stakeholders and the community. The Chair is responsible for providing leadership for the Board and for effectively facilitating the work of the Board.

The Chair is responsible for:

- planning and managing Board meetings;
- providing the Minister with regular updates on the Agency's operations and informing the Minister regarding emergent issues;
- ensuring that the Board, and its committees, have opportunities to meet independent of management;
- ensuring that the Board conducts a bi-annual evaluation of its performance, and the work of individual Board members; and
- administering the Charter of Expectations, Skills Matrix and Code of Conduct and Ethics and ensuring that conflict of interest matters are addressed by the Board.

g) The ED

The ED is the chief executive officer of the Agency, responsible for leading management, developing recommendations for and implementing the organization's strategy and reporting to the Board of Directors.

The ED is responsible for:

- the day-to-day management of the Agency;
- ensuring that services are being delivered within the standards and polices of the Agency and the Government of Alberta;
- establishing appropriate systems for the general administration and financial management and control of the Agency;
- monitoring performance of the agency and taking corrective action when problems are identified;
- ensuring the proper management of the Agency's risk in providing services and care of the organization's assets;
- providing support to the Board to allow it to carry out its governance responsibilities;
- working with the Board to prepare an annual Business Plan and Annual Report in accordance with the guidelines provided by the Minister;
- maintaining effective communications with the Board Chair, the Deputy Minister, the Superintendent of Insurance, senior staff in the Department, other Departments as required, stakeholders and other business partners; and
- operating within the mandate, policies, standards and budget approved by the Board of the Agency and the Government of Alberta.

3. Recruitment and Appointment of Directors

In this Mandate and Roles document, a Director means a Board member.
Directors are appointed by the Government of Alberta and collectively constitute the Board. The Board and the Department of Finance and Enterprise will identify:

- a Charter of Expectations for Board members,
- a competency Skills Matrix for Board members
- a Code of Conduct

The Charter of Expectations and Skills Matrix will be submitted to the Minister for consideration. Recruitment will be based on the competencies approved by the Minister.

Prior to the appointment of a Director, there will be appropriate screening that will include determining potential conflicts of interest.

Board Member
The recruitment process will be led by the recruitment team in consultation with the Board and the Executive Director. When a vacancy occurs, the Board will identify the competencies that need to be replaced and will provide that profile to the recruitment team responsible for leading the process.

The Board will select either a consultant or the GOA's Human Resource department to support the recruitment process. A public posting of all vacancies (which includes the required competencies) will be the responsibility of the recruitment team. Applications will be reviewed by the recruitment team. The recruitment team will be made up of the Board Chair or Vice Chair in the absence of the Chair, a Department representative and an external party as determined by the Chair and Department representative.

Candidates will be assessed on the basis of the applicable competencies and values identified by the Board and approved by the Minister. Conflict of interest and other screening shall be completed before a list of suitable candidates is prepared for submission to the Minister. A list of 2-3 suitable candidates for each vacancy (in rank order) will be provided to the Minister.

The Minister will appoint a replacement to the Board from the short list provided and the Department will coordinate the appointment process by:

- *Order in Council* for all Public Members or
- *Ministerial Order* for the Consumer Representative

The results of the recruitment process will be posted publicly on the Agency's website by Agency staff.

Appointment is for a fixed term of up to 3 years, with the potential of re-appointment, based on satisfactory performance, for an additional 2 term(s). An individual's appointment is limited to a maximum of 10 years of continuous service.

In accordance with section 599 of the *Insurance Act*, the Board consists of:

- at least 3 but not more than 7 members (Public Members) appointed by the Lieutenant Governor in Council through an Order in Council;
- a consumer representative (Public Member) appointed by the Minister through a Ministerial Order; and
- the Superintendent of Insurance, a non-voting member of the Board (Staff Member).

Representative Member
The Board does not have any Representative Members.

Full/part time staff
In accordance with the Public Service Act, the Board may employ staff and other persons as required.

Remuneration
The remuneration of individuals appointed to the Automobile Insurance Rate Board will be set according to the Committee Remuneration Order, Schedule 1.

Expense Re-imbursement
The travel and expense re-imbursement of individuals appointed to the Automobile Insurance Rate Board will be set according to the Public Service Subsistence and Travel Allowance Regulation.

4. Interaction Between Agency and Department

The Board Chair and the ED will periodically meet or communicate with the Minister as necessary to inform the Minister of automobile insurance rate issues and progress on matters described in the AIRB's Business Plan.

The Board Chair will meet with the Superintendent of Insurance on a regular basis to keep the Superintendent informed of automobile insurance rate issues. In addition, the ED will meet with the Superintendent on a monthly basis to discuss automobile insurance issues and to keep the Superintendent informed of progress on matters described in the AIRB's Business Plan.

5. Administration

Review of the Mandate and Roles Document
The Mandate and Roles document shall be in effect for not more than three years. It must be renewed or revised by the expiry date.
The Mandate and Roles document must be affirmed annually by the Minister and the Board Chair, or on a change in either the Minister or Board Chair.

Transparency
Copies of the Mandate and Roles document will be filed with the President of Treasury Board and Minister of Finance, the Agency and the Agency Governance Secretariat. In support of the principle of transparency, this document will also be easily available to the public on the Agency's website.

Periodic Agency Review
A review of the Agency's mandate and purpose will be carried out by the Department in accordance with the review process developed in consultation with the Agency Governance Secretariat.

Approved by the Board

(Original signed)	*(Original signed)*
Board Chair	Minister
Automobile Insurance Rate Board	Treasury Board and Finance
May 29, 2013	*June 20, 2013*
Date	*Date*