



PBC Health Benefits Society

**Terms of Reference for  
Pacific Blue Cross  
Risk Committee**



# Terms of Reference for Pacific Blue Cross Risk Committee

## I. Purpose

The principal role of the Risk Committee (the "Committee") is to assist the Board in fulfilling its oversight responsibilities on risk across Pacific Blue Cross ("PBC"). This includes overseeing the risk exposures and risk strategy and monitoring the effectiveness of the risk management framework including risk appetite, risk policies, key controls, and the promotion of a risk aware culture throughout PBC.

## II. Composition

- a) The Committee shall comprise at least five Directors appointed by the Board;
- b) Each Director shall have reasonable understanding of the types of risks to which PBC may be exposed to, commensurate with the size, complexity and capital structure of PBC;
- c) All Directors are required to keep up to date on risk, regulatory, and compliance issues and, where appropriate, shall receive orientation and ongoing professional development to meet this requirement;
- d) The Corporate Secretary or a nominee assigned by the Committee Chair shall be secretary to the Committee.

## III. Duties and Responsibilities

### A. Governance

- i. Set the tone for a risk awareness culture;
- ii. Assure clarity of the Chief Executive Officer's ("CEO") management of risk accountabilities;
- iii. Approve the appointment, performance review, removal from office, and succession plans for the Chief Compliance and Risk Officer ("CCRO");
- iv. Review and approve key enterprise wide compliance and risk management policies;
- v. Review and approve the Regulatory Compliance Management (RCM) framework;
- vi. Ensure that the Risk Function has appropriate independence, and where there may not be sufficient independence that there are appropriate compensating controls and independent enterprise-wide oversight;
- vii. Ensure that there is an independent review of compliance to the Risk Management policies by Internal Audit as per the regular reporting cycle;
- viii. Ensure that Senior Management adequately and proactively involves the CCRO in the various stages of strategic and business planning processes to ensure appropriate consideration of material risks throughout the process;
- ix. Before a decision is taken, advise the Board on the risk profile of proposed strategic transactions and initiatives including acquisitions, mergers, disposals, or extensions into new business sectors, focusing on implications for risk appetite and tolerance, with consideration of independent, external advice as appropriate;
- x. Work and liaise as necessary with other PBC Board Committees.

## B. Risk Oversight

- i. Lead the Board's oversight of compliance and risk management;
- ii. At least quarterly, be advised on compliance with all key risk policies and regulatory requirements, the risk assessment status of all major risk categories, overall compliance with Enterprise-wide Risk Appetite, any required action steps to bring risk level back into compliance with the Risk Appetite level, emerging risks, and critical risk exposures to PBC;
- iii. Satisfy itself as to the soundness of the Own Risk and Solvency Assessment ("ORSA") process and recommend PBC's ORSA Report annually to the Board for approval;
- iv. Review and recommend the ORSA Key Metrics Report to the Board for approval;
- v. Review Financial Condition Testing ("FCT") report including:
  - Review issues that need Management action annually and recommend to the Board of Directors the FCT;
  - Review assumptions used in the FCT as determined by Management in conjunction with the external actuary;
  - Review scenarios used in FCT as determined by Management in conjunction with the external actuary;
  - Review results from scenarios and assumptions in FCT to determine any recommended actions by Management assumptions;
- vi. Meet with the Appointed Actuary at least annually, without the CEO or other members of Senior Management present;
- vii. Review the Underwriting Policy annually;
- viii. Review and approve the Reinsurance Risk Management Policy annually;
- ix. Ensure that management has in place an enterprise wide "fit for purpose" stress testing program, and reviewing and discussing findings from such stress testing programs;
- x. Review of PBC Conflict of Interest Framework annually;
- xi. Meet with the CCRO quarterly, or as needed, without the CEO or other members of Senior Management present;
- xii. Seek assurance from the CCRO and Risk Function as to the objectivity of risk information or analysis provided to the Board;
- xiii. Report to the Board with a summary of the Enterprise Wide Risk Management program, status of key risks, and compliance with key risk policies and risk appetite;
- xiv. Review and monitor management's responsiveness to risk and compliance issues identified through independent reviews by the Risk Function, Internal Audit, or external parties;
- xv. Review LICAT benchmarks that are reported quarterly on the OSFI website.
- xvi. Review laTS Security Reports on at least a bi-annual basis.

### **C. Risk Strategy**

- i. Annually review and recommend PBC's overall risk appetite to the Board for approval;
- ii. Quarterly review the risk profile of PBC, including emerging risks, considering both internal factors and external factors;
- iii. Obtain reasonable assurance on the effectiveness of management's system of internal controls and risk strategy to manage these risks;
- iv. Annually review insurance coverage of PBC;
- v. Annually review the risk register of PBC;
- vi. Annually review business continuity and disaster recovery plans;
- vii. Annually review credit ratings for reinsurers.

### **D. Authority**

- i. The Committee derives its authority from the Board of Directors of PBC;
- ii. The Committee shall have unfettered access to the CCRO on all Committee matters;
- iii. The Committee is authorized to have unrestricted access to all information of PBC. All employees are directed to cooperate with any request made by the Committee Chair or the CCRO acting on instructions from the Committee;
- iv. The Committee is authorized to commission any reports or surveys that it considers necessary to help it fulfil its duties and responsibilities;
- v. The Committee is authorized to obtain independent professional advice on any matter within its terms of reference and to secure the attendance of such advisers with relevant experience and expertise if it considers this necessary. The Committee shall consult with the Chair of the Board before any fees are agreed.

## **IV. Accountability**

- a) The Committee will report its discussions to the Board or if necessary, by written summary, at the next meeting of the Board;
- b) The Committee will review the Committee Chair Succession Plan on an annual basis;
- c) The Committee will review and recommend changes to its Terms of Reference annually for reference to the Governance Committee and for recommended approval to the Board.

## **V. Committee Timetable**

The Committee Workplan for the forthcoming year will be agreed to by the Committee at the last meeting of the current year.

