

FACILITY ASSOCIATION

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TO: MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION: CHIEF EXECUTIVE OFFICER
RISK SHARING POOLS PROJECT MANAGER**

BULLETIN NO. : F06 - 002

DATE: JANUARY 11, 2006

**SUBJECT: NOTICE OF AMENDMENT TO THE PLAN OF OPERATION –
OPERATING PRINCIPLES IN REGARD TO RISK SHARING POOL
CLAIMS REPORTING AND ERROR CORRECTION**

Pursuant to the provisions of Article XIX, Section 5 of the Plan of Operation, the Facility Association Board of Directors at its last meeting approved the following amendments to the Operating Principles:

Inserting after Part IV Section 4.C (2) the following:

"D. CLAIMS REPORTING

- (1) A member shall within twelve months from the date it receives a claim under a policy that has been transferred to an RSP, including any loss for which settlement expenses would be incurred by the member without there being any claims payment, report to the Association that it will be claiming against the RSP in connection therewith.
- (2) If a member fails to comply with this requirement, the Association management may require the member to remove the claim from the RSP due to late reporting. In any such case the member shall have the right to appeal such decision to the Claims Committee and to the Board."

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Amendment to Operating Principles – RSP Claims Reporting & Error Correction

Inserting after Part IV Section 4 the following:

"SECTION 5 – ERROR CORRECTION REMEDIATION PLAN

A. INITIAL PROCEDURE

Where a member is identified by the Association management as having a significantly higher than average error rate on an ongoing basis with respect to the submission of claims and/or premiums to an RSP, the following steps will be taken:

Step 1 – a letter will be sent by the Association to the President of the member outlining the edit listings with the errors, providing a contact name and number at the Association for assistance, and giving the member sixty days to correct the errors or submit an action plan for consideration;

Step 2 – if after the sixty days no significant improvement is noted by the Association and no action plan has been submitted to the Association, a second letter will be sent to the President of the member stating that if no significant improvement is noted within a further sixty days the member may no longer be entitled to cede risks to the RSP.

B. EXCLUSION FROM USE OF RSP

- (1) If, after the sixty day period referred to in Step 2, no significant improvement has been observed the Board shall be so advised and may by resolution decide that the member shall no longer be authorized to cede risks to the RSP, and that all transactions with errors are to be removed from the RSP immediately and returned to the member.
- (2) If the Board decides that the member shall no longer be authorized to cede risks to the RSP the President of the member shall be advised of such decision in writing forthwith and of the transactions being returned to the member.
- (3) A member that has been so advised may apply subsequently to the Board to be reinstated and the Board may approve such reinstatement upon such terms and conditions as it may deem appropriate."

Bulletin F06-002

Amendment to Operating Principles – RSP Claims Reporting & Error Correction

NOTICE is hereby given to the members that the proposed effective date of these amendments is 30 days after necessary regulatory approval is received and a bulletin will be sent announcing the changes to the Risk Sharing Pool manual once regulatory approval has been obtained.

The reason for the changes is to ensure prompt reporting of Risk Sharing Pool claims and to ensure companies are allocating the necessary resources to correcting Risk Sharing Pool errors.

Please direct questions regarding claims reporting to Ms. Jill Hepburn, Vice President of Underwriting and Claims at jhepburn@facilityassociation.com or 416-644-4912.

Please direct questions regarding error correction to Ms. Georgette Chan, Vice President of Operations at gchan@facilityassociation.com or 416-644-3110.

David J. Simpson, M.B.A., FCIP
President and CEO

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