



Accounting & Statistical Manual

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INTRODUCTION

The Facility Association is an unincorporated entity first established pursuant to the provisions of the Compulsory Automobile Insurance Act in Ontario. Its existence was subsequently recognized by each of the other provinces and jurisdictions in which it operates, these being Alberta, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Islands, and Yukon.

Its purpose is to ensure the availability of automobile insurance to owners, lessees and licensed drivers of motor vehicles who are eligible.

The Facility Association's mission is to deliver on our Purpose through the efficient administration of automobile insurance residual market mechanisms and by providing valued information to our members. Facility Association strives to enhance market stability through minimizing its market presence and impact, in an effort to provide consumers with the benefits of a healthy and competitive standard insurance market.

Every insurer licensed to write automobile insurance in any jurisdiction Facility Association serves is required to become a member and remain a member of the Association. All members of the Facility Association must abide by its Plan of Operation.

The Facility Association under the leadership of its Board of Directors ("the Board") manages and accounts for the operations of certain insurance pooling mechanisms on behalf of participating member insurance companies: Facility Association Residual Market (FARM), Risk Sharing Pool (RSPs), and Uninsured Automobile Funds (UAFs).

The Facility Association also provides and administers an underwriting information plan ("UIP") to enable the identification, collection and transformation of data into information to assist the valid and appropriate risk assessment by members. Such data is then by definition UIP data. Please refer to [Plan of Operation](#) A. Articles of Association Article XIV – Underwriting Information for detailed information.

The Facility Association generates no revenue on its own and has no right to the insurance-related revenue generated by the insurance pools. It also has no liability for the claims-related expenses incurred by these pools. All of the Facility Association's expenses are recovered fully from its members, and any profit or loss realized on any of the business included in any of the Facility Association's insurance pooling mechanisms is allocated to members.

PART I

FACILITY ASSOCIATION RESIDUAL MARKET

Chapter 1 General Description of Data Processing, Accounting and Reporting Responsibilities - FARM

1.1 Facility Association

The Facility Association Residual Market (“FARM”) is managed by the Facility Association. The following outlines the data processing, accounting and reporting responsibilities of the Facility Association in managing the FARM:

1. Administer bank accounts for the FARM
2. Manage cash flow and transfer of funds with members
3. Generate monthly Participation Report and Government Line Report for members
4. Report participation experience monthly and update share ratio of the members annually
5. Maintain necessary controls, books, ledgers
6. Prepare draft monthly and year-end audited Financial Statements
7. Support the preparation of year-end Appointed Actuary’s Report
8. Manage excess funds that are not required to meet Facility Association’s short term cash flow needs
9. Conduct audits of Servicing Carriers
10. Monitor the effectiveness of internal control procedures
11. Perform valuations and projections
12. Manage risks associated with data processing, accounting and reporting

1.2 Servicing Carriers

Servicing Carriers are member companies of the Facility Association who are authorized to manage policies and adjudicate claims for the account of the Facility Association. Servicing Carriers so designated must meet the eligibility requirements for Servicing Carriers as laid out in the [Plan of Operation](#). Facility Association policies written by the Servicing Carriers are subject to the rules, rates and classification of the Facility Association. Servicing Carriers receive compensation for their services are reimbursed for indemnity claims payments, and for certain legal and claims adjusting expenses (please see the [FARM Claims Guides](#) for details). The Facility Association communicates on any Servicing Carriers’ related matters via bulletins designated with the prefix “SC” and “PJM” (Project Manager Bulletins).

As addressed in the [Servicing Carrier agreement \(Exhibit 1-A\)](#), the following outlines with respect to the data processing, accounting and reporting responsibilities of the Servicing Carrier:

1. Provide quality service to Association insureds and appointed agents/brokers.
2. Bill policy holders on a timely basis for premiums.

3. Collect premiums when due.
4. Disburse funds when due.
5. Handle claim transactions including claim payments, recording provisions for outstanding claims, collecting subrogation/salvage recoveries.
6. Handle intermediary compensation efficiently.
7. Code and prepare data processing input for necessary transactions.
8. Maintain all necessary controls, books, ledgers and data sets as required.
9. Prepare necessary monthly and annual accounting and data processing reports.

1.3 All Facility Association Members

Every insurer licensed to write direct automobile liability insurance in any jurisdiction in which the Facility Association operates shall become a member by operation of law.

The Facility Association communicates with members via bulletins designated with the prefix “F” that are also posted on the Facility Association’s website.

The following outlines the responsibilities of the members:

1. Record in their books their share of allocated participation experience as direct business.
2. Pay premium taxes, health levies, Bureau and other association expenses as required.
3. Receive their share of the FARM policyholder reserve-related funds. Reserve-related funds are the funds not required to be held by Facility Association to meet its current cash flow needs and therefore transferred to members. These represent the remaining written premium dollars not yet required to be paid out for paid claims and general expenses.
4. Return FARM policyholder reserve-related funds to pay the policyholder claims when due and requested by Facility Association.
5. Accurate transmission of data

Chapter 2 Collection of Policyholder Premium and Remittance to Facility Association

1. The Servicing Carrier is responsible for representing the interests of Facility Association with respect to the collection of premium receivables, and should use the same collection procedures they would for their “own” premium receivables when dealing with premium receivables of the Facility Association. Where legal/collection expenses are expected to be incurred on behalf of the Facility Association, these shall require review by the Provincial Operating Committee for recommendation to the Facility Association Board of directors or the President for approval.
2. Any Policyholder premium received by the Servicing Carrier is to be remitted to Facility Association within 2 business days of receipt.
3. Any finance fees charged by the Servicing Carrier in relation to any “payment plans” will be retained by Servicing Carriers. Servicing Carriers are responsible for bad debts associated with the uncollected premium related to Monthly Payment Plan, and therefore will not be reimbursed for these costs. Any “not-sufficient-funds” or “NSF” charges will be retained by the Servicing Carrier.
4. Where a Policyholder has paid their premium to the appointed agent/broker of the Servicing Carrier (and provided that the Policyholder's cheque for payment has been honoured by the bank or that the Policyholder can present a receipt for cash payment), the Servicing Carrier will properly credit the Policyholder even if the agent/broker fails to remit the payment to the Servicing Carrier.
5. In the case of a cancelled agent/broker, the Servicing Carrier will:
 - a) immediately assume responsibility for accounts receivable from, and refunds payable to, Policyholders, including premium transactions processed after the agent/broker cancellation that must be invoiced directly to the policyholder; where payment is not received within 30 days, the policy must be cancelled by registered letter in accordance with the policy terms / conditions;
 - b) immediately notify Facility Association and the provincial regulatory/licensing authority of the agent/broker cancellation and the amount of the outstanding debt;
 - c) as soon as practicable, set up a mechanism to service the business of the cancelled agent/broker, either through the Servicing Carrier's own office or through arrangements with another agent/broker, until the last policy is expired;
 - d) as soon as practicable, advise each Policyholder of the Servicing Carrier's intent and method of providing policy service until expiry;
 - e) as soon as practicable, give proper notice of non-renewal to Policyholders as required in their jurisdiction; and
 - f) as soon as practicable and in the case of any account for which the Servicing Carrier has not been paid by the agent/broker, obtain proof of payment directly from the Policyholder and, if proof of payment has not been received within 30 days from the Policyholder, cancel the policy by registered letter in accordance with the policy terms / conditions.

Chapter 3 Accounting Procedures for Servicing Carriers

3.1 Accounting Records

Each Servicing Carrier is required to maintain the following books of record and reports separately for its Facility Association business:

1. General Ledger
2. General Journals with supporting documentation
3. Cash Receipts Register/Journals
4. Cash Disbursements Register/Journals
5. Bank Statements
6. Aged Premium Receivable Report (Detailed by broker and insured)
7. Written Premium Bordereau
8. Claims Bordereau (paid and outstanding claims)

3.2 General Ledger

The general ledger for the Facility Association will contain the following accounts:

<u>Account No.</u>	<u>Account Title</u>
1000	Bank Balance
1010	Unapplied Premium
1020	Premiums Receivable
1030	Allowance for Doubtful Accounts
1040	Allocated Expense Recovery
1050	Other Assets
2000	Commissions Payable
2010	Outstanding Claims Draft
2020	Uncashed Cheque Reserve
2030	Unearned Premiums
2040	Unpaid Claims
2050	Other Liabilities
2060	Retail Sales Tax Payable / (Receivable)
3000	Transfer to/from Facility Association
3010	Surplus/Income Summary
4000	Premiums Written
4005	Handling Fee/Interest Revenue
4010	Change in Unearned Premiums
4020	Paid Claims & Recoveries
4021	Paid Claims & Recoveries (CAY)
4022	Paid Claims & Recoveries (PAY)
4030	Change in Unpaid Claims
4031	Change in Unpaid Claims (CAY)

4032	Change in Unpaid Claims (PAY)
4040	Commissions
5000	Bad Debts
5010	Bank Charges
5020	Miscellaneous Income/Expenses
5030	Driver Record Abstract (DRA) Costs
5040	Operating & Service Fee Expense
5050	Claims Service Fee Expense

Detailed description of each general ledger account is shown in [Exhibit 3-A](#).

The following are the jurisdiction codes used by Servicing Carriers on the trial balance:

<u>Jurisdiction No.</u>	<u>Jurisdiction</u>
075	Newfoundland
150	Alberta
200	Nunavut
375	New Brunswick
450	Nova Scotia
525	P.E.I
600	Ontario
825	Yukon
900	N.W.T.

3.3 Bank Account(s)

A separate account or accounts with a bank designated by the Facility Association will be established by each Servicing Carrier for Association transactions. The banking resolution required to operate the bank account(s) will contain such wording as is required by the designated bank. Provision will be made in the banking resolution for the Facility Association Central Office to control the account(s). Each Servicing Carrier must ensure daily clearing of deposits from all of its locations to a central account in the main office of the bank in a designated city. In addition, all disbursements on behalf of the Facility Association by the Servicing Carrier (all locations) will be drawn on a central account at the said bank main office. At the end of each business day, the bank will zero balance Servicing Carrier accounts with Facility Association Central Office bank accounts. The management of the account(s), as far as making optimum use of the cash balances, is the responsibility of the Facility Association Central Office.

The Servicing Carrier will designate those individuals who will have authority to disburse and deposit funds in the bank account(s).

Any banking or transaction costs related to payments (e.g. by credit card) will be borne by the Servicing Carrier.

3.4 Operation of Bank Account(s)

The Facility Association bank account(s) under the control of the Servicing Carrier will be used for the following purposes:

1. With regard to deposits

- Receipt of premium collections daily
- Claims recoveries e.g. salvage and subrogation daily
- Funds transferred from Association central bank account
- Premiums, claims and commissions related adjustments
- Reimbursement from insureds for cost of NSF cheques

2. With regard to disbursements

- Payment of claims – by accepted banking methods (please refer to **3.18 Accepted Banking Methods**)
- Refund of deductible amounts recovered from subrogation collections
- Payment of agents'/brokers' commissions
- Premium refunds
- Bank service charges
- Funds transferred to The Facility Association Central Office account
- Payment for Driver Record Abstracts
- Payment of allocated claims expenses (see Section 3.8)
- Payment of operating and service fees
- Payment of claims service fees
- Payment related to salvage and subrogation, e.g. HST, record in Misc Income and Expense
- Other expenses maybe permitted (Servicing Carrier must provide details)

3.5 Use of Books of Record

1. Cash Receipts Journal - should include sufficient detail to identify all receipts from Association agents/brokers and Insureds, receipts on account of salvage and subrogation and other cash receipts. Deposits of all receipts should be made to the Facility Association bank account(s) maintained by the Servicing Carrier within 2 business days after receipt. When the cheque includes salvage and/or subrogation items for both Facility Association and their regular book of business, the Servicing Carriers are permitted to deposit the cheque no later than the last workday of the following month in which the cheque was received. (See Section 3.9 for cash transfer confirmation procedures).
2. Cash Disbursement Journal - should include sufficient detail to identify all disbursements for losses paid by accepted banking methods (please refer to **3.18 Accepted Banking Methods**), payments of premium refunds, refunds of deductible amounts recovered from subrogation collections, bank service charges, cost of Driver Record Abstracts, allocated claims expenses, operating and service fees, claims service fees and other expenses maybe permitted and Servicing Carrier must provide details. (See Section 3.9 for cash transfer confirmation procedures.)

3. General Journal – details supporting each journal should be provided as follows:
 - a) entry date, value date
 - b) the name and the account number/s used
 - c) an explanation of the transaction, and
 - d) debit and credit amounts to be posted to the Facility Association general ledger.
4. Written Premium Bordereau - the Servicing Carrier will be required upon request to provide a premium bordereau for audit purposes. This report should include sufficient detail to identify all premium transactions during the month.
5. Claims Bordereau (Paid and Outstanding Claims) - The Servicing Carrier will be required upon request to provide a claims bordereau for audit purposes. Sufficient detail of all loss payments and recoveries recorded during the month, and all provisions for outstanding losses as of the end of the month, must be included.

3.6 Supporting Documentation for Books of Record

All entries in the books of record will require supporting documentation, properly maintained and filed by the Servicing Carrier for a minimum of 7 years. Required documentation is as follows:

1. Premium records - support at the detailed transaction level for:
 - a) New business
 - b) Renewals
 - c) Endorsements (return and additional premium)
 - d) Cancellations
2. Claims transaction records - support at the detailed transaction level for:
 - a) Settlement of losses using Accepted banking methods (please refer to **3.18**)
 - b) Supportable expense for salvage and subrogation recoveries (if not deducted from settlement of losses as per a) above)
 - c) Allocated claims expenses recoverable
3. Commission payment records - will be maintained on a monthly basis. The Servicing Carrier will be required to maintain the commission data on a basis that will facilitate the preparation of the required government returns (T4's, etc.) to be filed annually by the Servicing Carrier. Since the agent/broker is deemed to be an independent businessman there is no obligation on the part of the Servicing Carrier to provide a copy of the required government return to the agent/broker.
4. Driver record abstract – invoices from and payments to government agency should be on file.

5. Other disbursement records - supporting detail for any Association disbursements to reimburse Servicing Carriers for incorrect payments that might have been made from the Servicing Carrier's own bank accounts and for bank service charges.

3.7 Documents for Disbursements

Accepted banking methods (please refer to 3.18) may be used by the Servicing Carrier in settlement of claims and allocated claims expenses, premium refunds, agents'/brokers' commissions and other expenses, where permitted. All draft and related cheque forms will be printed in the name of the Servicing Carrier in a format selected by the Servicing Carrier. The expense for the preparation and printing of these forms and other banking related items e.g. deposit books is for the account of the Servicing Carrier and not to be charged to the Facility Association.

3.8 Allocated Claims Expenses Optional Procedure

Normally, allocated claims expenses will not be paid from the Servicing Carrier's Association bank account because the claim service fee payable to the Servicing Carrier substitutes for reimbursement of claim expenses, both allocated and unallocated. As an optional procedure, a Servicing Carrier may elect to pay allocated claims expenses from the Facility Association bank account and reduce the amount of the claim service fee reported in the request for service fees which is submitted to Facility Association head office for approval. In this event, the reimbursement of claims service fees due to the Servicing Carrier will be net of allocated claims expenses previously paid from the Facility Association bank account. Supporting detail for allocated claims expenses using Facility Association cheques must be maintained by the Servicing Carrier.

These allocated claims expenses must be recorded in the general ledger's "Allocated Expense Recovery" Account No. 1040, not in "Paid Claims and Recoveries" Account No. 4020.

3.9 Submission of Accounting Reports

The Servicing Carrier is required to submit the following reports to the Facility Association Central Office within 30 days of the applicable month-end.

- Trial Balance of Servicing Carrier General Ledger [Exhibit 3-B](#)
- Cash Analysis and Bank Reconciliation [Exhibit 3-C](#)
- Request for Service Fees [Exhibit 3-D](#)
- Aged Premium Receivable Report [Exhibit 3-E](#)
- Cash Transfer Confirmation [Exhibit 3-F](#)
- Agent Commission, and Written Premium Report [Exhibit 3-G](#)
- Commission Adjustment Report by Servicing Carriers [Exhibit 3-H](#)
- Servicing Carrier Unclaimed Property [Exhibit 3-K](#)
- Bank account balance verification from General Ledger
- Reconciliation of Statistical Data to Trial Balance Data [Exhibit 3-L](#)

In addition, all annual reports as requested are required within 30 days of the year end.

Trial Balance of Servicing Carrier General Ledger [Exhibit 3-B](#)

The trial balance is a statement of the Servicing Carrier's General Ledger of Facility Association account balances at the close of each accounting month, and are to be maintained at a jurisdiction level. For those accounts that Servicing Carriers are unable to split directly by jurisdiction, the accounts may be allocated to jurisdiction using the following prescribed method:

- Bank Balance a/c 1000, being a function of outstanding cheques may be allocated based on Paid Claims for last 6 months (May-Oct) of the previous fiscal year.
- Transfers To/From FA a/c 3000 may be allocated based on Surplus/Income Summary as at the previous year end (e.g. As at October 31, 2017 for November 2017 to October 2018).
- Bank Charges a/c 5010 may be allocated based on Paid Claims for the 12 months of the previous fiscal year.

Monthly Cash Analysis and Bank Reconciliation [Exhibit 3-C](#)

The Servicing Carrier will establish a relationship and lines of communication with the Facility Association's bankers in the same manner as those established for the Carrier's own business. Controls must be established by the Servicing Carrier to record the daily activity in the bank account(s) so as to provide the necessary information to complete the schedule of cash analysis (Exhibit 3-C) and the preparation of bank reconciliation as prescribed by the Facility Association. Following reasonable attempts to reconcile all differences, Servicing Carriers may write-off differences less than \$50 to clear items in the bank reconciliation each month. Servicing Carriers should itemize and track all write-off differences for submission to FA annually with the October year-end trial balance.

Also required is a jurisdictional breakdown by Accident Year (calendar year) in two groups (current accident year; prior accident years) between Private Passenger and Non-Private Passenger business for the following lines in the Cash Analysis:

- Line 7 – Premiums Received
- Line 15 – Agent's Commissions/Policy Refunds
- Line 17 – Driver Record Abstracts

Monthly Request For Service Fees Report [Exhibit 3-D](#)

Upon receipt and review of the Servicing Carrier's monthly Trial Balance and Request for Service Fees, the Facility Association Central Office will advise the Servicing Carrier that the reimbursement of the servicing carrier fees will be provided by accepted banking methods (please refer to 3.18) if so requested by the carrier for:

1. Operating Service fees for the month;
2. Net Claims Service fees for the month.

Under no circumstances will the Servicing Carrier issue cheques for service fees without prior written authorization from Facility Association Central Office, Finance team.

The above mentioned disbursements will be recorded as follows:

- Debit - Operating and Service Fees G/L #5040
- Debit - Claims Service Fees G/L #5050

Credit - Allocated Expense Recovery G/L #1040

Credit - Bank Balance G/L #1000

Aged Premium Receivable Report [Exhibit 3-E](#)

All Servicing Carriers must complete a standardized aged premiums receivable report (Exhibit 3-I). Servicing Carriers must ensure that these numbers reconcile to the premiums receivable reported on their trial balance. The Servicing Carrier should also comment on the collection status of all overdue accounts (greater than 90 days past due), including the likelihood of collecting these overdue accounts. Servicing Carriers are not permitted to provide an allowance for doubtful accounts as the annual provision at year-end will be estimated by Facility Association central office. Please refer to section 2.2 Collection of Accounts Receivable and 3.17 Write-off of Accounts Receivable.

It is the responsibility of the Servicing Carriers to clear all their receivables beyond 90 days and if any outstanding balance remains on the Servicing Carrier's aged trial balance beyond that period (i.e. 90 days) and if the account in question:

- a) has not been referred to the Provincial Operating Committee for a ruling, or
- b) is not in litigation,

then the Servicing Carrier shall be charged an interest penalty on the outstanding balance by broker on the aged receivable listing that show debit (positive) balances reported (brokers with credit (negative) balances are excluded from this calculation) at the Prime Rate charged by Canada's chartered banks to their most credit worthy customers, for as long as the account remains outstanding. Every fiscal quarter, Central Office will provide a worksheet with a detailed breakdown by month the broker overdue amount and the interest owed to Facility Association. The Servicing Carrier will remit the interest payment to Central Office upon receipt of the interest charged template prepared by Central Office. It is recorded to Interest Income-Overdue Broker account a/c 4161.

For broker accounts with an outstanding balance over 150 days, the Servicing Carrier is required to submit the outstanding amount in full or submit an appeal to the Provincial Operating Committee for review.

Cash Transfer Confirmation [Exhibit 3-F](#)

Balances in the Servicing Carrier's Facility Association Bank account will be automatically transferred to the Facility Association Central Office bank account by its banker as prescribed by the Facility Association at the end of each business day.

The Servicing Carrier will be provided with a summary of the cash transfers for the month, as reported by the Facility Association banker. This summary must be verified against the cash transfers recorded in the Servicing Carrier's general ledger, and a "confirmed" signed copy is to be returned to the Facility Association Central Office.

Agent Commission, and Written Premium Report [Exhibit 3-G](#)

The Servicing Carrier will be required to submit a monthly commission and written premium report by jurisdiction and by business segment, which are private passenger and non-private, passenger automobile insurance.

Commission Adjustment Report by Servicing Carriers [Exhibit 3-H](#)

To allow for early detection and correction of Servicing Carrier commission differences by business segment, the Servicing Carriers are required to reconcile trial balance data with IBC statistical data and to submit commission adjustments which are to be included with monthly commission as reported in Agent Commission, and Written Premium Report (Exhibit 3-G). Please refer to Section 4.8 for the reconciliation of the Servicing Carriers' trial balance to their statistical reporting.

Bank Account Balance Verification from General Ledger

Servicing Carriers are required to submit the General Ledger page confirming the monthly ending balance of the bank account.

General Ledger Breakdown

Servicing Carriers are required to provide a jurisdictional breakdown by Accident Year (calendar year) in two groups (current accident year; prior accident years) between Private Passenger and Non-Private Passenger business for each of the following trial balance accounts: a/c 2000 – Commissions Payable

- a/c 2020 – Uncashed Cheque Reserve
- a/c 2050 – Other Liabilities
- a/c 2060 – Retail Sales Tax Payable
- a/c 4040 – Commissions
- a/c 5030 – Driver Record Abstracts

Annual reports

Servicing Carriers may be required to submit various year-end reports to the Facility Association Central Office as requested at the time of the year-end audit.

Servicing Carriers are required to annually submit information related to structured settlements. To support this reporting requirement, Servicing Carriers must maintain accurate records on structured settlements and have controls in place to ensure structured settlements are monitored and reversionary interest is credited back to Facility Association where applicable.

3.10 Outstanding Cheques and Drafts

At the end of each month all cheques and drafts outstanding for six months or longer from the date of issue should be transferred to the "Uncashed Cheque Reserve Account". This transfer will be effected by Journal Voucher and entered on the Cash Analysis Schedule. Listings in support of this General Ledger account will be maintained by the Servicing Carrier, although it is understood that the liability will be

assumed by the Facility Association. Annually an email from the Senior Accountant will be sent by the end of January to Servicing Carriers to remind them of this requirement. Servicing Carriers must remit abandoned property to Alberta Finance by end of April of every year as per Alberta's unclaimed property guidelines. Servicing Carriers are required to provide supporting documentation to Facility Association for payment of unclaimed property to Alberta Finance.

Unclaimed Property Act became effective on January 1, 2022 in New Brunswick.

Please refer to Facility Association Unclaimed Property Guidelines and Procedures (Exhibit 3-J).

3.11 General Ledger Analysis

It is the responsibility of the Servicing Carrier to maintain detailed information including sub-ledgers and supporting documentation as required for audit purposes which shall be balanced monthly to the appropriate general ledger control accounts as follows:

- Unapplied Premium (GL Account 1010)
- Premiums Receivable (GL Account 1020)
- Allowance for Doubtful Accounts (GL Account 1030)
- Other Assets (GL Account 1050)
- Commissions Payable (GL Account 2000)
- Outstanding Claims Drafts (GL Account 2010)
- Uncashed Cheque Reserve (GL Account 2020)
- Other Liabilities (GL Account 2050)
- Bad Debts (GL Account 5000)
- Miscellaneous Income/Expenses (GL Account 5020)

3.12 Audit

Facility Association books of accounts maintained by the Servicing Carrier will be subject to a year-end audit by their external auditors and their auditor's report is to be submitted to the Facility Association's external auditor designated by the Board of Directors. Audits may also be conducted by the Facility Association's Compliance team during the course of the year.

3.13 Retention of Records

The retention and distribution of records by the Servicing Carrier will follow the statutory requirements as set out for insurance companies at the Provincial or Federal level. Nevertheless, records supporting the entries on the books of record shall be retained for the Facility Association audit purposes for at least a seven-year period.

3.14 Advancement of funds by the Servicing Carrier to the Facility Association

On authority of the Facility Association's Board of Directors, a Servicing Carrier may advance funds from its own account to its Association bank account. Interest will be payable to the Servicing Carrier at the then current prime rate.

3.15 Monthly Reconciliation Report

Facility Association requires Servicing Carriers to reconcile transactions reported to the IBC with the amounts reported on the Carrier's Trial Balance. As an aid to this reconciliation, Servicing Carriers can download a copy of the trial balance report which is available on the FA portal.

3.16 Reconciliation between sub-ledger and general ledger balances for Accounts Receivable

Reconciliation between servicing carrier's sub-ledger and general ledger balances for Accounts Receivable must be completed monthly by servicing carrier. Any unexplained differences will not be eligible for write-off by Facility Association. If the servicing carrier is unable to resolve the differences, and the general ledger balance is higher than the sub-ledger, the servicing carrier must reimburse Facility Association to clear the difference.

3.17 Write-off of Accounts Receivable

1. Provided that the Servicing Carrier has followed the procedures set out in 3.9 -- **Aged Premium Receivable Report Exhibit 3-E**, any defaults in payment of accounts will be borne by the Facility Association members. All requests for the write-off of accounts receivable must be fully documented and submitted to the appropriate Provincial Operating Committee for review and recommendation to be made to the Board of Directors or the President for final approval.
2. There shall be no write-off of premiums in respect of deferred premium payment plans or monthly payment plan offered by the Servicing Carrier. Write-off of premiums in respect of direct billing plans should normally not be necessary. If there are special circumstances, however, the matter shall be fully documented and submitted to the appropriate Provincial Operating Committee for review and recommendation be made to the Board of Directors or the President for final approval.

3.18 Accepted Banking Methods

Cheque, draft, electronic fund transaction (EFT) and email transfers.

3.19 Handling of GST and HST

Salvage collected by Servicing Carriers related to FARM claims must be credited to FARM and should be exclusive of any applicable GST/HST collected with salvage, since Servicing Carriers are responsible for remitting GST/HST to the relevant tax authority. Any GST/HST paid by Servicing Carriers on eligible expenses may be charged to FARM.

Chapter 4 Accounting Procedures for Facility Association Central Office

4.1 General

Facility Association Central Office is required to maintain the necessary financial records for reporting to its members. The Facility Association utilizes an accounting software that runs in a Windows environment.

4.2 Books of Original Entry

The books of original entry required include the following:

1. Accounts Receivable/Cash receipts journal
2. Accounts Payable/Cash disbursements journal
3. General Journals
4. Accounts Payable Sub ledger
5. Accounts Receivable Sub ledger
6. General Ledger

The support for postings to the General Ledger will be the books of record maintained by The Facility Association Central Office.

4.3 Contents of Books of Original Entry

Receipts for Member settlement of accounts, Servicing Carriers, Inter Company transactions within the Facility Association group of entities and any investment income earned are recorded in the cash receipts and general journals. Disbursements for the operation of The Facility Association Central Office, including administrative expenses, and Member settlement of accounts and Servicing Carrier related expenses are recorded in the cash disbursements and general journals. The Accounts Payable and Accounts Receivable Subledgers maintain balance due to and due from Vendors, Members and Servicing Carriers.

4.4 Bank Accounts

Bank accounts will be established, as required for the Facility Association Central Office. Such accounts maybe opened only at the direction of the Board of Directors with the approval by the Facility Association's President. As approved by the Facility Association's Board of Directors, all disbursements including cheques, drafts and EFT payments requires two signatures. All persons with responsibility of the Facility Association bank accounts must be bonded in an amount appropriate for the responsibility.

4.5 Cash Flow

FARM's cash balance increases by the funds transferred from the Servicing Carriers to Facility Association for premiums received plus any investment income received by Facility Association on investments held at the Facility Association.

FARM's cash balance decreases by funds transferred to the Servicing Carriers for payment of claims, reimbursement of legal fees, and servicing carrier fees Facility Association's operating expenses, claims paid to Ex Servicing Carriers (run-off) and Members in liquidation.

4.6 Use of Cash

Each month, an analysis is performed of Facility Association's FARM related cash flow needs for the next eight months. Based upon this estimate, a determination is made regarding the appropriate net transfer to or from members to be made (if any). This practice places as much of the FARM policyholder funds with the member companies as possible, while continuing to provide the Facility Association with the necessary funds to settle FARM policyholder claims on a daily basis.

If not specifically requested by members to receive funds via cheques, the Facility Association will deposit funds directly to members' accounts via EFT.

4.7 Preparation of Financial Statements

1. Facility Association Central Office will be responsible for the preparation of unaudited monthly financial statements and maintains proper detail to support applicable General Ledger accounts.
2. The Central Office management will be responsible for actuarial provisions (such as IBNR and actuarial present value adjustments) calculated based on assumptions provided by the Facility Association's Appointed Actuary and in line with accounting standards currently in effect.
3. The Facility Association Central Office will be responsible for the preparation of the members' monthly Participation Report within 45 business days of the close of the reporting month.

FARM Participation reports are available to Members for on-line retrieval via the Facility Association Portal. [The Operating Schedule](#) for release dates of the members' monthly Participation Report is available on the Facility Association website.

4. Any balances due to or from members will be settled on the basis of the Participation Report.
5. Within 6 months of the fiscal year-end, audited financial statements of the operation of the Facility Association's Residual Market, in line with accounting standards currently in effect, will be available for presentation to and acceptance by the members at the Annual General Meeting.
6. [The audited financial statements](#) are available at www.facilityassociation.com.

4.8 Reconciliation of the Servicing Carriers' trial balance to their statistical reporting

Each month, the Servicing Carrier must submit worksheets comparing written premium, commissions, paid claims, outstanding loss reserves reported by the Servicing Carrier between the Trial Balance report and as submitted to the Statistical Plan.

The Servicing Carrier is responsible for reconciling these differences and correcting the errors that contributed to differences in excess of \$25,000 on a fiscal year to date basis within the current fiscal year or over \$100,000 on an all fiscal years to date basis. If not provided previously for the differences identified in the month (that would trigger a remediation plan), the Servicing Carrier must send a remediation plan acceptable for FA management when differences remain in excess of the thresholds noted above by the end of the following month. These differences will be reduced by any approved write-offs.

In terms of “older year” differences (i.e. more than 5 years old), Servicing Carriers must submit a request annually for write off if required:

- Carriers should be able to demonstrate that a concerted effort was made to resolve the difference
- Servicing carrier fees will be allowed when premium or claims are increased and will be returned when premium or claims are reduced.
- Carriers to advise the accounting entries (by jurisdiction) for this adjustment before submission to the Board for approval
- The difference should be shown as a % of total business processed over the years to which the write-off applies
- Request for write-offs may be submitted to Facility Association central office annually anytime during the year, however, any Board approved adjustments should only be processed by jurisdiction and only to the October trial balance.

Chapter 5 Servicing Carriers' Statistical Data

5.1 Submission of Statistical Data

Each Servicing Carrier will submit the statistical data in respect of its Facility Association Residual Market (FARM) premium and claim transactions to the designated Statistical Agency (General Insurance Statistical Agency, "GISA"). The submission of the data in respect of each calendar month's transaction is to be completed within thirty days after the last day of that month. Servicing Carriers are required to ensure that the information they provide in Automobile Statistical Plan 9 is reconciled and errors are corrected in accordance with a remediation plan. The format, coding and control of the transactions are to be in accordance with the Automobile Statistical Plan administered by GISA subject to the following special provisions in respect of Facility Association business:

1. A special IBC Company No. (Commencing with '9')
2. A special Plan Code No. ('9')

Please refer to the Automobile Statistical Plan for field codes.

5.2 Correction and Resubmission of Invalid Statistical Data

The Servicing Carrier is responsible for the prompt correction and resubmission of transaction data that the Statistical Agency reported as being invalid.

5.3 Other Reports to Statistical Agency

The Servicing Carrier is responsible for the completion and return of reports required by the Statistical Agency in respect of the FARM business.

Chapter 6 Members' Participation in Facility Association Residual Market Results

6.1 Calculation of Members' Share of Facility Association Residual Market (FARM) Results

At the end of each fiscal year, profit or loss for each class of business, Private Passenger and Non Private Passenger, shall be determined separately for each accident year in each jurisdiction in accordance with accounting procedures approved by the Board of Directors.

Calculations for an accident year shall include all policies earned during such calendar year. Profit shall be credited or distributed to each member and loss shall be charged against or collected from each member in accordance with the member's appropriate participation ratio.

Each member's participation ratios for an accident year shall be in accordance with the [Plan of Operation](#), A. Articles of Association Article V-Participation Ratios and Sharing, Section 3 (a) and (b).

6.2 Participation Report

The Facility Association's Central Office will produce a monthly Participation Report for each member. The report (see FA Portal) will display, by jurisdiction, segment of business ("Private Passenger" and "Non Private Passenger") and accident year, the member's shares of the following amounts:

- a) insurance revenue, claims incurred, administration expense, amortization of insurance acquisition cash flows, changes in the loss component, adjustments to liabilities for incurred claims, investment income, and net finance income/expense from insurance, relative to the report month;
- b) month end provisions for liability for remaining coverage and liability for incurred claims; and
- c) estimates in respect of the above items for the two succeeding months;

All of those amounts are for recording in the member's books as relating to direct business.

The monthly report produced is available on the Facility Association Portal at <https://portal.facilityassociation.com/>. To assist readers in understanding the new report layout, the [User Guide](#) is also posted on the [Facility Association website](#).

The target date for the release of each Participation Report is within 45 business days after the last day of the report month. Members are advised via "F" bulletin that the reports are available on the FA Portal.

6.3 Government Line Report

The Government Line Report (see FA Portal) for each member is produced monthly. It uses the same information that has been calculated for the Member Participation Report. The Government Line Reports line items are the same as the Projections page on the Member Participation Report but at a more detailed level– Government Line and Accident Year.

The Government Line Report provides members with results on both a fiscal year and a calendar year basis.

This report is available on the Facility Association portal at <https://portal.facilityassociation.com>. Any changes to the report are identified in the [User Guide](#) and the detailed descriptions for each page are also set out in the User Guide.

6.4 Assessment/Distribution of Funds

a) Operating Results

At the end of each fiscal year, profit or loss for each class of business, Private Passenger and Non Private Passenger, shall be determined separately for each accident year in each jurisdiction in accordance with accounting procedures approved by the Board of Directors. Profit shall be credited or distributed to each member and loss shall be charged against each member in accordance with the member's appropriate participation ratio.

b) Available Funds

In 2005, the Facility Association Board of Directors authorized the transfer to member companies of FARM policyholder funds not required to meet Facility Association's short term FARM cash flow needs. Transferring these funds to Members will allow them to invest these funds based upon their own investment plans and policies. In the Participation Report, the net balance of the Operating Results Distributed and the Available Funds Distributed will be either Funds held by FA or Funds held by Members. FARM policyholder funds held by Members will eventually need to be returned to the Facility Association to enable it to pay the policyholder claims to which these funds relate.

Chapter 7 Servicing Carrier Claims Expense Allowance - Retroactive Adjustment

7.1 Introduction

As specified in the Facility Association's [Plan of Operation](#) A. Articles of Association Article IX, the claims expense allowances paid to each Servicing Carrier are subject to retroactive adjustment in accordance with the incurred loss ratio (paid losses plus outstanding losses expressed as a percentage of earned premiums) actually experienced on the Facility Association business written by the Carrier. (Note: "Losses" do not include "expenses")

The Facility Association's Central Office will calculate the said incurred loss ratio for each jurisdiction by utilising the premium and loss data submitted by the Servicing Carrier to GISA.

7.2 Basis for Calculation of Loss Ratio

The incurred loss ratio will be calculated on a calendar policy year basis i.e., by reference to all losses that have occurred in the calendar year concerned. For policies earned thereafter, the incurred loss ratio will be calculated on a calendar accident year basis, i.e., by reference to all losses that have occurred in the calendar year concerned.

7.3 Frequency of Adjustment

The calculation of the incurred loss ratio and the retroactive adjustment (if any) will be effected three times for each calendar accident year (for 2003 and subsequent):

1. 1st (interim): Three months after the calendar year-end concerned;
2. 2nd (interim): Two years after the three months after the end of the calendar year concerned;
3. 3rd (final): Five years after the three months after the end of the calendar year concerned.

Interim retroactive claims fee adjustments will be calculated on a projected 72-month recorded loss ratio as estimated by Facility Association on a basis consistent with September 30 valuation assumptions provided by the Facility Association's Appointed Actuary.

The 5-year adjustment will be calculated on the reported loss ratio by each Servicing Carrier.

7.4 Calculation of Adjustment Amount

The adjustment to the claims expense allowance is calculated as follows:

1. Adjusted Allowance Rate
 - Base rate (see table below)
 - Plus: Incurred loss ratio ÷10
 - Equals: Adjusted Allowance Rate

- Base rate is applicable in each jurisdiction
- In no circumstances shall the Adjusted Allowance Rate be less than 9.00% nor more than 19.00% for ON, NB, NS, PE, NT, NU & YT.
- In no circumstances shall the Adjusted Allowance Rate be less than 9.00% nor more than 16.00% in AB and NL.

2. Adjusted Claims Expense Allowance

Apply the Adjusted Allowance Rate to the earned premiums

3. Claims Service Fee Adjustment

	Adjusted Claims Expense Allowance (calculated above)
Subtract:	Claims Fees already paid
Equals:	Claims Service Fee Adjustment

Base Rate Table

	ON, NS, NB, PE, NT, NU & YT	AB & NL
Initial Claims Service Fees paid (% of Earned Premiums)	12.00%	10.00%
Reimbursement rate Loss Ratio Assumed by the Initial Claims Service Fees Paid	65.00%	67.50%
Base Rate	5.50	3.25
Range of Adjusted Allowance Rate	9.00% - 19.00%	9.00% - 16.00%

7.5 Legal and Professional Fees

Information can be found in the [FARM Claims Guide](#) for legal and professional fees.

PART II

RISK SHARING POOLS

Overview – Risk Sharing Pools

The Risk Sharing Pools (“RSPs”), operating in Ontario, Alberta (Grid and Non-Grid), New Brunswick, Nova Scotia and Newfoundland and Labrador, provide a means for individual automobile insurance member companies to transfer certain of the private passenger use automobile insurance policies they underwrite in the respective jurisdiction.

The RSPs were established under the [Plan of Operation](#) (“the Plan”) of the Facility Association. For risks that qualify for an RSP, members issue policies on their own accounts and may transfer the whole of the policy or a portion thereof to the RSP, in accordance with the transfer rules set out in the Plan of Operation. The member company that issues the initial policy (i.e., the primary writer) remains responsible for servicing the policy, including any settlement of claims that may arise from the policy. The Facility Association funds the operations of the RSPs through a monthly sharing among members of the net of premiums received and claims and expenses paid.

The Facility Association manages the following RSPs:

- The **Ontario Risk Sharing Pool** (“Ontario RSP”) commenced operations on January 1, 1993. The RSP provides a means for individual Ontario automobile insurance member companies to transfer private passenger use automobile insurance policies they underwrite that satisfies the eligibility requirements. Participating members share in the experience of the Ontario RSP in relation to their share of the private passenger market and their usage of the Ontario RSP weighted at 50% each in accordance with the relevant provision of the Plan.
Effective January 1, 2022, any risk transferred is transferred at 100%. The Facility Association Board may from time to time by resolution set the percentage of a risk to be retained by the members for their own accounts, and establish maximum transferable limits and minimum deductibles with respect to risks transferred. For additional details, please refer to the Facility Association [Plan of Operation](#).
- The two **Alberta Risk Sharing Pools** (Grid and Non-Grid) commenced operations on October 1, 2004. The “Grid Pool” provides a means for Alberta automobile insurance member companies to transfer private passenger use automobile insurance policies that are subject to the statutory maximum premium. The “Non-Grid Pool” provides a means for individual Alberta automobile insurance member companies to transfer certain of the private passenger use automobile insurance policies they underwrite that satisfies the eligibility requirements. Participating members share in the experience of the Alberta RSPs in relation to their share of the private passenger market in accordance with the relevant provisions of the Plan. Any risk transferred is transferred at 100%. The Board may from time to time by resolution set the percentage of a risk to be retained by the members for their own accounts.
For additional details, please refer to the Facility Association [Plan of Operation](#).

- The **New Brunswick Risk Sharing Pool** (“New Brunswick RSP”) commenced operations on January 1, 2005. The RSP provides a means for individual New Brunswick automobile insurance member companies to transfer certain of the private passenger use automobile insurance policies they underwrite that satisfies the eligibility requirements. Participating members share in the experience of the New Brunswick Pool in relation to their share of the private passenger market in accordance with the relevant provisions of the Plan. Any risk transferred is transferred at 100%. The Board may from time to time by resolution set the percentage of a risk to be retained by the members for their own accounts.

For additional details, please refer to the Facility Association [Plan of Operation](#).

- The **Nova Scotia Risk Sharing Pool** (“Nova Scotia RSP”) commenced operations on January 1, 2007. This RSP provides a means for individual Nova Scotia automobile insurance member companies to transfer certain of the private passenger use automobile insurance policies they underwrite that satisfies the eligibility requirements. Participating members share in the experience of the Nova Scotia RSP in relation to their share of the private passenger market in accordance with the relevant provisions of the Plan. Any risk transferred is transferred at 100%. The Board may from time to time by resolution set the percentage of a risk to be retained by the members for their own accounts.

For additional details, please refer to the Facility Association Plan of Operation.

- The **Newfoundland and Labrador Risk Sharing Pool** (“Newfoundland and Labrador RSP”) commenced operations on July 1, 2020. This RSP provides a means for Newfoundland & Labrador members to transfer certain private passenger use automobile insurance policies they underwrite satisfies the eligibility requirements. Members share in the experience of the Newfoundland & Labrador RSP by accident year in relation to their share of the Newfoundland & Labrador private passenger market in accordance with the relevant provisions of the Plan. Any risk transferred is transferred at 100%. The Board may from time to time by resolution set the percentage of a risk to be retained by the members for their own accounts.

For additional details, please refer to the Facility Association [Plan of Operation](#).

Submission of Risk Sharing Pools Data

Details on submission of Risk Sharing Pools data can be found in the [Risk Sharing Pool Procedures Manual](#).

Legal and Professional Fees

Information can be found in the [RSP Claims Guide](#) for legal and professional fees.

Chapter 8 General Description of Data Processing, Accounting and Reporting Responsibilities - RSP

8.1 Facility Association

The following outlines the data processing, accounting and reporting responsibilities of the Facility Association in managing the Risk Sharing Pools:

1. Administer Bank accounts for the Risk Sharing Pools
2. Manage cash flow and settle funds with members
3. Generate monthly Operational reports and Government Line Reports for members
4. Set expense allowance for each calendar year for each Risk Sharing Pool (Alberta is in consultation with the Superintendent of Insurance)
5. Report participation experience monthly and update share ratio of the members annually
6. Maintain necessary controls, books, ledgers
7. Prepare monthly and audited annual Financial Statements
8. Ensure the effectiveness of internal control procedures

8.2 All Facility Association Members

The following outlines the data processing, accounting and reporting responsibilities of the Members on the Risk Sharing Pools:

1. Record in their books their share of allocated participation experience as direct business
2. Remit monthly settlements when due
3. Pay premium taxes, health levies, Bureau and other association expenses according to allocated participation
4. Accurate transmission of data

The Facility Association communicates with members via “F” bulletins which are posted on the Facility Association’s website.

Chapter 9 Members' Sharing in Risk Sharing Pools' Results

To allow members to record their share of Risk Sharing Pool business and meet related regulatory requirements, the Association produces three monthly reports:

- The Operational Report
- The Government Line Report
- The Management Information Report

This allows members to review the impact of the Risk Sharing Pool on the member's operations. The Facility Association will be responsible for the preparation of these Reports within 25 business days of the close of the reporting month.

9.1 Calculation of Members' Share of Risk Sharing Pools' Results

At the end of each fiscal year, profit or loss for each class of business, Risk Sharing Pools, shall be determined separately for each accident year in each jurisdiction in accordance with accounting procedures approved by the Board of Directors.

Calculations for an accident year shall include all policies earned during such calendar year. Profit shall be credited or distributed to each member and loss shall be charged against or collected from each member in accordance with the member's appropriate participation ratio.

Each member's participation ratios for an accident year shall be in accordance with the [Plan of Operation](#) A. Articles of Association Article V-Participation Ratios and Sharing, Sections 3 (c) and (d).

9.2 Operational Report

The Facility Association produces this report monthly for each of the Risk Sharing Pools and any balances due to or from members will be settled on the basis of the Operational Report.

[The Production schedule](#) for release dates of the members' monthly Operational Report is available on the Facility Association website.

The Operational Report displays the total premiums and losses transferred to the Risk Sharing Pool by its Members, and the Member's share of the business transferred for the current month, for the Fiscal Year to date and for all years to date.

The Operational Report allows the Members to recap the net cash flow between the Member and the Risk Sharing Pool for the current month resulting in an amount either being due to the Risk Sharing Pool by the Member, or due to the Member from the Risk Sharing Pool. The report indicates the net amount due to/from the Risk Sharing Pool and the date of settlement.

Please see [Member Reports User Guide](#) for details.

9.3 Government Line Report

The Government Line report is issued monthly and is available on the Facility Association Portal. It is designed to assist Members to reflect their share of the Risk Sharing Pool business in their reports to federal and/or provincial authorities.

The Government Line reports use the same information that has been calculated for the Member Operational Report. Each of the Government Lines Reports, are the same as the Projections page on the Member Operational Report but at a more detailed level - Government Line and Accident Year.

Premiums are shown as transferred premiums by the various government lines with unearned premiums calculated on the daily pro-rata method.

Claims are shown by paid losses, paid expenses, outstanding losses and I.B.N.R. provision (including actuarial present values), and incurred losses as at the calendar year end by government line. These are summarized for the next future year, the current year, each of the previous four claim/loss years and all prior years combined.

Estimated incurred losses and estimated total outstanding reserves are presented on discounted and undiscounted basis.

The report includes the projections for the next two months to determine what member's share is projected to be as at the end of the current reporting month + 2 months.

The Government Line Report is available on the FA Portal and the [User Guide](#) is posted at www.facilityassociation.com.

9.4 The Management Information Report

The Management Information Report (see FA Portal) summarizes transactions between Members and the Risk Sharing Pool.

This report is an information report issued monthly and is available on the Facility Association Portal for each member in each of the Risk Sharing Pools. It is not an accounting report and is intended to assist the Member in assessing the impact of the Risk Sharing Pool on the Members operations both as a Member transferring risks to the Risk Sharing Pool and as a Member sharing in the premiums, claims and expenses of the Risk Sharing Pool.

The Member can measure the results of its underwriting, and claims operations by relating the portfolio which the Member has transferred to the Risk Sharing Pool relative to the portfolio transferred by all Members.

1. Report Sequence

- By accident year.

“REPTD” these amounts represent the risks transferred to the Risk Sharing Pool by the Member

- “SHARE” these amounts represent the Member’s share of total risks transferred to the Risk Sharing Pool

A summary of all accident years combined is shown at the end.

2. Contents of the Report (Horizontal Format)

- a) **Percentage** – The Reported Percentage is the percentage which represents the ratio of the premiums by the Member to the Premiums transferred to the Risk Sharing Pool by all Members.

The Shared Percentage is the proportion of each Member writings to all Members writings in that Risk Sharing Pool.

- b) **Gross Premiums** – Premiums charged for that portion of the risks transferred by the Member to the Risk Sharing Pool before any calculation of transfer percentage or expense allowance.

c) **Transferred Premiums**

All Risk Sharing Pools: Any risk transferred is transferred at 100%.

d) **Expense Allowance**

- Ontario Risk Sharing Pool: Members must file the Expense Factor Form annually; the calendar year expense allowance is subject to the cap determined by the Board.
- Alberta Risk Sharing Pools: As determined by the Board in consultation with the Superintendent of Insurance.
- New Brunswick Risk Sharing Pool: As determined by the Board.
- Nova Scotia Risk Sharing Pool: As determined by the Board.
- Newfoundland & Labrador Risk Sharing Pool: As determined by the Board.

- e) **Net Premiums** – Transferred premiums less expense allowance.

- f) **Earned Premiums** – The earned portion of the transferred premium.

- g) **Paid Claims** – The Reported Paid Claims amount is the sum of the loss and the expense payments transferred by the Member, each multiplied by the transfer percentage applicable to the risk.

The Shared Paid Claims is a similar amount, representing the share of the Member in the total of all Risk Sharing Pool Paid Claim.

- h) **Outstanding Claims** – The Reported Outstanding Claims amount is the amount transferred by the Member to the Risk Sharing Pool.

The Shared Outstanding Claims is a similar amount, representing the share of the Member in the total of all the Risk Sharing Pool Outstanding claims, including the I.B.N.R. (including actuarial present values).

- i) **Incurred Claims** – Paid claims plus outstanding claims.

- j) **Earned Claims Ratio** – Incurred claims to earned premiums.
 - o Note that a comparison between the Reported Earned Claims Ratio and the Share Earned Claims Ratio indicates how the portfolio which the Member has transferred to the Risk Sharing Pool has fared in relation to the portfolio transferred by all Members.
 - o I.B.N.R. estimates (including actuarial present values) are included in the “Share” outstanding Claims figures only.

- k) **Administration Expense** – Each member’s share of the total of the Risk Sharing Pool operating and administrative expenses.

Chapter 10 Miscellaneous

10.1 Retention of Records

The retention of records by any member relating to the subject matter of the [Plan of Operation](#) which includes the Risk Sharing Pool, must follow the Statutory Requirements as set out for Insurance Companies at the Provincial and Federal level. In addition, records supporting the transmission of data to the Risk Sharing Pool shall be retained for at least a seven-year period.

10.2 Special Remittance

This refers to an amount that may be immediately payable by the Risk Sharing Pool to a member as a result of the member having paid a single loss recoverable from the Risk Sharing Pool in excess of \$100,000. (The amount recoverable will be reviewed and determined from time to time by the Board of Directors).

When the total amount paid by the Member and recoverable (net) through the Risk Sharing Pool in respect of any one accident exceeds \$100,000, the Member may at its discretion submit a Special Remittance as outlined in B. Operating Principles Part IV Section 4-C of the [Plan of Operation](#) to be paid immediately upon submission of the following information by correspondence:

Policy information including policy number, effective and termination dates, risk classification, date-of-loss and coverage kind and a copy or copies (photocopies are acceptable) of the claims payment cheques(s) for which the Special Remittance is requested.

The Risk Sharing Pool will examine the information and upon satisfaction that the Loss is within the authority of the Pool will immediately reimburse the member and enter the particulars of the Special Remittance in the appropriate accounting record.

10.3 Risk Sharing Pools Expense Allowance

- Ontario Risk Sharing Pool

The Board of Directors will review the Expense Factors annually, prior to August 31st, and make the necessary revisions where required and also establish the Maximum Expense Factor which shall then appear as item (B) on the Expense Factor Form to be used for the following calendar year. The Net Expense Factor will be calculated as item (A) on the form, as per the Instructions. The Expense Factor Allowance to be used by the Member will be the lesser of (A) or (B).

In order to determine the expense allowance applicable to the Member's transferred business, the Member must complete an Expense Factor Form ([Exhibit 10-A](#)) and forward it to the Risk Sharing Pool by **September 30th annually**.

- Alberta Risk Sharing Pool

Expense allowance factor for each calendar year will be determined by the Board in consultation with the Superintendent of Insurance prior to the October 31st of the preceding year.

- New Brunswick Risk Sharing Pool

Expense allowance factor for each calendar year will be determined by the Board prior to the October 31st of the preceding year.

- Nova Scotia Risk Sharing Pool

Expense allowance factor for each calendar year will be determined by the Board prior to the October 31st of the preceding year.

- Newfoundland & Labrador Risk Sharing Pool

Expense allowance factor for each calendar year will be determined by the Board prior to the October 31st of the preceding year.

The Expense allowance factor becomes applicable on the January 1st for the calendar year.

PART III

UNINSURED AUTOMOBILE FUNDS

Overview – Uninsured Automobile Funds

Uninsured Automobile Funds

The Uninsured Automobile Funds (UAFs) for New Brunswick, Newfoundland and Labrador, Prince Edward Island and Nova Scotia, fund valid claims for damages made by persons who cannot obtain satisfaction for damages under a contract of automobile insurance and where there is no other insurance or where other insurance is inadequate with respect to the damages claimed.

The UAFs commenced operations as follows:

- in New Brunswick on March 1, 1990;
- in Newfoundland and Labrador on July 1, 1994;
- in Prince Edward Island on July 14, 1994; and
- in Nova Scotia on July 1, 1996.

The UAFs are governed by the respective provincial insurance acts. The responsibilities of the Facility Association are to manage claims recording, adjustment and payment processes, to allocate to members their share of the experience and to assess members to fund underwriting deficits.

Judgement Recovery

The Facility Association, acting on behalf of its members, entered into a Transfer and Assumption Agreement as at January 1, 2020 (the “Agreement”) with Judgement Recovery (N.S.) Ltd. (“JRNS”) and administration of the funds to be recovered from the judgement debtors was moved from JRNS to the Association. JRNS was an enterprise which had been formed by, and administered under, the statute “An Act to Incorporate Judgment Recovery (N.S.) Ltd - 1989”. Its role was to pay judgments arising out of automobile accidents to the limits and on the terms and conditions prescribed in the Motor Vehicle Act, and then to assume the creditor rights against the uninsured parties. With the creation of the Nova Scotia UAF on July 1, 1996, (administered by the Association), the handling of Uninsured Automobile Claims moved from the JRNS to the Association. JRNS continued as a legal entity, administering the ongoing collection of payments from pre-1996 claims until it ceased operations on January 1, 2020. The Agreement provided the Association with control of assets under administration, less the costs to wind up the JRNS, as well as rights against remaining debtors. The members who funded the costs related to JRNS are the same members who share in the costs of the Nova Scotia UAF, therefore, the rights and obligations of the Association’s members remain substantially unchanged. The impact of the Agreement to the Association’s financial statements is trivial as these judgments are over 20 years old and hence statute barred.

Chapter 11 General Description of Data Processing, Accounting & Reporting Responsibilities - UAF

11.1 Facility Association

The following outlines the data processing, accounting and reporting responsibilities of the Facility Association in managing the Uninsured Automobile Funds:

1. Administer Bank accounts for the Uninsured Automobile Funds
2. Bill and collect assessments with members when due
3. Collect funds regarding judgement recovery funds and distribute to members
4. Report participation experience quarterly and update share ratio of the members annually
5. Maintain necessary controls, books, ledgers
6. Review claim invoices for validity
7. Ensure the effectiveness of internal control procedures

11.2 All Facility Association Members

The following outlines the data processing, accounting and reporting responsibilities of the Members of the Uninsured Automobile Funds:

1. Record in their books their share of reported participation experience as direct business
2. Remit assessments when due
3. Accurate transmission of data

The Facility Association communicates with members via “F” bulletins which are posted on the Facility Association’s website.

Chapter 12 Members' Participation in Uninsured Automobile Funds' Results

12.1 Calculation of Members' Share of Uninsured Automobile Funds' Results

At the end of each fiscal year, profit or loss for each class of business, Uninsured Automobile Funds, shall be determined separately for each accident year in each jurisdiction in accordance with accounting procedures approved by the Board of Directors.

Calculations for an accident year shall include all policies earned during such calendar year. Profit shall be credited or distributed to each member and loss shall be charged against or collected from each member in accordance with the member's appropriate participation ratio.

Each member's participation ratios for an accident year shall be in accordance with the [Plan of Operation](#), Article V-Participation Ratios and Sharing, Sections 3 (e).

12.2 Member Participation Statement

The Facility Association's Central Office will produce a quarterly Participation Statement for each Uninsured Automobile Funds for each member. The report (see FA Portal) will in particular display, by current fiscal year and accident years, the member's shares of the following amounts:

- Paid loss
- Subrogation
- Servicing Fee
- Legal Expense
- General Administration

Member Participation statements are available on the Facility Association Portal at <https://portal.facilityassociation.com/>.

The headings below correspond to those used in the sample Report shown as Exhibit 14-A.

- a) Industry Earned Premium
- b) Member Earned Premium
- c) Member Sharing Ratio Percentage
- d) Operating Results
 - This Period
 - Years to Date
- e) Share (Year to Date)
- f) Share (Previous Period)
- g) Share (This Period)
- h) Statement of Financial Position items
 - Outstanding Losses

- IBNR Provision (including Actuarial Present Values)
- OS Losses Including IBNR (including Actuarial Present Values)
- i) Net assessment

The target date for the release of each Participation Report is within 25 business days after the close of the reporting quarter. Members are advised via bulletin that the reports are available on the FA Portal.

Resources available to Servicing Carriers and Members

1. Facility Association website: <http://www.facilityassociation.com/>
2. [Facility Association portal](#)
3. [Plan of Operation](#)
4. Manuals:
 - [Manuals of Rules and Rates](#)
 - [Risk Sharing Pool Eligibility Manuals](#)
 - [FARM Claims Guides](#)
 - [RSP Claims Guide](#)
 - [Accounting and Statistical Manual](#)
5. User Guide
 - FARM
 - [FARM Participation Report User Guide](#)
 - [FARM Government Line Report User Guide](#)
 - RSPs
 - [RSP's Operational Report User Guide](#)
 - [RSP's Government Line Report User Guide](#)

EXHIBITS

Exhibit 1-A Facility Association Servicing Carrier Agreement

Exhibit 3-A Servicing Carrier Trial Balance Accounts

Exhibit 3-B Trial Balance of Servicing Carrier General Ledger

Exhibit 3-C Monthly Cash Analysis and Bank Reconciliation

Exhibit 3-D Monthly Request for Service Fees

Exhibit 3-E Aged Premium Receivable Report

Exhibit 3-F Cash Transfer Confirmation

Exhibit 3-G Agent Commission, and Written Premium Report

Exhibit 3-H Commission Adjustment Report by Servicing Carrier

Exhibit 3-I Aged Premiums Receivable Summary

Exhibit 3-J Unclaimed Property Guidelines and Procedures

Exhibit 3-K Servicing Carrier Unclaimed Property

Exhibit 3-L Reconciliation of Statistical Data to Trial Balance Data

Exhibit 10-A Ontario Expense Factor

Facility Association
Servicing Carrier Agreement

FACILITY ASSOCIATION

SERVICING CARRIER AGREEMENT entered into this [] day of [], 201[] between **THE FACILITY ASSOCIATION** (the “F.A.”) and **[NAME OF CARRIER]** (the “Servicing Carrier”).

In accordance with the applicable legislation and Plan of Operation and related documents under which the F.A. was created and presently operates (collectively called the “Plan”), the Board of Directors of the F.A. (the “Board”) has designated the Servicing Carrier as one of the authorized insurers as a Servicing Carrier for the F.A. in. **[NAME(S) OF JURISDICTION]**

The Servicing Carrier has agreed to such appointment and this Agreement is being executed to confirm the understandings and agreements between the parties.

ARTICLE I APPOINTMENT

The F.A. hereby confirms the designation of **INTACT FINANCIAL CORPORATION** to be a Servicing Carrier to provide, pursuant to this Agreement and to the Plan and the applicable legislation, the following services (collectively called the “Facility Association Services”): policy services, claims services and all other services to be performed by the Servicing Carrier under the Plan and the law, including, without limitation, underwriting, policy issuance, premium collection, accounting, statistical and record-keeping services, claims investigation, handling, adjusting, defence and payment and a current Business Continuity Plan and Volume Change Plan as approved by Facility Association. By the execution hereof, the Servicing Carrier acknowledges its agreement to act as a Servicing Carrier and agrees to be bound by and to carry out all of the obligations imposed upon it under this Agreement, the Plan and all applicable legislation and agrees to be bound by the terms and conditions thereof.

ARTICLE II

TERM

The appointment of the Servicing Carrier commenced on the [] day of [], 201[], and shall continue until the Agreement has been validly terminated.

ARTICLE III

POWERS AND DUTIES OF SERVICING CARRIER

Section 3.1 The Servicing Carrier in addition to carrying out all of its obligations as aforesaid shall administer the activities of all Agents/Brokers assigned to it in accordance with the Plan. The Servicing Carrier agrees with the F.A. that it shall perform all of its obligations under any contract entered into between it, the F.A. and any Agent or Broker (the Agent/Broker Agreement) and agrees that any failure to meet any of its obligations thereunder or any failure by it to cause any Agent or Broker to meet his or its obligations to the Servicing Carrier thereunder shall constitute a breach of this agreement and shall entitle F.A. to take such steps as may be necessary to enforce compliance with any such obligation. The Servicing Carrier shall promptly notify the F.A. of the failure or refusal of any Agent/Broker to comply with any provision of the Plan, the Agent/Broker Agreement or of any applicable legislation where such failure to comply has arisen in the context of its F.A. business, and where such non-compliance is such that the Servicing Carrier knew, or reasonably ought to have known, of its occurrence.

Section 3.2 The Servicing Carrier shall comply with all of the terms and conditions of the Plan and with all written bulletins or directives issued by the F.A., and, in the event of any conflict or difference between any of the foregoing and the operating procedures of or the method of performing services by the Servicing Carrier in the voluntary market, the terms of the Plan and all such bulletins and directives issued by the F.A. shall be followed and complied with in connection with all F.A. business.

The Servicing Carrier shall designate, in writing, the person or persons within its organization to whom all correspondence, bulletins, circulars and related material shall be sent by the F.A.

Section 3.3 The Servicing Carrier shall carry out and perform all F.A. Services in compliance with the Service Standards prescribed by Section 2 of Part II of the Operating Principles of the Plan and the requirements of any applicable legislation and shall exercise due care and diligence in connection therewith.

Section 3.4 The Servicing Carrier shall cause an audit of its F.A. business to be conducted annually in accordance with the terms of engagement prescribed by the F.A. and shall provide the results of such audit within seventy-five days following the F.A.'s fiscal year end or as may be prescribed by the F.A.

Section 3.5 The Servicing Carrier shall cooperate fully with all officers, employees and other representatives of the F.A. during audits, investigations or examinations made and conducted by them and shall permit such persons to have full access, during normal business hours, to all books and records of the Servicing Carrier pertaining to its F.A. business.

Section 3.6 The Servicing Carrier shall submit to the F.A., at such intervals as shall be requested by the F.A., the request for service fees that are allowed for the performance of the F.A. Services, such report to contain the information called for by any uniform operating expense form adopted by the F.A., as the same presently exists or may hereafter be modified.

Section 3.7 The Servicing Carrier shall implement all changes, revisions, amendments and modifications in rates and rules as are lawfully effected by the F.A. at such time or times as the F.A. shall direct.

ARTICLE IV

RELATIONS OF THE PARTIES

Section 4.1 The Servicing Carrier shall be an independent contractor, performing its F.A. Services free from any supervision or control by the F.A. except such supervision and control as may be exercised by the F.A. in connection with enforcing compliance with the Plan and the applicable legislation.

Section 4.2 With respect to the F.A. and the member insurers of the F.A., the Servicing Carrier shall be a fiduciary in the handling of all F.A. funds.

ARTICLE V
TERMINATION

Section 5.1 This Agreement shall automatically terminate upon the occurrence of any of the following events:

- (a) The commencement of bankruptcy or rehabilitation proceedings against the Servicing Carrier;
- (b) The Servicing Carrier no longer meeting the eligibility requirements set forth in Section 1 of Part II of the Operating Principles of the Plan;
- (c) The enactment of legislation which terminates the operation of F.A. or the obligations of the Servicing Carrier under this Agreement or the Plan.

Section 5.2 This Agreement may be terminated by the F.A. upon the occurrence of any Event of Default, as defined in Section 10.1, and the failure or refusal of the Servicing Carrier to remedy the same in the time and manner provided in Section 10.2.

Section 5.3 This Agreement may be terminated by the Servicing Carrier upon written notice to the F.A. in accordance with the requirements set forth in Section 3 of Part II of the Operating Principles of the Plan.

Section 5.4 This Agreement may be terminated by the F.A. upon a determination by the Board, subsequent to adequate consultation with the Servicing Carriers for the province concerned, that it is appropriate to reduce the number of Servicing Carriers and upon notification thereof to the Servicing Carrier, which notification shall specify a date, not less than one hundred and twenty days after the date of the notification, on which this Agreement shall terminate.

Section 5.5 Subject to Section 5.3, upon termination of this Agreement under this Article, the applicable provisions of the Plan shall govern the assignment of Agents/Brokers to other Servicing Carriers and the continuing performance of F.A. Services by the Servicing Carrier after the termination for a period of 18 months or as may be otherwise agreed by the parties.

Section 5.6 All costs, fees and expenses incurred by the Servicing Carrier in connection with the termination of this Agreement under the provisions of Section 5.1(a), 5.1(b), 5.2 or 5.3 shall be borne by the Servicing Carrier without any right of reimbursement against the F.A. All reasonable costs, fees and expenses incurred in connection with the termination of this Agreement under Section 5.1(c) or Section 5.4 shall be borne by the F.A.; provided, however, that only those reasonable costs, fees and expenses which are supported by documentation acceptable to the F.A. shall be allowed and the F.A. shall have the right to audit the same prior to making any payments hereunder.

Section 5.7 All books, records, files, policies, contracts, agreements, endorsements, supplies, software and related material used by the Servicing Carrier in the performance of its F.A. Services shall be and remain the property of the F.A. after termination of this Agreement and shall forthwith be delivered up to F.A. representatives upon demand.

Section 5.8 In the event of the termination of this Agreement due to the commencement of bankruptcy the Servicing Carrier agrees to provide Facility Association or designated Servicing Carrier(s) with right of access to data with respect to any aspect of the Facility Association business for the purpose of transferring policies to another Servicing Carrier mid-term or at renewal.

ARTICLE VI POWERS AND DUTIES OF THE F.A.

Section 6.1 Upon receipt of notice that an Agent/Broker assigned to the Servicing Carrier is not complying with the Plan or with the terms of its F.A. Agency/Broker Agreement or with any provision of any applicable legislation with respect to its F.A. business, the F.A. may, at its option, suspend the Agent/Broker from writing any further F.A. business, terminate the Agency/Broker Agreement or take such other steps as shall reasonably be required to enforce compliance therewith and as shall be permitted under applicable law, the Plan or the Agency/Broker Agreement.

Section 6.2 The F.A. shall comply with all of the provisions of the Plan and carry out and perform all obligations and meet all liabilities imposed upon it under the Plan and this Agreement, including the prompt payment to the Servicing Carrier of all fees, allowances and other reimbursements to which the Servicing Carrier is entitled.

Section 6.3 The F.A. shall promptly notify the Servicing Carrier in writing of all amendments or supplements to the Plan.

Section 6.4 The F.A. shall handle all filings of its rates and rules with the appropriate authorities.

Section 6.5 The F.A. shall monitor the performance of the Servicing Carrier to assure that services are performed in accordance with the Service Standards and the applicable legislation and at reasonable cost to the F.A.'s member insurers, and, in connection therewith, shall audit, or cause to be audited, each Servicing Carrier with such frequency and in such detail as it shall determine. Copies of such audits shall be furnished to the Audit Committee of the F.A. and to the Servicing Carrier.

Section 6.6 Upon determination by the Board and adequate consultation with Servicing Carriers for the jurisdiction concerned, the assignment of new brokers may, on a non-arbitrary and commercially reasonable basis, be realigned among Servicing Carriers.

ARTICLE VII COMPENSATION

Section 7.1 In consideration of the performance by the Servicing Carrier of its obligations, the Servicing Carrier shall be paid the applicable fees, allowances, cost reimbursements and other compensation set forth in the Plan as in force from time to time. The F.A. reserves the right to revise the amounts, methods of computation, times and manner of payment and the components thereof at any time and from time to time. Any such revision shall be effective upon approval by the Membership pursuant to the Plan, and written notification thereof to the Servicing Carrier, at least one hundred and twenty days prior to the implementation of the revised program.

Section 7.2 The Servicing Carrier shall be entitled to receive only such fees, allowances, cost reimbursements and other compensation as are specifically authorized by or pursuant to the Plan and this Agreement. Without limiting the generality of the foregoing, it is specifically understood that the Servicing Carrier shall not be entitled to receive compensation or reimbursement for:

(a) Any costs, fees or expenses incurred by it in connection with any suit, investigation, examination, report, decision, claim or other proceeding by ~~an~~ any governmental or regulatory body or by the F.A. respecting or in connection with the failure or alleged failure by the Servicing Carrier to properly perform any of its obligations with respect to the F.A.;

(b) Any loss, damage, expense, costs or fees incurred or paid by the Servicing Carrier to any insured, Agent/Broker or any other person by reason of the failure of the Servicing Carrier to carry out and perform any of its obligations under the Plan or this Agreement diligently and with reasonable care and prudence, including, without limitation and without limiting the generality of the foregoing, any loss, damage, expense, cost or fee resulting, directly or indirectly, from the failure or refusal by the Servicing Carrier: (i) to perform any F.A. service in compliance with and in a manner which complies with the Service Standards, as reasonably applied; or (ii) to account for any funds received or disbursed by it in connection with the performance of any of its F.A. services.

Section 7.3 The Servicing Carrier shall forthwith repay to the F.A. any monies received from any source, other than in accordance with the provisions of this Agreement or the Plan, where such funds are the property of the F.A.

ARTICLE VIII REPRESENTATIONS AND WARRANTIES

The Servicing Carrier represents and warrants as follows:

Section 8.1 The Servicing Carrier is duly authorized to engage in the private passenger and commercial vehicle automobile insurance business (including other automobile liability classes

of business) in the territory for which it has been designated to act as a Servicing Carrier, holds a current licence or licences issued by the applicable regulatory body or bodies, has full power and lawful authority to carry out and perform the duties imposed upon it under the terms of this Agreement and the Plan.

Section 8.2 The Servicing Carrier has read and is familiar with the “Eligibility Requirements” and “Service Standards” specified in Part II of the Operating Principles and, by the execution hereof, agrees to be bound by and apply such criteria as presently existing or as hereafter amended.

Section 8.3 All reports, data, information and other material set forth in the Servicing Carrier’s application to become a Servicing Carrier or furnished or to be furnished by the Servicing Carrier with respect to its appointment as a Servicing Carrier or the performance of its duties under this Agreement and the Plan, and all reports, statements or other documents containing financial, accounting, statistical and related information furnished or to be furnished by the Servicing Carrier to the F.A. or the F.A.’s statistical agency during the term of this Agreement were, at the time of being furnished will be, true and correct to the best of the Servicing Carrier’s knowledge and belief. All such accounting information has been, and will in future be, prepared in accordance with generally accepted accounting principles. All such financial and statistical information has been, and will in future be, prepared in accordance with the principles utilized by the Servicing Carrier with respect to its voluntary business unless otherwise prescribed by the F.A.

Section 8.4 These representations and warranties will remain in full force and effect as long as this Agreement remains in force and thereafter for a period of six years.

ARTICLE IX

COVENANTS

During the term of this Agreement:

Section 9.1 The Servicing Carrier will not assign, transfer or otherwise dispose of any of its rights under this Agreement or the Plan to any person; provided, however, that the Servicing Carrier may carry out portions of its F.A. Services by subcontract where it has received approval by

the Board to proceed with its intent to do so, it being understood and agreed that the Servicing Carrier will remain primarily liable to the F.A. for the performance of such subcontracted portions.

Section 9.2 In the performance of its duties hereunder, or under the Plan, the Servicing Carrier will not knowingly engage in any activity which is unlawful under any applicable legislation.

Section 9.3 The Servicing Carrier will not knowingly do or perform, or refrain from doing or performing, any act or thing so as to be in violation of this Agreement, the Plan or any applicable legislation and thus subject the F.A., any member of the Board or any officer or employee of the F.A. to any civil liability or criminal penalty. The Servicing Carrier agrees to indemnify and hold the F.A. harmless from any civil liability, or any penalty or fine imposed as a result of any breach of the foregoing obligation. The foregoing “indemnification and hold harmless” agreement shall not apply to liabilities incurred through the reasonable action or inaction of the Servicing Carrier where the course of conduct is undertaken in a reasonable and good-faith belief that the Servicing Carrier was acting in accordance with all of the applicable rules and with the Plan.

Section 9.4 The Servicing Carrier will not pay out or disburse any F.A. funds of any purpose or to any person other than as specifically permitted or contemplated by the Plan or this Agreement.

Section 9.5 These covenants will remain in force for as long as this Agreement remains in force and hereafter for a period of six years.

ARTICLE X

NONPERFORMANCE BY SERVICING CARRIER

Section 10.1 Any of the following events shall be an ‘Event of Default’ hereunder:

(a) The disclosure by any audit of the Servicing Carrier that the Servicing Carrier has failed to perform its F.A. Services in compliance with the Service Standards, the Plan or any applicable legislation;

(b) A default by the Servicing Carrier in the performance of any material obligation or

in the meeting of any liability imposed upon it under this Agreement, the Plan or any applicable legislation.

Section 10.2 The F.A. shall notify the Servicing Carrier of any Event of Default of which the F.A. becomes aware. Such notification shall specify the relevant facts and other details giving rise to the Event of Default and, where possible and deemed advisable by the F.A., shall set forth a reasonable and practical method and time for remedying the same. If the Servicing Carrier fails to remedy the Event of Default in the time set forth in such notice, the F.A. may terminate this Agreement by notice in writing, which notice shall specify the date of termination and such other matters respecting the procedures to be followed in connection therewith as the F.A. shall reasonably determine.

Section 10.3 The F.A. shall have the right, without advising the Servicing Carrier, to communicate directly with any regulatory body or representative or official thereof in connection with any matter concerning the Servicing Carrier's performance or alleged or suspected failure to perform its duties under the Plan or any applicable legislation, and either the F.A. or the Servicing Carrier may, at its own cost and expense, initiate such action, suit or other proceeding or assert or file such protest, answer or other defence as it may decide advisable with respect to any existing or proposed rule, regulation, report, examination or finding issued or made by any legislative or regulatory body which touches upon the performance by the Servicing Carrier of the F.A. Services or which might adversely affect its standing or right to continue as a Servicing Carrier or might expose either to any fine, penalty or civil liability.

ARTICLE XI MISCELLANEOUS

Section 11.1 This Agreement shall be construed, interpreted and applied in accordance with the laws of the Province of Ontario.

Section 11.2 Where used in this Agreement the term:

(a) "Plan" shall mean and include the F.A. Articles of Association and Operating Principles, the Accounting and Statistical Manual and the Manual of Rules and Rates, and all amendments, modifications and revisions made thereto from time to time;

(b) “F.A.” shall mean Facility Association and shall include its Board of Directors and any committee established pursuant to the Plan;

(c) “Agreement” shall mean this Servicing Carrier Agreement and any amendments, modifications or additions made thereto from time to time.

Section 11.3 Nothing contained in this Agreement shall impose upon the Servicing Carrier the obligation to perform services which are different in any material respect from the services performed by the Servicing Carrier for its insureds in the voluntary market except as required by the provisions of this Agreement, the Plan or any applicable legislation.

Section 11.4 Any notice or communication required to be furnished to the F.A. hereunder or under the Plan shall be in writing and shall be delivered either by hand or by first class mail addressed to the F.A. at 777 Bay Street, Suite 2400, 24th Floor, Toronto, Ontario M5G 2C8 or to such other address as may be directed in writing. Any notice or communication required to be given to the Servicing Carrier hereunder or under the Plan or under any applicable legislation shall be delivered either by hand or in person or by mail addressed to the Servicing Carrier at its head office or to such other address as it may have in writing directed.

Section 11.5 Neither this Agreement nor any term hereof may be changed, waived, discharged, amended or terminated orally, but only by a document in writing signed by either or both of the parties as appropriate.

Section 11.6 In the event that any article, section, sentence or clause of this Agreement shall be declared invalid, illegal or unenforceable in any respect, the validity of the remaining terms and provisions hereof and of the Plan shall in no way be affected or disturbed and such invalid, illegal or unenforceable provision shall be severable from the balance of the Agreement.

Section 11.7 In the event the Servicing Carrier shall consider itself to be aggrieved as the result of any action or failure to act of the F.A. under this Agreement or the Plan, the Board shall, upon written demand by the Servicing Carrier specifying the details of such action or failure to act, hear and determine all matters in connection therewith or relating thereto.

Section 11.8 This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 11.9 This Agreement is between the F.A. and the Servicing Carrier and no F.A. insured, agent/broker, claimant or other person not a party to this Agreement, having or asserting a claim against either the F.A., the Servicing Carrier or any agent or broker, shall have or acquire any rights by reason of the execution and delivery of this Agreement.

Section 11.10 In the event of a conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.

This contract replaces all prior previous contracts or agreements.

IN WITNESS WHEREOF this Agreement has been duly signed, sealed and delivered by the Parties the day and year above written.

Witnesses:

As to the "F.A."

As to the "Servicing Carrier"

THE FACILITY ASSOCIATION:

By: _____
(Title)

And: _____
(Title)

Date: _____

(Servicing Carrier)

By: _____
(Title)

And: _____
(Title)

Date: _____

Servicing Carrier Trial Balance Accounts (Exhibit 3-A)

<u>Account No.</u>	<u>Account Title</u>	<u>Description</u>
1000	Bank Balance	The balance of cash and cash equivalents as at the reporting date
1010	Unapplied Premium	Premium payments which have not been applied to customer records at reporting date
1020	Premiums Receivable	Outstanding amount of premium due from policyholders, agents or brokers
1030	Allowance for Doubtful Accounts	A contra-asset account used to reduce Accounts Receivable to the amount that is expected to be collected in cash
1040	Allocated Expense Recovery	Facility Association funds used to settle claims expense
1050	Other Assets	Other assets that are not classified above.
2000	Commissions Payable	Commission owed to an agent or broker for the completed services
2010	Outstanding Claims Draft	The estimated amount of future loss payments (including external adjustment expenses) relating to reported claims
2020	Uncashed Cheque Reserve	Cheques that remain uncashed after six months
2030	Unearned Premiums	Pro-rata portion of the premium in force applicable to the unexpired period of the policy term
2040	Unpaid Claims	Case reserves for reported claims
2050	Other Liabilities	Other liabilities that are not classified as above, such as: Service fee reimbursement to Servicing Carriers (pertains to service fees deposited directly to Facility Association's bank account through EFT).
2060	Retail Sales Tax Payable/(Receivable)	Retail sales tax payable/receivable to the government agency
3000	Transfer to/from Facility Association	Amounts transfer to/from the Facility Association to the Servicing Carrier
3010	Surplus/Income Summary	Revenue and expense accounts are closed to this account on a yearly basis
4000	Premiums Written	Total premiums generated from all policies written by the Servicing carrier within the reporting period
4005	Handling Fee/Interest Revenue	Service fee charged to the insured to pay premiums by monthly instalment
4010	Change in U.P.R.	Change in unearned premiums during reporting period
4020	Paid Claims & Recoveries	Claims paid and recovery received during reporting period
4021	Paid Claims & Recoveries (CAY)	Claims paid and recovery received pertaining to current accident year
4022	Paid Claims & Recoveries (PAY)	Claims paid and recovery received pertaining to prior accident years
4030	Change in Unpaid Claims	Change in Unpaid Claims during reporting period
4031	Change in Unpaid Claims (CAY)	Change in Unpaid Claims pertaining to current accident year
4032	Change in Unpaid Claims (PAY)	Change in Unpaid Claims pertaining to prior accident years
4040	Commissions	The amount of commissions expense that pertains to the revenues earned during reporting period
5000	Bad Debts	All or portion of an account receivable considered to be uncollectible
5010	Bank Charges	Bank charges related to EFT, year-end bank confirmation charges, overdraft charges
5020	Misc. Income/Expenses	Other income and permitted expenses including policy reinstatement fee, i.e. money received for the reinstatement of policies previously cancelled
5030	DRA (Driver Record Abstract) Costs	The amount paid to obtain Driver Record Abstracts
5040	Operating & Service Fee Expense	Expenses reimbursed to Servicing Carriers for servicing the policies
5050	Claims Service Fee Expense	Expenses reimbursed to Servicing Carriers for handling claims

**Facility Association Residual Market
Trial Balance of Servicing Carrier General Ledger Fiscal Year-To-Date**

Servicing Carrier: _____ Select one from below
 Servicing Carrier No: _____ - _____
 Fiscal Year-to-Date as at: _____

(Note: FARM Fiscal Year November 1st to October 31st)

Description	Alberta 150	NB 375	NS 450	P.E.I. 525	Ontario 600	NFLD 75	Yukon 825	N.W.T. 900	Nunavut 200	Unallocated 998	TOTAL
1000 Bank Balance											\$ -
1010 Unapplied Premium											\$ -
1020 Premiums Receivable											\$ -
1030 Allow. for Doubtful Accounts											\$ -
1040 Allocated Expense Recovery											\$ -
1050 Other Assets											\$ -
2000 Commission Payable											\$ -
2010 Outstanding Claim Draft											\$ -
2020 Uncashed Cheque reserve											\$ -
2030 Unearned Premiums											\$ -
2040 Unpaid Claims											\$ -
2050 Other Liabilities											\$ -
2060 Retail Sales Tax Pay/Rec											\$ -
3000 Transfers To/From FA											\$ -
3010 Surplus/Income Summary											\$ -
4000 Premiums Written											\$ -
4005 Handling Fees/Interest Rev.											\$ -
4010 Change in Unearned Prem.											\$ -
4020 Paid Claims and Recoveries											\$ -
4021 Paid Claims and Recoveries (CAY)											
4022 Paid Claims and Recoveries (PAY)											
4030 Change in Unpaid Claims											\$ -
4031 Change in Unpaid Claims (CAY)											
4032 Change in Unpaid Claims (PAY)											
4040 Commissions											\$ -
5000 Bad Debts											\$ -
5010 Bank Charges											\$ -
5020 Misc. Income/Expense											\$ -
5030 M.V.R. Costs											\$ -
5040 Operating and Service Fees											\$ -
5050 Claims Service Fees											\$ -
Total	-	-	-	-	-	-	-	-	-	-	-

Prepared By: _____

Date Prepared: _____

Approved By: _____

**Facility Association Residual Market
Servicing Carrier Monthly Cash Analysis and Bank Reconciliation**

Month of _____

- 1 **Servicing Carrier:** Select one from below
- 2 **Servicing Carrier No:** -
- 3 **Bank** _____
- 4 **Branch:** _____
- 5 **Account Number(s):** _____

6 **Bank Balance as per General Ledger :**
 - Prior Month Ending _____ Amount \$ _____ -

RECEIPTS

- 7 Premium Amounts Received From Agents and Insureds _____
 Complete Exhibit 3-C(ii)
- 8 Loss Recoveries _____
- 9 Advances or Adjustments From Servicing Carrier _____
- 10 Funds Transferred From Facility Association Bank _____
- 11 **TOTAL RECEIPTS** \$ _____ -

- 12 **TOTAL UNCASHED CHEQUES AND DRAFTS WRITTEN OFF** \$ _____ -

DISBURSEMENTS

- 13 Claim Cheques / Drafts Issued _____
- 14 Reimbursement to Servicing Carrier _____
- 15 Agents Commission / Policy Refunds _____
 Complete Exhibit 3-C(ii)
- 16 Bank Service Charges _____
- 17 Cost of Driver Record Abstracts _____
 Complete Exhibit 3-C(ii)
- 18 Other Permitted Expenses / Income _____
- 19 Funds Transferred to F.A. Bank _____
- 20 Bank Adjustments _____
- 21 **TOTAL DISBURSEMENTS** \$ _____ -

22 Bank Balance as per General Ledger - Current Month (6+11+12-21=22)	<u>\$ -</u>
23 Bank Statement Balance (Attach copy of statement)	<u>\$ -</u>
24 General Ledger Balance - Balance in Bank (Item 22)	<u>\$ -</u>

RECONCILIATION ITEMS

25 Deposits in Transit		
26 Uncashed Cheques		
27 Other: Cheque Cashed - Not Processed		
28 TOTAL RECONCILIATION ITEMS		<u>\$ -</u>
	(23-24+28)	<u>\$ -</u>

NON-CASH ITEMS - JOURNAL ENTRIES

29 Premium Bad Debts		
30 Premium Receivable		
31 Commission Bad Debts		
32 Agents Commission Payable		
33 Issued Uncashed Cheques / Drafts		
34 Cash in Bank		
35 TOTAL NON-CASH ITEMS		<u>\$ -</u>

Select one from below

(Signature)

(Title)

(Date)



**Facility Association Residual Market
Cash Transfer Confirmation**

For the Period: _____ TO _____

Servicing Carrier	Source Branch	Posting Date	Debit Amount	Credit Amount	No of Debits	No of Credits	Outlet/Division Debit Total	Outlet/Division Credit Total	Addendum
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TRANSFER TRANSACTIONS

Confirmed by: _____

Date: _____

AGENTS COMMISSION

Fiscal Year: _____

	November	December	January	February	March	April	May	June	July	August	September	October	Totals
Alberta													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Brunswick													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nova Scotia													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prince Edward Island													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ontario													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Newfoundland													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Yukon													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
N.W.T													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nunavut													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total All Provinces													
Private Passenger	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

WRITTEN PREMIUM

Fiscal Year:

	November	December	January	February	March	April	May	June	July	August	September	October	Totals
Alberta													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Brunswick													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nova Scotia													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prince Edward Island													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ontario													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Newfoundland													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Yukon													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
N.W.T													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nunavut													
Private Passenger													0.00
Other													0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total All Provinces													
Private Passenger	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Facility Association Residual Market
Commission adjustment report by Servicing Carriers

IBIT 3-H

Servicing Carrier: _____

Sharing Month: _____

Business Segment	Jurisdiction		Submitted to FA Finance by SCs			IBC Statistical	Commissions calculated	Adjustment	Premium Difference for information
			Written Premium	Commission	Commission %	Written Premium			
			<i>Column a</i>	<i>Column b</i>	<i>Column c = b / a</i>	<i>Column d</i>	<i>Column e = d * c</i>	<i>(e) - (b)</i>	<i>d - a</i>
Private Passenger (PPV)	075	Nfld							
	150	Alberta							
	200	Nunavut							
	375	NB							
	450	NS							
	525	PEI							
	600	Ontario							
	825	Yukon							
	900	NWT							
Total of PPV									
Non Private Passenger (NPP)	075	Nfld							
	150	Alberta							
	200	Nunavut							
	375	NB							
	450	NS							
	525	PEI							
	600	Ontario							
	825	Yukon							
	900	NWT							
Total of NPP									
PPV + NPP	075	Nfld							
	150	Alberta							
	200	Nunavut							
	375	NB							
	450	NS							
	525	PEI							
	600	Ontario							
	825	Yukon							
	900	NWT							
Grand Total									

FARM							Exhibit 3-1
Aged Premiums Receivable Summary	<i>(Insert Company name & number)</i>						
Month Ending	<i>(Insert Date)</i>						
	Current	31-60 Days	61-90 Days	91-120 Days	121-150 Days	Over 150 Days	Total
					<i>(see below for req'd comments & documentation)</i>		
Broker a/c's							0.00
Agency a/c's							0.00
Direct Writers							0.00
Monthly Pay Plan							0.00
Other Items <i>(Please Explain)</i>							0.00
Premiums Receivable per Sub-ledger	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reconciling Differences							0.00
Premiums Receivable per Trial Balance (a/#1020)							0.00
Percentage of Aged Amount to Total Amount	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Required Comments & Documentation							
An itemized list for all amounts which are past due greater than 90 days							
Each item must include comments as to their collectibility							
For those amounts over 150 days, deposit a cheque to your FA Bank a/c and send to Head Office documentation confirming the deposit							
Provide an explanation if payment is not required (i.e bankruptcy, litigation or other)							
Signature							
Date							



Unclaimed Property Guidelines and Procedures

Governance and Accounting

Revised November 2022

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Section 1. Introduction

Unclaimed property is generally defined as a liability a company (the “holder”) owes to an individual or entity (the “owner”) when a debt or obligation remains outstanding after a specified period of time. For insurance companies, uncashed premium refund or claim cheques are a common type of unclaimed property. Where the payee (i.e. the owner) does not extinguish the debt by cashing the cheque, their property right may be protected by provincial unclaimed property (escheat) laws.

Companies as holders of unclaimed property undertake all reasonable options to locate the property’s rightful owner through a process of due diligence and determine, as appropriate, whether there is a Canadian statutory requirement to report the unclaimed property and whether and when the property may be deemed “abandoned” and the liability becomes de-recognized by the holder.

For Facility Association, uncashed or unclaimed cheques are the major source of potential unclaimed property.

1.1 Purpose

This document represents Facility Association’s formal guidelines and associated procedures for identifying and tracking potential unclaimed property, complying with applicable Canadian provincial reporting and remittance requirements, and potentially de-recognizing the liability. While every effort is undertaken to ensure these guidelines and the associated procedures are up-to-date, all applicable Canadian statutory requirements supersede this document.

This document has been introduced to:

- define the conditions under which cheques will be tracked as “uncashed”;
- define the conditions under which cheques will be considered “unclaimed property”;
- define how substantive owner information will be obtained under applicable law, taking into consideration applicable privacy issues;
- define the conditions under which “unclaimed property” will be de-recognized as a liability either via transfer to a provincial authority or taken directly to income;
- identify who is authorised to recommend amounts to de-recognize; and
- ensure appropriate accounting procedures and internal controls are in place.

Please refer to section 1.3 on Canadian jurisdictions where Unclaimed Property Acts and Regulation are enacted and in-force.

1.2 Scope

These guidelines and procedures apply to Facility Association’s central administrative office and to the following as administered by Facility Association:

- Residual Market
- Uninsured Automobile Funds

Member companies using any of the Risk Sharing Pools (RSPs) are assumed to use their existing unclaimed property policies and procedures, and that such policies and procedures are in compliance with applicable Canadian federal and/or provincial laws and regulations, and are appropriately ensuring the disposition of any deemed abandoned property is reported to Facility Association in accordance with instructions provided by Facility Association.

1.3 Legislative Context

Unclaimed Property Acts and associated Regulations are in effect for British Columbia, Alberta and Quebec, with the general goal being to aid owners in locating and claiming their property from holders of such. Please refer to section 2.2.2 respecting requirements to ensure these guidelines and associated procedures are kept current with respect to applicable Canadian federal and/or provincial unclaimed property laws and regulations.

Section 2. Guidelines

Unless otherwise compelled due to Canadian federal and/or provincial unclaimed property laws and regulations, Facility Association will consider unclaimed property to be abandoned (and therefore taken to income) as indicated in the following table:

	property value ≤\$250	property value >\$250
taken to income	after 3 yrs	after 6 yrs

Facility Association will also retain and maintain supporting records and documentation for the time periods as presented in the table.

	property value ≤\$25,000	property value >\$25,000
records retained	for 10 yrs	for 30 yrs

The time periods indicated in the above tables refers to the elapsed time from when the property is first classified as unclaimed.

2.1 Underlying Principles

Facility Association will ensure reasonable steps are undertaken to notify owners of unclaimed property in a timely fashion. Facility Association will ensure that sufficient records and information are kept regarding unclaimed property such that it is possible to validate ownership when required and to ensure proper allocation of the impact to Member Companies should the liability be re-classified as “abandoned” and therefore de-recognized.

Facility Association will ensure that it maintains awareness of, and is in compliance with, applicable Canadian federal and/or provincial laws and regulations with respect to unclaimed property.

Facility Association will ensure that any process undertaken to re-classify unclaimed property as abandoned property and the associated de-recognition of the liability follows applicable accounting principles and that proper records are maintained.

All statutory requirements applicable to Canadian federal and/or provincial unclaimed property laws and regulations take precedence over these guidelines in the event of any conflict.

2.2 Governance and Management

2.2.1 Risk Management

The primary risks associated with unclaimed property include, but are not limited to, financial (potential for fines or increased expenditure due to an increase in required audits or other such activity), operational (fraudulent owners), and reputational (loss of confidence of stakeholders in Facility Association’s management or Board due to mismanagement of process or non-compliance with law, regulations, or accounting principles). Examples include:

- non-compliance with applicable Canadian federal and/or provincial unclaimed property laws and regulations;
- lack of proper records to evidencing compliance with applicable Canadian federal and provincial unclaimed property laws and regulations;
- non-compliance with applicable accounting principles;
- lack of proper records evidencing compliance with applicable accounting principles;
- lack of proper record keeping preventing the appropriate handling of accounts, recording of results, and/or validation of property ownership; and
- lack of proper record keeping resulting in the inappropriate determination of contingent liability where unclaimed property has been re-classified as abandoned and the associated liability de-recognized.

These guidelines are meant to mitigate the exposure to and/or potential impact of such risks.

2.2.2 Responsibility for Regular Reviews and Compliance Verification

Facility Association management should review, on a regular basis (at least bi-annually), these guidelines and associated procedures, along with applicable Canadian federal and provincial unclaimed property laws and regulations, as well as applicable accounting principles, to verify compliance. This would include, as appropriate, recommended updates to these guidelines and its associated procedures to ensure compliance. The results of the review process should be reported as indicated in section 2.2.4.

2.2.3 Regular Audits

Facility Association Internal Audit should regularly audit against these guidelines and associated procedures, with the frequency of such audits determined by the prioritization of the risk-based approach of the internal audit team, taking into account an assessment of the associated risks of non-compliance with these guidelines and associated procedures.

2.2.4 Reporting

Results of Facility Association management's review of these guidelines and associated procedures as described in section 2.2.2 should be discussed with the Facility Association Accounting Committee.

The following should be reported to the Facility Association Audit and Risk Committee¹:

- material changes to these guidelines and/or associated procedures, including a summary of the associated discussion with Facility Association Accounting Committee; and
- any material findings determined by the internal audit teams and as the result of the regular internal audits with respect these guidelines and/or associated procedures, and any associated management comments.
- Disposition of abandoned property on an annual basis

Any material non-compliance with these guidelines and/or associated procedures should be reported to

¹ "Audit and Risk Committee" in this section refers to the Facility Association Audit and Risk Committee, or other such body as directed by the Facility Association Board of Directors. For ease of reference, said body will be referred to as the "Audit and Risk Committee" in this section.

the Audit and Risk Committee along with any plans for remediation. Such remediation plans should be regularly followed up with the Audit and Risk Committee until such time as deemed by the Audit and Risk Committee as being completed.

Section 3. Procedures Supporting Facility Association Unclaimed Property Guidelines

Accounts and related financial information maintained by Servicing Carriers on behalf of the Facility Association will be subjected to specified audit procedures by servicing carriers' external auditors. Regular audits may also be conducted by Facility Association's internal audit function throughout the year.

3.1 Use of Servicing Carrier own procedures

For Facility Association Residual Market business, Servicing Carriers may elect to follow their internal procedures as long as they meet the following minimum requirements:

- follow the Facility Association procedure for determining and recording (classifying) unclaimed property (uncashed cheques) as described in section 3.2.1;
- are in compliance with Facility Association's guidelines on Unclaimed Property;
- capture and retain sufficient data of the property owner in order to validate ownership and/or report under applicable Canadian federal and/or provincial unclaimed property law or regulation, where such information would include but not be limited to information as outlined in section 3.2.4;
- unclaimed property records and/or abandoned property records are maintained for periods as stipulated in applicable Canadian federal or provincial law or regulation; where no such law or regulation exists, records are maintained as identified in section 3.2.4;
- annually report unclaimed property re-classified as abandoned in detail/format acceptable to Facility Association management;
- at the same time, annually confirm compliance with applicable Canadian federal or provincial unclaimed property law or regulations; and
- include Facility Association management in any correspondence with Canadian federal or provincial bodies in relation to unclaimed property where Facility Association is the holder to such property.

Facility Association will regularly audit Servicing Carriers unclaimed property procedures to ensure they meet the minimum standards as set above.

3.2 Facility Association Internal Procedures

3.2.1 Determining and Recording Unclaimed Property – Uncashed Cheques

After a six-month time period, stale-dated cheques are voided and removed from the outstanding list. Accounting entries are generated to re-classify the uncashed cheque to an uncashed cheque account. Simultaneously, the payee/cheque information is recorded in the unclaimed property database maintained by Facility Association accounting. For general disbursement and payroll accounts, the payee and cheque data is electronically uploaded to the unclaimed property database. For all other chequing accounts, the assigned "chequing account reconciler" provides the payee/cheque data in a pre-formatted spreadsheet that is uploaded to the database.

1. Monthly review process

When cheques are stale-dated, Facility Association accounting generates and reviews a report detailing selected payee information. As it relates to the property in question, the reviewer records appropriate information as needed, including but not necessarily limited to information as outlined in section 3.2.4.

2. Verification letters

After the monthly review process is complete, Facility Association accounting generates verification letters to payees for cheques of \$250 or more, and mails them within 30 days of classifying the property as unclaimed (see example letter in section 4). The verification letter contains the payee's name and address on record, cheque number, and date of cheque, voucher number, description if available, and a contact person for related questions (see 3 below). The letter also contains a section for the payee to certify that the cheque was either lost or never received. Verification letters are not sent to payees for cheques of less than \$250, or as stipulated in applicable Canadian federal or provincial unclaimed property law or regulations.

3. Contact information

If the payee has questions about the cheque, inquiries are directed to the contact person specified in the letter for additional information. The contact person is responsible for answering any questions and reissuing all cheques as applicable.

4. Replacement cheques

Upon receipt of the signed letter from the payee to certify that the cheque was either lost or never received, Facility Association will issue a replacement cheque. The replacement cheque is charged to the uncashed cheque account. The associated payee information is provided to Facility Association accounting and entered into the unclaimed property database for matching of payee and amount with the original payment. A replacement cheque will not be issued without the signed letter and only after the original cheque has been stale-dated and reviewed in the normal course

5. Final follow up

If required by applicable Canadian federal and/or provincial unclaimed property laws or regulations, a final attempt is made to contact the owner by letter sent to their last known address. This due diligence letter is generated and sent by Facility Association accounting. If the payee responds, apply procedure 4 above.

3.2.2 Re-classification of property from unclaimed to abandoned

If all efforts to contact the owner of the unclaimed property as outlined in section 3.2.1 above have been unsuccessful, and the applicable dormancy period as been surpassed, unclaimed property may be reclassified as abandoned property. Subject to compliance with Canadian federal or provincial law and regulations procedures (see section 5), unclaimed property will be re-classified to abandoned and **therefore taken into income:**

- after 3 years have elapsed since the property under consideration was first classified as unclaimed, where the property value is less than or equal to \$250; or
- after 6 years have elapsed since the property under consideration was first classified as unclaimed, where the property value is greater than \$250.

3.2.3 Regular Reporting

Facility Association accounting will generate reports showing the monthly activity and the month-end unclaimed property database balance, reconciled with the uncashed cheque account. Facility Association accounting will prepare any associated reports as required by applicable Canadian and/or Provincial law or regulation, and as requested by the Audit and Risk Committee and Accounting Committees in support of their responsibility to review and/or approve management's recommendations.

3.2.4 Information and Record Retention

Unclaimed property information needs to be retained in sufficient detail and over the appropriate duration to allow for such things as property owner identification, , audit, and evidence of compliance with the Facility Association Unclaimed Property Guidelines and applicable Canadian federal or provincial law or regulation.

To this end, the Facility Association unclaimed property database should capture and retain sufficient data of the property owner in order to validate ownership and/or report under applicable Canadian federal and/or provincial unclaimed property law or regulation, where such information would include but not be limited to (as relates to the property in question):

- property owner name and last known address;
- description of the unclaimed property (including a description of the act that gave rise to the unclaimed property);
- insurance policy number or identifier, effective date, refund date (as applicable);
- claim number or identifier, date of loss (as applicable);
- all correspondence with property owner;
- value of the property and related cheque numbers and issue dates (as applicable);
- any monies owed by the owner to the Facility Association;
- applicable jurisdiction (as per last known address or where the act giving rise to the property occurred);
- the determination of applicable Canadian federal and/or provincial Unclaimed Property Laws and Regulations that apply; and
- diary of next action required, including date action required.

Unclaimed property records and/or abandoned property records are maintained for periods as stipulated in applicable Canadian federal or provincial law or regulation; where no such law or regulation exists, records are maintained as identified below:

- 10 years from when the property is first classified as unclaimed, where the property value is less than or equal \$25,000; or
- 30 years from when the property is first classified as unclaimed, where the property value is greater than \$25,000.

Section 4. Sample Verification Letter

<Current Date>
<Name Of Payee>
<Address of Payee>

RE: Property Type: UNCLAIMED PROPERTY CHEQUE
Issue date of cheque
Cheque Number>
\$<Amount of Cheque>

I
The above referenced cheque has been found in our records as unclaimed property.

Kindly complete the section below so we can send you a replacement cheque

____ Yes, this payment is still due.

____ No, this payment has been settled or I am not entitled to receive this payment

Name (if different than above): _____

New Mailing Address

Signature: _____ **Date:** _____

If you have any questions please feel free to contact the undersigned.

Sincerely yours,
FA
<Title>
<Address>
<Telephone>
<Fax Number>
<e-mail address>

Section 5. Summary and assessment of provincial unclaimed property laws and regulations

5.1 B.C.

Unclaimed Property Act [SBC 1999], assented to July 15, 1999

Part 1 1 “property” means:

...

(d) the right to an amount due and payable by an insurer under the terms of an insurance policy, including an annuity and a refund of premiums,

...

As such, uncashed claims cheques and premium refund cheques are considered “property” within the law.

“Part 3 – Unclaimed Property Held by Holders” then applies, addressing the issues of:

- which property owners are subject to this Law (as applicable to Facility Association, last known address is in B.C. and the initial payment was initiated after July 1, 2000);
- duty of holders to make reasonable efforts to locate and notify owners;
- duty of holders to maintain a database of unclaimed property, including prescribed particulars and reasonable efforts to ensure the existence of the database and means to access it are known to the public;
- eventual treatment of unclaimed property as income of the holder.

The associated Unclaimed Property Regulation came into force April 2001. Part 3 outlines:

- exempt classes of holders (as applies to Facility Association, where property value is under \$50);
- prescribed time periods (3 yrs since cheque sent)
- requirement to establish written policies and procedures respecting what constitutes reasonable efforts to locate and notify owners and make available to the public said policies and procedures;
- allowable data to be made available to the public in order to search the unclaimed property database (limited to name only; date property became unclaimed, and property identification number to be provided);
- data to collect and hold for periods identified below:
 - after 6 years have elapsed since the property under consideration became Unclaimed Property and the amount is less than \$1000.00;
 - after 10 years have elapsed since the property under consideration became Unclaimed Property and the amount is between \$1000.00 and 24,999.99; and,
 - after 30 years have elapsed since the property under consideration became Unclaimed Property and the amounts more than \$24,999.99.
- establish and make public point of contact for owner, and how to make a claim; have procedure for reviewing and processing claims including appeal process for denied claims.
- prescribed periods when property may be treated as income to the holder:
 - after 6 years have elapsed since the property under consideration became Unclaimed Property and the amount is less than \$1000.00;

- after 10 years have elapsed since the property under consideration became Unclaimed Property and the amount is between \$1000.00 and 24,999.99; and,
- after 30 years have elapsed since the property under consideration became Unclaimed Property and the amounts more than \$24,999.99.

5.2 Alberta

Unclaimed Personal Property and Vested Property Act, effective September 1, 2008

Intangible property valued at \$250 or more falls into this Act which includes cheques. The Act applies to owners where their last known address is in Alberta (and the holder, Facility Association, carries on business in Alberta – different rules would apply if Facility was physically located in Alberta).

Holders must decide when property becomes unclaimed but the time period for calculating when the property is considered abandoned began on Sept 1, 2008. Abandoned property is transferred to the Tax and Revenue Administration (TRA) on behalf of Alberta Finance. The holder is responsible to:

- between three and eight months prior to the property being transferrable to the TRA, send a final statement to the owner)
- prepare Holder Report forms listing all unclaimed property as at December 31 each year within 120 days of year-end;

According to the associated regulation (also effective September 1, 2008), property is considered abandoned: *"5 years after the earlier of (i) the date on which the apparent owner's right to demand the personal property arises, and (ii) the date on which the obligation to pay or distribute the personal property arises.* The regulation also stipulates language required in the notice letter to the property owner.

5.3 Quebec

Unclaimed Property Act [Bill 6, 2011], assented to June 13, 2011

The Act indicates in Section 3 "The following property is considered to be unclaimed property if the owner or other right-holder is domiciled in Quebec:" ... "(2) the value of cheques ... three years following date of ... issue". Section 4 indicates "A right-holder is deemed to be domiciled in Quebec if the right-holder's last known address is in Quebec, or, where the address is unknown, if the act establishing the right-holder's rights was made in Quebec".

Unclaimed property is transferred annually to the Quebec Minister of Revenue; six months preceding transfer, a final attempt to notify the owner is required, giving 3 months notice. Late transfers are subject to interest. Holders must maintain a database of the unclaimed property, including the date the property was transferred to the Minister; with the associated data maintained for 10 years.

5.4 New Brunswick

New Brunswick's *Unclaimed Property Act* requires holders with unclaimed property to make a reasonable effort to locate and notify the owners of these unclaimed funds. If they are unsuccessful or unable to locate the owners, they must report and deliver these funds to the Unclaimed Property Program.

The Act brings into force several key dates for holders:

- Notify owners of unclaimed property valued at \$100 or more three to six months before you submit the unclaimed property report.
- Report and deliver unclaimed property during the program's first reporting period: January 1 to March 31, 2023.

The Act requires holders to determine if property held has become unclaimed property at the end of this calendar year as well as the five preceding years: 2017 to 2022.

FARM (Insert Servicing Carrier Name + Co#)
Uncashed Cheque Reserve a/c#2020
Schedule 1 - Movement during the year
(Insert Period)

Opening Balance Per Trial Balance	\$0.00
Movement during the year	
Add: Statedated Cheques transferred from Bank Balance a/c#1000	0.00
Deduct: Cheques reissued to replace staledated cheques	0.00
Deduct: Cheques written off to Misc. Income/Expense a/c#5020 (Per Schedule 2)	0.00
Deduct: Cheques remitted to the Province of Alberta Government	0.00
Add (Deduct) - Other Items (Please explain in detail)	0.00
Closing Balance per Trial Balance	\$0.00

Note

Servicing Carriers are to maintain a detailed report itemizing cheques in the Uncashed Cheque Reserve a/c.

Facility Association Residual Market - Servicing Carrier name & Co#										Exhibit 3-L
Comparison of data between Statistical Report & SC Trial Balance										
Period - ytd										
Data Item	Alberta	NB	NS	PE	Ontario	NL	Yukon	NWT	Nunavut	Total
Premiums Written										
Statistical Report	-	-	-	-	-	-	-	-	-	-
SC Trial Balance										-
Difference	-	-	-	-	-	-	-	-	-	-
Commissions										
Statistical Report										-
SC Trial Balance										-
Difference	-	-	-	-	-	-	-	-	-	-
Paid Losses										
Statistical Report										-
SC Trial Balance										-
Difference	-	-	-	-	-	-	-	-	-	-
Outstanding Losses										
Statistical Report										-
SC Trial Balance										-
Difference	-	-	-	-	-	-	-	-	-	-
Required per Accounting & Statistical Manual Section 4.8										
Explanation and action taken on current fiscal year to date differences > \$25,000 or on all fiscal years to date differences > \$100,000										



FACILITY ASSOCIATION
RISK SHARING POOL (ONTARIO)
EXPENSE FACTOR FORM

This Expense Factor Form is to be completed by member companies in applying to Facility Association for consideration of their Expense Factor for the RISK SHARING POOL. (Please see attached for instructions)

Co. # _____ Co. Name _____

- 1. FSRA Expense Factor _____ %
- Based on the latest approved FSRA filing for Personal Vehicles - Private Passenger Automobiles.
- Date of FSRA filing ____/____/____.
2. Adjustment for Claims Adjustment Expenses _____ %
- If not already included in the FSRA Expense Factor.
Add: i) External/Allocated Loss Adjustment Cost _____ %
ii) Internal/Unallocated Loss Adjustment Cost _____ %
3. Add: Adjustment for Monthly Policy Service Charge _____ %
- If the member company is charging a Monthly Policy Service Charge and is offsetting it against underwriting expenses and therefore reducing its FSRA Expense Factor, then this item should be added back.
4. Add: Premium Taxes and Assessment of Health System Costs _____ %
- If the member company has excluded provisions for Premium Taxes and/or Assessment of Health System Costs in the FSRA Expense Factor, then these items should be added.
5. Subtract: Professional Fees (4.0) %
- As defined in the 'Expense Factor Form - Instructions' attached herewith.
- This is a predetermined setpercentage.
- This expense will be reimbursed by Risk Sharing Pool to the members on an actual paid basis.
6. Subtract: Contingent Profit Commission () %
- If the member company has included a provision for Contingent Profit Commission in the FSRA Expense Factor, then this factor should be taken out.

The Net Expense Factor for the member company [(1+2+3+4) - (5+6)] _____ % (A)

The Maximum Expense Factor as established by the Board of Directors for the year 2023. 34.9 % (B)

The Expense Factor Allowance to be used for the member company for the year 2023 is the lower of (A) or (B)

I, _____, a Fellow of the Canadian Institute of Actuaries, certify that the Company's expense information provided in items 1 through 6 is consistent with the comparable information included in the Company's latest approved FSRA filing for Personal Vehicles - Private Passenger Automobiles.
Signature _____ Date _____

Each member company is assigned a unique company number by the Insurance Bureau of Canada for statistical reporting. This is the same number which you use for Facility Association and to report on this Expense Factor Form.

The name of the member company should correspond with the company number. If, within the same organization, there are **several companies each with a separate company number**, then a **separate Expense Factor Form** should be completed for each company.

Where there are several companies operating within a **single company number and they have submitted more than one rate filing**, these companies would still have to **file a single Expense Factor Form**; however, they would have to indicate therein their Weighted Average Expense Factor.

Where a member company is conducting its business through different distribution channels such as “group plan” the company may have filed separate rates, it would then have to calculate the Weighted Average Expense Factor for all such filings.

The expenses to be reflected in the Expense Factor Form should be expressed as a percentage of written premiums.

1. The FSRA Expense Factor percentage is for that particular company with the same company number.

Please indicate the Expense Factor percentage most recently **approved** by FSRA for Personal Vehicles - Private Passenger Automobiles and not necessarily the one which was filed with FSRA.

For this purpose, it is assumed that the FSRA Expense Factor, as defined, makes provision for categories of expense such as Commissions, Taxes, Assessments, Operating Expenses and possibly Loss Adjustment Expenses, but specifically excludes any provision for profit or return on equity and furthermore excludes any offsetting provision for the contribution of investment income on the cash flow from insurance operations.

2. For those companies who do not include the External/Allocated Loss Adjustment Cost or the Internal/Unallocated Loss Adjustment Cost in their expense factor filed with FSRA, these expense factors should be added on.

Please note that some companies do include these expenses within their overall expense factor filed with FSRA. In that case, this item should be left blank.

RSP (Ontario) Expense Factor Form - Instructions

3. Some companies apply the Monthly Policy Service Charge to offset against their underwriting expenses; as a result, the expense factor is reduced by the Monthly Policy Service Charge earned. If your company has reduced its FSRA expense factor by such Monthly Policy Service Charge, you should add back the reduction for Monthly Policy Service Charge included in your FSRA filing, to a maximum as established by the Board of Directors of the Facility Association (see item 7 below).

Other companies add the Monthly Policy Service Charge to their investment income or other underwriting income. If your company follows one of these practices, this item should be left blank.

4. For those companies who do not include provisions for Premium Taxes and/or Assessment of Health System Costs in their expense factor filed with FSRA, these expense factors should be added on.

Please note that some companies do include these expenses within their overall expense factor filed with FSRA. In that case, this item should be left blank.

For this purpose, Premium Taxes are narrowly defined to exclude other types of expenses such as license fees, dues, assessments, etc.

5. Professional Fees here refers to specific first party, allocated legal and other approved fees incurred for loss settlement purposes, which are as follows:

- | | |
|---|--|
| (i) Accounting Services | (ii) Actuarial Services |
| (iii) Alternate Dispute Resolution Services | (iv) Arbitration |
| (v) Architectural Services | (vi) Autopsy Reports |
| (vii) Coroners' Court transcripts | (viii) Court Stenographers |
| (ix) Engineering Services | (x) Notarial Services |
| (xi) Medical Reports | (xii) Salvage (seller fees only) |
| (xiii) Translations | (xiv) First Party Legal Fees (excluding disbursements investigative in nature
i.e. police and surveillance reports) |

This percentage is estimated by Facility Association as an average percentage for the industry, and the same percentage applies to all member companies. It is preprinted on the Expense Factor Form.

6. The Risk Sharing Pool expense factor is intended to include a provision for regular commission only. If the member company has made provision in their expense factor filed with FSRA for an additional expense for Contingent Profit Commission, this provision should be taken out under this item. Otherwise, this item should be left blank.
7. The Board of Directors of the Facility Association will establish the Maximum Expense Factor before the end of September of each year, to be used for the subsequent calendar year.

Please note that although Facility Association does not require you to submit the back-up materials with the Expense Factor Form, it does reserve its right to audit and as such, we request that you retain the appropriate back-up material for a minimum period of two years.