

DATE

Company  
Address

Attention:

Dear Mr./Mrs.,

**Re: Contract of Membership between Property and Casualty  
Insurer and Compensation Corporation**

As you probably know, the various provinces and territories of Canada are participating jurisdictions under the arrangements made available by the Property and Casualty Insurance Compensation Corporation ("PACICC"). As part of those arrangements, all property and casualty insurers licensed in the particular provinces or territories (other than those subject to other compensation plans) must become members of PACICC. The purposes of this letter are to welcome you as a member, to describe the principal responsibilities involved in membership, and to seek confirmation from you that you accept those responsibilities as being your contractual commitments.

PACICC's By-Law No. 1 and its Memorandum of Operation, both as amended, are enclosed. Those documents set out the details of your rights and obligations as a member including your obligation to choose a designated representative from amongst your senior officers to attend and vote at meetings of PACICC, the method of calculating the number of votes you will be entitled to cast through your designated representative, the circumstances under which your membership may be terminated, and the calculation of and manner of levying and paying assessments. It would be appreciated if you could advise us when returning one copy of this letter, of the name, title and address of your designated representative.

The organizational documents also set out the details of the procedures under which PACICC, for the benefit of the credibility of the property and casualty insurance industry as a whole, provides a reasonable level of compensation to policyholders of an insolvent insurer who have unpaid claims under their property and casualty insurance contracts or who have claims for unearned premium. Under Board resolutions made pursuant to these documents, PACICC contributes up to the maximum limit of \$250,000 for all covered policies (with the exception of a personal property policy, where the maximum limit is \$300,000) plus 70% of unearned premiums to a maximum of \$700 per policy.

The arrangements under which PACICC has accepted these responsibilities were designed in discussions between representatives of the property and casualty insurance industry and the insurance regulatory authorities of the provinces and territories. We believe that the arrangements are well designed to meet the policy objectives of PACICC in a manner that recognizes the concerns of the members of PACICC. For example, the arrangements currently include a provision that no member may be called upon to pay in any year towards assessments levied by PACICC with respect to a particular jurisdiction, more than 1.5 percent of its direct written premiums in that jurisdiction.

By becoming a member, your company accepts the responsibilities of membership as described in By-Law No. 1 and the Memorandum of Operation and agrees to pay assessments as levied, including administrative assessments. By-Law No. 1 contemplates two means by which a jurisdiction can become a participating jurisdiction. The first is by a legislative enactment which automatically deems the property and casualty insurers licensed by that jurisdiction to be members of PACICC and gives PACICC a direct cause of action against members who fail to pay assessments as levied. The provinces of Ontario, Alberta and New Brunswick, for example, have chosen this route. The second is by the imposition, on the licenses of property and casualty insurers, of a condition that they become members of PACICC and pay assessments levied accordingly. If you are licensed in a jurisdiction which has opted for participation by the first means, you will be a member of PACICC by virtue of the legislative enactment. If you are also or only licensed in a jurisdiction which opts for participation by the second means, the entering into of this letter agreement is required to effect your membership in PACICC and to give PACICC a direct cause of action against members who fail to pay assessments in those jurisdictions.

If a property and casualty insurer that is a member of PACICC and is licensed to do business in a participating jurisdiction becomes insolvent, PACICC will levy assessments on members which are also licensed in that jurisdiction to cover the expenditures made by PACICC to compensate policyholders for claims under policies issued in that jurisdiction and for claims for unearned premium. We expect that the procedure to be followed will be that, early in the insolvency, PACICC will levy an assessment in an amount sufficient to cover the estimated total expenditures of PACICC as to that insolvency. This assessment will be done on a jurisdiction-by-jurisdiction basis and will be allocated among members licensed in each particular jurisdiction on the basis of total direct written premiums for the preceding fiscal year. PACICC will subsequently, from time to time, require payments of portions of the amounts assessed (subject to the annual limit described above) as expenditures are incurred. The procedure is described more fully in By-Law No. 1 and the Memorandum of Operation.

In summary, then, we request your confirmation of acceptance of membership in PACICC and of your commitment to pay assessments as called upon from time to time in accordance with the rules summarized above. It would be helpful if we could receive your confirmation as soon as possible, by execution and delivery of the duplicate copy of this letter, that you accept membership in PACICC and will act in conformity with its organizational documents as amended from time to time, including payment of assessments.

PACICC exists to benefit the Canadian property and casualty insurance industry by serving policyholders. We would be pleased to provide you with any further information that you require concerning the affairs of PACICC and look forward to working with you in the conduct of our activities.

Yours very truly,

Property and Casualty Insurance Compensation Corporation/  
Societe d'indemnisation en matiere d'assurances IARD

Per: \_\_\_\_\_  
Randy J. Bundus  
Vice President, Corporate Counsel

We confirm our agreement as to the matters discussed above and acknowledge by our execution hereof that this letter is a binding legal agreement this \_\_\_ day of \_\_\_\_\_, 20\_\_.

Our Designated Representative will be:

\_\_\_\_\_  
(full name)

\_\_\_\_\_  
(title)

\_\_\_\_\_  
(address)

\_\_\_\_\_

\_\_\_\_\_  
(telephone number) (email)

Per: \_\_\_\_\_  
c/s