

F. Transfer Limitations

New Business

An eligible risk is accepted to the RSP if ceded within 15-days of the automobile policy effective date. Eligible risks ceded beyond 15-days of policy effective date, will be accepted in the RSP 1-day after transmittal date.

*Example 1: Policy inception date January 1, 2005
Policy transmitted to the RSP January 11, 2005
Policy received by the RSP January 12, 2005 (12 days) Policy accepted in the RSP as of inception date*

*Example 2: Policy inception date January 1, 2005
Policy transmitted to the RSP January 16, 2005
Policy received by the RSP January 17, 2005 (17 days)
Policy not accepted in the RSP as of inception date but is accepted as of January 17, 2005 (missed the 15 day time limit)*

Renewals and Portfolio transfers

An eligible risk is acceptable to the RSP on or before the renewal policy effective date. Eligible renewals ceded beyond the renewal policy effective date, will be accepted in the RSP -day after transmittal date.

Endorsements [New to the RSP]

An eligible risk acceptable to the RSP if endorsed within 15-days of endorsement effective date. Eligible risks ceded beyond 15-days of the endorsement effective date, will be accepted in the RSP 1-day after transmittal date.

Endorsements [In the RSP]

There is no time limitation for endorsement such as changes to coverages and deductibles to risks already ceded in the RSPs.

G. Coverage Limitations

The following limitations apply on the coverages transferred to the RSP:

- The transferred Third Party Liability limit has a maximum of \$2,000,000;
- The transferred All Perils or Collision coverage has a minimum deductible of \$100;
- The transferred Comprehensive or Specified Perils coverage (with or without Glass Coverage, END 13C) has a minimum deductible of \$50;
- The transferred Family Protection coverage (END 44) has a maximum of \$2,000,000;
- Transferred endorsements are either standard approved endorsements or non-standard approved endorsements.

Note: With respect to risks transferred to RSP:

- Only those coverages/endorsements (subject to the coverage limitations above) associated with that vehicle ceded and the applicable premiums may be transferred to the RSP;
- All coverages and endorsements pertaining to the transferred vehicle must be transferred;
- On multi-vehicle policies, policy level endorsements on the policy and the full applicable premiums must be transferred with a ceded vehicle;
- Any non-standard endorsements must be approved by New Brunswick Insurance Board;
- Only endorsements approved by New Brunswick Insurance Board are eligible for transfer to the RSP. Transfer of a risk with any unapproved endorsements will render the risk ineligible for transfer to the RSP or continuance in the RSP;
- Endorsement premiums associated with permission to carry paying passengers for a Transportation Network Company is ineligible for transfer to the RSP.

H. Restrictions and Transfer Limit

- Risks are ceded into the RSP at 100%;
- The transfer limit for each member is 5% of the previous year's total voluntary private passenger non-fleet Third Party Liability direct written car years;
- Within a calendar year, members must not at any time exceed the transfer limit of their previous year's total voluntary private passenger non-fleet Third Party Liability direct written car years;
- Once prior year data is available, monthly reports that include the percentage calculated against their previous year's total car years are distributed;
- When a risk is new to the RSP and/or a risk is reinstated or cancelled is transmitted to the RSP, the members transfer limit will be updated;
- A member approaching the 5% transfer limit receive warnings via e-mail. Members can expect to receive warnings from approaching 85%, 90% and 95% of the transfer limit. Transfer limits are enforced at a group level and members can review their respective transfer limits at either a company or a group level on the FA portal;
- Once a member has reached 100% of the transfer limit, further attempts to transfer any new risk to the RSP will be rejected and the risk will remain on the member's own account;
- Members may submit a written appeal to the Provincial Operating Committee for an exception to the exceed 5% limit. The Provincial Operating Committee will review the member's appeal and make recommendation to the Facility Association Board of Directors ('The Board'). The Board will make decision whether to grant members' request.

I. Compliance Audits

The Facility Association Plan of Operation provides for auditing of all member companies using the RSP. The objective of the compliance audit is to provide reasonable assurance that:

- Risks are ceded to the RSP are eligible by way of vehicle type or rating classification;
- Appropriate verification of the risk's eligibility was undertaken;
- The appropriate premiums and claims were transferred to the RSP;
- Risk was transferred in accordance with established procedures for transfer dates, coverages, cancellation dates, etc.

Should an audit uncover that a risk transferred to the RSP was found to have been qualified under the members' approved underwriting rules for declining risks, members will be required to remove the risk (premiums and claims) from the RSP effective the at transfer date. Members must provide auditors with the approved underwriting rules for declining risk in the members' voluntary market.

Prior Experience or Motor Vehicle Reports (MVR)

Members that are in non-compliance with ordering MVRs on all listed operators, or a prior experience reports will be required to provide reports during the audit activity. Should the information on the reports confirm that a risk was ineligible at the date of transfer, members will be required to remove the risk (premium & claims) from the RSP effective the date of transfer.

Documentation

Members must either retain documents either electronically or paper. Auditors may require members to provide reports to validate information on policies ceded to the RSP.

Members' may be required to obtain information where members' records are in abeyance for information pertaining to a risk and that information is outstanding. Should the audit determine that the information renders the risk ineligible for the RSP; members will be required to remove the risk effective the date transferred to the RSP.

Brokers and/or Agents

Where brokers/agents order and retain MVR and prior experience reports in their offices, auditors may request copies for their records. Auditors may also request copies of applications for those policies in-force (not exceeding a 2-year period).

J. Sunset Clause

Facility Association Audits

Facility Association auditors usually select risks from members' RSP portfolio within a 2-year period of their audit activity. Risk transferred to the RSP beyond the 2-year period will not be subject to audit.

Member Audits

Members that conduct an audit risks in the RSP and that audit identified ineligible risks or transactions; members are required to remove premiums and claims with transfer dates within the 2- year period effective from the date of their audit.

Risk with Claims

Any risk in the RSP that has a claim (any type) after transfer to the RSP; the policy and the claim must remain in the RSP until the next renewal date 'unless' the policy is cancelled by the insured. The exception to the aforementioned is the following:

- Where members are directed by an approved rule or during an audit to remove a risk;
- When a vehicle is ineligible for the RSP such as commercial or recreational vehicle.

Exception to the Sunset Clause

The 'Sunset Clause' does not apply when:

- It is determined that a member committed willful misconduct;
- Not applicable to claims

Failure to Comply

If it determined that, a risk submitted to the RSP did not meet the criteria for submission in that:

- MVR was not ordered or was not ordered within the required time frame, or;
- Prior experience report was not ordered or was not ordered within the required time frame, or;
- The appropriate supporting documentation was not retained for audit.

Members will be required to obtain the appropriate reports or submit documentation to auditors. If it is determined then that a risk was ineligible for transfer at the date of transfer, the risk (premiums and claims); members must remove the risk from the RSP effective the date transferred. Risks may remain in the RSP, subject to such additional fees or charges as may be established from time to time by the Board of Directors;

Where it is determined that a member is non-compliant ordering reports and/or adopted a practice that fails to provide assurance with its obligations, that member will be dealt with as an exception. The Facility Association President & CEO may request a full audit;

A member will be billed for the cost of an audit where it is determined that a full audit of all risks transferred by the member is appropriate;

The members' expense factor allowance may be reduced two-percentage points for a period of six- months where an audit demonstrates to the satisfaction of the Board of Directors that there has been a general failure to order the required reports on within the required timeframe;

Flagrant or continued failure to comply with these obligations may result in a penalty/directive to remove all risks from the RSP. The member will receive a directive after review of the Facility Association President & CEO and approved by the Board.