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BY-LAW NO. 1

May 24, 2018

TABLE OF CONTENTS

CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION

BY-LAW NO. 1

ARTICLE 1
INTERPRETATION

1.1 Defined Terms

In this By-Law, the following terms have the meanings given below or elsewhere in this By-Law, unless the context otherwise specifies or requires:

"Act" means the *Canada Not-For-Profit Corporations Act* S.C. 2009, C.23 including the Regulations made pursuant to the Act, any statute or regulations that may be substituted, as amended, from time to time.

"Administrative Assessment" means an assessment of the type specified in paragraph 14.3.4.

"Affiliate" means an entity that is affiliated with another entity within the meaning of the *Insurance Companies Act* (Canada).

"Assessment Base" - Schedule G.

"Assessment Base Transition Factor" means the quotient, rounded up to two decimal places, obtained by dividing (i) the aggregate of all Members' Assessment Bases calculated as of March 31, 2018 (for greater certainty, such calculation will be done in accordance with the definition of "Assessment Base" applicable as of March 31, 2018 under this By-Law as it existed at such date), by (ii) the aggregate of all Members' Assessment Bases calculated as of March 31, 2019 (for greater certainty, such calculation will be done using the Solvency Buffer in accordance with the definition of "Assessment Base").

"Articles" means the original or restated articles of incorporation or articles of amendment, amalgamation, continuance, reorganization, arrangement or revival of the Corporation.

"Available Funds" - Schedule F.

"Base Level" – paragraph 14.6.3.

"Board" - paragraph 7.1.1.

"Board Meeting" means any meeting of the Board convened in accordance with paragraph 7.7, including any meetings of the Board held by telephone, electronic or other communication facilities as permitted by paragraph 7.8.

"Business Day" means any day other than a Saturday, Sunday or day on which the Bank of Canada is not open for the conduct of business.

"By-Law" means this by-law no. 1 and all schedules to this by-law no. 1, each as it may be amended, supplemented or restated from time to time and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this by-law as a whole and not to any particular portion of this by-law no. 1.

"Chair" - paragraph 7.4.

"Claw-Back Obligation" - Schedule F.

"Completion Date" – paragraph 14.6.3.

"Consolidated Assets and Liabilities in Canada" - Schedule G.

"Consulting Costs" incurred in respect of a Troubled Member means fees and expenses incurred by the Corporation on the authority of the Board in preparing for the possibility that the Troubled Member may become an Insolvent Member, including fees paid to professional advisers of the Corporation but, for greater certainty, excluding the cost of any financial commitments made to support the Troubled Member or to avoid or postpone its becoming an Insolvent Member.

"Corporation" means the Canadian Life and Health Insurance Compensation Corporation/Société canadienne d'indemnisation pour les assurances de personnes.

"Covered Benefits" has the meaning given to that term in the Memorandum of Operation.

"Deemed Type A Loan" - Schedule F.

"Designated Representative" - paragraph 10.1.1.

"Dispute" – paragraph 21.1.

"Extraordinary Assessment" means an assessment of the type specified in paragraph 14.3.3.

"Extraordinary Assessment Base" - Schedule G.

"Face Amount" - Schedule F.

"Filed" – Schedule G.

"Fund Values" – Schedule G.

"Incorporating Jurisdiction" means Canada in the case of an Insurer registered under Canadian federal insurance legislation and in all other cases means the province or territory in which an Insurer has been incorporated or continued.

"Industry Advisory Committee" - paragraph 8.1.

"Insolvent Member" means a Member controlled by, or whose assets are controlled by, a Regulator in Canada or against which there has been a Winding-up Order.

"Insurer" means (i) an insurance company, (ii) a fraternal or mutual benefit society or association, or (iii) a non-profit prepayment basis medical or hospital service organization, in each case:

(a) providing insurance of a type that would come within the class of life insurance set out in Schedule H to this By-Law; or

(b) providing insurance of a type that would come within the class of accident and sickness insurance set out in Schedule H to this By-Law but not providing any Property and Casualty Insurance.

For greater certainty, an insurance company, a fraternal or mutual benefit society or association, or a non-profit prepayment basis medical or hospital service organization providing insurance of a type that would come within the class of credit protection insurance set out in Schedule H in conjunction with (a) or (b) is an Insurer.

"Jurisdiction" means Canada or a province or territory of Canada.

"Large-Size Member" means a Member that, on its own or on a consolidated basis with its Affiliates, accounts for at least three percent (3%) of the total Assessment Base of all Members.

"Liabilities" – Schedule G.

"Liquidator" means the liquidator of an Insolvent Member appointed under the *Winding-up and Restructuring Act* (Canada).

"Liquidity Fund" - paragraph 14.6.

"Loan Assessment" means an assessment of the type specified in paragraph 14.3.2.

"Maximum Specific Assessment" means, with respect to a Member:

(a) before March 31, 2019, the greater of (i) four-thirds of one percent (4/3 of 1%) of the Member's Assessment Base, and (ii) the amount which is that Member's share of Specific Assessments totaling one hundred million dollars ($100,000,000) allocated among Members *pro rata* based on each Member's Assessment Base; and

(b) on and after March 31, 2019, four-thirds of one percent (4/3 of 1%) of the Member's Assessment Base multiplied by the Assessment Base Transition Factor.

"Member" means an Insurer that has entered into a Membership Agreement with the Corporation and includes (i) an Insolvent Member, and (ii) the extended meaning given to that term in paragraph 21.12.1 and paragraphs 8 and 10 of Schedule F, but subject to clause (ii) above, excludes an Insurer whose membership has terminated under paragraphs 5.3 or 5.5.

"Member Group" - paragraph 8.3.

"Membership Agreement" - paragraph 5.4.1.

"Memorandum of Operation" means the memorandum of operation and all schedules thereto enacted by the Board pursuant to ARTICLE 15, as supplemented, amended and restated from time to time.

"Minimum Level" – paragraph 14.6.2.

"Multiplier" – Schedule G.

"Neutral Person" means the individual designated by the Selector under paragraph 21.8.4 or by the Board under paragraph 21.9.2, as applicable.

"New Policies" – Schedule G.

"Nominating Committee" - paragraph 7.2.2.

"Outstanding Amount" - Schedule F.

"Outstanding Principal Amount"- Schedule F.

"Overpaying Member" - Schedule F.

"Panel" - paragraph 21.8.6.1.

"Participating Jurisdiction" - paragraph 4.3.

"Participation Agreement" - paragraph 4.1.1.

"Particular Note" - Schedule F.

"Party" means, with respect to a Dispute, those Members and, if applicable, the Corporation, that are involved in the Dispute.

"Person" means any individual, partnership, limited partnership, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, organization, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or government agency, authority or entity however designated or constituted.

"Premiums" – Schedule G.

"Primary Regulator in Canada" - Schedule G.

"Property and Casualty Insurance" means any type of insurance that does not come within the classes of life insurance, accident and sickness insurance or credit protection insurance set out in Schedule H to this By-Law.

"Qualified Person" means a Person who meets the requirements of paragraph 7.1.2.

"Recorded Reduction Amount" - Schedule F.

"Reduction Amount" - Schedule F.

"Reference Date" - Schedule G.

"Regulator" means the senior governmental official charged with the administration of legislation relating to the regulation of Insurers in a Jurisdiction.

"Selector" - paragraph 21.8.3.

"Series of Extraordinary Assessments" means Extraordinary Assessments that may be levied for a number of years based on the same Reference Date and the same Multiplier.

"Small-Size Member" means a Member that is not a Large-Size Member.

"Specific Assessment" means an assessment of the type specified in paragraph 14.3.1.

"Troubled Member" means any Member that is an Insolvent Member, and any other Member as to which the Board has determined that there is a serious possibility that the Member may become an Insolvent Member. A Troubled Member that is not an Insolvent Member ceases to be a Troubled Member on a further determination by the Board that there is no longer a serious possibility that the Member may become an Insolvent Member. When making the determination in connection with a proposed financial commitment by the Corporation, the Board may determine that a Member is a Troubled Member notwithstanding that the possibility of insolvency will be reduced or avoided by the making of the proposed financial commitment.

"Type A Loan" - Schedule F.

"Type B Cash Loan" - Schedule F.

"Type B Loan" - Schedule F.

"Type B Note" - Schedule F.

"Type B Note Loan" - Schedule F.

"Winding-up Order" means a winding-up order made by a court of competent jurisdiction under the *Winding-up and Restructuring Act* (Canada).

1.2 **Number and Gender**

In this By-Law, unless the context otherwise specifies or requires, the singular will include the plural and the plural the singular, and the masculine will include the feminine and the neuter.

1.3 **Paragraph References**

Except as otherwise specifically provided, each reference in this By-Law to a "paragraph" is a reference to the specified paragraph in an Article of the main body of this By-Law.

1.4 **References to Statutes**

Except as otherwise specifically provided, each reference in this By-Law to any enactment, including without limitation, any statute, law, by-law, regulation, ordinance or order, is a reference to that enactment as re-enacted, amended or extended from time to time.

ARTICLE 2
CORPORATE SEAL

2.1 **Form of Seal**

The seal of the Corporation will be as prescribed by the Board and will contain the words "CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION/SOCIÉTÉ CANADIENNE D'INDEMNISATION POUR LES ASSURANCES DE PERSONNES".

ARTICLE 3
CORPORATION OFFICES

3.1 **Head Office**

The head office of the Corporation will be located at Toronto, Ontario.

3.2 **Other Offices**

The Corporation may establish such other offices and agencies elsewhere in Canada as the Board deems expedient.

ARTICLE 4
PARTICIPATING JURISDICTIONS

4.1 **Participation Criteria**

4.1.1 The Corporation may enter into an agreement (a "Participation Agreement") with a Jurisdiction providing for participation by that Jurisdiction in the compensation arrangements made available by the Corporation where the Board is satisfied that:

4.1.1.1 either

4.1.1.1.1 the Jurisdiction has enacted legislation (i) making all Insurers (other than those Insurers exempted under paragraph 5.3) Members, and (ii) making all assessments levied by the Corporation against those Members a debt directly enforceable by the Corporation by virtue of the statute; or

4.1.1.1.2 as a condition of licensing, the Jurisdiction requires that all Insurers (other than those Insurers exempted under paragraph 5.3) become Members and maintain membership in the Corporation in good standing; and

4.1.1.2 the Jurisdiction has agreed that its Regulator will exercise its powers and duties to assist the Corporation in requiring such Insurers to fulfil their obligations as Members, provided that such assistance will be provided by the Regulator only to the extent permitted by law and further provided that no action will lie against the Regulator or against the Jurisdiction for any failure to provide such assistance.

4.2 **Form of Participation Agreement**

The form of each Participation Agreement will be appropriate to, and will reflect, the manner by which each Jurisdiction intends to meet the requirements of paragraph 4.1.1.1 and the circumstances of the particular case. An example of a Participation Agreement to be entered into with a Jurisdiction which proposes to enact legislation in the manner specified in paragraph 4.1.1.1.1 is attached as Schedule B. An example of a Participation Agreement to be entered into with a Jurisdiction on the basis specified in paragraph 4.1.1.1.2 is attached as Schedule C.

4.3 **Effective Date of Participation by Participating Jurisdiction**

A Jurisdiction that enters into a Participation Agreement (in the form that exists as of the date the Jurisdiction enters into the agreement) will become a participating Jurisdiction (a **"Participating Jurisdiction"**) on the later of (i) the date specified in that Participation Agreement, and (ii) the date on which each Insurer that is required by that Jurisdiction (whether required by law, as condition of licensing or otherwise) to be a Member has actually entered into and delivered a Membership Agreement pursuant to paragraph 5.4.

4.4 **Termination of Participation Agreements**

4.4.1 By the Corporation. Each Participation Agreement will provide that the Corporation may terminate that Participation Agreement by notice to the Regulator of the Participating Jurisdiction that is a party to that Participation Agreement if that Participating Jurisdiction does not meet the criteria set out in paragraph 4.1.1. A Participating Jurisdiction will cease to be a Participating Jurisdiction on the ninetieth (90th) day following receipt of such notice by the Regulator of that Participating Jurisdiction. Despite paragraph 22.1, notice must be personally served on the Regulator or a senior member of the staff of the Regulator to be effective notice

pursuant to this paragraph 4.4.1 and will be deemed to have been received by the Regulator on the date on which personal service is so made.

4.4.2 By a Participating Jurisdiction. A Participating Jurisdiction may terminate its Participation Agreement with the Corporation by notice to the Corporation. A Participating Jurisdiction will cease to be a Participating Jurisdiction on the ninetieth (90^{th}) day following receipt of such notice by the Corporation. Despite paragraph 22.1, notice must be personally served on any senior officer of the Corporation to be effective notice pursuant to this paragraph 4.4.2 and will be deemed to have been received by the Corporation on the date on which personal service is so made.

4.5 **Effect of Termination**

4.5.1 The termination of a Participation Agreement under paragraph 4.4.1 or paragraph 4.4.2 does not terminate the coverage provided by the Corporation in respect of Members licensed in the terminating Jurisdiction, whether the Covered Benefits are created by those Members before or after the time of that termination.

4.5.2 The termination of a Participation Agreement under paragraph 4.4.1 or paragraph 4.4.2 does not affect the membership status of the Members licensed by the terminating Jurisdiction except as contemplated by paragraph 5.5.2.

4.6 **Miscellaneous**

4.6.1 Any reference to the *Canada Corporations Act* in any Participation Agreement shall be deemed to be a reference to the Act, and any reference to the Letters Patent of the Corporation in any Participation Agreement shall be deemed to be a reference to the Articles of the Corporation.

ARTICLE 5
MEMBERSHIP OF INSURERS

5.1 **Insurers Required to Become Members**

Each Insurer that is required by a Participating Jurisdiction (whether required by law, as a condition of licensing or otherwise) to be a Member is required to become a Member in accordance with paragraph 5.4.

5.2 **Other Insurance Companies May Become Members**

5.2.1 With the approval of the Corporation, which may be withheld for any reason, an Insurer may become a Member even though this By-Law does not require that Insurer to become a Member. If approved by the Corporation, that Insurer becomes a Member by entering into a Membership Agreement in the manner provided in paragraph 5.4.

5.3 **Exception from the Requirement to Become a Member**

5.3.1 Where the Regulators of all Participating Jurisdictions in which an Insurer is licensed are satisfied that the Insurer is a participant in a compensation plan, guarantee fund or similar arrangement other than that provided by the Corporation, then that Insurer will not be required to be or to become a Member if each such Participating Jurisdiction has so exempted the Insurer.

5.3.2 Despite any other provision of this By-Law:

5.3.2.1 a Member exempted by all Participating Jurisdictions in which that Insurer is licensed as described in paragraph 5.3.1 will cease to be a Member automatically, without notice of any kind, upon the effective date on which the last of those Participating Jurisdictions so exempts that Member, whether or not that Member has any Covered Benefits in force; and

5.3.2.2 upon that termination, the Corporation will have no responsibilities with respect to that Member if that Insurer is or becomes insolvent.

5.3.3 Despite any other provision of this By-Law, the following Insurers will not be required to become Members:

5.3.3.1 a non-profit prepayment basis medical or hospital service organization not paying premium tax;

5.3.3.2 a fraternal or mutual benefit society or association that has no policy guaranteeing for its term the amount of benefits and premiums fixed therein with no right to adjust those benefits or premiums or to assess its members holding such policies; and

5.3.3.3 an Insurer that does not provide insurance of any kind directly to policyholders.

5.3.4 Despite any other provision of this By-Law, the Corporation will have no responsibilities with respect to an Insurer coming within paragraph 5.3.3 if that Insurer is or becomes insolvent unless that Insurer is a Member. For greater certainty, an Insurer coming within paragraph 5.3.3 that is a Member or becomes a Member pursuant to paragraph 5.2 may terminate that membership only in accordance with paragraph 5.5.

5.4 **Form of Membership Agreement and Effective Date of Membership**

5.4.1 An Insurer will become a Member only upon entering into an agreement (a "Membership Agreement") with the Corporation substantially in the form of Schedule A (as that form exists as of the date the Insurer enters

into the agreement) and will pay any administration fee in connection therewith, as determined by the Board from time to time.

5.4.2 An Insurer that enters into a Membership Agreement with the Corporation in accordance with Section 5.4.1 will become a Member as of the date specified in the Membership Agreement.

5.4.3 Where an Insurer is licensed in more than one Participating Jurisdiction, that Insurer will only be required to enter into one Membership Agreement with the Corporation

5.5 **Termination of Membership**

5.5.1 Once an Insurer becomes a Member, the Member will not be entitled to terminate its membership in the Corporation, and the Corporation will not be entitled to terminate the Member's membership in the Corporation, except in the manner and to the extent described in paragraph 5.3.2 and this paragraph 5.5.

5.5.2 If a Member is not required by a Participating Jurisdiction (whether required by law, as a condition of licensing or otherwise) to be a Member, is not an Insurer licensed in a Participating Jurisdiction to provide insurance that would come within the class of life insurance or accident and sickness insurance set out in Schedule H to this By-Law and has no Covered Benefits in force, the membership of that Member may be terminated at any time by that Member by notice to the Corporation or by the Corporation by notice to that Member.

5.5.3 Paragraph 12 of Schedule F governs the extent to which obligations between the Corporation and a Member survive the termination of membership, whether that termination occurs under paragraphs 5.3 or 5.5.

5.6 **Miscellaneous**

5.6.1 Any reference to the Letters Patent of the Corporation in any Membership Agreement shall be deemed to be a reference to the Articles of the Corporation, and any reference to By-Law No. 1 in any Membership Agreement shall be deemed to be a reference to the By-Law of the Corporation.

ARTICLE 6
INFORMATION ABOUT MEMBERS

6.1 **About Members To Be Provided By Members**

6.1.1 Each Member will provide the Corporation with information concerning the Member, its parent or affiliates as requested by the Corporation from time to time for use by the Corporation in carrying out the objects of the

Corporation, which objects include, but are not limited to, providing protection to Canadian policyholders of Members against loss of Covered Benefits due to the financial failure of a Member. Information that may be requested pursuant to this ARTICLE 6 includes, but is not limited to, information to assist the Corporation in:

6.1.1.1 identifying Members who may become Troubled Members or Insolvent Members; or

6.1.1.2 calculating the Assessment Base of Members.

6.1.2 For greater certainty, the form of information provided by a Member pursuant to paragraph 6.1.1 above may include, but is not limited to, the regulatory filings the Member has made with any Jurisdiction (including the Appointed Actuary's Report) and special purpose requests made by the Corporation. However, a Member is not required to disclose information for which that Member would be entitled to claim privilege from disclosure in litigation, or where disclosure is prohibited by law.

6.2 **Information About Members To Be Provided By Participating Jurisdictions**

6.2.1 The Corporation may request and, if not prohibited by law, the Regulator of any Participating Jurisdiction may do any or all of the following:

6.2.1.1 provide the Corporation with information from the Regulator's files about any Member, its parent or affiliates;

6.2.1.2 obtain information from the Member, its parent or affiliates under the Regulator's authority and provide that information to the Corporation; and

6.2.1.3 grant approval for the Corporation, through its authorized representatives, to attend at the premises of the Member, its parent or affiliates at any reasonable time to review the books, records and other documents of the Member, its parent or affiliates and to make enquiries of any employees, officers and directors or the Member, its parent or affiliates.

6.2.2 Each Member consents to any Regulator releasing any of the information described in this paragraph 6.2 concerning that Member, its parent or affiliates, including but not limited to, information about the state of affairs of the Member, its parent or affiliates. At the request of the Corporation or the Regulator, a Member will provide to the Corporation written consent addressed to each Regulator in the form of Schedule D to release such information.

6.3 **Confidentiality**

Subject to paragraph 6.4, all information regarding the business and/or affairs of a Member, its parent or affiliates that is obtained by the Corporation under this ARTICLE 6 is confidential information and will be treated accordingly. The Corporation will use such information only in carrying out the objects of the Corporation, which objects include, but are not limited to, providing protection to Canadian policyholders of Members against loss of Covered Benefits due to the financial failure of a Member.

6.4 **Permitted Disclosure**

6.4.1 Provided that the Corporation is satisfied that the information will be treated as confidential by the Person to whom the Corporation intends to disclose the information, nothing in paragraph 6.3 or this By-Law will prohibit the Corporation from disclosing any information provided to it pursuant to this ARTICLE 6 about any Member, its parent or affiliates to:

6.4.1.1 any government agency or body that regulates or supervises financial institutions, for purposes related to that regulation or supervision except that information provided under Section 6.2 may only be disclosed with the consent of the Regulator that originally provided it; or

6.4.1.2 the Corporation's affiliates or the directors, officers, actuaries, employees, auditors, legal advisors, accountants or consultants of the Corporation or its affiliates, provided that the information disclosed is protected under a written confidentiality agreement.

6.4.2 Nothing in paragraphs 6.3 or 6.4.1 or elsewhere in this By-Law will prohibit the Corporation, its affiliates, or a director, officer, actuary, employee, auditor, legal advisor, accountant or consultant of the Corporation or its affiliates from disclosing any information provided to it pursuant to this ARTICLE 6 about any Member, its parent or affiliates if:

6.4.2.1 the information is known to the Corporation prior to its disclosure to the Corporation;

6.4.2.2 the information is, at the time of disclosure to the Corporation, part of the public domain;

6.4.2.3 the information, after the time of disclosure to the Corporation, becomes part of the public domain other than as a result of disclosure by the Corporation;

6.4.2.4 the information disclosed to the Corporation is the same as information which has been provided to the Corporation from a third party that is not under a similar agreement or obligation of confidentiality not to disclose that information;

6.4.2.5 the information is required to be disclosed by the Corporation in connection with legal proceedings in which the Corporation or an affiliate of the Corporation is a party or in which a director, officer, actuary, employee, auditor, legal advisor, accountant or consultant of the Corporation or its affiliates is a witness;

6.4.2.6 the Corporation, its affiliates, or a director, officer, actuary, employee, auditor, legal advisor, accountant or consultant of the Corporation or its affiliates are required to disclose the information by law, including pursuant to an order of a court of competent jurisdiction; or

6.4.2.7 a government agency or body described in paragraph 6.4.1.1 has approved the disclosure of the information by the Corporation.

ARTICLE 7
THE BOARD

7.1 Composition of the Board

7.1.1 The affairs and operations of the Corporation will be managed by a board of directors (the "Board") consisting of a minimum of nine (9) and a maximum of twelve (12) directors. The number of directors shall be fixed at eleven (11) until changed by resolution of the Board.

7.1.2 Only Qualified Persons may be directors of the Corporation. A "Qualified Person" is an individual who, in addition to meeting the qualifications provided in the Act:

7.1.2.1 is not a director of any Member and, under the criteria in the *Insurance Companies Act* (Canada) and the regulations thereunder (as that Act and those regulations were in force as of June 27, 1995, the relevant portions of which are set forth in Schedule E), is not affiliated with any Member, except that an individual will not be disqualified for election solely because the individual is a director or officer of the CompCorp Life Insurance Company or of some other affiliate of the Corporation that is a Member; and

7.1.2.2 is not a member of the Senate or House of Commons of Canada or a member of a provincial legislature.

7.2 Nomination and Election of Directors

7.2.1 Directors will be elected at an annual or a special general meeting of Members called for that purpose, and the Chair and the President of the Corporation will be appointed from among these directors in accordance with paragraphs 7.4 and 9.1 respectively.

7.2.2 Before an annual or special general meeting of Members where directors are to be elected, the Board will establish a committee (the "**Nominating Committee**") to prepare a slate of candidates to succeed the directors then in office whose terms have expired or to fill any positions that have become vacant. The slate will specify the term of office of each proposed director, in accordance with paragraphs 7.3.1 and 7.3.2. The Nominating Committee will be selected from among the Board. The Board will notify the Industry Advisory Committee of the creation and membership of the Nominating Committee, and the Nominating Committee will consult with the Industry Advisory Committee.

7.2.3 At each annual or special general meeting of Members where directors are to be elected, each Member, acting through its Designated Representative or proxy appointed pursuant to paragraph 10.1.3, will have the number of votes determined in accordance with paragraph 10.7. The persons on the slate referred to in paragraph 7.2.2 will be put in nomination and Members may nominate other Qualified Persons. If the number of individuals nominated for election exceeds the number of directors to be elected, then the Members will vote by ballot and if directors are being elected for terms of unequal lengths, the chair of the meeting may designate a separate ballot for each length of term for which directors are being elected. Each Member may cast its number of votes for each nominee it supports, up to the number of directors to be elected. A Member may not cast more than the number of votes allocated to it in accordance with paragraph 10.7 for any one nominee. The nominees who receive the largest number of votes will be the directors.

7.3 **Term of Office**

7.3.1 Subject to paragraph 7.3.2, each director elected pursuant to paragraph 7.2 will hold office for three (3) years unless that director resigns pursuant to paragraph 7.5 or his office becomes vacant by death, removal pursuant to paragraph 7.6, or other incapacity or disqualification. A director elected or appointed to fill a vacancy will hold office for the unexpired term of his predecessor. Directors who are Qualified Persons will be eligible for re-election.

7.3.2 A number of directors may be elected for a term of two (2) years, and a number of directors may be elected for a term of one (1) year, at the discretion of the Board, to ensure that one-third of the directors, as nearly as may be, will retire or be subject to re-election each year.

7.4 **Chair**

Immediately following the election of directors at an annual general meeting of Members, the Board will choose a director to act as the chairperson of the Board (the **"Chair"**), and the Board may appoint a director to fill any vacancy in that position that may occur from time to time. The

Chair will, when present, chair Board Meetings and meetings of Members and will have such other powers and duties as the Board may from time to time determine.

7.5 **Vacancy**

If a vacancy occurs on the Board as a result of the resignation, removal, death or other incapacity or disqualification of a director (but not as a result of an increase in the size of the Board or failure to elect the number of directors provided for in the Articles), then the remaining directors may appoint a Qualified Person to fill the vacancy. A director will cease to hold office upon ceasing to be a Qualified Person, and each director will be under a responsibility to provide prompt notice to the Chair or the Secretary of the Corporation if he ceases to be a Qualified Person. A director may resign by delivering a written resignation to the Chair or to the Secretary of the Corporation, which will become effective on the later of the date it is received by such individual or the date specified in the resignation.

7.6 **Removal**

A director will be removed from office if, at a special or annual general meeting of Members, a resolution to that effect is passed by at least two-thirds (2/3) of the votes cast. At any such meeting, the Members present may proceed to elect Qualified Persons as directors to fill the vacancy or vacancies thereby created.

7.7 **Board Meetings**

7.7.1 Board Meetings may be held at any time and place to be determined by the Chair or by the Board, provided that ten (10) days' prior notice of each Board Meeting will be given to each director. In addition to the forms of notice contemplated in paragraph 22.1, notice of a Board Meeting may be given orally or by telephone and notice given in this manner will be deemed to have been received at the time it is given. A director may waive notice and any director participating in a Board Meeting in person or by a communication facility permitted by paragraph 7.8 for that Board Meeting will be deemed to have done so.

7.7.2 Decisions of the Board will be taken by a majority of the votes cast, and the Chair or other director chairing the meeting will have a casting vote, so that the Chair or such other director will be entitled to vote on the initial vote and will then be entitled to vote again if the initial vote results in a tie.

7.8 **Meetings by Electronic Communication**

Subject to approval by all the directors, any Board Meeting or meeting of any Board committee may be held entirely or in part by means of any telephone, electronic or other communication facilities or combination of facilities that permits all the directors and other individuals participating in the meeting to communicate adequately with each other during the Board Meeting. A director or other individual participating in a meeting by such means where

participation by such means is permitted pursuant to this paragraph 7.8 will be deemed for the purposes of this By-Law to be present at that meeting.

7.9 **Quorum**

A quorum for Board Meetings will be five (5) directors. The Board may by resolution change the quorum required for Board Meetings. If there is not a quorum of directors, or if there has been a failure to elect the number or minimum number of directors provided for in the Articles, the directors then in office shall without delay call a special meeting of Members to fill the vacancy with a Qualified Person and, if they fail to call a meeting, the meeting may be called by any Member.

7.10 **Conduct Guidelines**

The Board may adopt guidelines that will be binding on all directors in the performance of their duties. The guidelines may deal with conflicts of interest, the circumstances in which directors should disqualify themselves from voting or participating in a Board decision, matters of confidentiality and such other matters as the Board deems appropriate. Prior to adopting any such guidelines, the Board will provide the Industry Advisory Committee with a reasonable opportunity to comment.

7.11 **Remuneration**

Directors will be reimbursed for their reasonable expenses of attendance at each regular or special Board Meeting or meeting of any Board committee. Directors will also be remunerated for their services as the Board may from time to time determine, after consultation with the Industry Advisory Committee, except that a director who is also the President of the Corporation will not be remunerated for services as a director.

7.12 **Board Committees**

The Board will establish an Audit Committee, a Nominating Committee and such other committees as it thinks fit, and may delegate any responsibilities permitted or required by this By-Law or by other requirements of applicable law to those committees.

7.13 **Board Interaction With Industry Advisory Committee**

In addition to the consultations specifically referred to in this By-Law, the Board will, in co-ordination with the Industry Advisory Committee, establish operating procedures that are consistent with the effective performance by the Board of its responsibilities and which enable the Board to receive the advice of the Industry Advisory Committee on significant decisions, provided that nothing herein obligates the Board to communicate confidential information to the Industry Advisory Committee.

ARTICLE 8
INDUSTRY ADVISORY COMMITTEE

8.1 Responsibility of Industry Advisory Committee

The Board will establish an industry advisory committee (the **"Industry Advisory Committee"**) comprised of representatives of Members. The Industry Advisory Committee will provide advice to the Board as contemplated by this By-Law but will have no authority to make decisions that are binding on the Corporation.

8.2 Composition of the Industry Advisory Committee

The Industry Advisory Committee will have seven (7) members, of whom three (3) will be representatives of Large-Size Members and four (4) will be representatives of Small-Size Members.

8.3 Nomination and Election of Representatives

At each annual general meeting of Members, the Designated Representatives or proxies appointed pursuant to paragraph 10.1.3 of Large-Size Members and Small-Size Members, respectively, will separately elect or re-elect from individuals nominated by the Members of each such group (a **"Member Group"**) the number of representatives that each such Member Group is entitled to elect to the Industry Advisory Committee pursuant to paragraph 8.2 after deducting the number of individuals previously elected or re-elected by that Member Group who continue in office without their term having expired.

8.4 Term of Office

8.4.1 Subject to paragraph 8.4.2, each representative elected pursuant to paragraph 8.3 will hold office for three (3) years unless that representative resigns pursuant to paragraph 8.6 or his office becomes vacant by death, removal pursuant to paragraph 8.7, or other disability or ineligibility. A representative elected or appointed to the Industry Advisory Committee to fill a vacancy will hold office for the unexpired term of his predecessor.

8.4.2 A number of representatives to the Industry Advisory Committee may be elected for a term of two (2) years and a number may be elected for a term of one (1) year, at the discretion of the Board, such that one-third of the representatives, as nearly as may be, will retire or be subject to re-election each year.

8.5 Chair of the Industry Advisory Committee

At the first meeting of the Industry Advisory Committee following an annual general meeting where representatives to the Industry Advisory Committee have been elected, the representatives will choose a representative to chair the Industry Advisory Committee and the representatives to the Industry Advisory Committee may appoint a representative to fill any vacancy in that position that may occur from time to time.

8.6 **Vacancy**

If a vacancy occurs on the Industry Advisory Committee, then the Industry Advisory Committee may appoint a representative to fill the vacancy until the next annual general meeting. A representative to the Industry Advisory Committee may resign by delivering a written resignation to the Secretary of the Corporation, which resignation will be effective on the later of the date on which the resignation was received by the Secretary of the Corporation and the date specified in the resignation.

8.7 **Removal**

A representative to the Industry Advisory Committee will be removed from office if, at a special or annual general meeting of Members, a resolution to that effect is passed by at least two-thirds (2/3) of the votes cast by the Members of the Member Group that elected that representative. At any such meeting, the Members present from that Member Group may proceed to elect a representative or representatives to fill the vacancy or vacancies thereby created.

8.8 **Meetings of the Industry Advisory Committee**

Meetings of the Industry Advisory Committee may be held at any time and place to be determined by the chair of the Industry Advisory Committee or the Industry Advisory Committee, provided that each representative is given ten (10) days' prior notice of each such meeting. In addition to the forms of notice contemplated in paragraph 22.1, notice of any meeting of the Industry Advisory Committee may be given orally or by telephone and notice given in this manner will be deemed to have been received at the time it is given. A representative to the Industry Advisory Committee may waive notice and any representative participating in a meeting of the Industry Advisory Committee in person or by a communication facility permitted by paragraph 8.9 will be deemed to have done so for that meeting.

8.9 **Meetings by Electronic Communication**

Any meeting of the Industry Advisory Committee may be held entirely or in part by means of any telephone, electronic or other communication facilities or combination of facilities that permits all of the individuals participating in the meeting to communicate adequately with each other during the meeting. A representative to the Industry Advisory Committee participating in a meeting by such means where participation by such means is permitted pursuant to this paragraph 8.9 will be deemed for purposes of this By-Law to be present at that meeting.

8.10 **Quorum**

A quorum of the Industry Advisory Committee shall be four (4) representatives of that committee. If at any time there is less than a quorum of representatives of the Industry Advisory Committee in office, the Industry Advisory Committee will have authority to elect additional representatives to fill the vacancy or vacancies in accordance with paragraph 8.6.

8.11 **Conduct Guidelines**

The Board may adopt guidelines relating to any aspect of service on the Industry Advisory Committee that will be binding on all representatives to the Industry Advisory Committee in the performance of their duties. Prior to adopting any such guidelines, the Board will provide the Industry Advisory Committee with a reasonable opportunity to comment.

8.12 **Remuneration**

Members of the Industry Advisory Committee will not receive any remuneration for their services.

ARTICLE 9
OFFICERS

9.1 **Officers, Duties and Remuneration**

9.1.1 The Board will choose a director to act as President, and the Board may appoint a director to fill any vacancy in that position that may occur from time to time. The President will be the chief executive officer of the Corporation and will hold office until he resigns, ceases to be a director or is removed by the Board.

9.1.2 The Board, in consultation with the President, will appoint a Secretary and may appoint Vice-Presidents and other officers. Each officer so appointed will hold office until he resigns or is removed by the Board.

9.1.3 The remuneration, powers and duties of the officers will be as established by the Board from time to time. If the Chair is not present at a Board Meeting or meeting of the Members, the President, when present, will chair the meeting.

ARTICLE 10
MEETINGS OF MEMBERS

10.1 **Designated Representatives**

10.1.1 Each Member will choose one individual from amongst its senior officials (a "Designated Representative") to receive notices of, to attend and to vote at any meeting of Members on its behalf.

10.1.2 Subject to paragraph 10.1.3, no Member will be entitled to vote at any meeting of Members otherwise than through its Designated Representative, however the chair of any such meeting may permit other representatives of Members to attend without voting.

10.1.3 A Member or the Designated Representative of that Member may appoint an individual to act as proxy for the Designated Representative to attend and vote at any meeting of Members.

10.2 **Annual General Meeting**

The annual general meeting of Members will be held in Canada on or prior to June 30 in each year as designated by the Board. At such meeting, the Designated Representatives will elect a Board, receive a report of the directors (including financial statements showing the financial position of the Corporation and the financial activity for the year), appoint auditors and deal with such other business as the Board deems appropriate.

10.3 **Special General Meetings**

The Board shall call a special general meeting of Members in accordance with Section 167 of the Act, on written requisition of Members carrying not less than 5% of the voting rights. The requisition shall state the matters to be dealt with at the special general meeting and shall be sent to each director and to the registered office of the Corporation. If the Board does not call a meeting within twenty-one (21) days of receiving the requisition, any Member who signed the requisition may call a meeting.

10.4 **Notice of Meetings**

Notice of the time and place of a meeting shall be given to each Designated Representative of each Member entitled to vote at each annual or special general meeting of Members by the following means:

10.4.1 by mail, courier or personal delivery to each Member entitled to vote at the meeting, during a period of twenty-one (21) to sixty (60) days before the day on which the meeting is to be held; or

10.4.2 by telephone, electronic or other communication facility to each Member entitled to vote at the meeting, during a period of twenty-one (21) to thirty-five (35) days before the day on which the meeting is to be held.

10.5 **Chair of the Meeting**

The Chair of the Board, or in the Chair's absence, another director of the Corporation appointed by the Board for this purpose, shall be the Chair of meetings of Members. If all such directors present decline to take the Chair, then the Designated Representatives of the Members present shall choose one of the Designated Representatives to be the Chair of the meeting.

10.6 **Quorum, Majority**

One fifth (20%) of the Designated Representatives chosen by all Members pursuant to paragraph 10.1 present in person or by proxy at the meeting will constitute a quorum, and business may proceed even if the quorum is not present throughout the meeting. At all meetings of Members

every question will be determined by a majority of votes unless otherwise specifically provided by the Act or by the by-laws of the Corporation.

10.7 **Number of Votes**

10.7.1 The number of votes each Member will be entitled to cast through its Designated Representative at any meeting of Members will be calculated in accordance with the following formula:

$$A = \frac{B}{C} \times 1{,}000{,}000$$

where:

"A" is the number of votes the Member is entitled to cast through its Designated Representative at the particular meeting of Members;

"B" is the Assessment Base of such Member; and

"C" is the total Assessment Base of all Members whose Designated Representatives are entitled to cast votes at the particular meeting of Members.

10.7.2 The Corporation will calculate the number of votes capable of being cast by each Designated Representative in accordance with 10.7.1 and notify each Designated Representative accordingly, prior to the date of the meeting, together with the notice of the meeting.

10.7.3 Despite any other provision of this By-Law, a Member will not be entitled to vote at a meeting of Members if it has not provided the Corporation with the data to enable the Corporation to calculate that Member's Assessment Base at least twenty-one (21) days prior to the meeting.

10.8 **Electronic Meetings and Voting**

10.8.1 If the Corporation chooses to make available a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during a meeting of Members, any person entitled to attend such meeting may participate in the meeting by means of such telephonic, electronic or other communication facility in the manner provided by the Act. A person participating in a meeting by such means is deemed to be present at the meeting. Notwithstanding any other provision of this By-Law, any person participating in a meeting of Members pursuant to this section who is entitled to vote at that meeting may vote, in accordance with the Act, by means of any telephonic, electronic or other communication facility that the Corporation has made available for that purpose.

10.8.2 If the Board or Members of the Corporation call a meeting of Members pursuant to the Act, the Board or Members, as the case may be, may determine that the meeting shall be held, in accordance with the Act and the Regulations, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

ARTICLE 11
RELATIONSHIP OF THE CORPORATION WITH THE REGULATORS

11.1 **Notice of Board Meetings**

Where a Board Meeting is convened primarily for the purpose of designating or dealing with a Troubled Member, including without limitation and for greater certainty approving transfers from the Liquidity Fund, Specific Assessments, Loan Assessments and Extraordinary Assessments to meet the funding needs in relation to Troubled Members, the Board will provide the Regulator of each Participating Jurisdiction with notice of and an agenda for that Board Meeting at least 24 hours in advance of the time of that Board Meeting. For all other Board Meetings, the Board will provide the Regulator of each Participating Jurisdiction with notice of and an agenda for each Board Meeting at least ten (10) days in advance of the date of that Board Meeting.

11.2 **Participation in Board Meetings**

The Regulator of each Participating Jurisdiction that is required to be notified pursuant to paragraph 11.1, or the representative of that Regulator designated for that purpose, may attend and participate in each Board Meeting, provided that the Regulator will not be entitled to vote at any Board Meetings.

11.3 **Restriction on Action by Board**

No action on any matter discussed at any Board Meeting will be taken unless the Regulator of each Participating Jurisdiction has been provided with notice and an agenda in accordance with paragraph 11.1.

11.4 **Regulators May Convene Board Meetings**

Any Regulator of a Participating Jurisdiction may convene a Board Meeting by providing the Chair of the Board notice of and an agenda for the Board Meeting at least fourteen (14) days in advance of the date of that Board Meeting.

11.5 **Notice of Meetings of Members**

The Board will provide the Regulator of each Participating Jurisdiction with notice of each annual or special general meeting of Members at least twenty-one (21) days in advance of such meeting.

11.6 **Participation in Meetings of Members**

The Regulator of each Participating Jurisdiction that is required to be notified pursuant to paragraph 11.5 above may attend and participate in each annual or special general meeting of Members, provided that the Regulator will not be entitled to vote at any such meeting.

ARTICLE 12
PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

12.1 **Limitation of Liability**

Every director and officer of the Corporation in exercising his powers and discharging his duties will act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances. Subject to the foregoing, no director or officer will be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation may be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any individual with whom any of the moneys, securities or effects of the Corporation may be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune which may happen in the execution of the duties of his office or in relation thereto.

12.2 **Indemnity**

12.2.1.1.1 The Corporation will indemnify each director, officer, former director, former officer or other individual who acts or acted at the Corporation's request as a director or officer of the Corporation or a body corporate of which the Corporation is or was a shareholder, creditor, trustee or manager, and his legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if

12.2.1.2 he acted honestly and in good faith with a view to the best interests of the Corporation; and

12.2.1.3 in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

12.2.1.4 Nothing in this By-Law will limit the right of any individual entitled to indemnity to claim indemnity apart from the provisions of this By-Law.

12.3 **Insurance**

The Corporation may purchase and maintain insurance for the benefit of any individual referred to in paragraph 12.2 against any liability incurred by him in his capacity as a director or officer of the Corporation or another body corporate where he acts or acted in that capacity at the Corporation's request.

ARTICLE 13
SPECIFIC INSOLVENCY

13.1 **Specific Insolvency**

Despite any provision of this By-Law or the Memorandum of Operation, before entering into any agreement, arrangement or other commitment with respect to a Member that has become a Troubled Member and as to which the Corporation has not previously entered into an agreement, arrangement or other commitment relating specifically to that Troubled Member, the Board will consider, based on the information then available to it, whether:

13.1.1 the available resources (including unused assessment-making capacity) to the Corporation are insufficient to carry through to completion the responsibilities as to the new Troubled Member while also meeting its already-outstanding specific commitments for Members that previously became Troubled Members; or

13.1.2 payment of claims outstanding or anticipated for all the then Troubled Members is at any time likely to cause financial difficulties for the life, accident and sickness insurance industry in any Participating Jurisdiction or for the Corporation, to the detriment of the people of any Participating Jurisdiction,

and if either of the above circumstances are considered to exist, the Board will, before entering into the commitment, participate in discussions with the Regulator or Regulators concerned with a view to determining alternative arrangements, and will consult reasonably.

ARTICLE 14
ASSESSMENT PROCESS

14.1 **Statement of Principles; Conflicts**

This ARTICLE 14 describes the principles upon which the assessment process of the Corporation is based, including the arrangements as to the Liquidity Fund. The Memorandum of Operation, and the rules, guidelines and policy statements adopted by the Corporation that deal with this subject must be consistent with, and will be interpreted and applied having regard to, these principles.

14.2 **The Making of Assessments**

The making of assessments is a responsibility of the Board that cannot be delegated. Loan Assessments will require the affirmative votes of not less than two-thirds (2/3) of the directors present and voting at the meeting when the approval is given. Members will pay amounts assessed against them. If a dispute arises concerning the assessment process, those involved will follow the process outlined in ARTICLE 21.

14.3 **Types of Assessments**

There are four types of assessments:

14.3.1 Specific Assessments to cover funding needs in connection with particular Troubled Members and to fund the Liquidity Fund referred to below. Specific Assessments against a Member in a year will not exceed that Member's Maximum Specific Assessment.

14.3.2 Loan Assessments on a repayable basis to cover funding needs in connection with particular Troubled Members that exceed what is available from other sources, and also to be used as an interim measure prior to a Specific Assessment and to prepare the Corporation to meet a potential funding need in connection with a Troubled Member. In no circumstances will a Loan Assessment result in loans outstanding from that Member being in excess of six times that Member's Maximum Specific Assessment at the time the Loan Assessment is made. Loan Assessments may require a cash advance, which will be interest-bearing, or may provide the alternative of a promissory note, in which event the loan will not be interest-bearing until the promissory note is drawn upon. For greater certainty and without limiting the generality of paragraph 20.1, the Corporation may mortgage, hypothecate, charge, pledge, cede and/or transfer all or any part of these promissory notes as security for any present or future borrowing or guarantee by, or other liability of, the Corporation.

14.3.3 Extraordinary Assessments may be levied where Specific Assessments are inadequate to enable the Corporation to cover funding needs (other than that portion, if any, of the Consulting Costs which will be covered by Administrative Assessments) in connection with particular Troubled Members. The Board will notify the Members of the Reference Date and the Multiplier for a particular Series of Extraordinary Assessments at least six months before the Reference Date. If an Extraordinary Assessment for a particular Series of Extraordinary Assessments is made in any particular year, the Multiplier will be applied to the relevant Extraordinary Assessment Base to determine that Member's amount of Extraordinary Assessment in a particular year. If funding needs in connection with a Troubled Member have increased or there are funding needs for a new Troubled Member, a new Series of Extraordinary Assessments may be

made. A new Reference Date and Multiplier will be set for that Series of Extraordinary Assessments. The Board may determine each year the Extraordinary Assessments to be made in that year.

14.3.4 Administrative Assessments, subject to paragraph 14.4, to be made each year to cover actual and anticipated costs of administration of the Corporation, including Consulting Costs at the discretion of the Board. The allocation of Administrative Assessments will be first, up to six thousand dollars ($6,000) per year per Member, and then second, after exhausting that limit in any particular year, the remainder in that year based on each Member's Assessment Base.

14.4 **Reduction or Elimination of Administrative Assessments**

14.4.1 Despite any other provision of this By-Law, in lieu of making all or a portion of the Administrative Assessments in any particular year, the Board may, to the extent feasible, meet the needs which would have been funded by those Administrative Assessments from the following sources:

14.4.1.1 From Liquidity Fund. If at the end of the previous year the Liquidity Fund exceeds its Minimum Level, then the Corporation may transfer as much of the excess as the Board determines is desirable to fund all or some portion of those needs.

14.4.1.2 From Surplus Funds. If the Board determines there are surplus funds relating to any Troubled Member, the Corporation may transfer as much of that surplus as the Board determines is desirable to fund all or some portion of those needs. Where there are surplus funds related to more than one Troubled Member, the Board will make reasonable efforts to allocate the amount to be transferred from those surplus funds between those Troubled Members *pro rata* based on the size of each surplus fund, but it is not bound to do so.

14.4.2 For greater certainty, if the funds described in 14.4.1.1 and 14.4.1.2 are insufficient, the deficiency will be met through the provisions for Administrative Assessments contained in paragraph 14.3.4.

14.5 **Assessment Sequence**

Funding needs for Troubled Members (including without limitation the repayment of Loan Assessments as determined by the Board) will be met during a year from any one or more of the following sources and in any sequence, in the discretion of the Board:

14.5.1 after accounting for the transfers, if any, made under paragraph 14.4.1.1, the Liquidity Fund to the extent of the funds available;

14.5.2 Specific Assessments;

14.5.3 Loan Assessments; and

14.5.4 Extraordinary Assessments.

14.6 **Liquidity Fund**

14.6.1 A fund (the **"Liquidity Fund"**) will be maintained by the Corporation and will be accounted for separately from the other assets of the Corporation.

14.6.2 The Liquidity Fund is expected to be maintained at a level of at least one hundred million dollars ($100,000,000) (the "Minimum Level"). In any year that the Liquidity Fund falls below the Minimum Level**,** the Board will make a Specific Assessment to replenish the fund to the Minimum Level.

14.6.3 A base level for the Liquidity Fund (the "Base Level") and a f date to reach the Base Level (the "Completion Date") will be set at least every three years by the Board after consultation with the Industry Advisory Committee and based on the Board's estimate of the Corporation's liquidity needs. Each year the Board may make a Specific Assessment in an amount that together with future Specific Assessments will meet the Base Level by the Completion Date.

14.6.4 The initial Base Level will be set at two hundred million dollars ($200,000,000) and the initial Completion Date will be December 2021. Any new Base Level or Completion Date will supersede any previous Base Level and Completion Date.

14.6.5 Notwithstanding any of the other provisions of this paragraph 14.6, any Specific Assessment made pursuant to this paragraph 14.6 will not, when aggregated with any other Specific Assessments previously made in that year, exceed 50% of a Member's Maximum Specific Assessment.

14.6.6 The Corporation will credit interest to the Liquidity Fund imputed at a reasonable rate determined by the Corporation and reflecting the Corporation's earnings on its invested assets.

14.7 **Identity of Troubled Members**

The Corporation will not be obligated to disclose the identity of a Troubled Member to any other Member unless the Corporation makes an assessment (other than an Administrative Assessment) the proceeds of which are allocated to fund financial commitments of the Corporation with respect to the particular Troubled Member.

14.8 **Detailed Rules**

Further detailed rules regarding the assessment process are set forth in Schedule F and Schedule G, which for greater certainty have the same force and effect as if set forth in the main body of this By-Law.

14.9 **Prior Versions of the By-Law**

The version of this By-Law in force as of December 16, 1997 addresses among other things (i) assessments made prior to 1995, (ii) the transfer in 1997 of surplus funds relating to certain Insolvent Members to the pre-funds, and (iii) rules governing contingent refunds (including the rules about refund notes); and paragraph 46(1)(h)(iv) of the version of this By-Law in force as of June 1, 1999 contains some specific rules relating to certain Insolvent Members. Those provisions have been omitted from this version of the By-Law to simplify reading this By-Law; but those provisions remain in full force and effect.

ARTICLE 15
MEMORANDUM OF OPERATION

15.1 **Enacted by Board**

The Board will enact by resolution a Memorandum of Operation which sets forth the detailed rules and procedures which are to be followed by the Corporation in carrying out its objects.

15.2 **Contents**

Without limiting the generality of paragraph 15.1, the Board will be entitled to include in the Memorandum of Operation provisions:

15.2.1 describing the types of insurance benefits in respect of which the Corporation will provide coverage; such benefits may include benefits under contracts that are not regarded at law as being insurance policies;

15.2.2 setting out the circumstances in which the Board may cause the Corporation to make a financial commitment with respect to a Troubled Member;

15.2.3 governing the procedures that the Corporation may establish with the Liquidator or other administrator of the Troubled Member on how benefit coverage will be provided to policyholders;

15.2.4 establishing requirements on the part of its Members to provide financial and other information to the Corporation to enable and facilitate the attainment of its objects;

15.2.5 governing any other arrangements or procedures the Corporation may establish with its Members, policyholders, a Liquidator, a Regulator or

other compensation corporation which will enable and facilitate the attainment of the objects of the Corporation;

15.2.6 providing for the adoption of rules, guidelines and policy statements as required from time to time to supplement the Memorandum of Operation and this By-Law and which will be binding on the Corporation and all Members; and

15.2.7 any other matter not inconsistent with this By-Law or the objects of the Corporation.

15.3 **Binding on All Members**

The Memorandum of Operation will be binding on all Members to the same extent as if it were set forth in this By-Law.

15.4 **Amendment**

15.4.1 The Memorandum of Operation may be amended from time to time by resolution of the Board after consultation with the Industry Advisory Committee and the Regulators of the Participating Jurisdictions, unless any such Regulator objects in writing to the Corporation within thirty (30) days after having received notice from the Corporation of any such resolution and amendment. Any such Regulator may waive its right to so object by notice to the Corporation prior to the expiry of any such thirty (30) day period.

15.4.2 A resolution of the Board that amends the Memorandum of Operation may include a determination by the Board that the amendment does not increase in any material respect the financial responsibility of the Corporation. Alternatively, the Board may seek confirmation to the same effect from the Industry Advisory Committee. In the absence of such a determination or such a confirmation, the amendment will not become effective until approved by a majority of the votes cast at an annual or special general meeting of Members called to consider the amendment.

15.4.3 An amendment that does not require approval at an annual or special general meeting of Members in accordance with paragraph 15.4.2 will not be brought into effect by the Board until at least thirty (30) days after notice of the amendment has been given to all Members, which thirty (30) days may run concurrently with the thirty (30) days referred to in paragraph 15.4.1.

ARTICLE 16
ENACTMENT, AMENDMENT OF BY-LAWS AND OTHER CHANGES

16.1 **Amendment, Etc.**

16.1.1 A by-law of the Corporation may be enacted or repealed, and an amendment to the by-laws, including the fundamental changes set out in subsection 197(1) of the Act, shall be made by a majority of the directors present at a Board Meeting and sanctioned by an affirmative vote of at least two-thirds (2/3) of the votes cast at a meeting of Members called for that purpose, provided that:

16.1.1.1 the Board has consulted with the Industry Advisory Committee;

16.1.1.2 the Corporation has provided notice to the Regulators in the Participating Jurisdictions of the proposed enactment, repeal or amendment not less than thirty (30) days prior to the meeting of Members referred to above;

16.1.1.3 the Corporation has not received from any such Regulator any objection to the proposed enactment, repeal or amendment, such objection to be delivered to the Corporation by notice within thirty (30) days after having received from the Corporation the notice referred to in paragraph 16.1.1.2.

16.1.2 Any such Regulator may waive its right to object to the proposed enactment, repeal or amendment by notice to the Corporation prior to the expiry of the thirty (30) day period referred to in paragraph 16.1.1.2.

16.1.3 The provisions of ARTICLE 8 will not be amended in any way that would affect the rights of a Member Group unless the proposed amendment is also approved by a majority of the votes cast on behalf of Members of that Member Group.

ARTICLE 17
AUDITOR AND FINANCIAL YEAR

17.1 **Auditor**

The Designated Representatives will, at each annual meeting of Members, appoint an auditor to hold office until the next annual meeting, provided that the Board may fill any casual vacancy in the office of auditor. The remuneration of the auditor will be fixed by the Board. The Board will cause a copy of the annual audited statements of the Corporation to be delivered to each Regulator.

17.2 **Financial Year**

The financial year of the Corporation will be the calendar year.

ARTICLE 18
ANNUAL FINANCIAL STATEMENTS

18.1 **Copies of Financial Statements**

The Corporation may, instead of sending copies of the annual financial statements and other documents referred to in the Act to the Members, publish or send a notice to its Members stating that the annual financial statements are available at the registered office of the Corporation and any Member may, on request, obtain a copy free of charge at the registered office or by prepaid mail.

ARTICLE 19
SIGNATURE AND CERTIFICATION OF DOCUMENTS

19.1 **Documents and Negotiable Instruments**

Such directors, officers or other persons as may be designated from time to time by resolution of the Board will have authority to sign in the name and on behalf of the Corporation all instruments in writing and any instrument in writing so signed will be binding upon the Corporation without any further authorization or formality. The term **"instrument in writing"** as used herein will include, but not be limited to, contracts, documents, powers of attorney, deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property (real or personal, immovable or moveable), agreements, tenders, releases, receipts and discharges for the payment of money or otherwise, conveyances, transfers and assignments of shares, stocks, bonds, debentures or other securities, instruments of proxy and all paper writing.

19.2 **Corporate Seal**

All contracts and documents may be sealed with the seal of the Corporation where required.

19.3 **Facsimile Signatures**

The signature of any director or officer may be printed, engraved or otherwise mechanically reproduced in facsimile under such conditions as the Board may authorize and such signature will have the same force and effect as if signed in the handwriting of such director or officer.

ARTICLE 20
BORROWING AND BANKING

20.1 **Authority to Borrow**

20.1.1 The Board may, from time to time authorise the Corporation to:

20.1.1.1 borrow money upon the credit of the Corporation;

20.1.1.2 limit or increase the amount to be borrowed;

20.1.1.3 issue debentures or other securities of the Corporation;

20.1.1.4 pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient; and

20.1.1.5 secure any such debentures, or other securities, or any other present or future borrowing or liability of the Corporation, by mortgaging, hypothecating, charging, pledging, ceding, and/or transferring all or any currently owned or subsequently acquired real and personal, moveable and immoveable, property of the Corporation, and the undertaking and rights of the Corporation.

20.1.2 The Board may, from time to time, by resolution delegate to any director or officer of the Corporation all or any of the powers conferred on the Board by paragraph 20.1.1 to the full extent thereof or such lesser extent as the directors may in that resolution provide.

20.1.3 The powers conferred by this paragraph 20.1 are deemed to be in supplement of, and not in substitution for, any powers to borrow money, provide guarantees or create security interests, for the purposes of the Corporation possessed by its Board or officers independently of, or elsewhere in, this By-Law.

20.2 **Banking**

The bank accounts of the Corporation will be kept in such banks or such other authorized depositories as the Board may from time to time determine. The Board will make such rules and regulations as may be necessary for the operation of such accounts.

ARTICLE 21
DISPUTE RESOLUTION PROCEDURES

21.1 **Sole and Exclusive Dispute Resolution Procedures**

Subject to paragraphs 21.4, 21.5, 21.8.2 and 21.8.9, all disputes, claims or controversies between the Corporation and any one or more of its Members, or between two or more Members, as to any matter arising out of or in any way connected with the Corporation's Articles, by-laws, the Memorandum of Operation or any related agreements, rules, guidelines and policy statements, including without limitation the establishment, performance, breach, existence or validity of any of those documents or agreements, (each a **"Dispute"**) will be resolved in accordance with the procedures set forth in this ARTICLE 21.

21.2 **Sole and Exclusive Procedures**

Subject to paragraphs 21.4, 21.5, 21.8.2 and 21.8.7, the procedures set forth in this ARTICLE 21 will be the sole and exclusive procedures for the resolution of every Dispute.

21.3 **No Appeal**

Subject to paragraph 21.4, there will be no court review of, challenge to or appeal from the conduct or result of any aspect of these procedures, whether on questions of law, fact or mixed fact and law, except to the extent under applicable law the Parties involved in a Dispute are not permitted to waive a right to review, challenge or appeal.

21.4 **Judicial Process**

Any Party and the Corporation (whether or not a Party) may use any applicable judicial process to require compliance with this ARTICLE 21 or to enforce a decision or a settlement reached in accordance with this ARTICLE 21 if those affected do not comply.

21.5 **Dispute Resolution Procedures Not Applicable**

21.5.1 Despite any other provision of this By-Law, this ARTICLE 21 does not apply to any dispute, claim or controversy arising in connection with any:

21.5.1.1 determination that any Member is or may become a Troubled Member or an Insolvent Member;

21.5.1.2 administrative, judicial or other process for the control of a Member, or its assets, by a Regulator; or

21.5.1.3 Winding-up Order sought or obtained against a Member or the winding-up of a Member;

21.5.2 For greater certainty, any such dispute, claim or controversy is not a "Dispute" within the meaning of paragraph 21.1.

21.6 **Negotiation**

The Parties involved in a Dispute will attempt in good faith to resolve that Dispute promptly by negotiation between the Designated Representative and/or a more senior executive of each Party which is a Member and an officer of the Corporation if it is a Party.

21.7 **Mediation**

21.7.1 Initiation of Mediation. If a Dispute has not been resolved within thirty (30) days following notice by any Party to the other Parties of the existence of the Dispute or if all Parties agree that it would be desirable to mediate the Dispute, any Party may initiate mediation as described in this paragraph 21.7 by notice to each of the other Parties and the Corporation if it is not a Party, that it wishes to initiate mediation.

21.7.2 Applicable Procedures. The Parties will attempt in good faith to resolve the Dispute promptly by mediation under procedures established by the mediator appointed pursuant to 21.7.3.

21.7.3 Mediator. The mediator will be such individual as agreed to by the Parties. Failing that agreement within thirty (30) days following notice by any Party to the other Parties that it wishes to initiate mediation, the Parties will try to agree on an individual who would appoint a mediator. The mediator appointed by that an individual will be an independent individual who, in the opinion of the individual making that appointment, has experience as a mediator and knowledge of the insurance industry which is appropriate in the circumstances.

21.7.4 Participation by Corporation. If the Corporation is a Party, it will participate in the mediation as a Party. If the Corporation is not a Party, the Corporation may participate, but is not required to participate, in the mediation if the Corporation is likely to be affected by the resolution of, or the failure to resolve, the Dispute. If the Corporation is not a Party, it will decide whether it wishes to participate in the mediation within the thirty (30) day period referred to in 21.7.3 and will forthwith notify the Parties of its decision.

21.7.5 Participation by Other Members. The Board or the mediator may, but is not required to, provide notice to Members who are not Parties but who are potentially affected by, or interested in, the Dispute and invite those Members to participate in the mediation. Members who receive notice of the mediation and who provide notice to the mediator in writing within ten (10) days of receipt of that notice, will have the right to participate in the mediation.

21.7.6 Representation. Those Members who are Parties or are otherwise participating in the mediation under the procedure in paragraph 21.7.5 may be represented in the mediation individually or in groups of two (2) or more by one (1) or more:

21.7.6.1 Designated Representatives of any Member;

21.7.6.2 senior executives of any Member;

21.7.6.3 actuaries, accountants or lawyers; and/or

21.7.6.4 with the permission of the mediator, any other individual or individuals who is or are appropriate in the circumstances.

Each Party should be represented by an individual who has the authority to make decisions on behalf of that Party with respect to the Dispute.

21.8 **Arbitration**

21.8.1 Initiation of Arbitration. Subject to paragraph 21.8.2, if the Dispute has not been resolved through negotiation or mediation upon the earlier to occur of (i) the first mediation session between the mediator and the

Parties relating to a Dispute, and (ii) the expiry of ninety (90) days following notice by any Party to the other Parties of the existence of a Dispute, each Party has the right to require the Dispute to be resolved through arbitration under this paragraph 21.8. That right can be exercised by that Party giving notice to each of the other Persons participating in the mediation and to the Corporation if it is not already one of those Persons. That notice must:

21.8.1.1 contain a description of the Dispute,

21.8.1.2 state that the Party delivering the notice considers the Dispute is not reasonably capable of consensual resolution, and

21.8.1.3 state that the Party delivering the notice requires that the Dispute be resolved by arbitration.

21.8.2 Opting Out of Arbitration. Within ten (10) days following receipt of notice under 21.8.1 requiring that the Dispute be resolved by arbitration, any Party receiving that notice may, by delivering notice to each of the other Parties, opt out of arbitration with the intention that the Dispute be resolved through court proceedings or by some other means. If any Party opts out of arbitration in that manner, then none of the other Parties are required to resolve the Dispute through arbitration under these procedures, but they may choose to do so if they all agree, and in those circumstances the Party opting out will cease to be a Party for the purpose of this ARTICLE 21. If no Party opts out of arbitration by delivering notice to the others within that ten (10) day period, then these arbitration procedures are binding on all Parties, and, for greater certainty, paragraphs 21.1 to 21.3 (read without reference to this paragraph 21.8.2.) applies to that Dispute.

21.8.3 Selection Of Neutral Person. As soon as is reasonable in the circumstances following receipt by the Corporation of the notice referred to in 21.8.1, the Board will appoint an individual (the **"Selector"**) to select a Neutral Person. The individuals eligible to be appointed as Selector are any of the following:

21.8.3.1 if the Board considers the Dispute to relate primarily to Members in a particular province or territory, then (A) any individual who held the highest non-elected office within the insurance regulatory authority of that province or territory, but who no longer holds that position, (B) a retired Justice of the Supreme Court of Canada or of a provincial, territorial or federal Court of Appeal who is resident in that province or territory, and (C) if the Board considers it appropriate in the circumstances, such individual having experience in arbitration who the Board considers is qualified to carry out the responsibilities of

selecting the Neutral Person and who is resident in that province or territory; and

21.8.3.2 if the Board does not consider the Dispute to relate primarily to Members in a particular province or territory, then (A) any individual who held the highest non-elected office within the insurance regulatory authority of Canada or any province or territory, but who no longer holds that position, (B) a retired Justice of the Supreme Court of Canada or of a provincial, territorial or federal Court of Appeal, and (C) if the Board considers it appropriate in the circumstances, such individual having experience in arbitration who the Board considers is qualified to carry out the responsibilities of selecting the Neutral Person.

However, the Board will not appoint any individual referred to above who is an officer or director of the Corporation or a Member, or whom the Board believes to be affected by a material conflict or to be disqualified for some other reason.

21.8.4 The Neutral Person. The Neutral Person will be an individual who, in the opinion of the Selector, is a senior and independent member of the legal profession having experience in arbitration. The Selector, if a member of the legal profession, may designate himself or herself to be the Neutral Person.

21.8.5 Preliminary Procedures and Selection of Arbitrator(s).

21.8.5.1 *Matters to be Determined by Neutral Person*. The Neutral Person will be responsible for determining, and will have authority to determine, the following matters with respect to the arbitration procedures:

21.8.5.1.1 the place where the arbitration is to occur, the language(s) in which representations may be made to the arbitrator(s) and the applicable law to govern the arbitration process which, if the Neutral Person considers the Dispute to relate primarily to Members in a particular province or territory, will be the law of that province or territory;

21.8.5.1.2 a reasonable procedure whereby (A) each Member who is notified of the Dispute under paragraph 21.8.8 and (B) if the Neutral Person considers it to be appropriate, the Corporation (if it is not already a Party), will be provided with an opportunity to participate in the arbitration;

21.8.5.1.3 any other procedural matters that the Neutral Person considers desirable to resolve at this stage of the process, including the consolidation of the particular Dispute with any other Dispute in progress involving matters related to that particular Dispute;

21.8.5.1.4 the number of arbitrators, which will be either one or three, and the manner of selection of the arbitrator(s), which is to be carried out in a fair and balanced way, so as not to place any party in a privileged position with respect to the selection of the arbitrator(s), and with an opportunity for the Parties to participate in the selection process; in addition, if the Neutral Person determines that the process will accommodate their participation, each Member, and the Corporation if it is not already a Party, may participate in the selection process; but any failure to offer a Member or the Corporation the opportunity to participate in the selection process will not affect the validity or binding effect of the arbitration.

21.8.5.2 *Informal Process*. In dealing with these matters, the Neutral Person will proceed in an informal way, consulting with the Parties where appropriate, and with reasonable expedition. The Neutral Person may, but is not required to, seek legal or other advice.

21.8.5.3 *Neutral Person or Mediator as Arbitrator*. Neither the Neutral Person nor the mediator of a Dispute may serve as an arbitrator of that Dispute unless the Parties, the Corporation if it is not a Party but is participating in the arbitration, and each other Member participating in the arbitration agree otherwise.

21.8.5.4 *Conclusions in Writing*. The conclusions as to these matters that are reached by the Neutral Person will be provided in writing to the Parties, to each Member who is not a Party but who has provided notice to the Neutral Person that it wishes to participate in the arbitration and to the Corporation if it is not a Party. The Neutral Person, at the request of anyone receiving the conclusions made within five (5) days of release of the conclusions, may clarify, amend, supplement, delete or replace, in whole or in part, any conclusion in his discretion, but he is not required to do so.

21.8.6 Detailed Arbitration Procedure.

21.8.6.1 *The Panel*. The Dispute will be arbitrated by an arbitrator or by three (3) arbitrators (in either case, the "Panel") selected in the manner determined by the Neutral Person.

21.8.6.2 *Panel May Determine Procedures*. The Panel will have authority to clarify, amend, supplement, delete or replace, in whole or in part, any procedural determinations made by the Neutral Person and will have authority to determine all other procedures, including the nature and format of any formal hearing and the extent of pre-hearing exchange of information.

21.8.6.3 *Guiding Principles*. The Panel will determine these procedures with a view to securing a just and efficient, expeditious and least expensive resolution of the Dispute in a manner that provides all Parties with an opportunity to participate. These procedures will also allow (i) Members who have been offered the opportunity, and have exercised their right, to participate under 21.8.6.6 and (ii) the Corporation, if it so desires and the Panel considers it appropriate, to participate.

21.8.6.4 *Description of Dispute*. If the Panel concludes that the description of the Dispute in the notice delivered under 21.8.1 requires modification or expansion, the Panel will have the authority to make that modification or expansion.

21.8.6.5 *Interim Relief*. The Panel may make such interim orders as the Panel deems appropriate in the circumstances.

21.8.6.6 *Procedure to Notify and Bind Other Members*. The Board may, but is not required to, provide notice to Members who are not Parties but who are potentially affected by, or interested in, the Dispute and invite those Members to participate in the arbitration. Members who receive notice of the arbitration and notify the Corporation or the Panel in writing within ten (10) days of receipt of that notice, will have the right to participate in the arbitration.

21.8.7 *Further Opting Out of Arbitration and Binding Effect of Arbitration*. Within ten (10) days following receipt of notice under paragraph 21.8.8 inviting Member(s) to participate in the arbitration, any Member receiving that notice may, by delivering notice to the Corporation, opt out of arbitration. If that Member opts out of arbitration, then it is not required to resolve the Dispute through arbitration under these procedures, but the Parties remain obliged to do so unless all of the Parties agree otherwise. Any Member which fails to deliver notice to the Corporation within that ten (10) day period to opt out of arbitration, becomes bound by the resolution of the Dispute in accordance with paragraph 21.8.10. If a Member opts out of arbitration under this paragraph 21.8.7 and court proceedings are commenced by or against that Member which, in the opinion of the Board, may result in an inconsistent decision by the Panel in that arbitration and a court in those proceedings about an issue which is significant to the Corporation, it may apply to court to stay the arbitration.

21.8.8 *No Right To Ignore Law*. The Panel will determine the Dispute in accordance with applicable laws and any applicable customs and usage of the insurance industry and no determination will be made under the rule ex aequa et bono or as amiable compositeur.

21.8.9 *Arbitration to Proceed Speedily*. The Panel will proceed with, and complete, the arbitration and render its decision as speedily as possible,

having regard to the interests of the Parties and the other Persons participating in the arbitration. The Panel may give any directions respecting the arbitration procedures which the Panel deems proper to prevent delay. Those directions will be binding on the Parties and all other Persons participating in the arbitration.

21.8.10 *Decision Binding on Corporation and All Members*. Subject to paragraphs 21.8.2 and 21.8.7, the decision of the Panel will be final and binding on all Persons who received notice of, and an opportunity to participate in, the arbitration whether or not those Persons were Parties or otherwise participated in negotiations, mediation or the arbitration, except that if the Corporation is not already a Party, it will not be bound by the decision unless it has provided notice to the Neutral Person or the Panel that it wishes to participate in the arbitration and has been offered the opportunity to do so. Each Insurer which becomes a Member after an arbitration has commenced or has been completed agrees to be bound by the decision of the Panel in that arbitration whether or not that Insurer received notice of, or an opportunity to participate in, that arbitration.

21.8.11 *Rules about Decisions*. If the Panel consists of three (3) arbitrators, the decision of the majority of the Panel, if there is a majority, will be final and binding and will be deemed to be the decision of the Panel. Any Member which participated in the arbitration or the Corporation if it participated may, within thirty (30) days of the release of the decision, request that the Panel clarify, amend, supplement, delete or replace, in whole or in part, any part of the decision and the Panel in its discretion, may do so but is not required to do so.

21.9 **Immediate Arbitration of Urgent Disputes**

21.9.1 Request for Arbitration. Despite any other provision of this ARTICLE 21, if any Party or the Corporation if it is not a Party reasonably believes that an urgent resolution of a Dispute is necessary in the best interests of the Corporation or for any other material reason, it may request that the Dispute be resolved immediately under the arbitration procedures in paragraph 21.8 without resort to the negotiation and mediation procedures under paragraphs 21.6 and 21.7 by giving notice to all Parties, the Corporation if it is not making the request and any mediator of that Dispute under paragraph 21.7.

21.9.2 Procedures Following Request. Forthwith following receipt of the notice referred to in paragraph 21.9.1, the Board will initiate the procedures for the selection of a Neutral Person and the provisions of paragraph 21.8 will apply except that:

21.9.2.1 within ten (10) Business Days of the receipt of that notice, the Board, rather than a Selector, will identify an individual who, in the opinion

of the Board, is a senior and independent member of the legal profession having experience in arbitration who is willing to serve as the Neutral Person and, within ten (10) Business Days of his appointment, that Neutral Person will select an arbitrator and determine the procedures for determining whether or not an urgent resolution of the Dispute is necessary;

21.9.2.2 only one (1) arbitrator will be appointed as the Panel and he will determine at an early stage of the process whether or not an urgent resolution of the Dispute is required;

21.9.2.3 if in the Panel's judgment an urgent resolution is not required, the Dispute will be referred back for negotiation, mediation and, if necessary, arbitration under paragraphs 21.6, 21.7 and 21.8, except that if arbitration becomes necessary, no Selector will be appointed and the Neutral Person selected by the Board under paragraph 21.9.2.1 will carry out the responsibilities of the Neutral Person under paragraph 21.8 and the arbitrator who determined whether or not an urgent resolution of the Dispute is required may be selected by that Neutral Person as the sole arbitrator or as one of a three member Panel; and

21.9.2.4 if in the Panel's judgment an urgent resolution is required, the arbitrator who determined whether or not the resolution of the dispute is urgent will hear the remaining arbitration of that Dispute alone and the remaining arbitration procedures outlined in paragraph 21.8 will apply.

21.9.3 Subject to the foregoing, the Panel may from time to time refer the Dispute or a part of the Dispute back for negotiation or mediation or both.

21.10 **Payment of Costs of Alternative Dispute Resolution Procedures**

21.10.1 Negotiation. Each Party will bear its own fees and expenses to participate in any negotiations.

21.10.2 Mediation.

21.10.2.1 *Expenses of Mediator and to Administer Mediation*. The fees and expenses of a mediator and all other expenses incurred in the administration of the mediation, including expenses to rent appropriate premises and the fees and expenses of any legal, actuarial or other experts retained by the mediator, will be paid equally by each Party, the Corporation if it is not a Party but is participating in the mediation, and each other Member participating in the mediation.

21.10.2.2 *Expenses of each Party and the Corporation*. Each Party, the Corporation if it is not a Party but is participating in the mediation, and

each other Member participating in the mediation will bear its own fees and expenses to participate in mediation.

21.10.3 Arbitration.

21.10.3.1 *Initial Payment of Expenses of Selector and Neutral Person*. The fees and expenses of the Selector and of the Neutral Person, including in each case the fees and expenses of any legal or other experts retained by him, will initially be paid for by the Corporation.

21.10.3.2 *Expenses of Panel and to Administer Arbitration*. The fees and expenses of each Panel member and all other expenses incurred in the administration of the arbitration, including the fees and expenses of any legal, actuarial or other experts retained by the Panel and reimbursement to the Corporation of all fees and expenses paid to the Selector and to the Neutral Person, will be paid equally by each Party, the Corporation if it is not a Party but is participating in the arbitration, and each other Member participating in the arbitration, unless the Panel otherwise directs.

21.10.3.3 *Panel's Discretion to Award Costs*. In addition to the Panel's discretion to direct the payment of the fees and expenses described in paragraph 21.10.3.2, the Panel has the discretion to award costs in respect of the fees and expenses of each Party, the Corporation if it is not a Party but is participating in the arbitration, and each other Member participating in the arbitration. In the absence of such an award, each of those Persons will bear its own fees and expenses to participate in the arbitration.

21.11 **Confidentiality**

Unless each Party, the Corporation if it is not a Party but is participating in the negotiations, mediation or arbitration, as applicable, and each other Member participating in the negotiation, mediation or arbitration, as applicable, otherwise agree, all negotiations, mediation and arbitration will be in private and each of the Parties, all other Members, the Corporation, the mediator and the Panel will ensure that the conduct of the negotiation, mediation and arbitration, and the terms of any settlement or decision will be kept confidential, except that disclosure to regulators, to others as may be required by law and to Members and the Corporation, is permitted.

21.12 **Other Matters**

21.12.1 Greater Certainty. For greater certainty:

21.12.1.1 where the Dispute relates to, or affects liability for, the payment of an assessment, the affected Members will pay the amount of the assessment to the Corporation at the outset of the Dispute, subject to any adjustment that subsequently may be agreed to through

negotiation or mediation or may be ordered by the Panel under arbitration;

21.12.1.2 as used in this ARTICLE 21, "**Member**" includes a former Member; and

21.12.1.3 this ARTICLE 21 is deemed to be an arbitration agreement and submission to arbitration between the Corporation and all Members for the purposes of all applicable laws.

21.12.2 Delegation by Board. Some or all of the responsibilities permitted or required to be performed by the Board pursuant to this ARTICLE 21 may be performed instead by any committee of the Board to whom that responsibility has been delegated. However, that committee will not include the Chair, the President of the Corporation or any other officer of the Corporation.

21.12.3 Other Procedures. Upon agreement of all Parties to a Dispute, the Parties may amend any of the procedures to resolve their Dispute which are set forth in this ARTICLE 21, including without limitation adopting a set of simpler rules to resolve their Dispute, provided that such amendments do not materially prejudice the rights of the Corporation or other Members under this ARTICLE 21.

ARTICLE 22
GENERAL MATTERS

22.1 **Notice**

22.1.1 Unless otherwise expressly specified in this By-Law and then only to the extent otherwise specified, any notice or other communication required or permitted to be given hereunder will be in writing and will be given by prepaid first-class or registered mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid first-class or registered mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, will be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, will be deemed to have been received on the Business Day following the sending, or if delivered by hand will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this paragraph 22.2. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications will

be delivered by hand or sent by facsimile or other means of electronic communication and will be deemed to have been received in accordance with this paragraph. Notices and other communications will be addressed substantially as follows:

22.1.1.1 if to the Corporation:

Canadian Life and Health Insurance Compensation Corporation
Société canadienne d'indemnisation pour les assurances de personnes
250 Yonge Street
Suite 3110
P.O. Box 23
Toronto, Ontario
M5B 2L7

Attention: Corporate Secretary
Fax Number: (416) 777-9802
E-mail address: info@assuris.ca

22.1.1.2 if to a Jurisdiction, Member (via Designated Representative), director or representative to the Industry Advisory Committee, to the most recent address, fax number or e-mail address, as applicable, provided by the Regulator of that Jurisdiction, Member, director or representative, as the case may be to the Corporation.

22.1.2 Despite the foregoing, any notice or other communication required or permitted to be given by any Party pursuant to or in connection with any dispute resolution procedures contained in ARTICLE 21 may only be delivered by hand.

22.1.3 Where notice of any meeting is required to be provided hereunder, the number of days of notice actually provided will be calculated, exclusive of the day on which the notice is given, but inclusive of the day on which the meeting is held. For greater certainty, if three (3) days notice of a meeting is required and the meeting is to be held on a Thursday, then notice must be given of that meeting on or before the Monday immediately preceding that Thursday.

22.2 **Omissions and Errors**

The accidental omission to give any notice to any Member, Regulator, director, officer, or public accountant, or the non-receipt of any notice by any such person where the Corporation has provided notice in accordance with the By-Law or any error in any notice not affecting its substance shall not invalidate any action taken at any meeting to which the notice pertained or otherwise founded on such notice.

22.3 **Invalidity of any Provisions of the By-law**

The invalidity or unenforceability of any provision of this By-Law shall not affect the validity or enforceability of the remaining provisions of this By-Law.

22.4 **Language of Interpretation**

When interpreting this By-Law the French and English text will have equal merit.

Schedule A to By-Law No. 1
FORM OF MEMBERSHIP AGREEMENT BETWEEN INSURER AND THE CORPORATION

[Letterhead of the Corporation]

[Date]

[Address]

Dear_____:

Re***:*** ***XYZ Life Insurance Company (the "Company") - Membership in (Canadian Life and Health Insurance Compensation Corporation (the "Corporation")***

As requested, we are pleased to enclose the complete enrolment package of material required for membership in the Corporation.

The purpose of this letter is to describe the principal responsibilities involved in membership and to obtain confirmation that the Company accepts those responsibilities as being its contractual commitment. This confirmation is required before the Company can become a member of the Corporation.

All federal life companies, including branches, as well as provincially-chartered companies, which have a life licence or an accident and sickness licence in Canada are required to be members as a condition of their licensing.

The organizational documents of the Corporation, including the Articles of Continuance, By-law No. 1, the Memorandum of Operation, and Supplementary Rules, effective as at May 23, 2013 are included.

These documents describe the procedures under which the Corporation, for the benefit of the credibility of the insurance industry as a whole, provides a reasonable level of compensation to policyholders of an insolvent insurer who have unpaid claims under their life and health insurance contracts. If the assets of the insolvent insurer are inadequate to provide the amount of recovery according to the Corporation's coverage, then the Corporation will make up the shortfall. Members can be assessed annually for these purposes, subject to the limits set forth in the By-laws of the Corporation.

These documents also set out the details of the rights and obligations as a member, including:

- the obligation to choose a Designated Representative from among the senior officers;
- paying assessments when levied.

A copy of the Consumer Protection Plan pamphlet is enclosed which highlights some fundamental information about the Corporation and its coverage of benefits. The primary vehicle for communicating with policyholders is the Web site at: www.assuris.ca.

Assessment and Start-up Fees

There is a one-time start-up fee of $2,500 per company. An invoice for this amount is enclosed.

To enrol for full membership, it is necessary to:

- sign the "Consent to Release Information" form; and
- sign and seal one copy of this letter.

In summary, then, we request confirmation of acceptance of membership in the Corporation including all of the responsibilities of membership as described in the Corporation's organizational documents as amended from time to time, and the commitment to act in conformity with those documents as amended from time to time, including payment of assessments.

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

Yours very truly,

CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION

Per: _____

Per: _____

We confirm our agreement as to the matters discussed above and acknowledge by our execution hereof that this letter is a binding legal agreement.

Dated at _____ this _____ day of _____, 20__.

XYZ LIFE INSURANCE COMPANY

Per: _____

Per: _____

Encls.

Schedule B to By-Law No. 1
PARTICIPATION AGREEMENT

{EXAMPLE OF PARTICIPATION AGREEMENT WHERE MEMBERSHIP EFFECTED BY LEGISLATIVE MEANS}

THIS PARTICIPATION AGREEMENT made in duplicate on the ■th day of ■, 20■

B E T W E E N:

THE ■ OF ■ [Insert name of relevant jurisdiction] as represented by ■ **[Insert name of Regulator]**

(**"Jurisdiction"**)

- and -

CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION, a corporation without share capital, incorporated under Part II of the *Canada Corporations Act*

(the **"Corporation"**)

WHEREAS the Corporation has been established as a result of the cooperative relationship that exists between Canada's life, accident and sickness insurers and the responsible regulatory authorities in provincial, territorial and federal governments;

AND WHEREAS it is the intention of the Corporation to be available to make payments to insured policyholders and claimants in respect to covered insurance policies of certain insolvent life, accident and sickness insurers who would have claims that otherwise would be unsatisfied or delayed;

AND WHEREAS the Jurisdiction has made membership in the Corporation mandatory for certain insurers licensed under its laws;

AND WHEREAS the responsible regulatory authorities in provincial, territorial and federal governments agree that it is necessary to make timely and appropriate decisions to protect the interests of policyholders and claimants of covered insurance policies of certain life, accident and sickness insurers which are or are in danger of becoming insolvent;

AND WHEREAS the Jurisdiction desires that the people of the Jurisdiction benefit from the plan of compensation offered by the Corporation;

NOW THEREFORE, in consideration of the mutual promises in this Participation Agreement (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

1. Definitions

Capitalized terms used but not otherwise defined in this Participation Agreement will have the meanings given in By-Law No. 1. In this Participation Agreement, unless the context otherwise specifies or requires, the following terms will have the following meanings:

"By-Law No. 1" means By-Law No. 1 of the Corporation and all attached schedules, each as it may be amended, supplemented or restated from time to time.

"Insurance Act" means **[insert citation of appropriate statute]**, as amended or extended from time to time.

"Participation Agreement" means this participation agreement and all schedules to this participation agreement, each as it may be amended, supplemented or restated from time to time and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this participation agreement as a whole and not to any portion of this participation agreement.

"Policy" has the meaning given in the Memorandum of Operation.

"Regulator" means the Regulator of the Jurisdiction.

2. Obligations of the Corporation

2.1 The Corporation will be governed by By-Law No. 1, the Memorandum of Operation, its Articles of Continuance and the *Canada Not-for-profit Corporations Act* S.C. 2009, C.23, including the Regulations made pursuant to the Act, any statute or regulations that may be substituted, as amended, from time to time.

2.2 The Corporation agrees that:

(a) it will at all times maintain its corporate existence and will keep or cause to be kept proper books of account in accordance with generally accepted accounting principles;

(b) it will at all reasonable times allow the Regulator or its representatives to examine the books of account and other records of the Corporation;

(c) it will, on an annual basis, review its operations and make an annual report to its members on the affairs of the Corporation, a copy of which will be provided to the Regulator;

(d) it will report to the Regulator the name of any Insurer that is a Member and that has not paid an Assessment made against it by the Corporation;

(e) it will provide the Regulator with copies of:

(i) minutes of meetings of Members;

(ii) minutes of Board Meetings and of committees of the Board;

(iii) reports of the auditors of the Corporation;

(iv) notices of assessments of Members; and

(v) notices of grievances filed by Members against assessments,

(f) it will provide the Regulator with notice and an agenda for each Board Meeting at least ten (10) days in advance of the date of that Board Meeting;

(g) the Regulator, or a representative of the Regulator designated for that purpose, may attend and participate in each Board Meeting, provided that the Regulator will not be entitled to vote at any Board Meeting;

(h) no action on any matter discussed at any Board Meeting will be taken unless the Regulator has been provided with notice and an agenda for that Board Meeting in accordance with paragraph (a) above;

(i) the Regulator may convene a Board Meeting by providing the Chair with notice and an agenda for that Board Meeting at least fourteen (14) days' in advance of the date of that Board Meeting;

(j) it will provide the Regulator with notice of each annual or special general meeting of Members at least twenty-one (21) days in advance of such meeting;

(k) the Regulator, or a representative of the Regulator designated for that purpose, may attend each annual or special meeting of the Corporation, provided that the Regulator will not be entitled to vote at any such meeting;

(l) it will amend or repeal By-Law No. 1 or the Memorandum of Operation only in accordance with paragraphs 15.4 and 16.1 of By-Law No. 1;

(m) the Regulator may exempt an Insurer from the requirement that it be a Member in accordance with paragraph 5.2 of By-Law No. 1; and

(n) it will use due diligence to provide for prompt payment of valid claims to eligible policyholders and claimants of a Member in the event of that Member's insolvency, subject to the terms of the Memorandum of Operation and By-Law No. 1.

3. Obligations of the Jurisdiction

3.1 The Jurisdiction acknowledges that the Corporation is entering into the arrangements contemplated in this Participation Agreement in reliance on

continuing cooperation with the Jurisdiction and its regulatory authorities, and specifically on their assistance in arranging for necessary cooperation by all Insurers who are Members. To this end, the Jurisdiction agrees that:

(a) this Participation Agreement will be of no force or effect until the Insurance Act has been proclaimed;

(b) the Regulator, on behalf of the Jurisdiction, will exercise its powers and duties to assist the Corporation in requiring Insurers to fulfil their obligations as Members, provided that such assistance will be provided only to the extent permitted by law and that no action will lie against the Regulator or against the Jurisdiction for any failure to provide such assistance;

(c) the Regulator will provide to the Corporation such information in its possession as the Corporation may require to make Assessments against Members;

(d) the Regulator will advise the Corporation if an Insurer is placed on a "solvency watch list" by the Regulator and will enter into confidential discussions with, and consider suggestions from, the Corporation regarding that Insurer, provided that the Corporation agrees that the Regulator is under no legal responsibility to initiate inquiries at the behest of the Corporation, or to provide the Corporation with the results of inquiries carried out by the Regulator;

(e) as the Regulator acknowledges that cooperation between the Regulator and the Corporation is in their mutual best interest, the Regulator will take into account concerns raised by the Corporation in deciding whether to initiate an inquiry into the financial affairs or solvency of an Insurer;

(f) the Regulator will, in appropriate cases and in the sole discretion of the Regulator, make available to the Corporation the results of any inquiry into the financial affairs or solvency of an Insurer or an extract therefrom or summary thereof, which information will be treated as confidential by the Corporation and used by it only for its own reasonable purposes; and

(g) if payment of claims outstanding or anticipated due to the insolvency of any Member is at any time likely to cause financial difficulties for the life, accident and sickness, or credit protection insurance industry in a Jurisdiction or the Corporation, to the detriment of the people of the Jurisdiction, the Regulator will participate in discussions with the Corporation with a view to determining alternative arrangements.

4. Termination

4.1 The Corporation may terminate this Participation Agreement by notice to the Regulator served personally on the Regulator in accordance with paragraph 4.4.1

of By-Law No. 1 if the Jurisdiction no longer meets the criteria set out in paragraph 4.1.1.1.1 of By-Law No. 1.

4.2 The Jurisdiction may terminate this Participation Agreement on notice to the Corporation served personally on a senior officer of the Corporation in accordance with paragraph 4.4.2 of By-Law No. 1.

4.3 Upon the termination of this Participation Agreement, new insurance policies which would have been Policies but for the termination of this Participation Agreement will not be Policies, provided that all of the obligations of the Corporation and the Jurisdiction under this Participation Agreement will survive the termination of this Participation Agreement with respect to each Policy existing on the effective date of such termination for the life of that Policy and, for the purposes of By-Law No. 1, the Jurisdiction will continue to be a Participating Jurisdiction with respect to each such existing Policy.

5. Miscellaneous

5.1 This Participation Agreement will for all purposes be governed by and construed in accordance with the laws of ■.

5.2 This Participation Agreement is binding upon the parties and their respective successors and assigns, provided that this Participation Agreement may not be assigned by the Corporation without the prior written consent of Jurisdiction.

5.3 Unless otherwise expressly specified in this Schedule B and then only to the extent otherwise specified, any notice or other communication required or permitted to be given hereunder will be in writing and will be given in accordance with paragraph 22.1 of By-Law No. 1.

IN WITNESS WHEREOF the parties have executed this Agreement.

Signed, Sealed and Delivered in the presence of

■ **[Jurisdiction]** as represented by ■ **[Regulator]**

By: _____
■

CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION

By: _____
Authorized Signing Officer

Schedule C to By-Law No. 1
PARTICIPATION AGREEMENT

{EXAMPLE OF PARTICIPATION AGREEMENT WHERE MEMBERSHIP EFFECTED BY CONTRACTUAL MEANS}

THIS AGREEMENT made in duplicate on the ■th day of ■, 20■.

B E T W E E N:

THE ■ OF ■ [Insert name of relevant Jurisdiction] as represented by ■ **[Insert name of Regulator]**

(**"Jurisdiction"**)

- and -

CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION, a corporation without share capital, incorporated under Part II of the *Canada Corporations Act*

(the **"Corporation"**)

WHEREAS the Corporation has been established as a result of the cooperative relationship that exists between Canada's life, accident and sickness insurers and the responsible regulatory authorities in provincial, territorial and federal governments;

AND WHEREAS it is the intention of the Corporation to be available to make payments to insured policyholders and claimants in respect to covered insurance policies of certain insolvent life, accident and sickness insurers who would have claims that otherwise would be unsatisfied or delayed;

AND WHEREAS the Jurisdiction has made membership in the Corporation mandatory through the imposition of conditions upon certain insurers licensed by the Jurisdiction;

AND WHEREAS the responsible regulatory authorities in provincial, territorial and federal governments agree that it is necessary to make timely and appropriate decisions to protect the interests of policyholders and claimants of covered insurance policies of certain life, accident and sickness insurers which are or are in danger of becoming insolvent;

AND WHEREAS the Jurisdiction desires that the **[people of the Jurisdiction or policyholders of certain federally registered life and accident and sickness insurers]** benefit from the plan of compensation offered by the Corporation;

NOW THEREFORE, in consideration of the mutual promises in this Participation Agreement (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

1. Definitions

Capitalized terms used but not otherwise defined in this Participation Agreement will have the meanings given in By-Law No. 1. In this Participation Agreement, unless the context otherwise specifies or requires, the following terms will have the following meanings:

"By-Law No. 1" means By-Law No. 1 of the Corporation and all attached schedules, each as it may be amended, supplemented or restated from time to time.

"Insurance Act" means **[insert citation of appropriate statute]**, as amended or extended from time to time.

"Participation Agreement" means this participation agreement and all schedules to this participation agreement, each as it may be amended, supplemented or restated from time to time and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this participation agreement as a whole and not to any particular portion of this participation agreement.

"Policy" has the meaning given in the Memorandum of Operation.

"Regulator" means the Regulator of the Jurisdiction.

2. Obligations of the Corporation

2.1 The Corporation will be governed by By-Law No. 1, the Memorandum of Operation, its Articles of Continuance, and the *Canada Not-for-profit Corporations* Act S.C. 2009, C.23, including the Regulations made pursuant to the Act, any statute or regulations that may be substituted, as amended from time to time.

2.2 The Corporation agrees that:

(a) it will at all times maintain its corporate existence and will keep or cause to be kept proper books of account in accordance with generally accepted accounting principles;

(b) it will at all reasonable times allow the Regulator or its representatives to examine the books of account and other records of the Corporation;

(c) it will on an annual basis review its operations and make an annual report to its members on the affairs of the Corporation, a copy of which will be provided to the Regulator;

(d) it will report to the Regulator the name of any Insurer that is a Member and that has not paid an Assessment made against it by the Corporation;

(e) it will provide the Regulator with copies of:

(i) minutes of meetings of Members;

(ii) minutes of Board Meetings and committees of the Board;

(iii) reports of the auditors of the Corporation;

(iv) notices of assessments of Members; and

(v) notices of grievances filed by members against their assessments;

(f) it will provide the Regulator with notice and an agenda for each Board Meeting at least ten (10) days in advance of that Board Meeting;

(g) the Regulator, or a representative of the Regulator designated for that purpose, may attend and participate in each Board Meeting, provided that the Regulator will not be entitled to vote at any Board Meeting;

(h) no action on any matter discussed at any Board Meeting will be taken unless the Regulator has been provided with notice of that Board Meeting and an agenda for that Board Meeting in accordance with paragraph (a) above;

(i) the Regulator may convene a Board Meeting by providing the Chair with notice and an agenda for that Board Meeting at least fourteen (14) days' in advance of the date of that Board Meeting;

(j) it will provide the Regulator with notice of each annual or special general meeting of Members at least twenty-one (21) days in advance of such meeting;

(k) the Regulator, or a representative of the Regulator designated for that purpose, may attend each annual or special meeting of the Corporation, provided that the Regulator will not be entitled to vote at any such meeting;

(l) it will amend or repeal By-Law No. 1 or the Memorandum of Operation only in accordance with paragraphs 15.4 and 16.1 of By-Law No. 1;

(m) the Regulator may exempt an Insurer from the requirement that it be a Member in accordance with paragraph 5.2 of By-Law No. 1; and

(n) it will use due diligence to provide for prompt payment of valid claims to eligible policyholders and claimants of a Member in the event that Member's insolvency, subject to the terms of the Memorandum of Operation and By-Law No. 1.

3. Obligations of the Jurisdiction

3.1 The Jurisdiction acknowledges that the Corporation is entering into the arrangements contemplated in this Participation Agreement in reliance on continuing cooperation with the Jurisdiction and its regulatory authorities, and specifically on their assistance in

arranging for necessary cooperation by all Insurers who are Members. To this end the Jurisdiction agrees that:

(a) the Regulator will provide to the Corporation, upon request by the Corporation, an up-to-date list of Insurers;

(b) this Participation Agreement will be of no force or effect until the date that Jurisdiction receives notice from the Corporation to the effect that each Insurer not exempted from the requirement that it be a Member in accordance with paragraph 5.2 of By-Law No. 1 and this Participation Agreement has actually signed and delivered to the Corporation the form of Membership Agreement attached as Schedule A to By-Law No. 1;

(c) the Regulator, on behalf of Jurisdiction, will exercise its powers and duties to assist the Corporation in requiring Insurers to fulfil their obligations as Members, provided that such assistance will be provided only to the extent permitted by law and that no action will lie against the Regulator or against Jurisdiction for any failure to provide such assistance;

(d) the Regulator will provide to the Corporation such information in its possession as the Corporation may require to make Assessments against Members;

(e) the Regulator will advise the Corporation if an Insurer is placed on a "solvency watch list" by the Regulator and will enter into confidential discussions with, and consider suggestions from, the Corporation with regard to that Insurer; provided that the Corporation agrees that the Regulator is under no legal responsibility to initiate inquiries at the behest of the Corporation, or to provide the Corporation with the results of inquiries carried out by the Regulator;

(f) as the Regulator acknowledges that cooperation between the Regulator and the Corporation is in their mutual best interest, the Regulator will take into account concerns raised by the Corporation in deciding whether to initiate an inquiry into the financial affairs or solvency of an Insurer;

(g) the Regulator will, in appropriate cases and in the sole discretion of the Regulator, make available to the Corporation the results of any inquiry into the financial affairs or solvency of an Insurer or an extract therefrom or summary thereof, which information will be treated as confidential by the Corporation and used by it only for its own reasonable purposes; and

(h) if payment of claims outstanding or anticipated due to the insolvency of any Member is at any time likely to cause financial difficulties for the life, accident and sickness or credit protection insurance industry in a Jurisdiction or the Corporation, to the detriment of the people of Jurisdiction, the Regulator will be prepared to participate in discussions with the Corporation with a view to determining alternative arrangements.

4. Termination

4.1 The Corporation may terminate this Participation Agreement by providing notice to the Regulator served personally on the Regulator in accordance with paragraph 4.4.1 of By-Law No. 1 if the Jurisdiction no longer meets the criteria set out in paragraph 4.1.1.1.1 of that By-Law.

4.2 The Jurisdiction may terminate this Participation Agreement on notice to the Corporation served personally on a senior officer of the Corporation in accordance with paragraph 4.4.2 of By-Law No. 1.

4.3 Upon the termination of this Participation Agreement, new insurance policies which would have been Policies but for the termination of this Participation Agreement will not be Policies, provided that all of the obligations of the Corporation and Jurisdiction under this Participation Agreement will survive the termination of this Participation Agreement with respect to each Policy existing on the effective date of such termination for the life of that Policy and, for the purposes of By-Law No. 1, each Jurisdiction will continue to be a Participating Jurisdiction with respect to each such existing Policy.

5. Miscellaneous

5.1 This Participation Agreement will for all purposes be governed by and construed in accordance with the laws of ■.

5.2 This Participation Agreement is binding upon the parties and their respective successors and assigns, provided that this Participation Agreement may not be assigned by the Corporation without the prior written consent of Jurisdiction.

5.3 Unless otherwise expressly specified in this Schedule C and then only to the extent otherwise specified, any notice or other communication required or permitted to be given hereunder will be in writing and will be given in accordance with paragraph 22.1 of By-Law No. 1.

IN WITNESS WHEREOF the parties have executed this Agreement.

Signed, Sealed and Delivered)
in the presence of)
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■, **[Jurisdiction]** as represented by ■ **[Regulator]**

By: _____
■

CANADIAN LIFE AND HEALTH INSURANCE COMPENSATION CORPORATION

By: _____
Authorized Signing Officer

Schedule D to By-Law No. 1
FORM OF INSURER'S CONSENT

TO: **The Superintendent of Financial Institutions (Canada) and to the Superintendent of Insurance or Inspector General of Financial Institutions of each provincial and territorial Jurisdiction of Canada (or other similar insurance regulatory authority from time to time) (each, a "Regulator")**

Whereas the undersigned insurer (the **"Insurer"**) is a Member or a prospective Member of the Canadian Life and Health Insurance Corporation/Société Canadienne d'indemnisation pour les assurances de personnes (**"the Corporation"**), and whereas it is a requirement of the Corporation that the Insurer provide the within consent to each Regulator, the Insurer hereby consents to the release by each Regulator to the Corporation of such information concerning the Insurer, its parent or affiliates as the Corporation may request from time to time, and the Insurer hereby agrees that for the purposes of any duty of confidentiality which any such Regulator may have to the Insurer, any such release of information to the Corporation will be deemed to be a release of information to the Insurer itself.

Dated the _____ day of _____, 20____.

[Insurer]

per: _____
Authorized Officer

Schedule E to By-Law No. 1
QUALIFIED PERSON - EXTRACTS FROM INSURANCE COMPANIES ACT (CANADA) AND REGULATIONS

Extract from the *Insurance Companies Act* (Canada):

170. The Governor in Council may make regulations specifying the circumstances under which a natural person is affiliated with a company for the purposes of this Act.

Affiliated Persons (Insurance Companies) Regulations (SOR/92-326):

Short Title

1. These Regulations may be cited as the Affiliated Persons (Insurance Companies) Regulations.

Interpretation

2. In these Regulations,

"Act" means the *Insurance Companies Act*;

"indebtedness" includes indebtedness in respect of commercial paper, acceptances, lines of credit to the extent drawn on and margin loans made to a director or officer of a company;

"not in good standing", in respect of a loan, means a loan in respect of which

(a) any payment of principal or interest is 90 days or more overdue,

(b) interest is not being accrued on the books of the lender because it is doubtful whether the principal or interest will be paid or recovered, or

(c) the rate of interest is reduced by the lender because the borrower is financially weak;

"significant borrower", in respect of a company, means

(a) a natural person who has indebtedness for money borrowed from the company or from an affiliate of the company, other than a loan secured by a mortgage on the principal residence of that person, the total principal of which exceeds the greater of

(i) $200,000, and

(ii) one fiftieth of one per cent of the regulatory capital of the company, or

(b) an entity that has indebtedness for money borrowed from the company or from an affiliate of the company the total principal of which exceeds the greatest of

(i) $500,000,

(ii) one twentieth of one per cent of the regulatory capital of the company, and

(iii) twenty-five per cent of the value of the assets of the entity.

Circumstances Under Which a Natural Person is Affiliated

3. For the purposes of section 170 of the Act, a natural person is affiliated with a company where the person

(a) is an officer or employee of the company or of an affiliate of the company;

(b) has a significant interest in a class of shares of the company;

(c) has a substantial investment in an affiliate of the company;

(d) is a significant borrower in respect of the company;

(e) is an officer or employee of an entity that is a significant borrower in respect of the company;

(f) controls one or more entities of which the total indebtedness to the company or to an affiliate of the company would cause those entities, if treated as a single entity, to be a significant borrower of the company;

(g) provides goods or services to the company, or is a partner or an employee in a partnership that provides goods or services to the company or an officer or employee of, or a person who has a substantial investment in, a body corporate that provides goods or services to the company, if the total annual billings to the company in respect of the goods and services provided exceeds ten per cent of the total annual billings of the person, partnership or body corporate, as the case may be;

(h) has a loan that is not in good standing from the company or from an affiliate of the company or is a director, an officer or an employee of, or a person who controls, an entity that has a loan that is not in good standing from the company or from an affiliate of the company; or

(i) is the spouse of a person described in any of paragraphs (a) to (h).

Schedule F to By-Law No. 1
DETAILED RULES FOR ASSESSMENTS AND REFUNDS

1. Definitions

Capitalized terms used but not defined in this Schedule F will have the meanings given in By-Law No. 1. In this Schedule F, the following terms will have the meanings given below or elsewhere in this Schedule F as indicated below, unless the context otherwise specifies or requires:

"Available Funds" - paragraph 11(a) of this Schedule F.

"By-Law No. 1" means By-Law No. 1 of the Corporation and all attached schedules, each as it may be amended, supplemented or restated from time to time.

"Claw-Back Obligation" - paragraph 10(c) of this Schedule F.

"Deemed Type A Loan" means the portion of any Type B Loan that has been deemed a Type A Loan in accordance with paragraph 4 of this Schedule F.

"Face Amount" means, in relation to the Type B Note, the original principal amount of the Type B Note less any Recorded Reduction Amount for that note.

"Outstanding Amount" means:

(a) in the case of a Type A Loan other than a Deemed Type A Loan, the principal amount and all accrued but unpaid interest thereon less any repayments of such principal and interest;

(b) in the case of a Deemed Type A Loan, the amount which has been deemed to become a Type A Loan as set forth in paragraph 4 of this Schedule F plus all accrued interest thereon less any repayments of such amount and interest;

(c) in the case of a Type B Cash Loan, the principal amount thereof less any repayments thereof and less any portion which has been deemed to become a Type A Loan as set forth in paragraph 4(b) of this Schedule F; and

(d) in the case of a Type B Note Loan, the Face Amount of the Type B Note constituting such loan less any portion which has been deemed to become a Type A Loan as set forth in paragraph 4(a) of this Schedule F and less any Reduction Amount not recorded on the grid forming part of such note and, in the event such note is returned to the Member which issued it, less the Outstanding Amount of the note at such time.

"Outstanding Principal Amount" means, in relation to a Type A Loan or a Type B Loan, the Outstanding Amount thereof less all accrued and unpaid interest, if any, comprising part of that Outstanding Amount. For greater certainty the Outstanding Principal Amount will not include capitalized interest.

"Overpaying Member" - paragraph 7(e) of this Schedule F.

"Particular Note" - paragraph 7(e) of this Schedule F.

"Recorded Reduction Amount" means, in relation to a Type B Note, the aggregate of all Reduction Amounts recorded on the grid forming part of that note.

"Reduction Amount" means, in relation to a Type B Note, the amount that may no longer be demanded under the note as irrevocably declared by the Corporation at a time when it holds the note or as agreed between the Corporation and another Person at a time when that other Person holds the note, but excluding any amounts that the Member issuing the note has paid thereunder.

"Type A Loan" means a loan made by a Member to the Corporation in compliance with paragraph 3(a) to this Schedule F.

"Type B Cash Loan" means a loan made by a Member to the Corporation in compliance with paragraph 3(b) to this Schedule F.

"Type B Loan" means a Type B Cash Loan or a Type B Note Loan;

"Type B Note" means a promissory note delivered as a Type B Note Loan.

"Type B Note Loan" means a loan made by a Member to the Corporation in compliance with paragraph 3(c) of this Schedule F.

2. Loan Assessments

A Loan Assessment obligates each Member to make, as specified by the Board in the Loan Assessment, either:

(a) an interest-bearing Type A Loan to the Corporation to be made by the Member in accordance with paragraph 3(a) of this Schedule F; or

(b) an interest-free Type B Loan to the Corporation to be made by the Member in accordance with paragraphs 3(b) or 3(c) of this Schedule F.

3. Types of Loans

(a) Type A Loans. Each Type A Loan (other than a Deemed Type A Loan) made to the Corporation will be in immediately available funds at the place and time, will bear interest compounded annually payable at the bankers' acceptance rate and times, and will be repayable in accordance with the schedule, each as determined by the Board and notified to each Member at the time of the relevant Loan Assessment, and may be prepaid in whole or in part from time to time at the option of the Corporation without penalty, but in any event the Outstanding Amount of such loan will be repaid on or before the tenth anniversary of the date by which the loan was required to be made.

(b) Type B Cash Loans. Subject to paragraph 3(c) of this Schedule F, each Type B Loan made to the Corporation will be made in immediately available funds, will NOT bear interest unless it becomes a Deemed Type A Loan, may be prepaid in whole or in part from time to time at the option of the Corporation without penalty and will be repayable in accordance with paragraph 4 of this Schedule F if it becomes a Deemed Type A Loan, but in any event the Outstanding Amount of such loan, whether or not it has become a Deemed Type A Loan, will be repaid on or before the tenth anniversary of the date by which the Type B Loan was required to be made.

(c) Type B Note Loans. At the option of the Member, a Type B Loan may be made by way of a non-interest bearing demand promissory note of the Member payable to the Corporation, its successors and assigns upon demand by the Corporation, its successors or assigns in the original principal amount of the assessment, assignable by the Corporation without the consent of the Member free of all defences, equities, rights of set-off and counterclaims, in the form specified by the Corporation. Such note will rank *pari passu* with all other unsecured creditors of the Member, subject only to the prior claims specified under applicable law, preferred creditors and policyholders. At the option of the Corporation, such promissory notes may provide for payments to be made by the Member in whole or in part upon demand from time to time and may include a grid to record the amount of all such payments and which, if included, will be deemed to be conclusive evidence of the Outstanding Principal Amount thereunder.

4. Circumstances under which Type B Loans will be deemed Type A Loans

(a) Type B Note Loan Deemed to Become a Type A Loan. A Type B Note Loan will be deemed to become a Type A Loan if, but only to the extent that, the Member makes payment to the holder of the applicable Type B Note following demand. The Outstanding Principal Amount of such Deemed Type A Loan will bear interest compounded annually payable at the bankers' acceptance rate and at the times specified by the Corporation at or about the time demand for payment is made from the date of such payment until the Outstanding Amount thereof is paid in full and will be repayable in accordance with the repayment schedule specified by the Corporation at or about the time of such demand, provided that the Outstanding Amount thereof will be repayable on or before the tenth anniversary of the date by which the Type B Note Loan was required to be made.

(b) Type B Cash Loan Deemed to Become a Type A Loan. A Type B Cash Loan will be deemed to become a Type A Loan if a demand for payment is made under any one or more Type B Notes delivered by any Member(s) pursuant to the same Loan Assessment as required the Type B Cash Loan to be made, but such Type B Cash Loan will be deemed to become a Type A Loan only to the extent (calculated on a percentage basis) that the aggregate Outstanding Principal Amount of these Type B Notes has been paid pursuant to these demands and will otherwise bear interest and be repayable as if it were a Deemed Type A Loan under paragraph 4(a) of this Schedule F.

5. The Corporation's Best Efforts in Respect of Type B Note

Subject to paragraph 7(e) of this Schedule F, the Corporation will use its best efforts:

(a) to record all payments made in respect of Type B Notes on any grid provided for this purpose as such payments are made;

(b) to record any Reduction Amount applicable to each Type B Note on any grid provided for this purpose, not less than once every six months;

(c) if demand for payment is made under a Type B Note, to demand payment of all other Type B Notes issued under the same Loan Assessment from Members on a *pro rata* basis according to the Outstanding Principal Amounts thereof; and

(d) to cause Persons to whom the Corporation delivers these Type B Notes to agree to comply with paragraphs (a), (b) and (c), above.

6. Confirmation, Consolidation and Splitting Notes at the Corporation's Request

(a) At the Corporation's request from time to time, each Member will:

(i) confirm that it continues to be obligated to make payment under the Type B Note(s) issued by it and its predecessors;

(ii) issue a replacement Type B Note to consolidate two or more existing Type B Notes issued by it and its predecessors; and/or

(iii) issue two or more replacement Type B Notes to split the existing Type B Note(s) issued by it and its predecessors.

(b) Replacement Type B Notes will have the same date, terms and conditions, except that the Corporation will specify the principal amount of each replacement Type B Note to be issued by each Member which, in aggregate, will be equal to the Face Amount of the existing Type B Note(s) issued by that Member and its predecessors as of the time of consolidation, substitution or splitting. The existing Type B Note(s) will be returned to such Member upon receipt by the Corporation of the replacement Type B Notes in satisfactory form. The replacement Type B Notes will be deemed to have been delivered under the same Loan Assessment as the existing Type B Note(s).

7. Manner of Repayment of Type A Loans and Type B Loans and Substitution of Notes

(a) Repayment of Type A Loans. Subject to paragraph 7(e), repayment of Type A Loans arising from the same Loan Assessment will be made to Members on a *pro rata* basis according to the Outstanding Amount thereof.

(b) Manner of Repayment of Type B Loans. Subject to 7(c) and 7(e) below, repayment of Type B Loans arising from the same Loan Assessment will be made

by returning the relevant Type B Notes to each applicable Member and by repaying the relevant Type B Cash Loans.

(c) *Pro Rata* Treatment of Type B Loans. The Corporation will use its best efforts to ensure that:

(i) no Reduction Amount is applicable to a Type B Note unless a Reduction Amount is applicable to each other Type B Note issued under the same Loan Assessment and the aggregate of these Reduction Amounts is allocated to each Type B Note *pro rata* based on the Face Amount of these notes;

(ii) no repayment in respect of a Type B Cash Loan is made unless a repayment is made in respect of each other Type B Cash Loan made under the same Loan Assessment and the aggregate of these repayments is allocated to each Type B Cash Loan *pro rata* based on the Outstanding Principal Amount of these loans; and

(iii) no Reduction Amounts are applicable to Type B Notes issued under a particular Loan Assessment unless repayments are made in respect of Type B Cash Loans made under the same Loan Assessment, and *vice versa*, and the aggregate amount of these Reduction Amounts and repayments is allocated between the group of Type B Notes and the group of Type B Cash Loans *pro rata* based on the aggregate Face Amount of these notes and the aggregate Outstanding Principal Amount of these loans.

(d) Set-off. Any repayment of a Type A Loan or a Type B Cash Loan may, in the discretion of the Board, be made by setting off these loans, in whole or in part, against Specific, Administrative or Extraordinary Assessments owed by, or against a Type A Loan required to be made by, the particular Member or Members. Subject to the foregoing, no Member may exercise any set-off or counterclaim in respect of these loans.

(e) Overpaying Members. Notwithstanding any other provision of By-Law No. 1, if for any reason any payment by a Member (an **"Overpaying Member"**) under a Type B Note (the **"Particular Note"**) is, as a proportion of all payments made on all Type B Notes which were delivered under the same Loan Assessment as was the Particular Note, greater than the Overpaying Member's *pro rata* share of the Face Amount of these notes, the Corporation will use its best efforts to:

(i) obtain redelivery to the Corporation of all Type B Notes which were delivered as part of such Loan Assessment, as soon as reasonably practical; and

(ii) recover all outstanding amounts from the Members (other than the Overpaying Member) which issued the Type B Notes described in (i) above, as soon as reasonably practical to the extent necessary to ensure

that each Member has made payment under these promissory notes *pro rata* according to the Face Amount thereof.

Upon obtaining recovery from Members referred to in (ii) above the Corporation will repay to the Overpaying Member the amount of this recovery (net of the Corporation's costs and expenses of obtaining recovery) to ensure that, to the extent possible, each Member has made payment under these Notes *pro rata* according to the Face Amount thereof.

(f) Allocation of Repayments to a Troubled Member. For greater certainty, any repayment of a Type A Loan or a Type B Cash Loan will be deemed to relate to the specific Troubled Member in respect of which such loans were obtained.

(g) Substitution of Type B Notes. If a Reduction Amount is applicable to a Type B Note, the Member that issued the note will, at its option, be entitled to substitute a new Type B Note for the existing Type B Note, with the same date, terms and conditions, except that the original principal amount of the new Type B Note will be the Face Amount of the existing Type B Note at the time of substitution. The existing Type B Note will be returned to such Member upon receipt by the Corporation of a new Type B Note in satisfactory form. The new Type B Note will be deemed to have been delivered under the same Loan Assessment as the existing Type B Note.

8. "Suspense Account" for Assessments

Subject to other applicable requirements, the Board may make a Specific Assessment or an Extraordinary Assessment during a year without at that time identifying the use to be made of the amount or amounts assessed. When the use to be made of each amount assessed has been identified (which identification will, in the case of Specific Assessments, be effected prior to the end of the year to which the assessment relates), any portion thereof not required will be returned to the Members (including for the purpose of this paragraph, former Members) assessed in the same proportions as their relative contributions together with interest at the rate specified in paragraph 13 of this Schedule F.

9. Directors May Modify Allocation of Assessments between Members

The Board may modify the allocation between Members, or relieve a Member of its obligation to pay all or part, of any Specific Assessment, Loan Assessment, Extraordinary Assessment or Administrative Assessment if, in the judgment of the Board, the allocation would prejudice the capital position of a particular Member when the burden of the assessment is considered in combination with other assessments. Subject only to the limits in paragraphs 14.3.1, 14.3.2 and 14.3.3 of By-Law No. 1, the Board may make such modification or provide such relief in such manner as it considers to be appropriate having regard to the particular circumstances.

10. Refund of Surplus Funds

(a) Basic Principle. Where the Board determines that the Corporation has surplus funds relating to a particular Troubled Member, the Board may authorize a refund to Members (including for the purpose of this paragraph, former Members) and to the Liquidity Fund of some or all of that surplus. A refund from surplus funds relating to a particular Troubled Member will be allocated among each Member and the Liquidity Fund *pro rata* based on the amount paid by each Member and the Liquidity Fund to fund the costs relating to that particular Troubled Member.

(b) Amount Paid. For a particular Troubled Member:

(i) the amount paid by each Member (including for the purpose of this paragraph, each former Member) to fund costs relating to that Troubled Member will be equal to the amount of Specific Assessments and Extraordinary Assessments paid by that Member to fund those costs (for greater certainty, excluding Specific Assessments which funded the Liquidity Fund); and

(ii) the amount paid by the Liquidity Fund to fund those costs will be equal to the amounts withdrawn from the Liquidity Fund for that purpose.

(c) Claw-Back Obligation. Despite any other provision in this Schedule F (other than paragraph (d) below) and By-Law No. 1, if for a particular Troubled Member, surplus funds are refunded to Members or to the Liquidity Fund under this paragraph 10 and it becomes necessary to meet funding needs in respect of that Troubled Member (whether those needs relate to the then current year or, in the discretion of the Board, any future year), the Members (including for the purpose of this paragraph, former Members) and Liquidity Fund which received those refunds will be obligated to return to the Corporation all or some portion of those refunds, as applicable, as determined by the Board in accordance with the following principles (the **"Claw-Back Obligation"**):

(i) The Claw-Back Obligation will be allocated among each Member and the Liquidity Fund *pro rata* based on the amount of those refunds received by each Member and the Liquidity Fund.

(ii) For greater certainty, the Claw-Back Obligations of each Member and the Liquidity Fund will not exceed the amount of refunds received by it.

(iii) Despite any other provision in this Schedule F and By-Law No. 1, the aggregate Claw-Back Obligations and Specific Assessments, if any, required to be paid by each Member in any particular year will not exceed an amount equal to that Member's Maximum Specific Assessment. If those amounts payable by a Member in a particular year would exceed that limit, the excess is deemed to be a Claw-Back Obligation of that Member (not a Specific Assessment) and is carried forward as a Claw-Back

Obligation of that Member in the following year; and so on each year until there is no excess.

(iv) In any year in which there is a Claw-Back Obligation, the Specific Assessments, if any, which are payable by Members in that year will be calculated and allocated between Members on the basis that the entire amount of those Specific Assessments will be collected in that year, as if there were no Claw-Back Obligation, whether or not those Specific Assessments are made before, at the same time and/or after the Board determines that Members are subject to a Claw-Back Obligation. Thus, the provisions in (iii) above do not operate to limit the amount of Specific Assessments or other assessments which the Board may make in accordance with the other provisions in this Schedule F and By-Law No. 1.

(d) Meeting Funding Needs Without a Claw-Back Obligation. In lieu of imposing all or some portion of a Claw-Back Obligation, the Board has the discretion to meet all or some portion of the funding needs in respect of a Troubled Member from the Liquidity Fund.

11. Refunds Upon Dissolution or Winding-up

(a) Available Funds. In the event of dissolution or winding-up of the Corporation, the Board will determine the amount of assets (the **"Available Funds"**) remaining available after payment, or adequate provision for payment, of (a) all present and future liabilities of the Corporation, whether actual or contingent, including without limitation all pre-existing commitments of the Corporation with respect to a Troubled Member, and (b) all refunds of surplus funds under this paragraph 11.

(b) Funds in Suspense Account. To the extent those Available Funds include funds which would have been returned to Members under paragraph 8 of this Schedule F at the end of the year of dissolution or winding-up if the Corporation were in existence at that year end, the Corporation will return those funds to Members in accordance with paragraph 8 of this Schedule F.

(c) Liquidity Fund. To the extent those Available Funds include a Liquidity Fund, the Corporation will make a refund to each Member based on its Assessment Base.

(d) Other Funds. To the extent the Available Funds are not dealt with under paragraphs 11(b) or 11(c) above, the Corporation will make a refund to each Member based on its Assessment Base.

(e) Time of Determination of Assessment Base. The Assessment Base used for calculating the refunds under paragraphs 11(c) or 11(d) above will be the Assessment Base of each Member as of the time when the Board approves of the dissolution or winding-up proceedings or, if no such approval is required, when those proceedings were commenced.

(f) Limitation. Notwithstanding paragraphs 11(c) or 11(d) above, no part of the income (excluding the amount of any taxable capital gains) of the Corporation will be payable to, or otherwise available for the personal benefit of, any Member. If necessary, the Board will reduce the amount of refunds to be paid under paragraphs 11(c) or 11(d) above on a *pro rata* basis according to the limitation in the foregoing sentence. That income will be distributed to one or more organizations carrying on similar activities in respect of the life and health insurance industry in Canada or in the event that there is no such organization, to one or more charitable organizations in Canada, as provided for in the Articles of Continuance.

12. Termination of Membership

Termination of membership of a Member will not affect:

(a) the Corporation's obligation to pay to that Member any refunds under paragraph 8 or 10 of this Schedule F whether arising before or after that termination;

(b) the Corporation's obligations to repay Type A Loans or Type B Loans at the times and otherwise in accordance with this Schedule F and By-Law No. 1;

(c) the obligations of the Corporation and each Member to repay any other indebtedness either may owe to the other at the times and otherwise in accordance with the terms of that indebtedness;

(d) the Member's obligation:

(i) to pay to the Corporation any assessment (including Loan Assessments) made prior to that termination of membership;

(ii) to satisfy any demand for payment under a Type B Note Loan and to pay to the Corporation any adjustment required under the last sentence of paragraph 6 of Schedule G;

(iii) to make the confirmations and issue the replacement Type B Notes as required under paragraph 6 of this Schedule F; and

(iv) to satisfy any Claw-Back Obligation under paragraph 10(c) of this Schedule F.

which, in the case of (ii), (iii) and (iv), exists whether that demand, adjustment, or request for confirmation or replacement Type B Notes or Claw-Back Obligation, as applicable, is made before, upon or after that termination of membership; and

(e) the application of ARTICLE 21 of By-Law No. 1 to any Disputes involving that Member whether the Dispute arose, or the procedures described in ARTICLE 21 of By-Law No. 1 were commenced, before, upon or following that termination of membership.

Aside from the above, no Member is entitled to receive any amounts from, nor obligated to pay any amounts to, the Corporation under or in connection with By-Law No. 1 after termination of its membership.

13. Notices of Assessments and Refunds

The Corporation will provide notice to each Member of any assessment levied against it, of any Claw-Back Obligation payable by it, and of any refund payable or credit allocated to it, each as calculated in accordance with By-Law No. 1. The Corporation may require immediate payment of an entire assessment or Claw-Back Obligation or may draw upon the assessment or Claw-Back Obligation from time to time by notice to the assessed Member. The amount of any assessment or Claw-Back Obligation will be due and payable by the Member on the thirtieth day following the date appearing in the notice. The Corporation will charge, and each Member will pay, interest on any overdue assessments and Claw-Back Obligations at a rate of interest compounded annually equal, from time to time, to the rate of interest charged at that time to the Corporation in respect of its bank borrowings (or, if the Corporation has no outstanding bank borrowings, the best available rate of interest which, in the estimation of the Board, would be charged to the Corporation by its bank if bank borrowings were made). Refunds and credits to Members do not bear interest; but for greater certainty, interest is payable in respect of proceeds of assessments returned to Members in accordance with paragraph 8 of this Schedule F. Notwithstanding the above, any assessment, Claw-Back Obligation or credit under By-Law No. 1 will be deemed to have been effected on the date the assessment, Claw-Back Obligation or credit is approved by the Board and any accounting therefore in the books of a Member will be made in respect of the fiscal year in which such approval is made.

14. Rules, Guidelines and Policy Statements

The rules in ARTICLE 14 of By-Law No. 1, this Schedule F and Schedule G are not intended to deal in detail with all issues that will arise in levying assessments, determining Claw-Back Obligations and distributing refunds or credits. The Corporation has binding authority to deal with all of these issues, in a manner consistent with ARTICLE 14 of By-Law No. 1, this Schedule F and Schedule G. The Corporation may adopt further rules, guidelines and policy statements to deal with specific questions or issues, including without limitation rules, guidelines and policy statements which require Members to provide information to assist in the allocation of assessments, Claw-Back Obligations, refunds and credits. All rules, guidelines and policy statements adopted by the Corporation under this paragraph 14 must be consistent with, and will be interpreted and applied having regard to, the principles in paragraph 14.1 of By-Law No. 1

and the provisions of this Schedule F and Schedule G. All of these rules, guidelines and policy statements will be binding on all Members.

15. Discretion *etc.* of the Corporation and Board

Each discretion and judgment to be exercised, and each determination and allocation to be made, by the Corporation or the Board under ARTICLE 14 of By-Law No. 1, this Schedule F and Schedule G will be exercised or made in a reasonable manner and will be binding on all Members, but must be consistent with the principles in ARTICLE 14 of By-Law No. 1 and the provisions of this Schedule F and Schedule G.

16. Responsibility of Board

The Board in assuming commitments on behalf of the Corporation, will be cognizant of the extent of the resources available. The Corporation has authority to borrow from anyone and it is expected that, where and as feasible, it will make use of this technique to finance the portion of commitments that involve cash outlays expected to be recouped through payments from the Liquidator of the Insolvent Member or through further assessments.

17. Not Trust Funds

Amounts now or hereafter received by the Corporation through assessments of any type made by the Corporation against its Members, including without limitation amounts held in the Liquidity Fund, are not trust funds.

18. Minor Adjustments

The Corporation may make minor adjustments to the amounts payable under the assessment or refund process (including, for greater certainty, any Claw-Back Obligations) for the purpose of administrative convenience or fairness. Without limiting the amount of the minor adjustments which might otherwise be made, no Member will be required to pay an assessment or Claw-Back Obligation of less than one thousand dollars ($1,000), nor will the Corporation be required to pay a refund or credit of less than one thousand dollars ($1,000).

19. Correcting Mistakes in Allocation

The Corporation may adjust assessments or Claw-Back Obligations being made by the Board and may make or adjust refunds or credits to Members as necessary to correct mistakes in the allocation of prior assessments, Claw-Back Obligations, refunds or credits.

20. Special Rules About Income

(a) Use Income Before Capital. The Corporation will use its income to cover ongoing operating costs of the Corporation and funding needs relating to particular Insolvent Members, before using its capital.

(b) No Distribution of Income. Notwithstanding any other provision of this By-Law, no part of income (excluding the amount of any taxable capital gains) of the

Corporation will be payable to, or otherwise available for the personal benefit of, any Member.

Schedule G to By-Law No. 1
CALCULATION OF ASSESSMENT BASE

1. Definitions

Capitalized terms used but not defined in this Schedule G, will have the meanings given in By-Law No. 1. In this Schedule G, the following terms will have the meanings given below or elsewhere in this Schedule G as indicated below, unless the context otherwise specifies or requires:

"Assessment Base" of a Member means, subject to Section 5 of this Schedule G, an amount equal to that Member's Solvency Buffer provided that a Member's Assessment Base will be reduced by the Assessment Base of each subsidiary of that Member if that subsidiary is also a Member and was consolidated in accordance with the instructions of the Member's Primary Regulator in Canada for purposes of determining the parent's Solvency Buffer.

"By-Law No. 1" means By-Law No. 1 of the Corporation and all attached Schedules, each as it may be amended, supplemented or restated from time to time.

"Consolidated Assets and Liabilities in Canada" of a Member means its consolidated assets and liabilities in Canada as calculated in accordance with the consolidated filing instructions of that Member's Primary Regulator in Canada (as those instructions may be adjusted by the Corporation in rules, guidelines or policy statements issued by the Corporation from time to time).

"Extraordinary Assessment Base" of a Member for each Series of Extraordinary Assessments means an amount equal to the sum of:

(a) 5% of Premiums for New Policies of non-par individual life and health (including adjustable policies).

(b) 3.75% of Premiums for New Policies of non-par universal life.

(c) 2.5% of Premiums for New Policies of par individual life and health.

(d) 1.0% of Premiums for New Policies of group life and health.

(e) 0.175% of Liabilities for New Policies of immediate and deferred annuities.

(f) 0.20% of Fund Values for segregated fund New Policies with traditional death and maturity guarantees.

(g) 0.35% of Fund Values for segregated fund New Policies with guaranteed minimum withdrawal benefit guarantees.

and will be reduced by the corresponding Extraordinary Assessment Base of each subsidiary of that Member if that subsidiary is also a Member and was consolidated in accordance with the instructions of the Member's Primary Regulator in Canada for purposes of determining the parent's Extraordinary Assessment Base.

"Filed" means calculated in accordance with the filing instructions for life companies of that Member's Primary Regulator in Canada (as those instructions may be adjusted by the Corporation in rules, guidelines or policy statements issued by the Corporation from time to time), except to the extent otherwise specified in this Schedule G.

"Fund Values" of a Member means the consolidated market values in Canada at the last year-end as Filed with the Primary Regulator for New Policies.

"Liabilities" of a Member means the consolidated direct liabilities in Canada at the last year-end as Filed with the Primary Regulator for New Policies.

"Multiplier" means the number (which may be greater or less than one) by which the Member's relevant Extraordinary Assessment Base will be multiplied in order to determine that Member's amount of Extraordinary Assessment in a particular year.

"New Policies" means policies written on or after the Reference Date for a Series of Extraordinary Assessments. Despite the foregoing, a renewal of a previously existing group life and health policy after the Reference Date will not be considered to be a new policy. For greater certainty:

(a) if a deposit is made after the Reference Date to a policy written on or after that date, that deposit will be considered to be a deposit to a New Policy.

(b) if a deposit is made after the Reference Date to a previously existing policy within the terms of that policy, that deposit will not be considered to be a deposit to a New Policy.

"Premiums" of a Member means the consolidated direct premiums in Canada in the last fiscal year as Filed with the Primary Regulator for New Policies.

"Primary Regulator in Canada" means:

(a) for Members incorporated under federal laws or under laws of a jurisdiction outside Canada, means The Office of the Superintendent of Financial Institutions;

(b) for Members incorporated under Quebec laws, means the Autorité des marchés financiers; and

(c) for Members incorporated under the laws of a Canadian province or territory other than Quebec, is deemed to be The Office of the Superintendent of Financial Institutions.

"Reference Date" for a Series of Extraordinary Assessments means the date specified by the Board for purposes of defining New Policies which will be set not less than six months after:

(a) the date of the Corporation's agreement, arrangement or other commitment with respect to the Troubled Member under paragraph 13.1; or

(b) the date at which the Board determines that the funding needs in connection with the Troubled Member have increased.

"Solvency Buffer" means:

(a) for each Member operating only in Canada, the amount of its "Base Solvency Buffer" or "Coussin de solvabilité global" as Filed;

(b) for each foreign Member operating in Canada on a branch basis, the amount of its "required margin" as Filed; and

(c) for each Canadian Member operating in foreign jurisdictions, the amount of its "Base Solvency Buffer"or "Coussin de solvabilité global" as Filed, calculated based on only that Member's Consolidated Assets and Liabilities in Canada.

2. Information Required

Each Member will supply the Corporation within sixty (60) days of its year-end with a copy of its Life Insurance Capital Adequacy Test (LICAT), "Exigences de suffisance du capital en assurance de personnes ("ESCAP")" or analogous return and with its audit report with respect thereto, if applicable, as Filed including the calculation of its "Solvency Buffer". In addition, each Canadian Member operating in foreign jurisdictions will supply the Corporation within sixty (60) days of its year-end with a "Solvency Buffer" calculation based upon its Consolidated Assets and Liabilities in Canada, certified by its appointed actuary, together with any supporting documentation that the Corporation may reasonably request. For the Extraordinary Assessment, each Member will supply the Corporation within sixty (60) days of its year-end supplementary information used in the Extraordinary Assessment Base for Premiums, Liabilities and Fund Values in respect of New Policies, certified by its appointed actuary, together with any supporting documentation that the Corporation may reasonably request.

3. Rules, Guidelines and Policy Statements

The Corporation may issue rules, guidelines and/or policy statements to provide further details as to the calculation of the Assessment Base of Members (including the power to make adjustments to the calculations required under filings with a Member's Primary Regulator in Canada, whether or not the power to make those adjustments is specifically mentioned in this Schedule), and as to the information which is required from Members to establish such calculations to the satisfaction of the Corporation acting reasonably.

4. Year-End Figures

The Assessment Base and any Extraordinary Assessment Bases will be calculated as of March 31 each year based on the figures from the last fiscal year of each Member ending in the immediately previous calendar year. That Assessment Base will apply for each Specific Assessment, Loan Assessment and Administrative Assessment made from March 31 through the following March 30, and for determining the number of votes of Members under paragraph 21 at any meeting of Members during that period. The relevant Extraordinary Assessment Base will apply for each Extraordinary Assessment made from March 31 through the following March 30. If a Member does not provide the Corporation with all relevant data to allow the Assessment Base or Extraordinary Assessment Bases to be calculated prior to the time when an assessment is made, then its Assessment Base and/or Extraordinary Assessment Bases will be deemed to be one hundred and five percent (105%) of its Assessment Base or the Extraordinary Assessment Bases for the previous year or, in the case of Extraordinary Assessment Bases, such higher amount as the Board determines to be appropriate in the circumstances. An appropriate adjustment will be made after the relevant data are given to the Corporation but there will be no resulting decrease in any assessments or increase in any refunds whether or not those assessments or refunds have already been made.

5. Effective Date for Assessment Base

The Assessment Base set forth in this Schedule will be effective for all Specific Assessments, Loan Assessments and Administrative Assessments made on or after March 31, 2019, and for determining the number of votes of Members under paragraph 10.7 at any meeting of Members on or after that date. For greater certainty, any assessments made before March 31, 2019 will be based on the rules set forth in this By-Law as in force on May 19, 2016.

6. Transition Provisions for the Change from Capital Required to Solvency Buffer

On March 31, 2019, under this amended By-Law No.1, the Members' Assessment Base will no longer be calculated on Total Capital Required but will be calculated on the Solvency Buffer. Notwithstanding the calculation of each Member's Assessment Base in accordance with this Schedule G, the Board of Directors may, in its discretion after consultation with the Industry Advisory Committee, adopt transitional provisions to limit increases or decreases in any assessment of one or more Members as a result of such change in the manner of calculation. Such transitional provisions shall cease to apply after March 30, 2021.

7. Review

The appropriateness of the assessment system will be reviewed by the Board annually and by the Industry Advisory Committee at least every three (3) years.

Schedule H to By-Law No. 1
CLASSES OF INSURANCE

This Schedule is not intended to replicate the classes of insurance that may be used from time to time in any Participating Jurisdiction. It is intended to describe the nature of the products giving rise to requirements to become a Member.

"accident and sickness insurance" means (a) in the case of accident (i) insurance against loss resulting from bodily injury to, or the death of, a person caused by an accident, or (ii) insurance whereby an insurer undertakes to pay a certain sum or sums of insurance money in the event of bodily injury to, or the death of, a person caused by an accident, and (b) in the case of sickness (i) insurance against loss resulting from the sickness or disability of a person other than loss resulting from an accident, (ii) insurance whereby an insurer undertakes to pay a certain sum or sums of insurance money in the event of the sickness or disability of a person other than as a result of an accident, or (iii) insurance whereby an insurer undertakes to pay a certain sum or sums of insurance money to reimburse expenses incurred for the health care, including the dental care and the preventative care of a person other than as a result of an accident.

"credit protection insurance" means insurance whereby the insurer agrees to pay off credit balances or debts of individuals in the event of an impairment or potential impairment in the individual's income or ability to earn an income, but does not include insurance coming within the class of accident and sickness insurance, life insurance, or mortgage insurance.

"life insurance" means insurance that is payable:

(a) on the death of a person;

(b) on the happening of an event or contingency dependent on human life;

(c) at a fixed or determinable future time; or

(d) for a term dependent on human life;

and, without restricting the generality of the foregoing, includes:

(i) insurance whereby an insurer, as part of a contract of life insurance, undertakes to pay an additional amount of insurance money in the event of the death by accident of the person whose life is insured; and

(ii) insurance whereby an insurer, as part of a contract of life insurance, undertakes to pay insurance money or to provide other benefits in the event that the person whose life is insured becomes disabled as a result of bodily injury or disease.

(iii) an undertaking to provide an annuity, or what would be an annuity except that the periodic payments may be unequal in amount, for a term dependent solely or partly on a human, life, and such an undertaking shall be deemed always to have been life insurance.

For the purposes of this definition, an undertaking entered into by an insurer to provide an annuity, or what would be an annuity except that the periodic payments may be unequal in amount, shall be deemed to be and always to have been life insurance whether the annuity is for:

(a) a term certain, or

(b) a term dependent solely or partly on the happening of an event not related to a human life.