

FROM: Director, Worldwide Markets
LOCATION: 86/G12
EXTENSION: 6677
DATE: 26th April 2004
REFERENCE: Y3301
SUBJECT: CANADIAN AUTOMOBILE POOL BUSINESS
SUBJECT AREA(S): To notify the market of the collections necessary to maintain the pools.
ATTACHMENTS: None
ACTION POINTS: **Managing agents to note details.**
DEADLINE: **April collection.**

1. Introduction

As licensed insurers in Canada, underwriters writing automobile business are required to participate in the Facility Association and le Groupment des assureurs automobiles (GAA) which are pools covering drivers unable to obtain cover on the commercial market. They are also subject to a number of provincial levies and assessments.

All costs arising from these obligations are billed in the first instance to the Attorney in Fact in Canada for Lloyd's Underwriters who maintains the Canadian Automobile Pool to pay them. Costs are charged to the Attorney in proportion to Lloyd's share of business for particular provinces and accident years and are then allocated to underwriters on a year of account basis. As some costs are charged to the Attorney on a provisional basis and then adjusted when actual figures are known, there is a time lag in collections for certain elements

The results of pool operations are regularly reported to the LMA's Canadian Business Panel, however, it is now considered appropriate for a more formal market communication on this matter to be released by Worldwide Markets.

2. Impact

The Attorney will this month be billing underwriters their share of the following costs:

1. Facility Association and GAA results for the 2001 accident year at December 31st 2003 (provinces of Alberta, New Brunswick, Newfoundland & Labrador, Nova Scotia, Ontario Prince Edward Island and Quebec, and Yukon and Northwest territories). The 2001 result has been exacerbated due to rate inadequacy and shows a large loss.
2. 2001 accident year Provincial Unsatisfied Judgement Fund/Uninsured Automobile Fund levies (provinces of New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island)
3. 2001 Health Levies (provinces of New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island) together with 2002 and 2003 Health Levies for Alberta.

In addition, due to the depletion of cash balances in the pool account and in order to meet the solvency requirements of the federal Superintendent of Financial Institutions, it will be necessary to make charges on the 2002 year of account in respect of Facility, where the corresponding accident year shows a substantial deficit. The final billing for this year is anticipated to be made around April 2005.

All amounts for collection are based on syndicate shares of written automobile premium for an underwriting year of account. Syndicates affected will be notified of their respective share of contribution via the Central Accounting settlement process.

Collections will be made as follows:

- Scheme Canada business – via the April settlement on 30th April.
- Non-Scheme Canada business – via the relevant Lloyd's broker, for settlement by 30 April.

3. Further information

Further information about the content of this bulletin may be obtained from Lloyd's Canada as follows;

Contract Centre

Email : Lineage@lloyds.ca

Telephone: 001 514 864 5444

This bulletin is being sent to all managing agent's Compliance Officers and Finance Directors.