

# Conduct Review Committee - Policy



# Conduct Review Committee

## Composition, Mandate and Standard and Procedures

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### Composition of the Committee

A total of three directors will make up the conduct review committee. To ensure there is no question as to affiliated directors;

- any director who adjusts claims will not be allowed on the committee,
- with one exception, any director who was not able to answer “No” to all questions on the CRC questionnaire for the period under review will not be allowed on the committee.
- The exception to the rule occurs when the only “Yes” response on the CRC questionnaire is due to an insurance claim being made by a director:

in the year being reviewed, or

a prior year claim, which was active in the year being reviewed, and the incurred amount of the claim is less than the materiality test amount used by our audit firm.

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### Mandate of the Committee

The mandate of the Committee as prescribed by the Insurance Act is to ensure compliance by the Company with section 437.16 of the Insurance Act, which provides:

“except as otherwise permitted under this part of the regulations, no insurer incorporated and licensed under the laws of Ontario shall directly or indirectly enter into a transaction with a person that is a related party of the insurer.”

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### Related Parties

The conduct review committee is to ensure that transactions are identified that are between the Company and related parties and may have a material effect on the stability or solvency of the Company.

A number of transactions with “related parties” are not subject to the “related party” provisions of the Act and its regulations or are permitted under the Act subject to certain limitations. A list of those related party transactions which are not subject to the “related party” provisions of the Act and those which are permitted by the Act will be reviewed by the committee.

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Committee  
Reporting to  
Board

The CRC has developed policies and procedures for management to follow. Management will report to the CRC prior to the first board meeting in February, on the activities of the previous year, following the procedures established.

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Questionnaires

The CRC Questionnaire will be filled out by every director/manager. At the “normal” January board meeting, any necessary adjustment to the committee will be made based on the questionnaires submitted by directors/managers.

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Standards and  
Procedures of  
the Committee

The committee shall meet prior to the first board meeting in February each year to review managements’ report to:

- determine if loans identified are related party transactions;
- ensure that all transactions are identified that are between the Company and related parties that may have a material effect on the stability or solvency of the Company;
- determine if related party transactions:

1. are or are not in compliance with the Act;

2. may have a material effect on the stability or solvency of the Company;

- to recommend action to be taken by the Board.
  - The committee shall provide a report to the Board no later than the “normal” February board meeting:
  - outlining any related party transactions that may have a material effect on the stability or solvency of the Company;
  - outlining any related party transactions that are not permitted by the Act;
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- recommending action to be taken by the Board with respect to those related party transactions which may have a material effect on the stability or solvency of the Company and/or do not comply with the Act, such as:

3. terminating the related party transaction if possible;

4. seeking the approval of the Superintendent to the related party transaction.

- outlining any changes to these "procedures and standards" it considers appropriate.
- matters reviewed by the Committee, including such recommendations (if any) as the Committee considers advisable.

The Committee shall ensure that written records are kept of the following:

- reports provided to it by management on related party transactions;
  - minutes of all meetings;
  - its report to the Board, including recommendations (if any) on dealing with related party transactions which may have a material effect on the stability or solvency of the Company and/or do not comply with the Act.
  - any changes to its standards and procedures.
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