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Dear SHSC Group Insurance Member:

Re: 2009/10 Renewal Results Update

In the next couple of weeks, you will be receiving your insurance renewal documentation in the mail. I am writing to inform you that the SHSC Insurance Group Program has incurred several large claims over the last two years and, due to these claims, we will probably see a significant increase to your 2009/10 premium rate. We expect that such an increase would have a negative impact on provider budgets.

In the private market, insurance clients with poor loss histories face a high risk of having their insurance cancelled by their insurance provider. In the SHSC Group Insurance program, this is not the case. You are all protected by the collective buying power of the group, which guarantees coverage; preventing any one group member from being cancelled due to loss history.

Being a member of the group also means that losses are shared across the group; which may not seem to be in your interest now if you have not suffered significant losses; however, your fellow group member's loss today could be your loss tomorrow – no one can predict the future, we can only manage risk; which is why we have insurance in the first place.

In order to secure the best terms possible for the group, we have engaged in a competitive bid process with potential insurers. Eleven insurers competed for our program and we chose the one offering the lowest rate. But even so, due to the impact of the recent claims the group has incurred, we expect an increase to the group's overall premium rate will be unavoidable; though we continue to work on your behalf to negotiate the best deal possible. Through the process of negotiations, we have been able to improve several aspects of our program coverage so far, including

- Brought back coverage for mould;
- Negotiated higher aggregate limits for general liability claims;
- Removed the program aggregate for Directors and Officers insurance;
- Increased builders' risk coverage for alterations from \$500,000 to \$1,000,000;
- Added coverage for testing & commissioning of boilers;
- Eliminated the sub-limit for frame buildings – used to be \$20 million maximum. It is now \$35 million which is consistent with the rest of the program.

But, we chose to decline terrorism coverage, which was available at a high cost, as we did not believe that it is necessary for the group at this time.

Since inception, the SHSC Group Insurance program has seen a premium rate reduction every year for the past 6 years to a total overall rate reduction of 27%. We expect that any increase to this year's premium rate would still keep the average rate per unit lower than it was in 2003. If you are concerned about possible increases to your overall annual costs, you should discuss changes to your budget with your service manager. While the

insurance portion of your budget is going up, there may be other benchmark changes that could offset this increase. For instance, the insurance benchmark has gone up 9.9% this year.

For those of you who have a good claims history and are confident in your risk management program, you have the option to increase your deductible, which will result in a decrease to your premium. There is certainly a risk associated with this option so we encourage you to consider it carefully and call us if you have any questions.

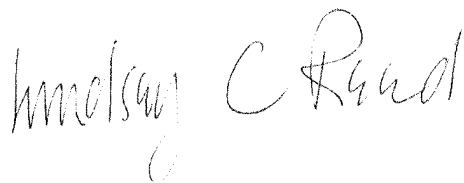
We want to assure you that we are doing everything we can to prevent premium increases now and in the future. For providers that believe they would benefit from outside inspections to identify areas of risk, we have negotiated a number of inspections conducted by a professional loss control engineer. These inspections are available free on a first-come first-served basis to interested housing providers.

In addition, our SHSC Training & Education program offers a stream of risk management workshops at a 15% discount to our insurance plan group members. We also offer the opportunity to partner with SHSC Training to deliver workshops directly to you at a discount of up to 30% dependent on your level of involvement. Contact our training manager, Lisa Kotsopoulos, for more information: lkotsopoulos@shscorp.ca 416.594.9325 ext. 242

We are committed to providing the best comprehensive coverage possible for our members and strive to maintain a competitive program; however, the benefits of the group also come with the risks of the group and we appreciate your patience as we work to mitigate those risks by supporting the group members who need it most in improving their risk management.

If you have any questions, please do not hesitate to contact Daryl Carre at 416.594.9325 ext. 244 or dcarre@shscorp.ca

Sincerely,

A handwritten signature in cursive script that reads "Lindsey C Reed".

Lindsey Reed
Social Housing Services Corporation
CEO