



Premium Stabilization Fund – Frequently Asked Questions

Date: July 2010

What is the Premium Stabilization Fund?

The Premium Stabilization Fund is a fund established to protect registrants against future significant increases in insurance premiums, to reduce annual insurance premiums or for such other insurance purposes as may be required.

Does the Insurer receive the contributions to the Premium Stabilization Fund?

No. The fund is maintained in a RECO trust account, separate from RECO's operating funds. The fund is overseen by a group of real estate industry representatives that form the Premium Stabilization Committee, which reports to the Board of Directors.

How much do registrants contribute to the fund each year?

The contribution is \$27.50 per registrant commencing September 1, 2010. The contribution amount is reviewed annually by the Premium Stabilization Committee.

Insurance Premiums increased this year so why isn't the fund being used now?

The Premium Stabilization Fund is below its Minimum Fund Balance. Registrants will benefit from the subsidy available through the Insurance Premium Fund and the Administration Fund for the current insurance term (September 1, 2010 – September 1, 2011) and future use of the Premium Stabilization Fund (subject to the Premium Stabilization Guidelines outlined below).

No Premium Subsidy can be approved by the Board unless the fund balance is expected to be equal to or greater than the minimum fund balance. The minimum fund balance is the amount equivalent to one year of the current annual insurance premiums.

There are also insurance premium subsidy formulas applied to determine if the insurance premium increase should be subsidized and what percentage of the insurance premium increase should be subsidized. The formulas would take into account the balance available in the fund and the time and subsidy is provided.

When would the fund be used to reduce insurance premiums?

The fund could be used to reduce insurance premiums if the fund exceeded the target amount. The target amount for the fund is the amount equivalent to two years of the current annual insurance premiums. At the present rate of collection, assuming there is no increase or decrease in insurance premiums, it is estimated that the fund will reach the target amount by 2020.

What "other insurance purposes" could the fund be used for?

The phrase "other insurance purposes" was intended to capture a range of possibilities that could include catastrophic losses, significant changes in coverage options available in the insurance marketplace or other events registrants may need protection from in the future. RECO is committed to ensuring stable and affordable coverage that meets the requirements of REBBA 2002 is available to all registrants.