

By-Law No. 1 – 2023

A By-Law relating generally to the transaction

of the business and affairs of

Salus Mutual Insurance Company

WHEREAS Howard Mutual Insurance Company and West Elgin Mutual Insurance Company will amalgamate effective January 1, 2023 pursuant to the provisions of the *Corporations Act*, R.S.O. 1990, c.C.38, as amended, and the *Insurance Act*, R.S.O. 1990, c.I.8, as amended, and carry on the business of insurance in Ontario under the name Salus Mutual Insurance Company (the "Corporation");

AND WHEREAS the Corporation will carry on business by license issued under the *Insurance Act* as amended, and be subject to the provisions of Part V of the *Corporation Act*;

NOW THEREFORE BE IT ENACTED, and it is hereby enacted as follows:

OBJECTS

1. Subject to the powers granted to each Amalgamating Corporation under their respective charter documents and the *Insurance Act* and the *Corporations Act*, the purpose and business of the Amalgamated Corporation shall be the undertaking and transacting of any class of insurance for which a mutual insurance corporation may be licensed and the carrying on of or involvement in any business or activity which a mutual insurance company is permitted to carry on or be involved in.

HEAD OFFICE

2. The Head Office of the Corporation shall be located in Dutton, Ontario, or such other place as designated by the directors, subject to the ratification of the members.

MEMBERS

3. Any person, trustee board, partnership or corporation, insured under a policy issued by the Corporation shall, from the date upon which the insurance becomes effective, be deemed a member of the Corporation so long as such insurance remains in force, and shall cease to be a member when such insurance is terminated or expires.
4. A reinsurance policy issued to any other insurance company shall not qualify it or any representative of it for membership in the Corporation.
5. Any member, with the consent of the directors, may withdraw from the Corporation upon such terms as the directors may lawfully prescribe, subject to the provisions of the *Insurance Act*.
6. No member shall be liable in respect of any loss or claim or demand against the Corporation beyond the amount unpaid on the member's premium.

ANNUAL MEETING

7. The annual meeting of the members for the election of directors and the transaction of other business shall be held on such date and at such time and place as shall be fixed by the Directors in accordance with the *Corporations Act*.
8. Before the election the annual statement for the year ending on the previous 31st of December shall be presented and read to the meeting.
9. If an election of directors is not made on the day on which it ought to have been made, the Corporation shall not for that cause be dissolved, but the election may be held on a subsequent day at a meeting to be called by the directors, or as otherwise provided by the by-laws of the Corporation, as in such case the directors then in office shall continue to hold office until their successors are elected.

NOTICE OF MEMBERS' MEETINGS

10. Notice of every annual or special general meeting of the Corporation shall be given to the Members of the Corporation in the manner prescribed by the *Corporations Act*.
11. The Directors may call a special general meeting of the Corporation at any time.
12. The Directors shall, prior to each annual meeting make available to each member, in the manner and within the time prescribed by the *Corporations Act* a copy of the annual statement for the year ending on the previous 31st of December, and such annual

statement shall be certified by the auditors and shall be in the form prescribed by the regulations made under the *Insurance Act*.

QUORUM

13. Five (5) members present in person shall constitute a quorum for the transaction of business at any general meeting of the Corporation other than a meeting to vote on demutualization, wind up, or any other form of dissolution of the Corporation (except for the discontinuance of the Corporation as a result of its amalgamation with another).

The quorum for a meeting called to vote on demutualization, wind up, or any other form of dissolution (except for the discontinuance of the Corporation as a result of its amalgamation with another), shall require a quorum equaling at least fifty percent (50%) of all of the Corporation's members, to be present in person at the meeting.

VOTING AT GENERAL MEETING

14. At any general meeting, unless a poll is demanded, a declaration by the Chair that a resolution has been carried and an entry to that effect in the minutes shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution. If a poll is demanded it shall be taken in such manner as the Chair directs consistent with these by-laws.
15. In case of an equality of votes at any general meeting of the Corporation the Chair shall not be entitled to a second or casting vote.
16. A member of the Corporation who is not in arrears for any cash payment due by the member to the corporation is entitled at all meetings of the corporation to one vote if the amount of premium paid by the member annually is in excess of \$25.00 and no member is entitled to more than one vote.
17. Where a policy is made to two or more persons, one only is entitled to vote, and the right of voting belongs to the one first named on the register of policyholders if the person is present, or if not present, to the one who stands second, and so on.
18. (a) Where property is insured by a trustee board, any member of the board or its secretary-treasurer duly appointed in writing pursuant to its resolution, may vote on its behalf.

(b) Where property is insured by a partnership or a corporation any one member of the partnership or any one director of the corporation who is duly appointed and authorized in writing pursuant to a resolution of the partnership or corporation may vote on behalf of the partnership or corporation.

19. No applicant for insurance is eligible to vote or otherwise take part in the Corporation's proceedings until the applicant's application has been accepted by the Corporation.

DIRECTORS

20. Number of Directors. The Board of Directors shall be composed of fifteen (15) directors. The number of directors may be changed from time to time in accordance with the *Corporations Act*.

21. Qualifications of Directors:

- (a) A Director shall be eighteen (18) or more years of age and a resident of the Province of Ontario
- (b) No person is eligible to be or shall act as director unless the person is a member of the Corporation and insured therein for the time the person holds office and is entitled to vote.
- (c) No undischarged bankrupt shall be a Director, and if the Director becomes bankrupt, the person thereupon ceases to be a Director.
- (d) No person shall be eligible for election or appointment after having attained their 67th birthday; provided that if at that time the director is the Chair or a Vice-Chair of the Board of Directors of the Farm Mutual Reinsurance Plan Inc. or the Ontario Mutual Insurance Association the director may be elected for one further 3 year term so as to allow such director to complete the director's term on the executive of the Farm Mutual Reinsurance Plan Inc. or the Ontario Mutual Insurance Association.

22. Where a partnership or trustee board has the qualifications that would qualify an individual to be a Director of the Corporation, one member of the partnership or trustee board that has the qualifications that would qualify an individual to be a director is eligible to be a Director of the Corporation.

The president or a director of a member corporation that has the qualifications that would qualify an individual to be a director is eligible to be a Director of the Corporation.

23. Notwithstanding any other provision of the By-laws of the Corporation, the following persons are not eligible to be elected as a Director of the Corporation and shall not interfere in the election of Directors:

- (a) An Insurance Broker or Insurance Agent associated with the Corporation, or anyone having a financial interest in an insurance brokerage or insurance agency associated with the Corporation;

- (b) A Director, Officer, shareholder, employee or agent of an Insurance Brokerage or Insurance Agency business associated with the Corporation;
 - (c) An agent or paid Officer of the Corporation (subject to the right of a director who is an officer, such as Chair or Vice Chair to be compensated as a result of holding such office);
 - (d) An officer of the Bankers of the Corporation;
 - (e) An employee of the Corporation, including the President of the Corporation, or any person employed by the Corporation in the 3 years prior to the date of the meeting at which directors are to be elected;
 - (f) An employee of any property and casualty insurance company;
 - (g) A Director or Officer of another Insurance Company which competes with or sells the same or similar insurance as the Corporation, other than an insurance company which is a subsidiary or affiliate of the Corporation or the Farm Mutual Reinsurance Plan Inc.;
 - (h) A relative of any of the persons identified in subsections (a) through (f) inclusive. For the purposes hereof, relative means a spouse (as defined in the *Corporations Act*), child, step-child, child-in-law, parent, step-parent, parent-in-law, sibling, step-sibling, sibling-in-law, or the spouse of a child, step-child, child-in-law, parent, step-parent, parent-in-law, sibling, step-sibling, or sibling-in-law, grandparent, grandchild, or the spouse of any of them.
 - (i) A relative (as defined in the previous subsection (h)) of a current Director of the Corporation.
24. Transition: Section 21(d) of this By-law shall not apply to any person who is a director of the Corporation on the effective date of the amalgamation of Howard Mutual Insurance Company and West Elgin Mutual Insurance Company, until the third annual meeting of the Corporation following the effective date of amalgamation.
25. Nomination.
- (a) The Board shall annually appoint a Nomination Committee consisting of up to four persons, all of whom need not be directors. To the greatest extent possible the members of the Committee shall represent different communities and areas in the market area of the Corporation. The mandate of the Committee will be to each year compile a list of nominees for election to the Board, having regard to the Board's skill set requirements and needs.

- (b) Any person wishing to seek election or re-election as a Director must file notice of their intention in writing with the Chair of the Committee, care of the Head Office of the Corporation, no less than 90 days in advance of the meeting at which directors are to be elected.
 - (c) The Committee shall consider all persons who have filed notice of their intention to seek election, including incumbent directors who have filed notice of their intention to seek re-election. In considering such persons the Committee:
 - (i) shall confirm each person's qualification to be elected as a director;
 - (ii) shall assess each person's personal and professional integrity and commitment to promote the long term interests of the Corporation, and each person's commitment to devote adequate time to service as a Board member;
 - (iii) may interview any person.
 - (d) No less than 45 days in advance of the meeting at which directors are to be elected the Nomination Committee shall present to the Board the names of those persons it recommends for election as directors.
 - (e) Any person who filed notice of their intention in writing with the Chair of the Nomination Committee to seek election as a director who is not recommended by the Nomination Committee for election as a director and who is otherwise qualified to be elected as a director, may seek election as a director provided that such person gives notice of their intention to the Corporation no less than 30 days prior to the annual meeting at which the election is to be held.
 - (f) The names of the nominees recommended by the Nomination Committee and those who filed notice of intention to seek election under subsection (e) shall be submitted to the Members with the notice of the annual meeting.
26. Retirement of Directors in Rotation. One third of the directors shall retire annually in rotation.
27. Annual Election to Fill Vacancies.
- (a) At every annual general meeting there shall be elected one third of the total number of Directors to fill the places of the retiring Directors, who are eligible for re-election.
 - (b) A Director may be removed from office and shall thereupon cease to be a Director of the Corporation, upon a resolution being passed to remove the Director by at least 2/3 of the votes cast at a general meeting of which notice

specifying the intention to pass such a resolution was properly given.

28. Election of Directors. The election of directors shall be held and made by such members as attend for that purpose in person, or in the case of a corporation, trustee board or partnership, by a director, officer, or member authorized in writing to represent it.
29. The Election shall be by ballot.
30. If two or more members have an equal number of votes, so that less than the whole number to be elected appear to have been chosen directors by a majority of votes, the members present shall proceed to ballot until it is determined which of the persons so having an equal number of votes shall be the director, or directors.
31. Interim Vacancies in Office. If a vacancy occurs among the directors during the term for which they have been elected, by death, resignation, ceasing to have the prescribed qualifications, insolvency, removal in accordance with section 32 or by absence without previous leave of the directors from three successive regular meetings which shall ipso facto create such vacancy, the vacancy may be filled, until the next annual general meeting by a person duly qualified, chosen by a majority of the remaining directors as soon as may be after the vacancy occurs, and at the next annual general meeting the vacancy shall be filled for the portion of the term still unexpired. An election separate from the election referred to in Article 28 hereof shall be held to fill the vacancy so created, and the provisions of this bylaw relating to the qualifications of a Director and the conduct of the elections of Directors shall apply with necessary modification to any election to be held for the purpose of filling such vacancies. If as a result of a vacancy on the Board created as is herein referred to, no quorum of Directors remains, a general meeting of the members shall be called to fill the vacancy.
32. Meetings.
 - (a) All meetings of the Directors shall be held at a time and place at the call of the Chair or according to the adjournment of the previous meeting. Regular meetings of the Directors shall be held at such time and place as the Board may determine, with the first meeting to be held immediately after the annual general meeting. A special meeting of the Directors may be called at any time by the Chair and shall be called at any time when required by three Directors.
 - (b) Meetings of the Board of Directors or committees of the Board may be held by means of such telephone, electronic or other communication facilities in accordance with the Act.
 - (c) The President and such other officers as the Board may from time to time designate, shall be entitled to notice of and to attend meetings of the Board, subject always to the right of the Board to request that any officer absent

themselves from any meeting or part of a meeting of the Board, and they shall not be entitled to a vote.

33. Notice of meetings. Notice of all meetings as referred to in Section 32 shall be given to each Director no later than the seventh day before the meeting, in the following manner:
- (a) delivered personally, in which case it shall be deemed to have been given when so delivered;
 - (b) mailed, at the recorded address by prepaid ordinary mail, in which case it shall be deemed to have been given on the fifth day after it is deposited in a post office or public letter box; or
 - (c) sent by any means of facsimile or electronic transmission, in which case it shall be deemed to have been given the first business day after the facsimile or electronic transmission.

Notwithstanding the foregoing, notice of a meeting shall not be necessary if all of the directors are present, and none objects to the holding of the meeting, or if those absent have waived notice of or have otherwise signified their consent to the holding of such meeting. Notice of an adjourned meeting is not required if the time and place of the adjourned meeting is announced at the original meeting.

34. Quorum. A majority of Directors shall constitute a quorum for the transaction of business, and in the case of an equality of votes at any meeting, the question passes in the negative.
35. Dissent. A Director disagreeing with the majority at the meeting may have such dissent recorded with the reasons therefor.
36. Remuneration. Each Director of the Corporation shall be entitled to:
- (a) An amount determined by the Board of Directors from time to time for attending meetings of the Board, Committees of the Board or members at which their attendance is required by these by-laws or the Chair of the Corporation and for fulfilling their duties as Board Members;
 - (b) A mileage allowance for necessary mileage in attending such meetings and fulfilling their duties as Directors, at the rate as set from time to time by the Board, using as a benchmark, mileage allowance paid to employees of the Federal Government;
 - (c) Such sums in respect of their out-of-pocket expenses incurred in attending such meetings or in the performance by them of their duties as the Board may from time to time approve; and

- (d) Benefits, as may be approved by the Directors from time to time.

In addition the Officers and Directors may be paid an honorarium for acting as such in such amount as the Board of Directors may from time to time determine.

OFFICERS

37. Chair and Vice-Chair. The directors shall at their first meeting held after each annual general meeting of the Corporation, elect by ballot from among themselves a Chair and a Vice-Chair, and the Secretary shall preside at such elections. They shall hold office for one year, or until their successors are elected. The Chair shall preside at all meetings of the Directors, and shall perform other duties as may pertain to the office of Chair. In the temporary absence or inability to act of the Chair the Vice-Chair shall perform the duties of the Chair. In the event a vacancy occurs in the office of the Chair due to any of those causes referred to in Section 30 hereof, the remaining Directors shall elect from among themselves a replacement Chair.

In addition to any directors' remuneration to which they are entitled, the Chair and Vice-Chair shall be paid as a result of their holding that office such amount or amounts as the Board of Directors may from time to time determine.

38. Other Officers. The officers of the Corporation shall be the President (who may also be known as the Manager), the Secretary, the Treasurer (who may also be known as the Chief Financial Officer), and such other officers as the directors deem necessary. The President shall be the Chief Executive Officer, responsible for the general management and direction of the Corporation, subject to the authority and direction of the Board of Directors, to whom the President shall be accountable.
39. Appointment. Such other officers of the Corporation shall be appointed by the directors, who shall specify their duties and remuneration and they shall hold office at the pleasure of the directors.
40. Duties may be delegated. Subject to section 37, in the case of the absence or inability of the Chair or Vice-Chair, or any other officer of the Corporation, a majority of the remaining directors may delegate the powers and duties of such officers to any other officer or to any director for the time being.
41. Bond. Every officer or person having charge of the money of the Corporation shall be adequately bonded, in favour of the Corporation, in such amount as may be prescribed by the Executive Director of the Financial Services Regulatory Authority, the *Corporations Act*, or such greater amount as may be prescribed by the Board of Directors. Such bond shall be that of a licensed Guarantee Insurance or Surety Company.

COMMITTEES

42. (a) Executive Committee.

The Board may establish an Executive Committee, consisting of no less than three directors. If established, the Committee shall meet at the call of the Chair to advise and assist the President in dealing with emergency business during the intervals between meetings of the Directors or to deal with other routine business in accordance with instructions of the Directors. A majority of the members of the Committee shall constitute quorum for meetings of the Committee.

(b) Other Committees.

The Board shall constitute such other Committees of the Board as may be required from time to time by the *Corporations Act*, the *Insurance Act*, the By-laws of the Corporation, or as may be deemed expedient by the Board and, subject to the applicable legislation, the terms of reference of such other Committees shall be as determined from time to time by the Board. Such Committees shall meet at the call of the Chair of the Corporation or the chair of the Committees.

PROTECTIONS OF OFFICERS AND DIRECTORS

43. (a) Limitation of Liability.

Except as otherwise provided in applicable legislation, no Director or officer or past director or officer shall be liable for the acts, receipts, neglects or defaults of any other Director or 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 monies of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the monies, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on this part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of office or in relation thereto, unless the same are occasioned by such person's own willful neglect or default; provided that nothing herein shall relieve any Director or Officer from the duty to act in accordance with the *Corporations Act*, the *Insurance Act*, or any other pertinent legislation affecting the Corporation or from liability for any breach thereof;

(b) Indemnity of Directors and Officers.

Except as provided in applicable legislation, every Director and officer of the Corporation, every former Director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and such person's heirs and legal representatives shall, from time to time, be indemnified and saved harmless by the Corporation from and against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such person in respect of any civil, criminal or administrative action or proceeding to which a person is made a party by reason of being or having been a Director or officer of such Corporation or body corporation, if,

- (i) the person acted honestly and in good faith with a view to the best interests of the Corporation; and
- (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such person had reasonable grounds for believing that such person's conduct was lawful.

The Corporation shall also indemnify any such person in such other circumstances as the *Corporations Act* or law permits or requires. Nothing in this By-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this By-law to the extent permitted by the *Corporations Act* or law.

(c) Insurance.

Subject to the limitations contained in applicable legislation, the Corporation may purchase and maintain such insurance for the benefit of its Directors and officers as such, as the board may from time to time determine.

EXECUTION OF DOCUMENTS

- 44. Such person or persons as are designated by the Board from time to time shall be authorized and shall have power to execute and deliver all policies of insurance deeds, mortgages, leases, or other documents whatsoever requisite or expedient to be executed on behalf of the Corporation, and these shall be binding upon the Corporation.

MINUTES

- 45. Minutes of all meetings of the directors and all Committees shall be recorded by such person or persons appointed by the Directors or the Chair of a committee. Such minutes shall be open for inspection by any director.

BANKS AND BANKING

46. (a) The bank or banks of the Corporation shall be determined by the Directors from time to time.
- (b) All monies received by the Corporation shall be deposited forthwith in the name of the Corporation in the said banks excepting such amounts as may be expended for small losses, rebates of office expenses, which shall be supported in each case by proper receipts.
- (c) Monies may be withdrawn from the bank account or accounts of the Corporation by such persons and in such manner as may be authorized by the Directors from time to time.
- (d) All cheques and post office or money orders in favour of the Corporation shall be receipted for or endorsed for deposit to the credit of the Corporation by such person or persons as are authorized by the Directors;
- (e) Such person or persons as may from time to time be authorized by the Directors to do so, on behalf of the Corporation, may grant receipts for the payment of interest or rents due, or may give on behalf of the Corporation and on payment of the money at maturity, a legal discharge of any security for money held by the Corporation;
- (f) Such person or persons as may from time to time be authorized by the Directors to do so on behalf of the Corporation, shall have access to any safety deposit box rented by the Corporation;
- (g) Subject to the foregoing Sections and any applicable legislation, but without limiting the borrowing powers of the Corporation as set forth in the *Corporations Act*, the Directors of the Corporation may, from time to time:
- (i) borrow money on the credit of the Corporation, without the authorization of the members; or,
 - (ii) issue, sell or pledge securities of the Corporation, without the authorization of the members; or
 - (iii) with the authorization of the members, charge, mortgage, hypothecate or pledge all or any of the real or personal property of the company, including book debts and unpaid calls, rights, powers, franchises and undertakings, to secure any securities or any money borrowed, or other debt, or any other obligation or liability of the Corporation.

INVESTMENTS

47. The Corporation shall invest its funds in any securities or investments in which under the *Insurance Act*, insurers may invest funds.
48. The Directors shall formulate policies, standards and procedures for the investment of the funds of the Corporation, which policies, standards and procedures shall be reviewed no less than annually and revised as necessary.

INSURANCE

49. Contracts of Insurance. Subject to the foregoing Articles, and the requirements of applicable legislation, the forms, terms, conditions, rates and premiums for all contracts of insurance undertaken by the Corporation shall be determined by the Board of Directors or those authorized by the Board of Directors from time to time.
50. Limits of Liability. Subject to the foregoing Articles and the limitations of the charter and license powers of the Corporation and any applicable legislation, the Directors shall fix the limits of liability which the Corporation may assume under any insurance contract, and may vary and alter the same from time to time, and may determine what risk or classes of risk shall be undertaken or refused by the Corporation.
51. Underwriting and Claims. Subject to the foregoing articles and applicable legislation, proposals or applications for insurance shall be accepted or refused, policies of insurance shall be issued and may be cancelled, and claims shall be adjusted, settled and paid, in accordance with the policies of the Corporation, as set down from time to time by the Board of Directors.
52. Adjustment and Settlement of Claims. Subject to the foregoing articles all claims shall be adjusted and settled in accordance with the policies of the Corporation, as determined from time to time by the Directors, and the terms and conditions of the prevailing policy of insurance and governing legislation.

REFUNDS FROM SURPLUS

53. The Directors may, subject to the applicable legislation, declare a refund at the end of a fiscal year upon such terms and subject to such conditions as the Directors may determine.

AUDITORS

- 54. The members shall, at each annual meeting, appoint one or more auditors to hold office until the next annual meeting and, if an appointment is not so made, the auditor in office shall continue in office until a successor is appointed.
- 55. The remuneration of the auditor appointed by the members shall be fixed by the members, or by the directors if they are authorized so to do by the members.
- 56. The auditor shall make a report to the members in the form prescribed by the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario and the *Insurance Act*.

INTERPRETATION

- 57. In this by-law and in all other by-laws of the Corporation hereafter passed, words, importing the singular number shall, unless context otherwise requires, include the plural number, as the case may be, and persons shall include firms and corporations.

AMENDMENTS TO BY-LAWS

- 58. Any by-laws, other than those which are restatements of statutory provisions, may from time to time be repealed, amended, varied or otherwise dealt with in accordance with the *Corporations Act*.

Any relevant amendment to the applicable Acts enacted after the date on which these by-laws are approved by the members of the Corporation, shall be amendments to these by-laws on and after the day on which they receive Royal assent.

Enacted by the Boards of Directors of the amalgamating Corporations on the date shown.

Howard Mutual Insurance Company

Chair

_____ Date:
Secretary

West Elgin Mutual Insurance Company

Chair:

_____ Date:
Secretary