



ONTARIO MUTUAL INSURANCE ASSOCIATION

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February 29, 2008

CCIR Secretariat
5160 Yonge Street
Box 85, 17th Floor
Toronto, ON M2N 6L9

Re: Risk-Based Market Conduct Regulation (RbMCR)

Dear CCIR:

Thank you for the opportunity to provide input on your paper titled “An Approach to Risk-Based Market Conduct Regulation”.

The Ontario Mutual Insurance Association is the trade association for the 45 policyholder-owned members of the Fire Mutuals Guarantee Fund. Our members operate only in Ontario. They are all guided by boards of directors of six or nine policyholders. They are located in small towns across rural Ontario with a few exceptions.

We support the concept of risk-based market conduct regulation, but having had a “taste” of RbMCR here in Ontario already, we have some suggestions to make as a trade association for the smallest of the insurance industry players, who we will add, have had a long history of high-level consumer satisfaction, very sound financial results and minimal concern to our regulator. We see the advantage of RbMCR being that it is more preventative than the “catch and punish” style of regulation. The disadvantage is that all insurers must go through the processes (e.g. surveys, reports, documentation of processes etc.) whether they would have offended or not. We believe that the key to a successful RbMCR system is that it needs to be applied in a way that is appropriate for each segment of the industry recognizing that not all segments create the same degree of risk.

The “*micro level outcomes*” set out in your paper of fair treatment of clients, proper disclosure, compliance with laws and good corporate governance, are well defined as are the “*systemic level outcomes*” of stable marketplace, proactive identification of issues and fair dispute resolution.

We offer the following suggestions:

- a. A stepped approach should be considered rather than a one size fits all blanket application of the process. Perhaps, a first stage overall regulatory assessment of the risk at hand should be made before the process is applied. RbMCR should be tailored as much as possible to fit the size of the company that is being regulated, taking into account the probability of a negative outcome and the potential magnitude of the outcome.
- b. There should be an appropriate (i.e. non-intrusive) ongoing communication between the regulator and regulated entity to ensure that the regulator has a good “feel” for the industry player that is being regulated.
- c. Recognize that it is not practical to expect that insurance companies will be able to exercise significant control over intermediaries that are independent contractors such as brokers in Ontario. Most insurance companies look upon brokers as their customers. Of course, we agree that insurers must be responsible for their agents.
- d. The “tools” that have been described (diagnostic, monitoring, preventative, remedial and enforcement) should be applied in the most practical way for the situation taking into account the size and scope of the operation that is being regulated. A tool that might be appropriate for a large, multi-jurisdictional insurer could be very inappropriate for a small regional insurer.
- e. Recognize that over-emphasis on preventative measures can create a negative air about our industry. For example, some of the information that we are now obligated to prominently display on our websites referring to privacy, consumer rights, disclosure of intermediary compensation, conflict of interest etc. can tend to cast an air of negativity over an industry that already is challenged to maintain its image –even though there has been minimal evidence of violation in any of these areas to date.
- f. Consumer complaints directed to the regulator are probably the best indicator of a need for regulatory intervention. If consumers have easy access to the regulator and can easily lodge complains and complaints are not being received, we should be able to conclude that things are in order. There should not be too much emphasis placed on documenting the level of complaints if complaints are minimal.

Thank you for the opportunity to provide input.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Glen Johnson', with a horizontal line extending to the right.

Glen Johnson, B.A., C.A.E.
President