

[Property and Casualty -
Auto Bulletins](#)[Pension Bulletins](#)[Monitoring and
Enforcement Bulletins](#)[Licensing Changes
Bulletins](#)[Bulletins by Sector](#)

Bulletin

No. G-09/97

- General

Legislative Amendments Reducing Red Tape and Improving Insurer Cost Efficiencies

NOTE: The bulletins posted on this website are provided for historical reference.

Information contained in the bulletins is accurate on the date published, but is subject to change and may have been superceded by a later bulletin. Users should verify the information before making decisions or acting upon it.

The bulletins posted may contain forms that are no longer current. For the current version of any FSCO form, please visit the [forms area](#) of this website.

With this Bulletin, the Ontario Insurance Commission (OIC) is providing background information on the legislative amendments passed by the Government of Ontario to reduce the costs to business organizations of complying with government regulations, which ultimately benefit consumers.

Please refer to Bill 115 (*the Red Tape Reduction Act*) (*the Act*) to obtain the full text of all the amendments that were enacted. A copy of the Act can be obtained from Publications Ontario by calling the bookstore at 1-800-668-9938 or (416) 326-5300.

Proclaimed on October 10, 1997, *the Act* amends *the Insurance Act*, the *Motor Vehicle Accident Claims Act*, the *Compulsory Automobile Insurance Act*, and the *Registered Insurance Brokers Act*. It also makes complementary amendments to the *Corporations Act* and repeals the *Guarantee Companies Securities Act*, the *Investments Contracts Act*, and the *Canadian Insurance Exchange Act*.

To provide insurers with a clearer picture of the impact of the amendments and to help facilitate a smooth transition towards the new requirements under the Act, the OIC is, where necessary, enclosing with this Bulletin, correspondence relevant to individual insurers' specific situations.

1. Amendments regarding deposit requirements

Insurers no longer have to make deposits with the OIC, unless specifically required to do so by the Superintendent of Insurance (the Superintendent).

Another exception is in cases where the OIC will accept and maintain a deposit at the request of an insurer that wishes to transact business in other provinces if such action will eliminate the need for duplicative deposits in such jurisdictions.

2. Amendment regarding Direct Compensation - Automobile Insurance

Entities that are exempt from obtaining automobile insurance under the *Compulsory Automobile Insurance Act* may now settle automobile vehicle damage claims using the direct compensation rules. Before doing so, however, they will have to file an undertaking to that effect with the OIC.

The OIC has designed an undertaking form for the use of exempted entities only, and is in the process of communicating further instructions to them on this matter.

3. Amendments regarding Guarantee Companies Securities Act

The *Guarantee Companies Securities Act* is repealed. This act had, for all practical purposes, required insurers to obtain an order-in-council to be included on an authorized list to issue surety bonds. This requirement was in addition to normal licensing requirements. Now any company licensed in Ontario for fidelity or surety insurance can write these contracts without the need for an order-in-council.

Note: The OIC has published a list of companies licensed for fidelity or surety on its Web Site on the Internet to assist organizations which previously used the authorized list. The address is: <<http://www.ontarioinsurance.com>>.

4. Amendments regarding transfers of contracts from one insurer to another

Most insurers will not require the approval of the Superintendent to enter agreements to sell a portfolio of business or to merge with another company. This approval process duplicated approvals required by other regulators. Only companies incorporated in Ontario will now require such approval, and in their case, the procedure is significantly simplified.

5. Amendments regarding the 'red ink' clause in property insurance contracts

Limitation of liability clauses in insurance contracts may now be printed in either bold type or red ink. This change will permit policies to be printed using modern computer equipment, without any loss of protection to policyholders.

6. Amendments regarding continuous licensing of insurers instead of 'annual licence renewals'

Insurers no longer have to renew their licences. A company is licensed until such time as it requests its licence to be cancelled, or the OIC takes action to remove its licence or place conditions on it.

7. Amendments regarding Ontario's participation in a policyholder compensation plan for life insurers

Ontario will be able to become a participating jurisdiction in the compensation plan for life insurance policyholders. Presently, all Ontario life companies are voluntarily members of this plan. Once Ontario becomes a participating jurisdiction, all companies licensed in Ontario for accident and sickness insurance and life insurance will be required to maintain membership in this compensation plan.

8. Amendments regarding mutual benefit societies

Mutual benefit societies are no longer to be licensed; the level of benefits they provide do not warrant licensing. The amendments to the legislation prevent these organizations from offering or paying certain benefits that would have been prohibited under the Insurance Act on January 1, 1996.

9. Amendments regarding the *Motor Vehicle Accident Claims Act*

(a) Section 3 of the *Motor Vehicle Accident Claims Act (MVAC Act)* is amended so that the Superintendent is no longer deemed to be an agent for service in civil actions if the claim is made in respect of an amount paid or payable by an insurer under a policy of insurance.

(b) As a result, the Motor Vehicle Accident Claims Fund is not required to accept service where an insurer is pursuing its subrogated interest in its own name or in the name of its insured, against an uninsured motorist. Insurers will, therefore, need to find alternative methods of service.

10. Amendments regarding forms used by life and property & casualty insurers

Under an amendment to section 121.2 (1) and (2) of the *Insurance Act*, and Section 16 (1) and (2) -- a new Section 16.(1) of the Compulsory Automobile *Insurance Act* -- the manner in which forms are approved has been changed. Forms are no longer prescribed by regulation. The Commissioner of Insurance is now

authorized to prescribe the information to be included in forms, and approves them. Forms in electronic format are now authorized.

Note: All insurers are to continue using current forms until further notice. The OIC will inform insurers of any changes by way of future Bulletins.

11. Amendments regarding investments

The requirement that each insurance company hold investments in its corporate name is removed, enabling insurers to use modern systems of securities trading. Companies are required to maintain documented systems of control over their investments.

12. Pension Fund Associations

The provisions of the *Insurance Act* dealing with the regulation of Pension Fund Associations are repealed. There are no such licensees.

13. Amendments regarding insurance brokers

The by-law making authority of the council of the Registered Insurance Brokers of Ontario is expanded with respect to insurance brokers.

Dina Palozzi

Commissioner

December 30, 1997

