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Bulletin

No. G-04/00

- General

Appointment of Ontario Mutual Insurance Association as Financial Examiner and Reporter

With this bulletin, the Financial Services Commission of Ontario (FSCO) is announcing the delegation by the Superintendent of Financial Services (Superintendent) of the Superintendent's authority to perform the statutory annual financial examination of and reporting on Ontario's mutual insurance companies, or farm mutuals, to the Ontario Mutual Insurance Association (OMIA), effective April 1, 2000.

The delegation of authority to OMIA is consistent with a strategic priority of FSCO to improve its operational effectiveness and service. OMIA will be responsible for funding the costs of administering the agreement.

OMIA is a network of mutual insurance companies which are community-based and owned by their policyholders. These mutual insurers have a guarantee fund which covers 100 per cent of all policy liabilities and unearned premiums should any of its members become insolvent. The mutual insurers also have a common reinsurance company which meets all their reinsurance needs. Accordingly, exposure to solvency risks are well managed within the network of mutual insurers.

Under Subsection 32(1) of the *Insurance Act* (the *Act*), the Superintendent may appoint a person to perform the annual financial examination of insurers. Also, under Subsection 102(1) of the *Act*, the Superintendent may appoint a designate to receive annual and interim statements on the condition of affairs of insurers.

Therefore, under an *Agreement Between the Superintendent of Financial Services and Ontario Mutual Insurance Association* and a *Letter of Understanding*, OMIA is authorized to conduct examinations of all farm mutuals in Ontario as well as to receive the statements on their financial affairs.

A committee of independent persons will conduct the reviews of the financial information to assess the solvency of insurers and confirm that companies have the financial stability to meet their commitments to policyholders. The committee will also take initial follow-up steps where problems are found. Filings covering the year 2000 will be the first under the new system.

OMIA and an independent committee of OMIA have established a solvency protection process, which includes measures that meet the requirements of the Superintendent, in carrying out the examination of insurers required under Section 32 of the *Act.*

All enforcement powers regarding the farm mutuals will continue to be carried out by FSCO.

The FSCO/OMIA agreement features a regulatory model that reflects FSCO's commitment to find innovative risk-based solutions for the effective delivery of consumer protection regulation.

Dina Palozzi

Chief Executive Officer and

Superintendent of Financial Services

March 31, 2000

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