



THE WAWANESA MUTUAL INSURANCE COMPANY
191 Broadway, Winnipeg, MB R3C 3P1
Telephone: 204-985-3923 Fax: 204-942-7724

June 5, 2020

SENT VIA EMAIL

Financial Services Regulatory Authority of Ontario
Auto Insurance Sector
5160 Yonge Street, 16th Floor
Toronto, Ontario
M2N 6L9

RE: Request for Comment: Auto Insurance Take All Comers Rule

The Wawanesa Mutual Insurance Company ("Wawanesa") is pleased to provide comment in response to the questions posed to licensed individuals and entities concerning Ontario's Take All Comers rule. Wawanesa's responses to the three questions posed are set out below.

1. What reporting and oversight mechanisms are in place to support compliance with the Take-All-Comers rule?

Wawanesa employs a three lines of defence model to management of risk, including regulatory/compliance risk. Within the first line of defence, Wawanesa has an established internal oversight process for rate and product changes, internally referred to as the Rate Product Change (RPC) Process. This RPC Process is overseen and managed by senior leaders who serve as members of a Rate and Product Steering Committee (the "Committee"). Members of the Committee, together with the President of P&C Operations, are each required to review and sign off on every rate and product change (this includes underwriting rules and eligibility requirements). Sign-off decisions are made in the context of applicable laws and regulations, including the Take-All-Comers rule in Ontario. The Vice President of Broker Distribution and the Regional Vice President for Wawanesa's Ontario region also review and approve by signing off on any rate and product changes to ensure compliance operationally. Wawanesa files all required underwriting rules and rates with the Financial Services Regulatory Authority of Ontario and these changes are not enacted until regulatory approval is provided in writing.

Throughout the rate and product change process underwriting manuals and Wawanesa's policy management systems are updated and tested to ensure that the rate and product changes are filed and implemented as approved by FSRA. This testing is completed by our Business Excellence teams as well as Application Delivery teams and is documented and available for quality assurance purposes.

All rate and product changes that have been approved for implementation by the Financial Services Regulatory Authority when operationalised are communicated to brokers through Wawanesa's broker bulletins. Wawanesa ensures training is provided to its broker distribution partners to effectively review any changes introduced and ensure that broker partners both understand the changes and can easily explain such changes to our policyholders.

Wawanesa further employs an Internal Quality Assurance team and Underwriting Excellence team that act in "1b" line of defence roles, providing first line oversight and guidance to ensure compliance with applicable laws and regulations, internal underwriting processes and FSRA filed underwriting rules.

As the second line of defence, Wawanesa's Compliance Function performs regular legislative scans to track changes to any applicable laws and regulations. Compliance is responsible for the communication to applicable business teams in Underwriting and Pricing that are engaged in the rate and product change process. In addition, the Compliance Function provides ongoing advice, guidance and effective challenge to ensure that the controls implemented effectively adhere to provincial laws and regulations, including the Take-All-Comers rule. On an annual basis, the Compliance Function oversees a comprehensive regulatory compliance self-assessment process relative to our compliance with applicable laws and regulations, including the Take-All-Comers rule, and results are communicated to senior leaders at Wawanesa. If in that process, control gaps or deficiencies are identified, the Compliance Function follows up on management action plans to address the gaps and ensure resolution.

Wawanesa's Internal Audit team is the third line of defence. Audit is responsible for examining and evaluating the adequacy and effectiveness of the governance, risk management, and internal controls of the Wawanesa Mutual Insurance Company and its affiliates, including those related to the Take-All-Comers rule.

Wawanesa's Internal Audit team has performed annual audits of the Ontario Region's use of approved Underwriting Rules, Rates and Risk Clarification Systems in accordance with the Financial Services Commission of Ontario (FSCO) Automobile Insurance Attestation. Effective January 2020, the Quality Assurance team, that acts in a "1b" line of defence role, has assumed responsibility for performing these annual reviews in accordance with the Financial Services Regulatory Authority Automobile Insurance Attestation. In addition, the Internal Audit team will ensure those reviews are completed, review the results and will regularly perform Regional Underwriting reviews to ensure compliance with internal policies and procedures.

The Internal Audit team recently completed a review of the Rate and Product Change process relating to personal lines automobile and property at the Wawanesa Mutual Company. For this engagement, they reviewed the design of procedures and controls along with the overall management and administration of this critical process within the company to ensure key controls including approval, planning, implementation, monitoring and testing had been designed effectively.

Internal control deficiencies identified by the Internal Audit team are reported to management and the Audit Committee of the Board and are subsequently monitored to closure in accordance with internal processes.

2. How does your organization address instances of non-compliance with the Take All Comers rule?

To the best of our knowledge, Wawanesa is unaware of any instances of non-compliance with the Take All Comers Rule. However, if an instance occurred, it would be addressed through Wawanesa's established processes.

If the instance of non-compliance was brought to Wawanesa's attention, it could be through a customer complaint. The customer would access the customer complaint process, posted on Wawanesa's website, and involves several levels of escalation. Complaints are logged internally by our Customer Experience team. Any issues of non-compliance would be initially handled by our broker partners and regional underwriting teams to understand the issue. The regional underwriting teams investigate the complaint to determine whether the complaint is warranted. If a complaint is found to be warranted, Wawanesa will engage in corrective measures with the customer and broker. Such corrective measures may include providing a quote, refunding premiums or reinstating a policy. The resolution is reported to the Customer Experience team for inclusion in provincial reporting as required. If the complaint involves the lack of compliance with regulation, such as the Take All Comers rule, the underwriting team would file a risk event with the Risk and Compliance functions. The risk event process includes root cause analysis, remediation and reports to senior management throughout the life cycle of the risk event.

If the regional underwriting team is unable to determine whether the complaint is warranted or the appropriate action to be taken the regional underwriting team would escalate to the Wawanesa's Executive Office underwriting excellence team, who if regulatory in nature such as the Take All Comers rule would involve other subject matter experts, such as legal or compliance team members. If it involves the lack of compliance with regulation, such as the Take All Comers rule, the underwriting team would file a risk event with the Risk and Compliance functions.

If the customer's complaint is not resolved satisfactorily, the customer is encouraged to contact Wawanesa's Ombudsman Office. The Office of the Ombudsman records complaints and shares those with the business and Executive office so all levels are alerted if there is a consumer complaint that arises. If the complaint involves the lack of compliance with regulation, such as the Take All Comers rule, Management must file a risk event with the Risk and Compliance functions.

If the instance of non-compliance was found through a self-assessment or other testing and monitoring process, the function discovering the non-compliance, underwriting Quality Assurance, Compliance or Internal Audit, is responsible to report the non-compliance to senior leadership so that corrective action can be taken along with applicable internal or external reporting. A risk event is reported and filed with the Compliance Function for inclusion in compliance reporting to the Board and senior management.

In the event Wawanesa became aware of an instance of non-compliance with the Take All Comers Rule, whether it be through an external complaint or internal process, Wawanesa would review the circumstance, take corrective action, and rectify the failing of any existing controls, system programming or control enhancements with the required improvements. The matter would be included in Compliance reporting to senior management.

Further, Wawanesa would self-report instance of non-compliance and actively work with the Financial Services Regulatory Authority of Ontario to determine any further steps required to resolve the matter.

3. What changes to the Take-All-Comers rule would reduce the risk of consumer harm and/or sector instability?

With one exception, Wawanesa is supportive of the submissions made by the Insurance Bureau of Canada related to this consultation concerning changes to the Take-All-Comers rule. In Wawanesa's view, FSRA must maintain the requirement that currently obliges every insurer with multiple underwriting companies to provide consumers with lowest rate available from any underwriting company operated by the insurer, when offering a quote or renewal. Wawanesa strongly believes this current requirement is in the best interests of a consumers. Automobile is a compulsory product and consumers are not educated in the many options available by insurers to differentiate in their pricing. Where inter-related companies are providing competing products in the same market, consumers should rightfully expect and receive transparency and the lowest rate of any of the underwriting companies that are offering an automobile insurance product to them.

Thank you for the opportunity to provide responses to these important questions.

Yours truly,

Erin Fischer
Vice President and Chief Claims Officer
efischer@wawanesa.com

Andrea Sherry
Vice President, Personal Insurance
asherry@wawanesa.com

James Bond
Vice President, General Counsel and Chief Compliance Officer
jbond@wawanesa.com