



June 5, 2020

To: *Financial Services Regulatory Authority*

Re: *Request for Comment – Auto Insurance Take-All-Comers Rule (“Take-All-Comers Consultation”)*

Please see the following submission to the Take-All-Comers Consultation, made on behalf of the following Intact Financial Corporation (“IFC”) insurers: Intact Insurance Company (“Intact”), Jevco Insurance Company (“Jevco”), Novex Insurance Company (“Novex”), Belair Insurance Company (“Belair”), and The Guarantee Company of North America (“GCNA”).

The following is in response to the designated questions for licensed individuals and entities:

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

IFC’s insurers can service a wide range of Ontario consumers by offering their products through different distribution models (broker and direct channels), and by providing insurance to both the regular market through several brands and to higher risk consumers through Jevco. IFC is also committed to working closely with its broker partners to provide updates, training, and access to its insurers’ underwriting guidelines and IFC policies to ensure that all consumers can benefit from the following oversight and reporting mechanisms.

***i. Oversight: IFC has multiple mechanisms in place to support compliance with all laws and regulations, including the Take-All-Comers rule. These mechanisms are part of a large and robust compliance framework, guided by both provincial and federal requirements. Some examples include:***

***a) Operational Risk Management***

- IFC has adopted OSFI’s Regulatory Compliance Management Guideline in our Compliance and Governance Framework to ensure that appropriate structures, processes, and other key controls are in place to manage and mitigate regulatory compliance risk.
- One example of this Framework is IFC’s internal audit function team within underwriting. This team tracks compliance with underwriting guidelines, manuals, and regulations. They conduct audits on both IFC and our broker partners. Legislative developments are tracked, and training provided to underwriting groups on key issues.

***b) Corporate Audit Services***

- IFC has a dedicated internal audit department which helps support our Compliance Framework.
- It provides an independent and objective monitoring function by overseeing the effectiveness of, and adherence to IFC’s organizational and procedural controls.
- They conduct regular reviews and provide risk-based advice and insight, which include audits of our underwriting processes.

***c) Customer Driven Policy***

- At IFC, we are committed to being customer driven. Prioritizing the needs of the customer is one of our fundamental values and is at the core of IFC’s corporate culture.
- IFC has established a policy to reinforce our commitment to being customer driven, including the fair treatment of customers as required by the Take-All-Comers rule.

***d) Complaint Handling Protocol***

- IFC has established a dispute resolution process to resolve escalated complaints, through the Complaint Handling Protocol, which is publicly available on our insurers’ websites.
- With respect to the Take-All-Comers rule, customers may escalate complaints related to quoting, binding or renewals. In accordance with the Protocol, an investigation will be conducted including a review of the relevant underwriting manuals to ensure that any ineligibility or non-renewal was based on a filed rule.



e) **Senior Operational Committees**

- There are multiple senior operational committees within IFC that routinely discuss key underwriting initiatives from different perspectives, including market conduct and compliance.
- Examples include our Canadian Operations Committee and the Intact Insurance Management Team.

f) **Corporate Legal Department**

- Corporate Legal closely collaborates with our underwriting teams, reviewing key initiatives to ensure compliance with legal and regulatory requirements.
- This provides a key control and oversight mechanism that aims to achieve compliance with legal and regulatory requirements.

ii. **Reporting: IFC utilizes both internal and external reporting to identify events, issues or errors to support compliance with all regulatory requirements, including the Take-All-Comers rule. Some examples include:**

a) **Internal Reporting:**

- Material events, issues or errors are reported to and tracked by our Compliance Team (which forms part of our Corporate Legal Department). They are also reported to Senior Management and to IFC's Compliance Review and Corporate Governance Committee of the Board.
- IFC has established a network of Business Compliance & Risk Officers, comprised of key senior leadership roles from a variety of regions and business units. They act as Compliance & Risk Ambassadors who help identify, track and mitigate risks, as well as promote a risk awareness culture at IFC.
- A Whistleblower Hotline is in place to allow employees to report incidents or issues that may constitute a potential breach of our Living Our Values code of conduct, policies, laws, or regulations.

b) **External Reporting:**

- A complaint may be escalated from our Customer Experience Team to the Ombudsman's Office that will conduct an independent and impartial investigation of the complaint.
- If the Ombudsman's Office is unable to resolve the complaint, the customer is advised about their options for escalating complaints externally to the appropriate regulator or the General Insurance OmbudService.
- Complaints escalated to the Ombudsman's Office are reported to the CCIR as part of the Annual Statement on Market Conduct.
- The Ombudsman's Office has not received any escalated complaints related to the Take-All-Comers rule within the last 12 months.

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

a) **Oversight:**

- As indicated above, mechanisms are in place to ensure compliance with regulatory and legal requirements, including the Take-All-Comers rule.

b) **Review & Investigation, Remediation, and Reporting:**

- Should an instance of non-compliance be identified or suspected, procedures are in place to make sure that it is escalated to the appropriate team. If required, a thorough investigation and review would be conducted by our Operations, Corporate Legal and Compliance functions to determine how the issue occurred.
- If the investigation identifies that there is in fact a compliance issue or a systemic problem, remediation steps will be implemented (including follow up by Corporate Audit Services where necessary) and the issue will be reported to the appropriate regulatory body, as required.

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

- a) **Recommendation: Support a more segmented and flexible approach to insurers' ability to manage their broker relationships.**



- Under the current rules, when a broker portfolio is rate inadequate or the broker is not providing information to the insurer in a satisfactory manner, the insurer has limited options to address the broker relationship.
- Insurers are limited in their remediation efforts to either suspending underwriting authority for all new business for a specific broker or increasing rates for the insurer's entire portfolio in that broker's territory.
- Allowing for nuances in the Take-All-Comers rule to permit an insurer to take a more segmented approach could allow for corrective action to be taken, without the need to terminate or suspend binding authority.
- This would promote stability and mitigate against potential gaps in the market when insurers suspend or terminate broker agreements due to rate inadequacy or other concerns between the broker and insurer that may be better addressed through temporary remediation efforts.

**b) Recommendation: Allow insurers to define a more targeted market using data, which includes segmentation outside of traditional variables.**

- The Take-All-Comers rule and accompanying regulations should be amended to allow for flexibility in defining target markets. Specifically, certain factors that may help assess the risk profile of each individual consumer should not be prohibited.
- Allowing insurers to develop an expertise within a segment can empower them to create more innovative products and develop insurance solutions specifically tailored to the customer, which could provide more accurate rates for certain segments of customers. This can also lead to increased market stability and better consumer knowledge on insurance products.
- Insurers should also be given the support to leverage data and models to create and offer the best possible solutions for customers, provided the appropriate data governance frameworks are in place. For example, IFC has established a Data Principles & Data Governance Framework, to ensure that we treat customers and their data with respect, integrity, and the highest degree of ethics.

**c) Recommendation: Permit an exception period for companies going through an acquisition.**

- Currently, an insurer must offer the lowest rates among the affiliates within the acquiring company and the newly acquired company for all new business written under both brands, in addition to renewals written under the acquired brand.
- This longer, manual process causes delays in obtaining insurance quotes for customers.
- We would advocate for more of a principles-based approach to the interpretation of this provision that would allow for flexibility during the acquisition and integration process by clarifying that an acquisition and a reasonable integration period are circumstances where it may be appropriate to deviate from the lowest rate provision.
- This would lower the risk of consumer harm created by such delays.

We continue to value and support an open and transparent consultation with FSRA, and we welcome your feedback and guidance.

Regards,

A handwritten signature in black ink that reads "Julie Nolette". The signature is written in a cursive, flowing style.

Julie Nolette  
Vice President, Personal Lines Ontario & Atlantic  
Intact Insurance Company