



**SOUTH
EASTHOPE**
MUTUAL INSURANCE

62 Woodstock Street South, Box 33, Tavistock, Ontario N0B 2R0
Telephone 519-655-2011 • Toll Free 1-800-263-9987
info@southeasthope.com • www.southeasthope.com

August 31, 2022

Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto, Ontario
M2N 6S6

Re: Insurance Prudential Supervisory Framework (IPSF)

Dear FSRA Officials:

I am writing on behalf of South Easthope Mutual Insurance Company in Tavistock. We as well, are grateful that FSRA has welcomed input relating to the proposed IPSF. In summary, we are in support of the submission dated August 16th, by the Ontario Mutual Insurance Association (OMIA) on behalf of the members of the Fire Mutuals Guarantee Fund. I also take this opportunity to share with you a little more background about us and concerns from our perspective.

About South Easthope Mutual

South Easthope Mutual was founded 151 years ago in 1871. We are a regional insurer serving about 7,000 policyholder members - over 60% from within our founding counties of Perth and Oxford. Annual premiums are in excess of \$21 million, nearly 1/3rd is generated from farm. Financially strong, our MCT at June 30th was 607.7%. As a community-based company, we support other local business and organizations.

We employ 42 staff (including agents) and are the 2nd largest employer in Tavistock (exceeded only by the Cheese Factory). The company is governed by a Board of local farmers and small business owners, elected by and from the membership. Many of our staff, agents and directors are volunteers with community service groups and organizations, alongside policyholder members.

The writer started in the insurance industry 36 years ago. After joining South Easthope Mutual in 2003, I soon came to realize that this model is very different from the mainline insurance industry. South Easthope Mutual continues to operate as a true mutual company. The members are considered in nearly every decision. We embrace our core purpose of providing cost effective insurance for the risks and classes we write. Most of our members are well aware that South Easthope is 'their' company. Our products and methods of service continues to evolve with the changing needs of our members. Our motto is "*Working together for insurance that works.*"

Relevance of Mutual Companies

Ontario Farm Mutuals truly are community-based insurers which form part of the very fabric that sustains their rural communities and its citizens.

These companies were established among area farmers unable to obtain affordable insurance due to the unique risk inherent with rural areas and their livelihood. While there are more options available today to the communities they serve, mutual insurers still fill a niche. Smaller mutual companies find ways to insure risks that would not be considered by larger companies. *Examples include; farm and rural 'non-protected' risks, older homes – non-centrally heated, 60-amp electrical services, knob and tube wiring, galvanized plumbing, poor credit score etc.*

While these may pose a greater risk, many are still insurable but require more detailed underwriting and risk assessment beyond checking boxes. This comes at a cost which may generate a greater expense ratio, beyond what would be considered to be average. Even with a higher expense ratio, we still remain an affordable alternative for many.

Importance of Fire Mutuals Guarantee Fund (FMGF)

The Fire Mutuals Guarantee Fund transfers the claims liabilities of mutual policyholders to all mutuals in the fund. This interdependence of FMGF members makes it possible for smaller companies to continue to exist. This solvency protection makes Ontario FMGF members one of the strongest insurance networks in the world and is an envy of several mutual companies outside of Ontario.

The FMGF was established to protect policyholders. It does not abdicate a mutual companies' responsibilities for its own solvency.

Value of Self-Regulation by the Financial Review Committee (FRC)

Prior to the introduction of this self-regulatory framework introduced by the Ontario Insurance Commission (OIC) in 2001, direct regulation was costly, done at a high level and somewhat inadequate. Often, knowledge of financial difficulties with a mutual company was only learned when it was too late.

The foresight and wisdom of the OIC has proven to be effective. Monitoring of, and solvency of FMGF members has improved significantly since the implementation of this framework. FRC Examiners possess intimate knowledge of mutual insurance operations which results in a more in-depth financial analysis through a lower cost means. FRC reporting to both FSRA and all FMGF members also creates greater accountability between FMGF members and our reliance on each other.

We realize that the IPSF applies to all FSRA regulated insurers and makes no reference to this self-regulatory framework for the FMGF members. While we understand this, we encourage FSRA to retain the established FRC framework for the FMGF mutual insurance system. The majority of our human and financial resources are devoted to serving our members. We are concerned that a new regulatory scheme will detract from our core purpose of serving our members to satisfying new regulatory requirements.

Sustaining the Ontario Mutual Insurance System

The public in general are skeptical about insurance companies and FSRA is commended for the proactive approach to protecting the public and ensuring policyholders are treated fairly.

This public skepticism however, appears to be less prevalent in rural communities served by a local community based mutual insurance company. Possibly because these mutual companies, staff and directors are closer to their grassroots community and offer greater transparency to their members and community. The philosophy of a true mutual company is to find ways to provide insurance and in the event of a loss, look for ways to legitimately pay the claim.

Our next generations, while they like convenience, they do not trust large corporations. Mutual companies in Europe have observed that as an organization becomes larger, it becomes less relevant to its customers. Smaller mutual companies provide an alternative.

While we as smaller mutual insurers operate independently, together we share an interdependence which does provide greater financial strength. Additional regulatory expense, disproportionate to the size of a company could lead to consolidation and amalgamation of these smaller insurers. While this may make it easier from a regulatory perspective, policyholder members may not be better served and it would be a disservice to many rural communities.

Thank you for allowing us the opportunity to share our concerns. Should you like to discuss any of this in greater detail, please feel welcome to contact me.

Yours Sincerely,
South Easthope Mutual Insurance Company



Frank A. Rider, CIP
President & CEO

cc John Taylor, OMIA