

# NOVA MUTUAL

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June 11, 2024

To: Financial Services Regulatory Authority (“FSRA”)

Cc: OMIA

From: Nova Mutual Insurance Company (“Nova”)

Re: Nova Mutual’s Response/Feedback to FSRA’s Corporate Governance Guidelines and Operational Risk and Resilience Guidance

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Thank you for the opportunity to provide feedback on FSRA’s proposed Corporate Governance Guidelines (“CGG”) as well as the Operational Risk and Resilience Guidance (“ORR”) for Ontario-incorporated insurance companies and Reciprocal Insurance Exchanges.

Nova Mutual was established January 1, 2019, as a result of an amalgamation between Norfolk Mutual and Wabisa Mutual. Nova Mutual is licensed to transact Property and Casualty insurance in the Province of Ontario. Our distribution channels are comprised of Independent Broker networks as well as captive insurance Agents. The Board of directors is comprised of 9 experienced and dedicated policyholders/members. Nova Mutual has 53 employees, a Capital base as at March 31, 2024 of \$31.0M and our head office is located in Jarvis, Ontario.

We are pleased to provide the following feedback:

Overall, Nova is very supportive of the proposed CGG and ORR Guidance. From Nova’s perspective both sets of Guidance appear consistent with other federal and provincial guidelines, represent best practice and facilitate the prudential management and Board oversight over financial institutions, in this case specifically, of insurance companies. Nova’s Board of Directors has been focused on ensuring that a robust corporate governance framework is in place at Nova within which the Board is well equipped to fulfill its legal role and responsibilities on behalf of Members, as well as to fulfill its accountability to Members, the regulator, the mutual sector, and other stakeholders. This commitment to effective corporate governance underpins Nova’s full support in relation to the proposed Guidance.

While Nova supports the Guidance, there is one area it wishes to point out that may not be as applicable to the mutual insurance sector as to other insurance providers. FSRA has pointed out in its Town Halls and other Forums that the regulator is taking a principles-based approach, will consider proportionality, and will pursue a consultative approach (i.e. not a “one size fits all”) approach. It has also indicated that where certain provisions in the Guidance may be less applicable to, for example, the smaller to mid mutual insurance companies, it will also consider “equivalent” processes, compensating controls, or work arounds that the company has put in place to achieve the statement outcomes. Nova appreciates this flexible approach, and the following observations are made within that context.

**In Relation to Both the Proposed Corporate Governance Guidelines (“CGG”) and the Operational Risk and Resiliency Guidelines:**

**Observation – Oversight Functions & Three Lines of Defence:**


This is an area that Nova believes may go beyond reasonable expectations based on current mutual sector practice set out in the draft Guidance.

While smaller to mid-size mutuals will have in place financial expertise, typically in the role of a CFO, they may not have the capacity or resources, based on size, complexity and risk profile, to maintain separate resources solely devoted to fulfilling other oversight functions (typically a Chief Risk Officer; Chief Compliance Officer; and Chief Internal Auditor or audit department). FSRA has acknowledged this challenge and has provided feedback on alternative policy/process which may assist in ensuring the expected outcomes, in particular, the Board itself enhancing its operational oversight role, the use of external resources, the use of internal “independent” oversight to “switch hats” and play a more independent role in providing this level of oversight in regard to prudential management and independent oversight, etc. This same observation also relates to the Operational Risk and Resiliency Guidelines, specifically associated with the provisions set out in Principle 1 related to the Three Lines of Defence.

As noted earlier, this flexibility is appreciated. **However, Nova’s recommendation would be that the language utilized in the Guidance be sufficiently clear to provide for other options, or compensating controls. Otherwise, smaller organizations**

**may be in a position of technical “non-compliance” with the Guidance associated with the role/responsibilities of oversight officers.**

Respectfully submitted,

A handwritten signature in black ink that reads "Glenn Pick". The signature is written in a cursive style with a large initial "G" and a stylized "P".

G. Pick

CEO Nova Mutual Insurance

cc. J. Taylor, CEO OMIA

E. Harrop, Nova Mutual Board Chair