

Advisory

BCFSA Releases Consolidated Observations Report on “Insurer Oversight of Functions Delegated to Intermediaries in British Columbia”

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PURPOSE

BCFSA has released a consolidated [observations report](#) (“Report”) on insurer oversight of functions delegated to intermediaries in British Columbia. The Report highlights the need for insurers to implement effective fair treatment of customers (“FTC”) processes and procedures, including robust oversight of delegated functions to intermediaries.

BACKGROUND

The Report is based on the results of a thematic review conducted on selected insurers which distributed supplemental auto insurance products in British Columbia (“B.C.”) through intermediaries, including managing general agents and third-party administrators. The review identified ineffective, insufficient or absent controls related to insurers oversight over their outsourcing arrangements.

The Report sets out expectations, a summary of observations and recommendations and is relevant to all insurers authorized for business in B.C., including both Life and Health and Property and Casualty insurance sectors. The report is intended to help insurers operating in B.C. review and assess effectiveness of their oversight controls over intermediaries, and their distribution channels with an aim to enhance the FTC culture in the insurance market in B.C. No finding or recommendation in the Report specifically applies to a particular insurer or intermediary.

In the past several years, BCFSA has received an increasing number of enquiries and complaints related to supplemental insurance products. To better understand insurers distribution practices, BCFSA conducted a thematic review on selected insurers’ oversight of intermediaries who distributed these supplemental insurance products through motor vehicle dealerships in B.C. between 2020 and 2023. The areas examined included: (i) compliance with certain provisions of the legislation, (ii) outsourcing arrangements, (iii) public facing material, (iv) training, and (v) complaints handling.

The thematic review was based on FTC expectations outlined in the Guidance Conduct of Insurance Business and Fair Treatment of Customers (“FTC Guidance”) established by the Canadian Council of Insurance Regulators (“CCIR”) and the Canadian Insurance Services Regulatory Organizations (“CISRO”).

ADDITIONAL INFORMATION

Effective April 1, 2024, every insurer authorized to conduct business in B.C. through a business authorization issued by BCFSA is required to adopt and adhere to the Insurer Code of Market Conduct (“Code”) established by BCFSA. The Code includes 12 principles drawn from the CCIR-CISRO FTC Guidance. While the Code is principles-based and provides insurers with latitude to implement the 12

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principles in their operations in a flexible manner, insurers are required to make FTC a core component of their governance and business culture, which means prioritizing FTC throughout the product lifecycle from product development, underwriting, sales, and to the point at which all obligations under a contract have been satisfied.

All insurers authorized to conduct business in B.C. are encouraged to review the Report and other FTC-related reports and guidance published on BCFSA's Insurer Code of Market Conduct webpage ([B.C.'s Insurer Code of Market Conduct | BCFSA](#)) and CCIR's website ([Papers & Reports \(ccir-ccrra.org\)](#)) on a periodic basis to increase awareness of practices that may support insurers' adherence to the principles in the Code.

For questions regarding this Advisory, the Report, the FTC Guidance, or the Code, please contact the BCFSA Market Conduct Branch at insurance@bcfsa.ca.