

September 14, 2015
File No.: 78000-03
Ref. No.: 0591

**To: All Insurers Authorized to Write Life and/or Accident & Sickness Insurance
in British Columbia**

Re: Information Bulletin INS-15-002: Creditor's Group Insurance

The Financial Institutions Commission (FICOM) has issued an Information Bulletin, INS-15-002, setting out FICOM's expectations for insurers, exempt sellers, and creditors regarding creditor's group insurance (CGI) being offered in British Columbia. Enclosed is a copy of this bulletin for your records.

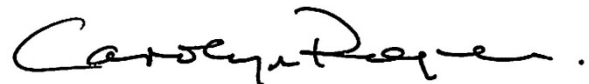
FICOM expects insurance companies to immediately take steps to ensure that the expectations set out in this bulletin will be met. FICOM recognizes insurers need time to review their existing oversight and controls over CGI and make any necessary changes. FICOM expects insurers, creditors and exempt sellers to be compliant with this bulletin by March 31, 2016. Insurers are expected to have in place by that date effective controls and oversight of their CGI products to ensure that all of the expectations set out in the bulletin are being met. Exempt sellers are expected to have sufficient knowledge and training by that date to ensure they can meet the expectations. Creditors are expected to be actively and substantively involved in the negotiation and procurement of any new or renewal CGI contract involving their debtors after March 31, 2016.

FICOM does not expect insurers to revise existing CGI group contracts set to be renewed or expire on or before December 31, 2017. However, FICOM does expect that any existing CGI contract with a duration longer than December 31, 2017, be renegotiated with the creditors involvement by March 31, 2016. Contracts do not need to be submitted to FICOM for approval.

Failure to comply with the bulletin's requirements could result in regulatory action.

If you have any questions regarding the content of the attached bulletin, please contact Frank Chong, Deputy Superintendent, Regulation, at Frank.Chong@ficombc.ca.

Regards,



Carolyn Rogers
CEO & Superintendent
Financial Institutions Commission

Enclosure

HJ/ac

- Superintendent of Financial Institutions
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BULLETIN NUMBER:	INS-15-002
TITLE:	CREDITOR'S GROUP INSURANCE
LEGISLATION:	<i>FINANCIAL INSTITUTIONS ACT INSURANCE ACT</i>
DATE:	SEPTEMBER 2015
DISTRIBUTION:	LIFE AND ACCIDENT & SICKNESS INSURERS CGI EXEMPT SELLERS CGI CREDITORS

PURPOSE

The purpose of this bulletin is to clarify the Financial Institutions Commission's (FICOM) expectations for insurers, exempt sellers and creditors regarding creditor's group insurance (CGI) being offered in British Columbia.

BACKGROUND INFORMATION

Any group product under which the lives or well-being of a number of a creditor's debtors are insured under a single contract is considered a CGI product.

FICOM has identified consumer protection concerns in relation to CGI. Those concerns include inadequate oversight and due diligence over CGI sale and distribution, insufficient training of CGI sellers, overly aggressive sales practices, inadequate disclosure practices, the use of unauthorized insurers or unlicensed agents, and insufficient creditor involvement in the initiation of a CGI product.

This bulletin sets out FICOM's expectations regarding CGI for insurers, exempt sellers and creditors¹.

Regulatory action may be undertaken against the insurer or exempt seller if they are found in contravention of the requirements stated below.

¹ Note that creditors, in some instances, may also be exempt sellers depending on their role in the sale or distribution of CGI products.

EXPECTATIONS OF INSURERS

FICOM expects insurance companies to have robust and effective oversight and controls over its CGI products, from formation of the contract to the settlement of claims.

Where an insurer uses a third party in the sale or distribution of an insurance product, the insurer must extend its oversight and control regime to the functions provided by that third party.

At a minimum, an effective oversight and control regime includes the following:

1. Ongoing monitoring, reporting and auditing procedures to ensure the insurance is being sold in the manner expected by both the insurer and the creditor, is suitable to the needs of the consumer, and is in accordance with legislative requirements. This includes ensuring that:
 - coercive sales practices are not taking place;
 - all disclosure requirements set out in legislation are being met;
 - consumers are clearly aware of the voluntary nature of the product;
 - controls are in place to mitigate against enrolment of ineligible insureds;
 - unauthorized or unlicensed insurance activity is not taking place;
 - all product materials are clear, written in plain language, and provide sufficient information on terms and conditions of the contract for the consumer to make an informed choice; and
 - all product materials indicate how to contact the insurer for information, clarification, changes and disputes.
2. Established, ongoing training programs for exempt sellers to ensure they have current and appropriate knowledge and understanding of the product offerings and materials being provided to consumers.

In particular, training programs should ensure that exempt sellers are sufficiently trained on eligibility requirements, product features and can identify instances where they should direct consumers to the insurer.

Exempt sellers that have not completed the required training should not be permitted to sell CGI to consumers.

3. Outsourcing agreements with third parties, including distributors and exempt sellers, that clearly define the roles and responsibilities of the third parties and permit the insurer to engage in effective monitoring and oversight of services being provided.

The agreements should be monitored periodically by insurers to ensure third parties are operating within the terms of the agreement and that the terms remain current and relevant. These agreements should include clear termination procedures which can be used in the event any third party does not fulfill the expectations of the insurer.

Insurers are also responsible for ensuring that only authorized or licensed persons, or appropriately exempt persons, are involved in the distribution of CGI.

EXPECTATIONS OF EXEMPT SELLERS

Pursuant to the *Insurance Licensing Exemptions Regulation*, CGI can be sold incidentally to the arranging of credit by exempt sellers that are not licensed insurance agents (e.g., mortgage brokers, bank employees, auto dealers). FICOM expects all exempt sellers of CGI to:

- possess sufficient knowledge and training on eligibility requirements and product features to ensure ineligible customers are not being enrolled;
- be able to identify instances where they should direct customers to contact the insurer for further information or clarification;
- provide clear information to customers on the terms and conditions of all CGI products;
- refrain from engaging in coercive practices or imposing undue pressure on individuals to obtain CGI coverage;
- provide proper disclosure to all customers on the voluntary nature of CGI; and
- communicate to customers how they can contact the insurance company for clarification regarding eligibility, the terms and conditions of the coverage, the claims process, or any other matters related to the coverage.²

If an exempt seller is found to be in contravention of any of the above requirements, FICOM may take regulatory action against the insurer and/or the exempt seller.

CREDITOR INVOLVEMENT IN INITIATION OF CGI

Pursuant to sections 37 and 92 of the *Insurance Act*, all CGI products offered in British Columbia must be effected by the creditor. In order for a creditor to effect a CGI contract, insurance companies must ensure that the creditor plays an active and substantial role in the following areas:

- procurement of the insurance contract;
- product design, including all related forms and materials, to ensure that the product is designed to be suitable to the needs of the creditor's debtors; and
- negotiation of the terms and conditions under which the insurance coverage will be offered to its debtors, including who will be permitted to enrol customers into the CGI program.

Note that a creditor can explicitly assign a third party agent to undertake the role of effecting a CGI product on its behalf, however the insurer and the creditor retain responsibility for ensuring regulatory expectations are met.

² Specific disclosure requirements for mortgage brokers are set out in Section 2(2)(a) of the FIA's *Insurance Licensing Exemptions Regulation*.

Continuous Oversight

In addition to the regulatory requirement that the creditor is involved in the initiation of any CGI product, FICOM recommends that the creditor continuously liaise with its insurance company to ensure that the CGI coverage being offered to its customers is suitable to their needs and specific circumstances, and that the overall program is not being provided in a manner that is harmful to its customers.

This liaison should address any concerns either party has regarding distribution, disclosure, administration, consumer protection or regulatory compliance. Examples of areas that creditors should verify with the insurer include the following:

- ensuring its customers are being provided with clear disclosure on the terms and conditions of the insurance;
- verifying that only eligible customers are being enrolled into the program;
- confirming that coercive sales practices are not taking place; and
- ensuring that its customers are being provided with sufficient information on how to contact the insurance company for further information or to file a claim.

At the Financial Institutions Commission, we issue information bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Financial Institutions Act and Insurance Act*, Regulations and other pertinent legislation. While the comments in a particular part of an information bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in an information bulletin generally applies as of the date on which it was published, unless otherwise specified.