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**VIA EMAIL:** [keith.martin@cafii.com](mailto:keith.martin@cafii.com)

Dear Keith,

Thank you again for taking the time to provide input and feedback regarding BC Financial Services Authority's ("BCFSA's") proposed Regulatory Statement ("Statement") related to the adjusting of insurance claims in British Columbia.

As Harry James shared at the December 4, 2024, meeting in Toronto, BCFSA has decided to not issue the statement at this time and instead hopes to work collaboratively with your organization as well as others to address the issues the statement was intended to deal with.

The statement was drafted after our investigation and examination work identified some market conduct issues in the outsourcing of claims handling. Our intention at the time was to update an old 2006 information bulletin on adjusting to provide clarity to industry on what BCFSA considers to be adjusting activity, and when we consider adjusting to be occurring in B.C.

BCFSA appreciates there have been significant changes in the regulatory and business environments since the 2006 bulletin was originally issued. Insurers are increasingly outsourcing core business functions like underwriting and claims handling. With Fair Treatment of Customers ("FTC") now a core insurance principle promulgated by the International Association of Insurance Supervisors, Canadian insurance regulators are establishing new and/or enhanced expectations regarding market conduct behaviour. This is supported by the FTC guidance jointly issued by the Canadian Council of Insurance Regulators ("CCIR") and the Canadian Insurance Services Regulatory Organizations ("CISRO"). BCFSA has also issued its own [Insurer Code of Market Conduct](#) ("Insurer Code"), which came into effect earlier this year.

BCFSA is taking a pragmatic approach to the feedback we have received. We recognize there are genuinely different interpretations of the term "adjuster" and that many jurisdictions in Canada do not license insurance adjusters in the life and accident and sickness ("A&S") segments. We also recognize the current licensing framework for adjusters in British Columbia has generally focused on adjusting in the property and casualty insurance context and not the life and A&S segments.

BCFSA remains concerned about the issues identified in our market conduct work regarding delegation of claims handling to unregulated entities. Insurers authorized to conduct business in B.C. are required to adhere to B.C.'s Insurer Code and FTC expectations. Insurance intermediaries



(salespersons, agents and adjusters) licensed with the Insurance Council of British Columbia ("Council") are required to comply with Council's Code of Conduct, which aligns with the FTC guidance.

BCFSA sees FTC as fundamental for consumer protection. The Insurer Code clarifies that functions related to conduct of insurance business outsourced to service providers should not hinder the quality of services or jeopardize the insurer's ability to achieve FTC. When a B.C. consumer interacts with an unregulated party that is not subject to FTC requirements and is not held directly accountable for their adherence, that core protection is compromised. BCFSA has observed such compromise occurring with B.C. insureds being harmed by delays in claims settlement by third parties, being provided with contradictory positions on coverage under a claim by them, and in having to deal primarily with the third party to resolve complaints. We have observed outsourcing agreements that do not impose FTC requirements on the third party, raising questions about insurer oversight and risk management of outsourcing arrangements.

BCFSA is aware Ontario is consulting on a proposed licensing regime for life Managing General Agents and that other CCIR and CISRO members have a similar interest in ensuring FTC outcomes. While BCFSA will continue to monitor the Ontario initiative and those that may be undertaken by other Canadian regulators, in the interim, BCFSA wishes to see improvement in the oversight, management and execution of outsourcing arrangements to ensure FTC outcomes are being met regardless of what party is interacting or impacting the consumer. BCFSA will hold insurers accountable for ensuring those FTC obligations are being met, regardless of whether these functions have been outsourced or not.

BCFSA welcomes further dialogue with industry on how we can work collaboratively to address these identified concerns and will follow-up to arrange additional discussion on this important issue. Until then, thank you again for your engagement and dialogue on these important issues.

Yours sincerely,

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A/Vice President, Policy and Stakeholder Engagement

cc: Robyn Jennings, Research Analyst, CAFII  
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