

Description of Seven Insurance Regulations Expiring on April 30, 2018

1. Provincial Companies Regulation

- The Provincial Companies Regulation contains provisions that apply to insurance companies incorporated in Alberta, whom are subject to prudential supervision, which includes oversight with respect to solvency, risk management and governance by the Superintendent of Insurance (Superintendent).
 - The Superintendent ensures that insurance companies incorporated in Alberta are solvent and financially healthy, and able to pay claims to Albertans when they come due.
- The Provincial Companies Regulation contains provisions that govern the assets, investments and capital adequacy of insurance companies incorporated in Alberta.
- At this time, minor technical changes are being considered to the regulation, such as:
 - Ensuring the language surrounding accounting standards is updated to align with Alberta's *Chartered Professional Accountants Act* (CPAA). The CPAA created a new designation for accounting professionals and it regulates the conduct of these professionals.
 - Updating the language to align with harmonized national forms used by all insurers in Canada.

2. Reciprocal Insurance Exchange Regulation

- The Reciprocal Insurance Exchange Regulation contains provisions that apply to reciprocal insurance exchanges (reciprocals) licensed to operate in Alberta.
 - Reciprocals are groups of commercial entities with like risks that exchange contracts of insurance through a legal agreement. The members agree to exchange contracts of insurance and set aside resources to pay claims when they arise.
 - All provincially supervised reciprocals are subject to prudential oversight similar to what is provided to Alberta incorporated insurance companies.
 - There are currently 16 reciprocals formed in and supervised by Alberta, and five extraprovincial reciprocals (which were formed and supervised in another province) that transact business in Alberta.
 - Reciprocals were formed as an alternative to the traditional insurance market when the availability of required insurance and stable pricing was lacking for municipalities, airports, and some professions. They are useful for organizations that have a very particular set of risks that are better understood within the industry.
 - For example, a reciprocal has been established to handle roofers' risks and cover their legal liability exposure. In the broader insurance marketplace, this type of insurance can be expensive depending on the availability in the marketplace. The establishment of a reciprocal insurance exchange is more cost-effective because a reciprocal insurance exchange is an entity formed under the Insurance Act and there is lower overhead for the organization.
 - Examples of reciprocals include the Alberta School Boards Insurance Exchange, the Canadian Airports Reciprocal Insurance Exchange, three municipal insurance exchanges and a reciprocal providing coverage to Alberta Health Services.
- At this time, minor technical changes are being considered to the regulation, such as updating the regulation to reflect consistent terminology with the *Insurance Act*.
 - For example, the Act no longer refers to fire insurance – it refers to property insurance instead.

3. Recovery of Administration Costs Regulation

- Insurance companies are responsible for paying the operational costs of the Office of the Superintendent of Insurance and the Insurance Policy branch.
- The Recovery of Administration Costs Regulation allows the Superintendent to recover, from the insurance industry, the costs incurred by the government to regulate the industry and administer the *Insurance Act*. This money is paid into General Revenue.
- At this time, minor technical changes are being considered to the regulation, such as changing the date the Superintendent notifies each insurer of the amount of the administration fees payable for the current fiscal year.

4. Fair Practices Regulation

- The purpose of the Fair Practices Regulation is to establish a number of consumer protection measures dealing with a variety of insurance topics.
- For example:
 - Automobile insurers must disclose the details of claim settlements they make when one of their insureds is liable;
 - “Tied selling” of insurance products is prohibited under this regulation. For example, an insurer cannot require a person to purchase an insurance product in order to be able to purchase another insurance product.
 - Plaintiff lawyers are required to give notice to defendant automobile insurers when they have been retained by a claimant. Following receipt of this, the defendant’s insurer must inform the lawyer whether there is a motor vehicle liability policy issued by the insurer to the defendant and the liability limits.
- At this time, minor changes are being considered, for example enhancing consumer protection by requiring the notice to the insured of fault specifically be done in writing.

5. Enforcement and Administration Regulation

- Under the *Insurance Act*, the Superintendent has the authority to issue administrative penalties (which are monetary fines) for contraventions of the *Insurance Act* and regulations.
- The purpose of the Enforcement and Administration Regulation is to set out such matters as:
 - The information that must be contained in a notice of an administrative penalty;
 - The factors the Superintendent must consider when determining the amount of an administrative penalty; and
 - The sections of various regulations that constitute an offence when those sections are not complied with.
- At this time, two changes are being considered to the regulation:
 - To create an offence for violating certain sections of the Home Warranty Insurance Regulation, which came into force in February 2014; and
 - To create an offence for failing to provide total disability benefits pursuant to requirements of the Automobile Accident Insurance Benefits Regulations.

6. Replacement of Life Insurance Contracts Regulation

- The Replacement of Life Insurance Contracts Regulation sets out rules and requirements that govern circumstances when an insured purchases a life insurance policy that replaces an existing life insurance policy.
 - Replacing an existing life insurance policy with a new life insurance policy can sometimes result in very serious consequences for the insured. This regulation provides measures to ensure consumer protection, such as:

- An insurer or insurance agent cannot influence or recommend the replacement of an individual's life insurance policy; and
- If an individual wishes to replace their life insurance policy, and the replacement is considered harmful to the individual in the opinion of the insurer or insurance agent, the individual must be made aware of the advantages and disadvantages of replacing their policy.
- At this time, no substantive changes are being considered.

7. Insurance Councils Regulation

- The Insurance Councils Regulation sets out the composition, delegated authority and term limits of the four insurance councils (not subject to the *Alberta Public Agencies Governance Act* (APAGA)): Alberta Insurance Council (AIC); General Insurance Council (GIC); Life Insurance Council (LIC), and Insurance Adjusters' Council (IAC).
 - These councils are the regulatory bodies responsible for the licensing and discipline of insurance agents, brokers, and adjusters in Alberta.
 - The councils are formed under the *Insurance Act* and they derive their authority from a delegation by the Minister of Finance.
- This regulation also sets out the composition, remuneration and term limits for the Insurance Councils Appeal Board (non-APAGA).
 - This board is not a standard board, but a roster of names (on call), for when an appeal panel needs to be constituted to hear an appeal from a council decision.
 - The regulation sets out certain requirements for the appeal process.
- The regulation also sets out requirements regarding industry election of representatives to the various councils and board.
- Some stakeholders have submitted considerations for change but no substantive changes are being considered at this time.