
**IN THE MATTER OF THE
FINANCIAL INSTITUTIONS ACT,
RSBC 1996, c. 141
and
ECHELON INSURANCE
(Pursuant to section 244 of the *Financial Institutions Act*)**

VOLUNTARY COMPLIANCE AGREEMENT

WHEREAS on January 13, 2016 the Financial Institutions Commission ("FICOM"), which on November 1, 2019 became the BC Financial Services Authority ("BCFSA"), issued an advisory letter to insurers authorized to write home warranty insurance in British Columbia which set out BCFSA's expectations regarding the treatment of home warranty insurance as a contract of first resort, not a surety, and highlighted legislative requirements concerning the timely handling of home warranty insurance claims;

AND WHEREAS the BCFSA staff completed an examination of Echelon Insurance ("Echelon") claims and complaints handling practices for home warranty insurance in August 2020;

AND WHEREAS Echelon outsourced claims administration and claims handling to Pacific Home Warranty ("PHW");

AND WHEREAS the BCFSA examination found that Echelon was committing acts or pursuing courses of conduct that might reasonably be expected to harm the interests of insureds pursuant to section 244 of the *Financial Institutions Act* ("FIA") by:

- a) Failing to establish adequate managerial oversight over open complaints and PHW's handling of open claims resulting in weak adherence to policies and procedures;
 - b) Processing and handling claims and complaints in an untimely and unfair manner; and
 - c) Failing to make insureds aware of, and provide sufficient information to access, all available dispute resolution processes prior to incurring the costs of mediation.
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AND WHEREAS the examination findings were based on a review of 25 claim files and five complaint files opened between March 1, 2016 and December 31, 2018, and Echelon has made improvements to home warranty claims and complaints processing and handling and continues to do so, there are still concerns with the process which require additional improvements in internal controls and communications;

AND WHEREAS Echelon acknowledges there were some deficiencies in its home warranty claims and complaints processing and handling, and that Echelon was and continues to be committed to improving its practices around fair treatment of consumers;

THEREFORE the Superintendent considers it appropriate to enter into a Voluntary Compliance Agreement with Echelon, pursuant to section 244 of the FIA, according to which Echelon, by February 26, 2021, will provide BCFSa with an action plan that addresses the concerns and recommendations included in the examination on home warranty claims and complaints processing and handling. The plan will include step(s) to:

- a) Strengthen existing home warranty claims and complaints protocols and implement a robust oversight program to ensure compliance with protocols;
- b) Work with the third-party service provider, PHW, on:
 - i. Improving existing claims handling procedures and monitoring PHW's compliance with same;
 - ii. Updating PHW's website to identify Echelon as the home warranty insurer.
- c) Improve claimant's awareness of available dispute resolution options, such as:
 - i. Amending the Warrantable Determination and Closing Letter to include claims escalation steps, for example, Echelon's Office of the Ombudsman and others, and displaying the website link with this information;
 - ii. Reorganizing the content of Echelon's Customer Complaints webpage to make information about the Office of the Ombudsman visible.

This Voluntary Compliance Agreement may be amended with the written consent of the
(Superintendent) BCFSA and Echelon.

Agreed to at the City of Vancouver

Province of British Columbia

This 29th day of January, 2021



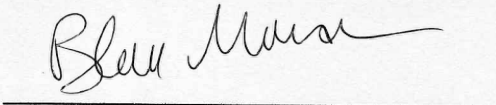
By Echelon Insurance, Authorized Signatory

Name: Kenneth J. Coulson
VP & General Counsel

Agreed to at the City of Vancouver

Province of British Columbia

This 6th day of February, 2021



Blair Morrison

Superintendent, Financial Institutions
BC Financial Services Authority