Note: BCFSA developed this document for consultation purposes. While it has not been formally adopted or brought into force, it remains available as a reference resource to support industry understanding and practices.

Insurer Code of Market Conduct and Supplemental Guideline

BCFSA

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Introduction

Insurers authorized to conduct insurance business in British Columbia (“B.C.”) are to adopt and follow this Code of Market Conduct (“the Code”) established by BC Financial Services Authority (“BCFSA”). The Code aligns with the Canadian Council of Insurance Regulators’ (“CCIR”) and the Canadian Insurance Services Regulatory Organizations (“CISRO”) Guidance Conduct of Insurance Business and Fair Treatment of Customers (“FTC”).

The purpose of the Code is to ensure that insurers treat customers fairly, from product development to the point at which all obligations under a contract have been satisfied. Adopting the Code will support the achievement of FTC outcomes for British Columbians. Legislation prevails if there are inconsistencies or conflict between the Code and legislation.

APPLICATION OF THE CODE

Sections 94.1, 158, 189, and 192 of the *Financial Institutions Act* (“FIA”) require all B.C. incorporated insurance companies, extraprovincial insurance corporations, societies deemed under section 191, and mutual fire insurance companies to adopt and comply with the Code. These entities are collectively referred to as “insurers” for the purposes of the Code. Reinsurers, reciprocal exchanges, and captive insurance companies are excluded from the requirement under the FIA to adopt and comply with the Code.

The Code is principles-based. It is not intended to provide detailed guidance to insurers on its implementation. The Code is designed to provide insurers with the latitude to determine the strategies, policies, processes, procedures, and controls in a risk-based and proportionate manner to achieve fair treatment of customers given the differences in nature, size, scope, complexity, and systemic importance of each insurer’s activities. BCFSA has prepared a Code of Market Conduct Supplemental Guideline (“the Guideline”) which provides additional guidance to assist insurers in complying with the Code.

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1.0 Business Culture

Conduct Objective: The insurer establishes and promotes a customer-centric business culture, creating an environment that fosters customer confidence and long-term customer relationships, rather than focusing on short-term financial goals that could cause harm to customers and damage the reputation of the insurer.

A customer-centric business culture achieves the following FTC outcomes:

- The insurer understands the importance of putting customers' interests first: strategic decisions, daily conduct, and results clearly demonstrate that customers and market integrity are priorities;
- The fair treatment of customers is embedded in the corporate governance and culture of the insurer; and
- The insurer makes efforts to ensure all levels of the organization embrace the business culture.

1.1 GOVERNANCE

In addition to ensuring safety and soundness, FTC is a core component of the insurer's governance and business culture.

1.2 ACCOUNTABILITY

Overall responsibility for FTC is at the level of the board of directors and senior management, who design, approve, implement, and monitor adherence to policies and procedures aimed at ensuring that customers are treated fairly.

1.3 MONITORING

The insurer monitors and takes corrective action on the implementation of FTC principles at all levels of the organization with a focus on identifying risks or departures from FTC practices, policies, and procedures that could hinder the achievement of FTC outcomes.

1.4 MEASUREMENT AND REPORTING

The insurer periodically reports the achievement of FTC outcomes over the entire lifecycle of its products to senior management and the board of directors, using indicators that are measured, monitored, and driven by a cycle of continuous improvement.

1.5 COMMUNICATION WITH BCFSA

The insurer maintains an open and transparent relationship with BCFSA regarding the implementation of the Code and other FTC related matters.

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2.0 Business Practices

Conduct Objective: The insurer establishes business practices that focus on the customer throughout the lifecycle of the insurance product, which begins with product design and continues until all obligations under the contract are fulfilled.

The insurer's business practices help achieve the following FTC outcomes:

- Products are designed and targeted to meet the needs of the customer throughout a product's lifecycle;
- Products are designed and promoted in a way that can be easily understood by the customer; and
- The insurer has taken all necessary steps to reasonably protect the customer's interests.

2.1 PRODUCT DESIGN

The design of a new insurance product or significant adaptations made to an existing product must consider the needs and interests of the target customer group(s) and support the achievement of FTC outcomes.

2.2 PRODUCT PROMOTION

The insurer ensures its products are promoted in plain language and in a format that is not misleading to customers. The insurer ensures its promotional materials identify the insurer accurately and clearly, are easy to understand, are consistent with the coverage offered, and highlight key elements that could affect a customer's decision.

2.3 PRODUCT DISTRIBUTION

The insurer uses a distribution strategy that is appropriate for and tailored to, the product and the needs and interests of the targeted customer group(s), and results in consistent FTC protections independent of the distribution model chosen. The insurer is ultimately responsible for overseeing all aspects of the distribution process.

2.4 PRODUCT MONITORING

The insurer monitors a product and takes corrective action after it is launched to ensure it continues to meet the needs of customers. This includes ensuring customers reasonably understand the product and its main features.

2.5 CONFLICTS OF INTEREST

The insurer avoids or properly manages any potential or actual conflicts of interest so that it does not affect FTC. Where a conflict of interest cannot be avoided or appropriately managed, the insurer declines to act in the provision of service or sale.

2.6 INCENTIVES MANAGEMENT AND REMUNERATION STRUCTURE

The insurer's incentives management and/or remuneration structure considers FTC and does not result in unfair customer outcomes.

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2.7 ARRANGEMENTS WITH SERVICE PROVIDERS

The insurer retains accountability for ensuring the activities and business practices of service providers align with FTC principles, as well as the laws, regulations, codes, and guidelines applicable to the insurer's activities.

2.8 ARRANGEMENTS WITH INTERMEDIARIES

The insurer is ultimately responsible for FTC throughout the lifecycle of the product, regardless of any agreements with intermediaries. This means that customers receive the same quality of service as they would if they were dealing directly with the insurer, including in instances where core business functions, such as underwriting, claims handling, designing and marketing, and distributing products have been delegated to another party.

2.9 PROTECTION OF PERSONAL INFORMATION

The insurer respects and protects the confidentiality of a customer's personal information.

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3.0 Fair Treatment of Customers

Conduct Objective: The insurer acts with due skill, care, and diligence when dealing with customers, and services policies appropriately throughout the lifecycle of the product. FTC encompasses concepts such as ethical behavior, acting in good faith, and prohibiting unfair practices.

The insurer's adherence to FTC principles helps achieve the following outcomes:

- Customers receive a product that delivers the reasonably expected benefits and minimizes the risk of sales that are not appropriate to the customers' needs;
- Product disclosures are easy for customers to understand, allowing them to determine whether the products suit their needs and expectations; and
- Customers, including senior citizens and other vulnerable populations, can easily access product-related information as well as claims and complaint handling processes, which are easy to understand and navigate.

3.1 ADVICE

Customers are made aware by the insurer or parties acting on its behalf when advice or a recommendation on an insurance product has been provided. When the provision of advice is required by law, customers receive relevant and personalized advice that considers their disclosed circumstances.

3.2 DISCLOSURE OF INFORMATION

Customers receive relevant, accurate, timely and up-to-date product-related information relevant to their decision in plain language before, during, and after the point of sale.

3.3 ONLINE PRODUCTS

The insurer applies the same level of fair treatment, transparency, and disclosure to the digital offering of products as it does to traditional methods.

3.4 CLAIMS HANDLING

The insurer ensures claims are examined diligently and settled fairly, in a timely manner, using a simple procedure that is made readily available to customers.

3.5 COMPLAINT HANDLING

The insurer examines complaints diligently and fairly, using a simple and accessible procedure that ensures complaints are handled in a transparent and timely manner.

3.6 POLICY DECISIONS AND RENEWALS

The insurer communicates to the customers in a timely manner with a rationale as to whether their application will be accepted or a policy will be renewed.

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BC Financial Services Authority

600-750 West Pender Street
Vancouver, B.C. V6C 2T7

604 660 3555
Toll free 866 206 3030
info@bcfsa.ca

Guideline

Supplemental Guideline to BCFSA's Insurer Code of Market Conduct

Distribution: Insurers Authorized in British Columbia

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DRAFT

BCFSA BC Financial Services Authority

600-750 West Pender Street
Vancouver, B.C. V6C 2T8

T 866 206 3030
F 866 660 3365

INTRODUCTION

BC Financial Services Authority ("BCFSA") issues guidelines in order to establish expectations for regulated entities to implement and follow. This Supplemental Guideline to the Insurer Code of Market Conduct ("Guideline") outlines BCFSA's expectations related to the fair treatment of customers ("FTC") and offers guidance to insurers that are interested in best practices as they adopt and comply with the Insurer Code of Market Conduct ("the Code") established by BCFSA.

BACKGROUND INFORMATION

The *Financial Institutions Act* ("FIA") requires insurers authorized in B.C. to adopt and comply with the Code.

This Guideline sets out BCFSA's expectations to insurers adopting the Code and is based on the Canadian Council of Insurance Regulators ("CCIR") and Canadian Insurance Service Regulatory Organizations ("CISRO") Guidance "Conduct of Insurance Business and Fair Treatment of Customers," a document that sets out overarching expectations for how insurers and intermediaries conduct insurance business and ensure the fair treatment of customers.

SCOPE

This Guideline applies to all insurers authorized in B.C., including B.C. incorporated insurance companies, extraprovincial insurance corporations, societies, and mutual fire insurance companies. The Guideline does not apply to reinsurers, reciprocal exchanges, and captive insurance companies.

APPROACH

Each expectation outlined in the Guideline corresponds with a principle set out in the Code. These expectations are based upon industry best practices as well as observations from market conduct supervisory activities. BCFSA will refer to the Guideline's expectations to help determine whether insurers are complying with the requirements included in the Code. The Guideline provides insurers with flexibility to implement the expectations in a risk-based and proportionate manner given the differences in size, scale, and complexity of each insurer. Insurers are encouraged to consider these expectations when setting or revising policies and procedures and operating their business.

It is BCFSA's intention to periodically review and revise the Guideline to reflect changing market conditions.

1. BUSINESS CULTURE

Conduct Objective: The insurer establishes and promotes a customer-centric business culture, creating an environment that fosters customer confidence and long-term customer relationships, rather than focusing on short-term financial goals that could cause harm to customers and damage the reputation of the insurer.

1.1 Governance

BCFSA expects insurers to embed FTC principles and outcomes in corporate and strategic documents. To ensure FTC is a core component of the insurer's governance and business culture, the insurer should:

- Ensure FTC principles and outcomes are embedded in its business practices, policies, and procedures;
- Communicate the insurer's commitment to FTC to all levels of the organization; and
- Ensure the board of directors and senior management are aware of the importance of FTC.

1.2 Accountability

BCFSA expects the FTC-related roles and responsibilities of the board of directors and senior management to be defined, documented, and incorporated in the insurer's overall governance structure.

The board of directors should:

- Ensure monetary and non-monetary incentives, remuneration, and performance evaluation granted by the insurer to staff, intermediaries, or any other person acting on behalf of the insurer who is involved in offering and servicing its products promote FTC;
- Regularly review the insurer's performance on meeting FTC outcomes and strategies and ensure that required remedial action is taken if necessary; and
- Monitor changes in the business culture and the risks of inappropriate practices that could adversely affect FTC.

Senior management should:

- Ensure the development of corporate objectives, strategies, policies, and procedures is consistent with the insurer's values and enables the achievement of the expected FTC outcomes;
- Establish and implement mechanisms and controls to identify and deal with any departure from the organization's strategies, policies, and procedures, including determining the consequences of staff non-compliance with FTC outcomes, any conflicts of interest, or any other situation likely to interfere with FTC;
- Ensure staff members who offer products receive ongoing training on the policies, procedures, and processes; and
- Identify risks that could hinder the achievement of FTC outcomes and ensure the insurer's integrated risk management considers these risks as well as other business practices that could adversely affect FTC.

1.3 Monitoring

BCFSA expects insurers to regularly review and take corrective action and update its FTC approach as necessary. The insurer's monitoring practices should:

- Include FTC indicators and goals that make it possible to measure the achievement of FTC outcomes over the entire lifecycle of products and throughout the insurer's contractual relationship with customers;

- Use the collected information to identify trends, issues, and emerging risks; and
- Include a process for ensuring continuous improvement in achieving FTC outcomes.

1.4 Measurement and Reporting

BCFSA expects insurers to present annual FTC results to the insurer's board of directors and senior management. Reporting should include the most useful information and indicators to allow the insurer to:

- Assess the organizational performance with respect to FTC;
- React in a timely manner to changes or risks likely to have a negative impact on their customers; and
- Demonstrate that FTC is part of the insurer's business culture.

1.5 Communication with BCFSA

BCFSA expects insurers to:

- Make their strategies, policies, and procedures dealing with FTC available upon BCFSA's request; and
- Promptly advise BCFSA if the insurer is likely to experience an operational incident that could jeopardize the interests or rights of customers and the insurer's reputation.

BCFSA also expects insurers to report to BCFSA any intermediary with whom they have transacted that may be unsuitable for servicing customers or not duly authorized, which could result in impairing FTC, including:

- Identifying whether an intermediary or a particular issue is subject to frequent complaints; and
- Reporting recurring issues with the intermediary.

2. BUSINESS PRACTICES

Conduct Objective: The insurer establishes business practices that focus on the customer throughout the lifecycle of the insurance product, which begins with product design and continues until all obligations under the contract are fulfilled.

2.1 Product Design

BCFSA expects insurers to implement policies and procedures to support the achievement of FTC outcomes by:

- Identifying the target customer group of its products to ensure product suitability based on customer characteristics. More specifically:
  - For commonly used, low-risk products, the target customer group may be less precisely defined as the product often suits the needs and interests of a wide range of customers; and
  - For more complex, higher risk products, the target customer group definition should be more precise and should include criteria for identifying customers for whom the product may not be suitable.
- Ensuring the product development process, including a product originating from a business partner who operates on the insurer's behalf, provides for a thorough assessment of the product's main characteristics and related disclosure documents;
- Ensuring the design of the application form contains clearly worded questions to prevent applicants from misunderstanding the questions and providing inaccurate responses; and
- Identifying, monitoring, or reducing any risks that the product might present to customers.

BCFSA also expects insurers to retain oversight of, and remain accountable for, product development by an intermediary on its behalf.

BCFSA expects insurers to consider FTC principles to ensure customers are treated fairly with respect to pricing and underwriting practices. Therefore, the insurer should:

- Provide clear disclosure of the cost of insurance;
- Price policies commensurate with the risk; and
- Take steps to ensure customers with the same risk profile receive similar rates for similar products. Where underwriting has been delegated to a third party, implement controls to ensure that party's underwriting practices are consistent with the insurer's standards/guidelines.

2.2 Product Promotion

BCFSA expects insurers to implement controls and processes to ensure promotional materials are clear and not misleading to customers. Promotional materials should:

- Be presented in a format that is easy to understand;
- Be consistent with the coverage offered;
- Identify the insurer accurately and clearly;
- State prominently the basis for any claimed benefits and any significant limitations;
- Highlight information or key elements that could affect a customer's decision;
- Use only statistics that are relevant to the product and indicate the sources of statistics, if applicable;
- Use only authentic testimonials and disclose if the testimonial was paid for; and
- Not hide, diminish, or obscure important statements or warnings.

BCFSA also expects insurers to review promotional materials on a regular basis, including materials created by outsourced service providers or intermediaries. This review should:

- Be conducted by a unit independent from the one that designed promotional materials; and
- Be used to correct or withdraw promotional material that is inaccurate, unclear, or misleading.

2.3 Product Distribution

BCFSA expects insurers to develop and implement policies, procedures, and controls to ensure that distribution models are appropriate for the product, consider whether the customer will receive advice, and comply with the legislation in force.

In developing its distribution strategy, the insurer should assess the:

- Needs of different customers;
- Complexity of the product;
- Risk of sales being inappropriate for the customers' needs;
- Distribution-related training needs, including that of intermediaries, and additional information required to understand the product and the target market; and
- Distribution channels to ensure adequate product information is provided to customers during the sales process.

2.4 Product Monitoring

BCFSA expects insurers to use sufficient, relevant, and clear criteria to monitor a product after it is launched to ensure the product continues to meet customers' needs and that customers understand the product. Monitoring also considers applicable statutory and regulatory amendments, technological developments, or changes in market conditions.

The insurer should use information obtained through monitoring to:

- Tailor or alter the product to customers' changing needs;
- Ensure customers understand the product and its main features;
- Adjust a product's target customer group when the product is no longer suited to the target group's needs, interests, objectives, and characteristics;
- Assess the selected model of product distribution; and
- Take necessary remedial action.

2.5 Conflicts of Interest

BCFSA expects insurers to take all reasonable steps to identify and manage real or potential conflicts of interest and communicate these through appropriate policies and procedures. A conflict of interest may result in an inappropriate sale, have a negative impact on the quality of services provided, or may affect the quality of advice provided to customers. The insurer should:

- Place the customers' interests ahead of its own;
- Put controls in place to ensure that the conflict of interest can be managed in a way that ensures FTC;
- Decline to act where potential, perceived, or actual conflicts of interest cannot be managed satisfactorily; and
- Document each potential, perceived, or actual conflict of interest and the steps taken to manage it. The information collected provides a basis for assessing the extent of the harm that may be

caused to the customer.

Where potential, perceived, or actual conflicts of interest exist, BCFSA expects the insurer to disclose in writing to the customer the nature of the potential, perceived, or actual conflict of interest that might reasonably have an impact, given the circumstances, on the offer of products or the customer's decisions.

This disclosure should:

- Provide clear and complete information in an accessible manner; and
- Be made in a timely manner, i.e., before or when the product is offered or promptly after the conflict of interest has been identified.

In addition, the insurer should notify customers of any significant change that occurs as a result of conflicts of interest.

BCFSA expects insurers to recognize that making a disclosure of a potential, perceived, or actual conflict of interest alone is not sufficient for the conflict of interest to be considered managed.

2.6 Incentives Management and Remuneration Structures

BCFSA expects insurers to have an incentives management program that does not negatively affect FTC and mitigates unfair customer outcomes.

The design process for incentive arrangements should ensure:

- Any incentive paid is consistent with the level of service expected and provided throughout the product's lifecycle;
- Quantitative and qualitative performance targets and criteria are clearly defined, measurable, and are aligned to ensure FTC; and
- The cost of the product to the customer does not vary based on the distribution method.

The management of incentive arrangements should identify and manage any risk of unfair customer outcome or to FTC, and include:

- Training of employees and other persons and entities involved in the applicable incentive arrangement;
- Periodic review and improvement;
- Corrective measures when the controls detect inappropriate practices with customers; and
- Management of potential and actual conflicts of interest.

The effective post-sales controls should assist insurers to:

- Detect unsuitable sales that result from incentive arrangements in order to take the required corrective action;
- Determine residual risks of unfair outcomes to customers; and
- Ensure the design and implementation of incentive arrangements achieve expected FTC outcomes.

2.7 Arrangements with Service Providers

BCFSA expects insurers to have appropriate controls over functions performed by service providers and to manage their relationships with service providers to ensure customers are treated fairly.

In managing their relationship with service providers, the insurer should:

- Monitor service providers to ensure they are adhering to FTC principles;
- Only deal with service providers that have high ethical and professional standards and whose policies, procedures, and processes are expected to result in FTC;
- Develop agreements with service providers that clarify both parties' respective roles and are consistent with the insurer's commitment to FTC;
- Provide training to service providers when appropriate to ensure FTC; and
- Ensure service providers have adequate policies and procedures in place that establish compliance with legislation relating to privacy protection.

2.8 Arrangements with Intermediaries

BCFSA expects insurers to manage and proactively monitor the activities of intermediaries related to their products.

To help ensure FTC outcomes are achieved, the insurer should:

- Have processes in place for selecting and managing intermediaries as part of their overall distribution plan. This includes conducting due diligence to assess, amongst other things, whether intermediaries are licensed, have the appropriate knowledge and ability to conduct insurance business, and have appropriate FTC policies and procedures;
- Have written agreements in place that clarify respective roles and that are consistent with FTC;
- Manage agreements to ensure intermediaries continue to be licensed, remain suitable to do business with, comply with the conditions of their contract, and contribute to FTC;
- Confirm that intermediaries have appropriate controls in place to detect unsuitable sales and practices and take the necessary corrective action;
- Have reasonable assurance intermediaries are providing adequate information to customers to assist them in making an informed decision;
- Implement mechanisms to inform intermediaries of all essential information to be provided to customers, and obtain reasonable assurances that this information will be provided in a clear and timely manner to empower customers to make an informed decision;
- Implement measures to ensure customers receive an appropriate level of service after they enter into a contract;
- Obtain relevant information from intermediaries to, if necessary, review their product designs, target customer group definitions, or distribution strategies;
- Identify any issues to be addressed and discuss remedial actions or any other matters related to customer relationships;
- Confirm intermediaries are directing and escalating complaints to the insurer in accordance with the insurer's complaint handling procedures;
- Analyze complaints concerning products distributed by intermediaries including claim disputes and enabling the customer experience assessment, as well as identifying other issues;
- Put in processes to obtain reasonable assurances that intermediaries are adequately trained and knowledgeable; and
- Proactively monitor intermediaries who have been assigned the responsibility to train agents to ensure they carry out their responsibilities according to expectations.

In instances where core business functions, such as underwriting, claims handling, designing, marketing, and distributing products have been delegated to another party, BCFSA expects insurers to retain

accountability for ensuring customers receive a product suited to their needs and are treated fairly throughout the product's lifecycle.

2.9 Protection of Personal Information

BCFSA expects insurers to develop and implement policies and procedures concerning protection and use of personal and financial information. These policies and procedures should safeguard against the misuse of information, improper access to information, or unauthorized disclosure of information.

The insurer should:

- Assess existing, new, and emerging risks that could threaten the confidentiality of personal information and implement internal controls to mitigate these risks;
- Demonstrate that privacy protection is part of the organization's culture and strategy through measures such as training of employees that promote awareness of internal and external requirements on this subject;
- Identify actions that may need to be taken to respond to failures to comply with its obligations relating to the protection of personal information. This includes informing BCFSA and any persons affected, including customers, in the event of a material information security incident; and
- Inform the customer of how their personal information will be used, and obtain the customer's consent as to the collection, use, and disclosure of their personal information, before entering into a contract.

With respect to data ownership, BCFSA expects the insurer to handle its customers' financial and personal information properly. The insurer should have policies and procedures in place to ensure any use of a customer's individual data is consent-driven and is not conditional on the provision of a product.

3. FAIR TREATMENT OF CUSTOMERS

Conduct Objective: The insurer acts with due skill, care, and diligence when dealing with customers, and services policies appropriately throughout the lifecycle of the product. FTC encompasses concepts such as ethical behavior, acting in good faith, and prohibiting unfair practices.

3.1 Advice

BCFSA expects insurers to ensure that advice goes beyond the provision of product information and relates specifically to the provision of a personalized recommendation on a product that assists the customer in making an informed decision.

The insurer should:

- Develop and implement policies, procedures, and controls that help ensure any advice and product recommendations are suitable for the customer;
- Explain and document the basis on which a recommendation is made, particularly in the case of complex products and products with an investment element;
- Where advice is provided, communicate this in writing to the customer, on paper or on a durable and accessible medium, and keep a record in a "customer file";
- Review the aforementioned "customer files" to exercise control after the fact on the quality of the advice given, take any necessary remedial measures with respect to the delivery of advice and, if applicable, examine fairly any complaints submitted to them; and
- Retain a customer's acknowledgment of their waiver in writing for cases where the provision of advice is required by law.

Before giving advice, the insurer or party acting on its behalf should seek appropriate information from the customer to assess their insurance objectives, needs, and financial situation. This information may differ depending on the type and complexity of the product, but should generally include the customer's:

- Financial knowledge and experience;
- Needs, priorities, and circumstances;
- Ability to afford the product; and
- Risk profile.

In the case of property insurance policies, the insurer takes steps to ensure the customer understands their property-specific risk exposure and the extent of protection offered by different products.

To ensure the delivery of quality advice, BCFSA expects insurers to establish ongoing training programs that allow agents and intermediaries providing advice to the customer to maintain an appropriate level of knowledge about the:

- Characteristics and risks of the products; and
- Insurers' expectations for sales practices, including product suitability and "Know Your Client" best practices.

3.2 Disclosure of Information

BCFSA expects insurers to have documented controls and processes for customers to receive accurate and timely disclosures.

To achieve this, insurers should ensure product disclosures:

- Are current, clear, fair, not misleading, and use plain language wherever possible;
- Include information on key features of the product (such as conditions, exclusions, restrictions, and fees) particularly with respect to the conclusion or performance of the insurance contract;
- Are accessible in written format, on paper, or electronically;
- Identify the insurer and provide its contact information, including information on claims/settlement and complaint/dispute resolution departments;
- Identify the rights and obligations of the customer, including the rights to cancel/free look period, to claim benefits, and to submit complaints;
- Provide information related to switching between products, if applicable; and
- Provide evidence of coverage, including policy inclusions and exclusions, promptly after inception of a policy.

BCFSA expects the insurer's product disclosures to provide sufficient information to allow customers to determine whether the product continues to suit their needs and expectations. BCFSA also expects insurers to remind customers in a timely manner of options that can be exercised from time to time.

The insurer should:

- Use annual or periodic communications to remind customers of the importance of reviewing their needs or any changes in their personal situation; and
- Facilitate product replacement or switches, cancellation, and/or transfer of insurer requests.

BCFSA expects the insurer to disclose, in a timely manner, any material changes that may affect the policy or the customer, including but not limited to:

- Any organizational or operational change by the insurer that could have an impact on the customer and the products held by, and services offered to, the customer;
- Information on portfolio transfer, including policyholders' rights in this regard;
- Changes in policy terms and conditions; where there are changes, the insurer should notify the policyholder of their rights and obligations regarding such changes and obtain the policyholder's consent as appropriate; and
- Amendments to applicable legislation or changes in market conditions that could affect the product's main feature.

Insurers should also create and make available tools to help agents, intermediaries, and customers understand the information that is provided to them using plain language, such as glossaries, explanatory passages, or reference to policy clauses, participants' guide, or FAQs.

3.3 Online Products and Services

BCFSA expects insurers to have dedicated policies and procedures related to online product offerings and services, ensuring customers receive the same level of service online as they would in person. The insurer should:

- Present a summary of the information provided in the application form to the applicant before the contract is concluded; and
- Provide the customer with a copy of the contract in a form that enables storing and reproduction.

3.4 Claims Handling

BCFSA expects insurers to have policies and procedures in place to ensure fair, diligent, and timely claims handling. The insurer should:

- Maintain written documentation on its claims handling procedures, which includes all steps from the claim being made up to and including settlement. Such documentation includes expected time frames for these steps, which might be extended in exceptional cases;
- Publish its claims procedure on its website and provide claimants with contact information for the claims department;
- Illustrate and explain, in plain language, claim-determinative factors such as depreciation, discounting, or negligence, if applicable;
- Provide a written explanation in plain language when claims are denied in whole or in part and offer the claimant an opportunity to request a review of the decision;
- Ensure that any request for additional information related to the claim is commensurate with the perils covered and does not hinder or delay the claim examination process; and
- For subscription policies, establish an agreement with other on-risk insurers on specific provisions, including endorsements and a joint loss agreement for claims payout.

BCFSA expects insurers to have controls and processes in place to ensure the claims handler is familiar and complies with the insurer's examination and settlement process. The claims handler should:

- Be able to provide appropriate information and assistance to customers; and
- Possess the necessary competencies for the type of product at issue.

BCFSA expects insurers to have controls in place to ensure claimants receive information about the status of their claim in a timely manner. The insurer should ensure that claimants are informed on:

- Procedures and target time frames for claims processing; and
- Any exception to the expected claim processing time, the reason for the exception, and the new target date for claim processing.

BCFSA expects insurers to have mechanisms in place to review claims disputes to promote fair play and objectivity in its decisions.

The insurer should:

- Inform claimants about their options to make a complaint if they are dissatisfied with the way their claim was handled; and
- Ensure the dispute resolution procedures are easy to understand, minimize required submissions from claimants, and capture all relevant factors for the decision-maker to consider.

3.5 Complaint Handling

To ensure diligent, fair, and timely complaint handling, the insurer should:

- Keep a record of each complaint and the measures taken toward its resolution. Complaints should be tracked in a detailed manner, with reasons and causes clearly identified;
- Establish timelines to complete each major step in the complaint handling, such as acknowledging receipt of complaint or issuing a response to the complainant, and communicating these timelines to the complainant;
- Ensure customers are not faced with unnecessary constraints or administrative barriers when they want to file a complaint; and
- Respond to complaints in a timely manner while keeping the complainant informed. The insurer

should expedite responses for time-sensitive complaints such as for insurance policies with near-term expiration or complaints regarding uninsured exposure; and

- If applicable, issue a final position letter to the complainant in a timely manner.

Insurers should help ensure customers understand the complaints procedure by:

- Publishing its complaint handling steps on its website, including the main steps in the complaint process, the required documents or submissions, and the target processing timeframes; and
- Providing clear, transparent, and easy-to-understand information about independent dispute resolution processes.

Staff responsible for complaint handling should be:

- Independent in the performance of their duties and not previously involved in the complaint file;
- Familiar and in compliance with the insurer's complaint process and able to provide customers with information and appropriate assistance; and
- Possess the necessary competencies to process the complaints assigned to them.

The insurer ensures the officer or employee it has designated to be responsible for implementing its complaint handling:

- Has the authority and competence to perform the function;
- Ensures complaint handling process is implemented and complied with;
- Identifies, tracks, and responds to complaints (e.g., number, reasons, causes, and others); and
- Acts as official respondent with customers and, where applicable, with BCFSA.

3.6 Policy Decisions and Renewals

BCFSA expects insurers to have processes in place to ensure customers receive timely notice of the insurer's decision on a policy application or renewal, including the rationale for the insurer's decision.

To help ensure FTC in relation to renewals, the insurer should:

- Notify: (i) the customer about their upcoming policy renewal or non-renewal at least 30 days before policy expiration; or (ii) the customer's insurance agent or broker about their customer's upcoming policy renewal or non-renewal at least 45 days before policy expiration. This is especially important if there are material changes to the insurance policy; and
- Explain material changes in the insured's risk exposure.

BCFSA also expects insurers to have policies and processes in place to guide how the insurer handles new insurance applications and renewals during a declared state of emergency.

To ensure FTC, the insurer should:

- For renewals, consider extending coverage on a temporary basis until the state of emergency has ended; and
- Provide customers with sufficient advanced notice respecting their intention to either approve the application, renew, or not renew the policy.

DEFINITIONS

Claim: The exercising of a policyholder's right under a policy to be paid by his or her insurance company for certain financial losses suffered. A claim can be any notification of a possible loss under an insurance policy, whether any payment follows. For every claim that is reported, the insurance company must set aside money ("reserves") sufficient to cover its anticipated cost.

Complaint: An expression of dissatisfaction about the service or product provided by an insurer or an intermediary. It may involve, but is differentiated from, a claim (unless relating to the administration of the claim process) and does not include a simple request for information.

Conflict of interest: Situation that arises when an insurer, or a party acting on its behalf, has competing professional and personal interests that would conflict with its duties to its customers.

Customer: All actual and potential customers for insurance products; includes any existing or prospective policyholder with whom an insurer or an intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy.

Incentive arrangements: Primarily the incentive itself, the performance management program associated with it, and various features related, for example, to payment or deduction of the incentive.

Incentives: Monetary and non-monetary compensation offered by insurers or intermediaries to their employees and other persons or entities acting on their behalf in the sale and servicing of insurance products. Incentives arise primarily from established compensation and performance management programs and relationships between insurers and intermediaries, and any other person acting on their behalf.

Monetary incentives include, but are not limited to, commissions paid based on sales and services expected and provided, and bonuses paid on achievement of performance targets.

Non-monetary incentives include, but are not limited to, non-cash benefits, rewards, and privileges based on performance targets.

Insurer: An individual, corporation, or other entity carrying on insurance business in British Columbia, excluding reinsurers, reciprocal exchanges, and captive insurance companies.

Intermediary: Individual agents, brokers, representatives, and business entities that are authorized to distribute insurance products and services, including managing general agencies, third party administrators, and national accounts.