

# Insurer Code of Market Conduct Information Session

June 21, 2022

# Territorial Acknowledgment

We acknowledge we are on the traditional territories of the Musqueam, Squamish and Tsleil-Waututh Nations.

# Speakers

## **Saskia Tolsma**

Vice President,  
Stakeholder Engagement

## **Marina Makhnach**

Director, Financial Institutions,  
Compliance and Market  
Conduct

## **Roberta Lam**

Senior Examiner, Market  
Conduct, Financial  
Institutions

## **Lucas Neufeld**

Senior Policy Analyst,  
Policy and Stakeholder  
Engagement

# Agenda

1. Introduction and Background
2. Consultation Process
3. Understanding the Code and Guideline
4. Frequently Asked Questions
5. Q&A

# Introduction and Background

# Background

**2015 – 2018**

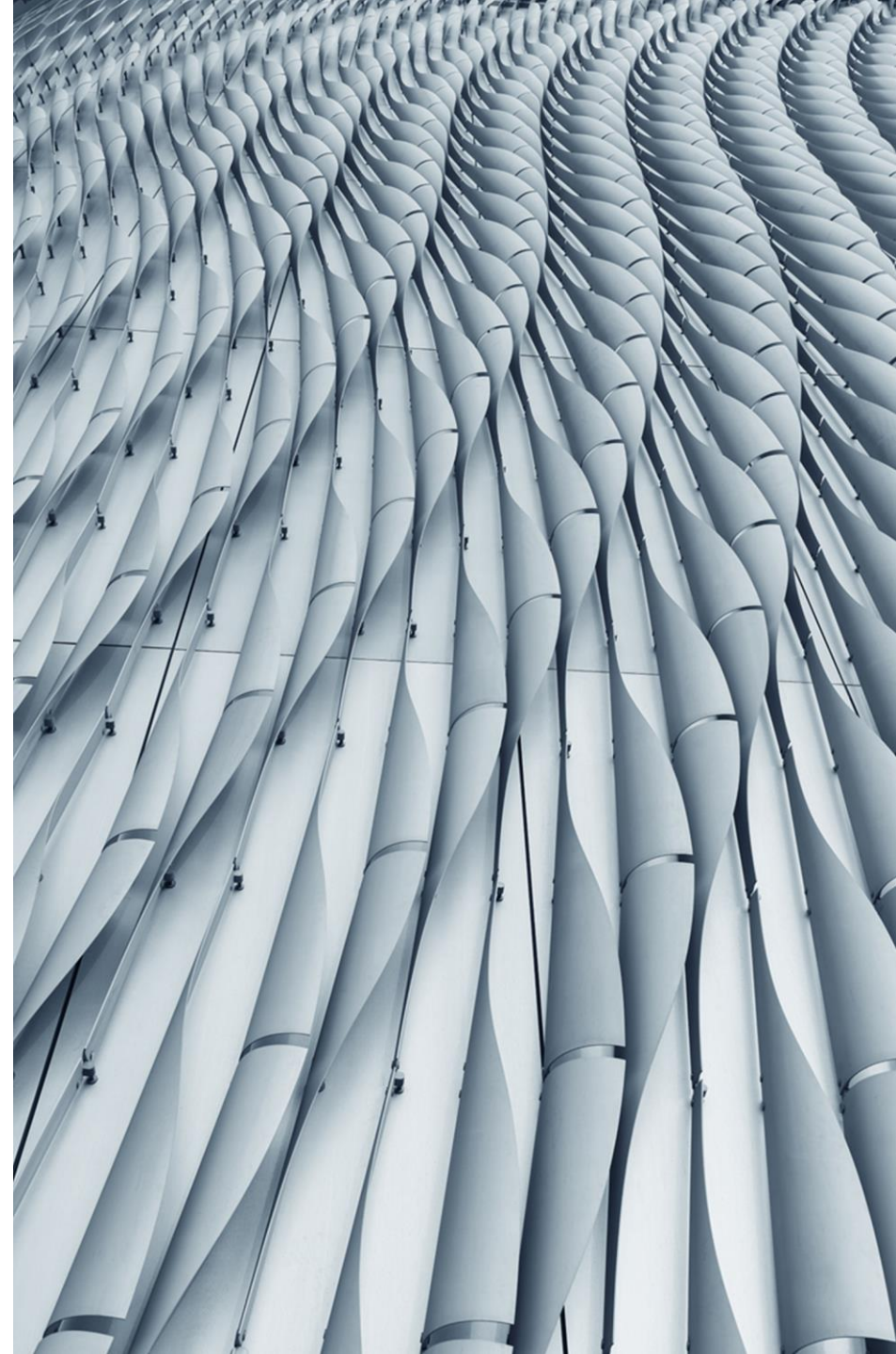
Ministry review of FIA included consultation on whether financial institutions should be required to adopt codes of market conduct

**2019**

Bill 37: *Financial Institutions Amendment Act* (“FIAA”)

**JUNE  
2022**

Provisions requiring codes of market conduct for credit unions and insurers come into force

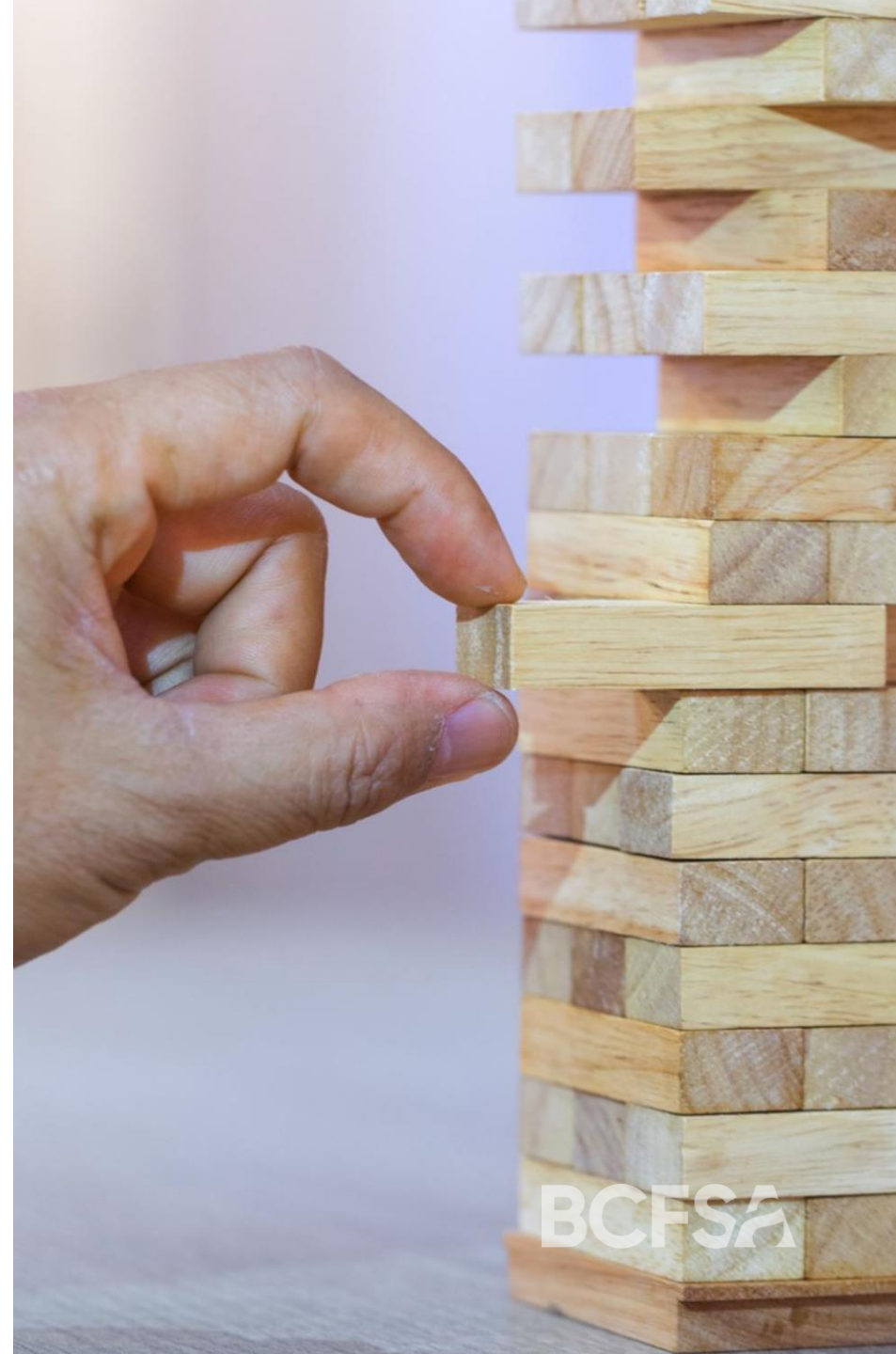




# Legislative Requirement

- 1) An insurance company must adopt a code of market conduct as established, and as amended from time to time, by the Authority.
- 2) An insurance company must comply with its code of market conduct.
- 3) This section does not apply to an insurance company whose insurance business is limited to reinsurance.

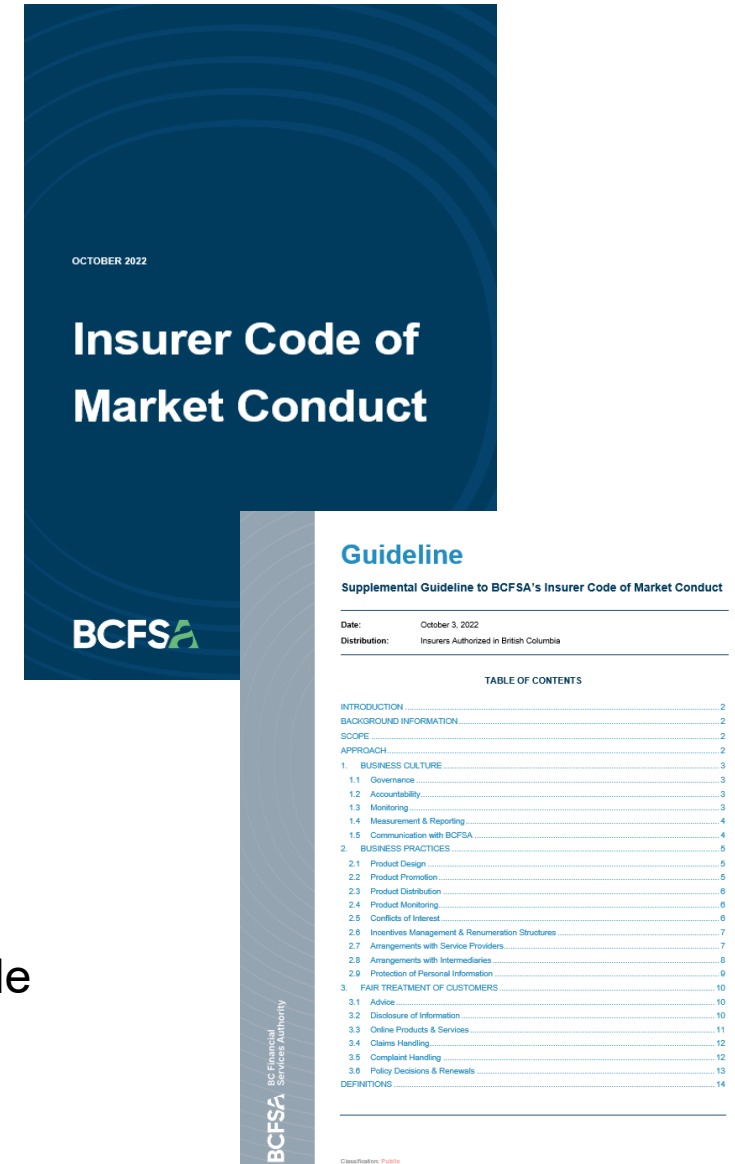
*Financial Institutions Act,*  
Section 94.1



BCFSA

# BCFSA's approach to developing the Insurer Code

- BCFSA reviewed CCIR's FTC Guidance
- Adapted the FTC Guidance into a Code that sets out the principles which insurers are required to adopt and follow.
- An accompanying Guideline sets out BCFSA's expectations regarding insurer implementation of, and compliance with, the Code.
  - The Guideline is a “living” document and will evolve and change over time.
  - BCFSA's expectations will be proportionate to size, complexity, risk profile of insurer.





# Consultation Process

# Have Your Say

- On June 22 BCFSA is launching a **45-day public consultation**, seeking feedback on the draft Code and supplemental Guideline.
- Insurers will receive a consultation package including the Code, Guideline and a Discussion Paper outlining questions for consideration.



# The Process

1. 45-day Consultation Period
2. Review and Analysis of Feedback
3. Integrate Feedback
4. Publish Consultation Feedback Summary
5. Release of BCFSA Insurer Code of Market Conduct
6. Implementation, Adoption and Compliance

# Understanding the Code

# Fair Treatment of Customers

Establishes and ensures the fair treatment of customers by protecting them from unfair market conduct while allowing the financial sector to take reasonable risks within a competitive market.





## Overarching principle of the Code

“The insurer is responsible for the fair treatment of customers throughout the life-cycle of the insurance product, as it is the ultimate risk carrier.”





# Harmonization with CCIR's FTC Guidance

- The draft Code and the accompanying Guideline released for consultation by BCFSA align with CCIR's FTC Guidance, to ensure consistency and promote harmonization with other jurisdictions.



# Adoption and Compliance

- The requirement to adopt the Code will apply once BCFSA has established its Code following the consultation process and the Code's finalization.
- BCFSA will review insurers' responses to the Annual Statement of Market Conduct and conduct compliance examinations to verify the responses.

# Comparison with CCIR's FTC Guidance

# CCIR FTC Guidance and BCFSA Code Alignment

## BCFSA Insurer Code of Conduct, Principles

## CCIR FTC Outcomes

### BUSINESS CULTURE

- 1.1 Governance
- 1.2 Accountability
- 1.3 Monitoring
- 1.4 Measurement and Reporting
- 1.5 Communication with BCFSA

Governance and Business Culture  
Governance and Business Culture  
Governance and Business Culture  
Governance and Business Culture  
Relationships with Regulatory Authorities

### BUSINESS PRACTICES

- 2.1 Product Design
- 2.2 Product Promotion
- 2.3 Product Distribution
- 2.4 Product Monitoring
- 2.5 Conflicts of Interest
- 2.6 Incentives Management and Remuneration Structure
- 2.7 Arrangement with Service Providers
- 2.8 Arrangements with Intermediaries
- 2.9 Protection of Personal Information

Design of Insurance Product  
Product Promotion  
Distribution Strategies  
Design of Insurance Product  
Conflicts of Interest  
Conflicts of Interest  
  
Outsourcing  
Outsourcing  
Protection of Personal Information

### FAIR TREATMENT OF CUSTOMERS

- 3.1 Advice
- 3.2 Disclosure of Information
- 3.3 Online Products
- 3.4 Claims Handling
- 3.5 Complaint Handling
- 3.6 Policy Decisions and Renewals

Advice  
Disclosure to Customer, Disclosure to Policyholder  
Distribution Strategies  
Claims Handling and Settlement  
Complaints Handling and Dispute Resolution  
Disclosure to Policyholder

# New Principles

- In developing the draft Code, BCFSA has considered the need for guidance in areas of particular relevance to B.C. and introduced three new principles:
  - Incentives management and remuneration structure
  - Online sales of insurance products
  - Policy decisions and renewals





## Additional Principle #1

### Incentives Management & Remuneration

- Ensure alignment with CCIR's incentives management guidance (not yet published), which will accompany CCIR's FTC guidance
- BCFSA has opted to include incentives management directly in the Code and the Guideline rather than in separate guidance, providing clarity and certainty to industry respecting BCFSA's position

## Principle

*“The insurer’s incentives management and/or remuneration structure considers FTC and does not result in unfair customer outcomes”*



## Additional Principle #2

### Online Products and Services

- Recognizes digitization and innovation while ensuring customers are treated fairly, regardless of distribution channel
- Aligns with forthcoming provisions in the *Financial Institutions Act* (not yet in force), which will establish requirements respecting the online sale of insurance
- Forward looking approach and leadership while continuing to work towards greater harmonization and consistency with fellow regulators on any future requirements, standards, or expectations

## Principle

*“The insurer applies the same level of fair treatment, transparency, and disclosure to the digital offering of products as through traditional methods”*

## Additional Principle #3

### Policy Decisions and Renewals

- Consistent with BCFSA's expectations related to notification periods for commercial property insurance policies, which was identified as an issue in the strata property insurance market
- Considers BCFSA's experience with recent natural catastrophe events and potential gaps in FTC identified by various stakeholders
- BCFSA is working with peer regulators to address these issues at the national level

## Principle

*"The insurer communicates to the customers in a timely manner whether their application will be accepted, or a policy will be renewed, and the rationale for its decision."*

# How to Use the Guideline

- Sets out BCFSA's expectations on how to achieve the outcomes and comply with the principles of the Code.
- Each expectation corresponds with a principle in the Code.
- 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.
- BCFSA will refer to the Guideline to help determine whether insurers are complying with the Code.

## Guideline

Establishes principles or practice guidance that regulated entities and individuals are expected to implement or follow.

# Insurer Code and Guideline: Example

CODE		GUIDELINE
<b>Fair Treatment of Customers</b>  The insurer acts with due skill, care, and diligence when dealing with customers, and services policies appropriately throughout the life cycle of the product. FTC encompasses concepts such as ethical behavior, acting in good faith, and prohibiting unfair practices.	<b>Claims handling</b>  The insurer ensures claims are examined diligently and fairly settled, using a simple procedure that is made readily available to customers.	BCFSA expects that insurers will: <ul style="list-style-type: none"><li>• maintain written documentation on its claims handling procedures;</li><li>• publish its claims procedure on its website; and</li><li>• provide a written explanation in plain language when claims are denied.</li></ul>

# Frequently Asked Questions



**Q: Why doesn't BCFSA just  
adopt CCIR's FTC guidance?**

**A:** Our approach recognizes that the requirement to adopt and follow the Code is embedded in the legislation.

- We have taken CCIR's FTC Guidance and distilled it down to the core principles that insurers operating in B.C. must meet.
- We've supplemented the Code with three additional principles of relevance and interest to BC.
- Our Code only applies to insurers whereas the CCIR FTC Guidance also covers intermediaries.

**Q: Does the Code apply to  
extraprovincial insurers?**

**A:** Yes. To ensure the fair treatment of customers, BCFSA's Code of Market Conduct applies to all insurers authorized to do business in B.C.

**Q: Will the Code include new filing requirements for insurers?**

**A:** No. BCFSA will use existing filings and examinations to help determine whether insurers are adhering to the principles in the Code.

- BCFSA will consider indicators from the Annual Statement on Market Conduct filing
- This will be supplemented with insights from ongoing conduct oversight and supervision as well as examinations.



# Conclusion

# Discussion Questions

To assist BCFSA in developing the Insurer Code of Market Conduct and accompanying Guideline, BCFSA welcomes comments from industry participants and interested parties on the following consultation questions:

- Are there any sections of the Insurer Code of Market Conduct (“the Code”) or in the supplemental Guideline to the Code of Market Conduct (“the Guideline”) that are unclear?
- Are there any parts of the Code or the Guideline that are too generic and not detailed enough?
- Are there any parts of the Code or the Guideline that are too prescriptive?
- Are there principles or expectations that are missing in the Code or the Guideline?
- Are there sections of the Code or the Guideline that are redundant and should be removed without compromising the fair treatment of customers (“FTC”) outcomes?
- Are there any other considerations or amendments that are important for BCFSA to consider as it further develops the Code and the Guideline?
- Are there any implementation considerations of the Code or the Guideline that BCFSA should be aware of?



# How to provide feedback

**Please send your feedback to**

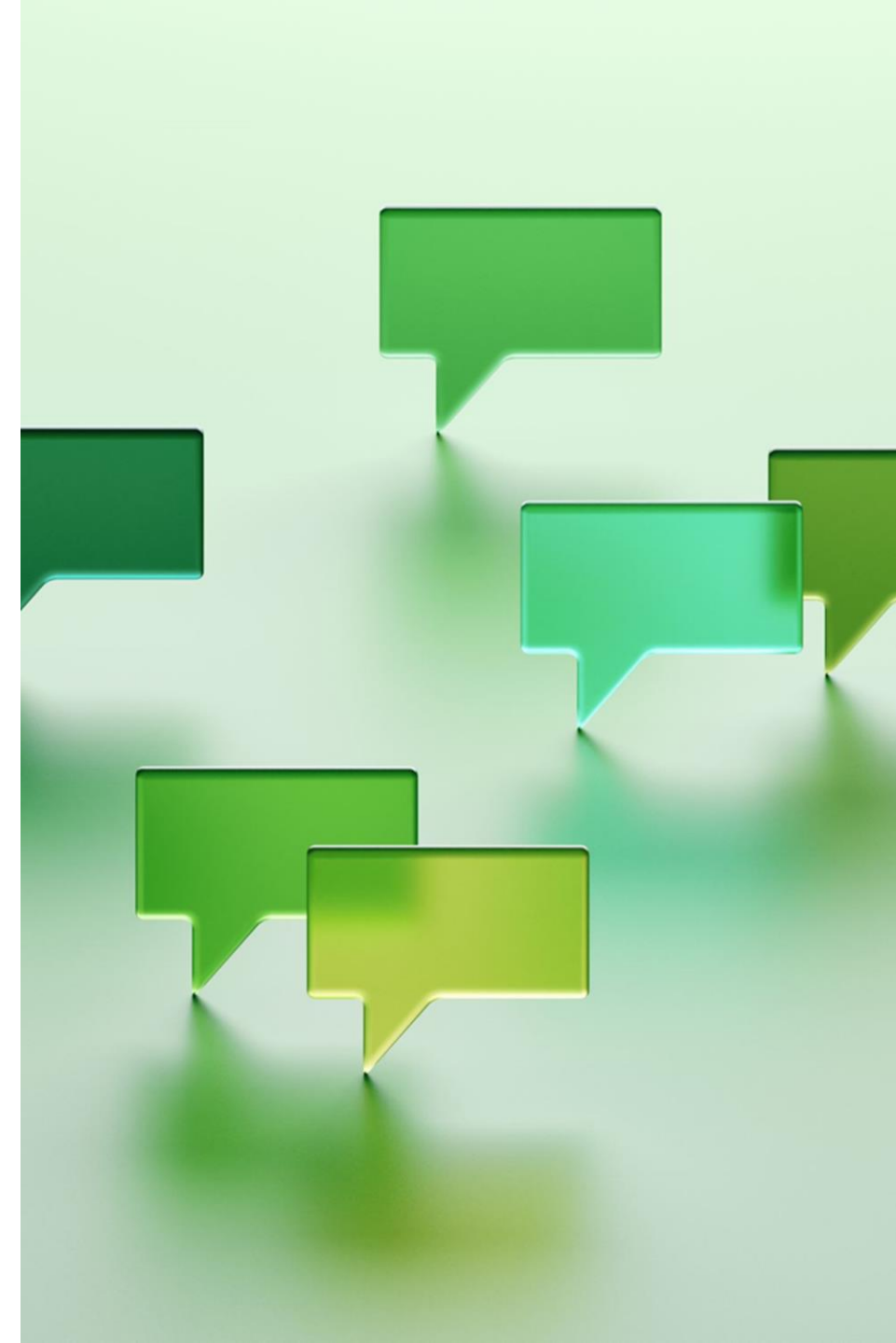
Email: [policy@bcfsa.ca](mailto:policy@bcfsa.ca)

**General questions about the Insurer Code of  
Market Conduct**

Roberta Lam

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# Questions?

# Thank you.