

**INSURANCE COUNCIL OF BRITISH COLUMBIA**  
("Council")

**GRANTING RESTRICTED GENERAL INSURANCE LICENCES  
TO MOTOR VEHICLE DEALERS**

On March 13, 2012, Council published Notice ICN 12-004 *Issuance of Restricted General Insurance Licences to Motor Vehicle Dealers*. This Notice outlined Council's concerns regarding granting restricted general insurance licences to motor vehicle dealers and their representatives ("Dealerships").

Initially, Dealerships were seeking approval for simple products with small amounts of insurance. As such, Council did not identify any significant risk to the public and, therefore, the following exemptions from the standard licensing qualifications were applied:

1. Individuals were not required to have insurance experience and were not required to complete any standardized insurance education;
2. Individuals were not required to provide a criminal record check; and
3. Errors and omissions insurance ("E&O") was not required to cover insurance activities carried out by the Dealership.

This area of insurance has grown to include broader and new types of coverage and, after conducting inspections of licensed Dealerships, Council identified a number of issues which it believes represent a significant risk to the public. In particular:

1. Dealerships were selling more sophisticated insurance with much higher coverage amounts such as vehicle replacement insurance;
2. Dealerships failed to ensure consumers knew they were not required to purchase the insurance products being offered; and
3. Dealerships failed to properly disclose fees, installation charges, and other related costs separate from the insurance premium.

As a result, Council sought industry feedback to assist in determining whether it should continue to issue restricted general insurance licences to Dealerships and, if so, under what conditions or restrictions. After reviewing feedback received, Council concluded it will continue to issue restricted licences, but additional requirements to support public protection will be imposed.

These requirements, which are effective immediately, place limits on the insurance products that can be sold, and impose additional licensing requirements and conditions.

## **NEW REQUIREMENTS – EFFECTIVE IMMEDIATELY**

*Note:* “Motor vehicles” includes cars, trucks, RVs, trailers, ATVs, and watercraft.

1. Under the restricted general insurance licence, Dealerships will only be permitted to market insurance products that are incidental to the sale of a motor vehicle.
2. Dealerships can only offer insurance products under the direct supervision of a named, unrestricted general insurance agent (“Supervising Agent”).

In its review, Council noted that, in most situations, the insurance products sold by Dealerships are developed and/or marketed to Dealerships through unrestricted general insurance agencies. As well, it appears that insurers expect the unrestricted agencies to ensure the product distribution is compliant with all requirements. As such, and given Council has no authority over insurers, it is establishing the supervision requirement.

3. A motor vehicle dealer’s licensed representatives must obtain both initial and ongoing education.

The Supervising Agent will be responsible for ensuring that a motor vehicle dealer’s licensed representatives receive training on each insurance product they are authorized to sell. The training must be adequate and include basic knowledge regarding the proper practice of insurance and an understanding of the difference between fees and premiums. In addition, the training must be augmented annually with a minimum of one hour of continuing education on each product the Dealership is authorized to sell.

4. Before a Dealership can offer an insurance product, the product must be reviewed and approved by Council. If the insurer of the approved product changes any aspect of the product, the Dealership cannot sell the changed product until it has been approved by Council, regardless of how minor the change. Only products that have an aggregate coverage per policy, including riders, of \$15,000.00 or less will be considered. In addition, as part of its process when considering a product, Council will meet with the underwriting insurer.
5. There are new disclosure requirements to ensure consumers have a clear understanding of their right to decline any insurance coverage. Dealerships will be required to provide consumers with a disclosure document, separate from any other vehicle sales transaction document provided, that outlines in clear and concise language:
  - a) That the purchase of the insurance coverage is optional and can be declined by the consumer; and
  - b) The premium (as set by the underwriting insurer) and, separately, an itemized list of fees charged by the Dealership which includes the amount of each fee and a description.

The disclosure document must be presented to the consumer prior to the purchase of any insurance and the consumer must sign and date the document, acknowledging that he or she has read it and understands its content. A copy of the signed document must be maintained by the Dealership as part of its record-keeping responsibilities.

Council will develop a disclosure document that it expects Dealerships to use. Until this is published, both Dealerships and Supervising Agents are responsible for ensuring that consumers receive a disclosure document that meets the above requirements.

6. Dealerships will be required to carry E&O that covers all of the Dealership's insurance activities, with a minimum aggregate insurance coverage amount of \$200,000.00.

Any Dealership currently licensed with Council who offers an insurance product that has not been approved by Council must meet the new requirements immediately. The Dealership cannot sell a new or changed product until it has received Council's approval. This does not apply to a product that has changed in name only. Council will be requesting an updated list from all existing licensed Dealerships of the products currently being sold.

If you have any questions regarding this Notice, please contact Regulatory Services by calling Council's main number, and at the prompt press "2".

October 5, 2012  
ICN 12-006