

Regulatory Statement

Elimination of Best Terms Pricing Practices in British Columbia

Regulatory Statement Number	22-002
Legislation:	Financial Institutions Act (Section 244(2)(e))
Date:	February 7, 2022
Distribution:	All Property and Casualty Insurance Companies Authorized in British Columbia.

PURPOSE

This Regulatory Statement sets out BC Financial Services Authority's ("BCFSA") position with respect to the underwriting procedure or practice used by some insurers and brokers referred to as Best Terms Pricing ("BTP").

BACKGROUND INFORMATION

In December 2020, the Canadian Council of Insurance Regulators ("CCIR"), an inter-jurisdictional association of insurance regulators, initiated a review of BTP on subscription policies in the commercial insurance market. The purpose of the CCIR's review was to determine if BTP aligns with fair treatment of customers. BCFSA is a member of CCIR and participated in CCIR's review of BTP. The review followed the removal of BTP in the strata insurance market in British Columbia ("B.C.") and Alberta in early 2021.

On December 2, 2021, CCIR issued a news release stating that BTP does not support fair treatment of customers and that CCIR members expect insurers and insurance brokers in Canada to cease the use of BTP.

DEFINITIONS

For the purpose of the Regulatory Statement, BTP means a procedure or practice where an insurer participating on a subscribed insurance policy covering a risk in B.C. receives a higher premium price than its own bid, based on a higher premium bid from another insurer on the same subscription policy.

A subscription policy is a type of policy where multiple insurers share the risk associated with providing the insurance coverage. Each insurer subscribes to a percentage of the risk that they are prepared to accept on the policy.

REQUIREMENTS

Effective January 1, 2023, BTP is not to be used to determine premium pricing in an insurance policy covering a risk or peril located in B.C. BCFSA expects all authorized property and casualty insurers to take steps to remove BTP from the marketplace and cease the use of BTP in B.C. by no later than January 1, 2023. The removal of BTP applies to any new policies and policies on renewal. Insurers that require additional support in meeting the requirements should contact BCFSA.

Classification: **Public**

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The following premium pricing practices do not fall within the definition of BTP and continue to be permitted in B.C.:

- A reference to the weighted average of the premiums bid by other non-affiliated insurers on the same subscription policy;
- A reference to the premium bid by the lead insurer on the same subscription policy; and
- Independent revision or change of a bid or quotation for an insurance policy, during the negotiation or construction of a subscription policy, provided that any such revised or changed bid or quotation is independently determined by the insurers and does not use BTP or similar practices to establish the premium.

The Superintendent may consider continued use of BTP after January 1, 2023 as a practice that might reasonably be expected to harm the interests of insureds under s. 244(2)(e) of the FIA.

Failure to cease the practice of BTP after that date may result in an order under s. 244(2)(f) of the FIA or other enforcement action.

ADDITIONAL INFORMATION

For further information about BTP practices, please read:

- BCFSa media release: [B.C. Acts on Rising Strata Insurance Premiums, Eliminates Best Terms Pricing](#)
- BCFSa's December 2020 report: [Strengthening Foundations. A Report on the State of Strata Property Insurance in British Columbia.](#)

Comments or questions related to this Regulatory Statement can be directed to insurance@bcfsa.ca

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