B.C.'s Motor Vehicle Dealership Loyalty Products Qualify as Insurance

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ADVISORY NUMBER: 21-017

DISTRIBUTION: B.C. Authorized Insurers
 B.C. Motor Vehicle Dealerships
 B.C. Licensed Insurance Agents

PURPOSE

BC Financial Services Authority ("BCFSA") has completed a review and concluded that motor vehicle dealership loyalty products offered in British Columbia meet the definition of insurance. Therefore, these products must be structured, marketed and sold as insurance products.

BACKGROUND INFORMATION

Motor vehicle dealership loyalty products offered to British Columbians typically provide a discount on a future replacement vehicle at the originating dealership in the event of damage to, or loss of, the purchased vehicle. These types of loyalty products are sold at motor vehicle dealerships accompanying the purchase, lease or finance of a new or used vehicle.

Insurance products must be structured, marketed and sold in accordance with regulatory requirements. More specifically, the products must be underwritten by a British Columbia authorized insurance company, marketed as an insurance product and sold only by agents licensed by the Insurance Council of British Columbia.

BCFSA regulates the financial transactions of credit unions, trust companies, insurance companies, pension plans, mortgage brokers and real estate professionals. The organization ensures those transactions are protected for the prosperity of British Columbians.

ADDITIONAL INFORMATION

BCFSA encourages any entities currently offering or wishing to offer products of this nature to seek independent legal advice to ensure its activities are structured in compliance with British Columbia legislation.

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Failure to comply with these requirements may result in enforcement action under the *Financial Institutions Act* ("FIA").

Further information on this matter can be found in the accompanying Regulatory Statement issued by BCFSA here. Comments or questions related to this Advisory can be sent to insurance@bcfsa.ca.