

The following information was circulated to general insurance licenses via email, September 4, 2020, under the Subject Line: URGENT PRACTICE ADVISORY – New Changes to Strata Insurance Laws

BC Government Approves New Regulatory Requirements for Strata Insurance Business:

What This Means for Licensees

On Friday, September 4, 2020, the provincial government approved new legislative changes regarding strata property insurance business. These changes introduce requirements related to the payment of referral fees, notification periods for changes to or non-renewal of strata property insurance, and compensation disclosure.

Payment of Referral Fees For Strata Insurance Prohibited

An amendment to the *Financial Institutions Act* has been introduced which prohibits the payment of referral fees or any other kind of compensation to property managers or anyone else who is not an insurance licensee for the sale or renewal of strata property insurance.

This requirement **takes effect immediately**, meaning that this practice is no longer permitted as of September 4, 2020.

Notification Period for Change/Non-renewal of Existing Insurance Policy

In instances where a client's strata property insurance will not be renewed at the same terms and conditions, changes to the Marketing of Financial Products Regulations will require that insurers provide clients with proposed terms a minimum of 30 days prior to the expiration of their existing insurance. If the insurer provides notice and terms to the agent instead, they must do so a minimum of 45 days prior to the expiry of the existing insurance; the agent is then responsible to provide the terms or notification of non-renewal to the client a minimum of 30 days in advance of insurance expiry. Licensees should note that due to additional requirements under the *Strata Property Act* and *Interpretation Act*, an additional five days must be added to the notification period from agent to strata corporation for notice to have been deemed given, making the requirement 35 days in actual fact.

This requirement will come into effect **November 1, 2020**.

Disclosure of Broker Compensation

The amount of compensation involved in strata property insurance sales and renewals will now need to be disclosed to the strata corporation under the amended Marketing of Financial Products Regulations. Agents will now be required to disclose in writing the actual dollar amount of

compensation they receive or, if that information is not available, an estimate of that amount and how it will be calculated. Where there is a material change to the policy terms, disclosure must be provided a minimum of 30 days prior to the expiry of the existing strata contract. Taking into consideration the additional 5 days required by the *Strata Property Act* and *Interpretation Act*, this makes the actual requirement 35 days.

This requirement will come into effect **November 1, 2020**.

Requirements

Licensees are required to comply with the requirements of the amended legislation and regulations as they take effect. Non-compliance with these requirements will constitute a breach of the Insurance Council's Rules and Code of Conduct.

Next steps

The Insurance Council's Code of Conduct will be updated to align with the new regulatory requirements shortly, and additional guidance will be made available to licensees.

Should you have any questions, please contact our Practice and Quality Assurance Team at practice@insurancecouncilofbc.com or 604-695-2008, toll-free 1-877-688-0321.