Insurance Council
BRITISH COLUMBIA

NOTICE

ICN 20-001 | Brokering Best Practices

March 5, 2020

Current market challenges are having a significant negative impact on British Columbians looking to purchase or renew certain types of property and casualty insurance at previously available terms and conditions. This advisory is being issued to provide guidance to insurance brokers on how best to operate in current market conditions.

Background

The insurance industry provides services upon which the well-being of individuals and businesses relies. It is therefore incumbent on Insurance Council licensees to take their duty of care to the public seriously, particularly as licensees' conduct reflects on the industry as a whole.

Market challenges currently facing consumers in British Columbia include reductions in insurer capacity and/or willingness to underwrite risk, significant premium increases, and deductible increases. Diligent and ethical practice by licensees is essential to ensure that consumers' interests are protected.

Requirements and Best Practices

Licensees should be aware of and in compliance with their duties and obligations under the BC *Financial Institutions Act*, the *Insurance Act*, and the Insurance Council's Rules and Code of Conduct. In addition to these regulatory requirements, licensees who broker insurance should strive to carry out the industry best practices identified below.

Helping Clients Understand the Market
Clients rely on insurance brokers to be their trusted advisors in meeting their insurance needs. Brokers have an obligation to make sure that clients understand the current insurance marketplace, the process required to place coverage, and the types of coverage available. Whether renewing an existing policy or seeking a market for a new client, a broker needs to ensure that the client understands current market conditions.

Timely Notification
The Code of Conduct requires that licensees notify clients at least 30 days prior to the expiration of their existing insurance if the broker is unable to renew their insurance at the same terms and conditions. When handling renewals, particularly with coverage that is difficult to place, it is expected that brokers contact clients a minimum of 60 days in advance of the renewal date.

Should you find that insurance renewal terms are not being offered, or coverage is becoming conditional on your client meeting certain requirements, it is imperative that you disclose this information to your client immediately.

Providing Advice

Under the Code of Conduct, a client includes anyone who might reasonably be expected, in the circumstances, to rely on your professional advice or actions in relation to their insurance coverage. You should disclose any information relevant to the client's insurance needs that a reasonable and prudent licensee would disclose in the same circumstances. The circumstances of a transaction will determine what information is considered material and should be provided to the client.

Duty of Care

Brokers must make full and fair disclosure of all material facts to enable clients, or their authorized representative, to make informed decisions about their insurance to ensure that their interests are not needlessly prejudiced. The client's interests take priority over your interests at all times and should not be sacrificed to the interests of others. You must not engage in practices that place the interests of others ahead of your client's interests.

In particular, brokers must diligently meet the competency requirements of the Code of Conduct including:

- fully informing a client of changes in insurance coverage
- adequately evaluating their needs
- maintaining proper records.

If you choose to terminate your business relationship with a client, you must do so in a manner that is impartial and allows for the orderly transfer of the client's insurance business elsewhere. You must provide the client with adequate notice of your intent to withdraw your services, as well as comply with any applicable statutory and professional obligations.

Your Role as a Broker

It is important that brokers take care to educate consumers to make sure they understand the current market challenges and what that means for their situation. Ultimately, you are an advocate for your client. By complying with regulatory requirements and adopting best practices, Insurance Council licensees play a vital role in protecting the interests of British Columbians.

Additional recommendations for dealing with coverage issues in a hard market can be found in our prior notice on this matter, ICN 03-004 Brokering in a Difficult Market.

If you have any questions about this Notice, please contact Regulatory Services at 604-695-2008 or toll-free at 1-877-688-0321 ext. 3 or email regulatoryservices@insurancecouncilofbc.com.