



Issue #2- 2010

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"Etching" program sales require insurance licence

Insurance Council publishes guidelines

In an "open letter" to motor dealers, the Insurance Council of British Columbia has established rules for the sale of so-called "etching" programs. This is categorized as anti-theft insurance. Effective January 31, 2010, all dealers and salespeople who sell this insurance must be licensed by the Council to do so.

The Insurance Council criteria follows an April 2009 cease and desist order issued by the Financial Institutions Commission (FICOM) against one dealership which was not only selling what it labelled Platinum Security Protection (a product of an Alberta-based underwriter), but doing so as a "mandatory" add-on to vehicle sales. FICOM categorized the "etch" packages as auto insurance and, as such, could only be sold by licensed insurance brokers.

The Insurance Council policy now clearly states that this product must be OPTIONAL and FULLY DISCLOSED to vehicle buyers in writing. The word "disclosure" means the actual cost of the insurance and any dealer add-ons must be specifically itemized. The VSA has had reports of a \$40 insurance premium sold by dealers for as much as \$200.

At the time of the FICOM ruling, 228 dealers in B.C. were selling "etch" products.

The Insurance Council "open letter" states, in part:

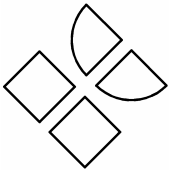
Council determined that, based on its understanding of the motor vehicle anti-theft products being offered and the training provided, it was prepared to issue a licence which would be restricted to the sale of the motor vehicle anti-theft product outlined with an application (or identical product) subject to the following additional licence conditions:

- 1. all sales must include clear and concise written disclosure to the consumer about all coverages and exclusions of the insurance product; and,***
- 2. prior to any sale, the consumer must be told that the purchase of the coverage is optional and may be declined at no cost to them.***

The Council requires that one person in each dealership must obtain "Level 3 accreditation as a broker and be responsible for the program within the business. The more basic Level I licence restricted to the anti-theft product must be obtained by each person selling the "etch" package.

For a copy of the "open letter" and details of the requirements, dealers should contact their insurance company. Application forms and a licence fee schedule can be found at the Insurance Council's website, www.insurancecouncilofbc.com.

The following excerpt from the "open letter" covers disclosure issues:



**IMPORTANT INFORMATION FOR ALL MOTOR VEHICLE DEALERSHIPS
HOLDING A GENERAL INSURANCE LICENCE RESTRICTED TO THE SALE OF
ANTI-THEFT PRODUCTS**

As a Licensee you have a number of licence conditions and responsibilities under the *Financial Institutions Act* and the Insurance Council of British Columbia (“Council”) Rules. The following is a quick reference to some of the disclosure and reporting requirements.

DISCLOSE ALL FEES:

Prior to conducting a transaction, you must clearly disclose any fees you charge in addition to the policy premium set by the insurance company. The fee should be disclosed in writing to the client and include: separate dollar values for the total insurance premium charged by the insurer; the total additional fee charged by the dealership or any other party; and any premium finance fees charged.

DISCLOSE ALL COVERAGES AND EXCLUSIONS:

All sales of a motor vehicle anti-theft product must include clear and concise written disclosure to the consumer of all coverages and exclusions of the insurance product.

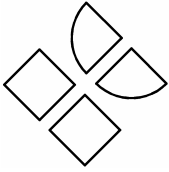
DISCLOSE THAT THE PURCHASE IS OPTIONAL:

Prior to any sales of a motor vehicle anti-theft product the consumer must be made aware that the purchase of the motor vehicle anti-theft insurance product is optional and may be declined at no cost to the consumer.

NOTIFY COUNCIL:

Within 5 business days all licensees must notify Council:

1. where the licensee, or any business the licensee owns or has participated in as a director, officer or partner:
 - is disciplined by any financial sector regulator, or any professional or occupational body;
 - has any judgment rendered relating to insurance, fraud or breach of trust;
 - has declared bankruptcy; or
 - is charged or convicted of any criminal or other offence under any law of any jurisdiction, except traffic offences resulting in monetary fines only;



NOTIFY COUNCIL - continued:

Within 5 business days all licensees must notify Council - continued:

2. when a licensee's authorization to represent the dealership is withdrawn, and the reasons if they relate to the licensee's suitability or insurance conduct;
3. of any change in the licensee's name, including trade names; and
4. if the licensee no longer has authority to represent any insurer for a period exceeding 21 calendar days.

Within 30 calendar days:

1. all licensees must notify Council of any change to the licensee's residential or business address and telephone numbers; and
2. all licensees must notify Council of:
 - the opening or closing of branch offices; and
 - a material change in its ownership.

*All notifications should be directed to Council's Licensing Department
by mail or fax to the address below.*

OTHER:

As noted above, as a licensee, the dealership will have a number of responsibilities under the *Financial Institutions Act* and Council Rules. You should download a copy of the Council's Rules and Code of Conduct from our website to assist you in understanding your responsibilities.