

Compliance Corner

The Lloyd's Canadian Regulatory Team continues to monitor regulatory developments and provide you with guidance as changes are finalized. If you have any questions regarding any of the items mentioned below, please review past Canadian Bulletins for further information, or feel free to reach out to a member of the Team directly.

The focus for the first half of 2023 continues to be two important topics, French Language compliance in the Province of Quebec and the Automobile/motor class of business. Below is a brief update on these two topics.

Update regarding Bill 96, *An Act respecting French, the official and common language of Québec*:

Upon assent on June 1, 2022, businesses offering services in Québec must inform and serve their clientele, (consumer and commercial customers), in French. The most notable change for the (re)insurance industry, effective June 1, 2023, are standard-form contracts (contracts of adhesion), which must be presented in French first, before the recipient can elect to be bound by a version drawn up in a language other than French (the "French First Rule").

The Charter does provide for an exception to the French First Rule; however, the exceptions are complicated and require careful analysis before being relied upon. On May 9, 2023, we issued the Canadian Bulletin RE-23-008 as a tool for the Market to help navigate the French First Rule and where certain exceptions may be applicable.

The industry continues to lobby for further guidance from the OQLF and any additional information issued will be shared with the Lloyd's Market as soon as is available.

In the meantime, should you have any questions regarding the application of Bill 96, please do not hesitate to reach out to lloyds canada@lloyds.com

Canadian Automobile Business:

As previously reported on November 1, 2022, Lloyd's commenced a 30-day market consultation regarding Lloyd's proposal to exit certain segments of automobile business in Canada.

Automobile is a highly regulated line of business in Canada with the potential for significant fines and reputational risk when not conducted in a compliant manner.

On February 27, 2023, we issued Bulletin AU-23-003, which provided an update to the consultation and the new proposal for the automobile business in Canada which included:

1) Subject to a heightened governance and oversight framework being implemented with the support of managing agents, the market will continue to be permitted to underwrite the following segments of the automobile business in Canada:

- Personal and individual rated commercial automobile in the Province of Quebec where rates will continue to be filed;
- Miscellaneous automobile (recreational vehicles) in the current permitted provinces where rates will be continued to be filed; and

- Automobile Physical Damage cover written as a standalone product (without the third-party liability and accident benefits component) in those provinces where it is permissible;
- Commercial Fleet business (which includes the third-party liability component) will remain a permitted class across Canada; and
- The reinsurance of Personal Automobile, Miscellaneous Automobile, Individually Rated Commercial Automobile, and Standalone Physical Damage policies.

A working group was established with managing agents that underwrite automobile/motor in Canada which included representatives from the LMA and LIIBA. Over the past 6 months, meaningful progress has been made regarding the additional governance and oversight necessary to ensure full compliance going forward.

The more immediate deliverables include:

- Common mandated auto forms: All Lloyd's contracts of auto insurance will be based on regulatory approved forms accessed via Informco (a third-party vendor). Access to the Informco library of auto forms will commence in September 2023.
- Mandated coding convention: Further guidance will be provided shortly to reinforce the appropriate coding for automobile business.
- Auto Specialist in Canada: Lloyd's Canada will add an Auto Specialist to our team to support the markets' underwriting activities.
- Coverholders are to self-declare: We are asking all coverholders to confirm to lloydsCanada@lloyds.com if you are writing auto in Canada. Please provide this confirmation by August 31, 2023, to ensure you don't miss important communications.

We will be providing a more robust update soon and will be providing coverholders who write automobile business in Canada an opportunity to receive training and access to the Informco mandatory forms library.

Until such time as the heightened governance and oversight framework has been implemented, managing agents are permitted, with respect to their existing Canadian auto portfolio, to continue to operate their Canadian auto portfolios on a "business as usual" basis. Existing portfolios can continue to be underwritten, renewed and grow. However, no new coverholders will be granted authority to underwrite auto in Canada, and no authority for existing coverholders to expand into new provinces or territories may be granted.

Lloyd's will continue to communicate the progress on plan deliverables, including relevant timelines for new business, renewals of business and binding authorities. Please continue to review all communications on this topic and send any questions to a member of the regulatory compliance team.

In case you missed it

The Following Bulletins have been issued since December 2023:

[20230227 AU-23-002 Update on Lloyd's Market Consultation - Canada Automobile](#)

[20230512 RE-23-007 Alberta – Reminder of the mandatory requirements for Errors & Omissions coverage](#)

[20230509 RE-23-008 Instructions to Lloyd's Market for compliance with Bill 96, "An Act respecting French, the official and common language of Québec"](#)

[20230425 FN-23-006 Newfoundland and Labrador: Elimination of the Retail Sales Tax on Personal Property Insurance](#)

[20230331 RE-23-001 Changes to Mandatory Reporting In Lineage](#)

[20230404 RE-23-005 Prohibition on Strata Insurance](#)

[20230301 RE-23-003 Unclaimed Property Reminder to provinces](#)