

Date	26 April 2022
Recipients	All Coverholders and Open Market Correspondents writing subscription insurance policies in Canada
Subject	Prohibition of the use of best terms pricing ("BTP")

<i>Purpose:</i>	To remind Coverholders and Open Market Correspondents of the prohibition of the use of Best Terms Pricing
<i>Affects:</i>	Coverholders and Open Market Correspondents writing subscription insurance policies in Canada
<i>Line of Business:</i>	Property
<i>Jurisdiction :</i>	Canada
<i>Effective:</i>	Immediately

What you need to know

We wish to remind all stakeholders that Lloyd's has a longstanding requirement that Lloyd's underwriters do not engage in Best Terms Pricing. Best Terms Pricing was considered by the European Commission in its inquiry into the business insurance sector. The Inquiry resulted in the publication of the BIPAR Principles in September 2007. The BIPAR Principles which includes a prohibition against the use of Best Terms Pricing, were adopted by Lloyd's to ensure compliance with competition laws

For further details on Lloyd's expectations in relation to the BIPAR Principles, please refer to ['Performance Management - Supplemental Requirements and Guidance'](#).

On December 2, 2021, the Canadian Council of Insurance Regulators (CCIR) issued a [news release](#) stating that Best Terms Pricing ("BTP") does not support the fair treatment of customers and that CCIR members expect insurers and insurance brokers in Canada to cease the practice.

Subsequently, the Alberta Superintendent issued [bulletin 02-2022](#) to notify property insurers that they also find section 509(1)(c) of the Act (the prohibition on unfair, coercive, or deceptive acts or practices) to be applicable to, BTP. Accordingly, an insurer utilizing BTP will be viewed as engaging in conduct contrary to the Act and the Superintendent may enforce administrative penalty of up to \$25,000 for each contravention.

The definition of BTP is defined in [bulletin 03-2020](#), as follows:

“The practice where a premium for an insurer’s portion of a subscription insurance policy is determined by reference to any higher quoted premium bid made or received by any other non-affiliated insurer on the same subscription policy.”

We expect that more provincial regulators will follow suit with enforcing regulations and issue fines and penalties to those that engage in BTP.

What this means to you

Any managing agents, underwriters, Lloyd’s brokers, coverholders or open market correspondents currently offering or planning to offer subscription insurance policies in Canada are advised to review and ensure they adhere to the terms of bulletin 02-2022 as well as the BIPAR principles as published in ‘Performance Management - Supplemental Requirements and Guidance’.

Further details please refer to [Crystal](#).

For further information, please contact info@lloyds.ca.

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