

Date	21 December 2020
Recipients	All Coverholders and Open Market Correspondents writing Condominium insurance in Alberta
Subject	Alberta: Section 509(1)(c) of the Insurance Act prohibits use of best terms pricing ("BTP") when setting premiums for subscription condominium corporation insurance policies

Purpose:	To inform Coverholders and Open Market Correspondents of interpretation of the Insurance Act prohibiting the use of Best Terms Pricing
Affects:	Coverholders and Open Market Correspondents writing Condominium insurance in Alberta
Line of Business:	Property
Jurisdiction :	Alberta
Effective:	Immediately

What you need to know

The Alberta Superintendent has issued [bulletin 03-2020](#) to notify insurers in Alberta that the Superintendent interprets section 509(1)(c) of the Insurance Act ("The Act") as prohibiting the use of Best Terms Pricing ("BTP") when setting premiums for subscription condominium corporation insurance policies.

Effective 1 December 2020, insurers are expected to discontinue the use of BTP in Alberta on new and renewal subscription condominium corporation insurance policies as soon as practicable, and in any case by no later than 1 March 2021.

The definition of BTP is set out 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."

For greater clarity, the following situations are excluded from the above definition of BTP, and will not be considered unfair practices, absent other misconduct:

- A subscribing insurer's premium being set in accordance with the weighted average of all bids by non-affiliated insurers, or the bid by the lead insurer.

- An insurer revising its bid during the negotiation or construction of a subscription insurance policy, provided that BTP or similar practices are not used to establish the insurer's revised premium.

Lloyd's wishes to remind all stakeholders that Lloyd's has a longstanding requirement that Lloyd's underwriters do not engage in Best Terms Pricing, to ensure compliance with competition law. Best Terms Pricing was considered by the European Commission in its inquiry into the business insurance sector and was addressed in its final report published on 25 September 2007. This resulted in the publication of the BIPAR Principles, which was supported by Lloyd's and which includes a prohibition against the use of Best Terms Pricing.

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

Also, as a reminder, British Columbia Financial Services Authority (BCFSA) has also prohibited the use of BTP and further information can be found in [Canadian Bulletin RE-20-017](#) dated 16 November, 2020.

What this means to you

Any managing agents, underwriters, Lloyd's brokers, coverholders or open market correspondents currently offering or are planning to offer condominium property insurance in the Province of Alberta are advised to review and ensure they adhere to the terms of the bulletin 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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