

Date	16 November 2020
Recipients	All Coverholders and Open Market Correspondents writing Strata/Condominium insurance in British Columbia
Subject	British Columbia: Undertaking to cease “Best Terms Pricing” practices in connection with Strata/Condominium property insurance and other changes to Strata Insurance Laws

Purpose:	To inform Coverholders and Open Market Correspondents with respect to the new Undertaking and other changes to Strata Insurance Laws
Affects:	Coverholders and Open Market Correspondents writing Strata/Condominium insurance in British Columbia
Line of Business:	Property
Jurisdiction :	British Columbia
Effective:	Immediately

What you need to know

The British Columbia Financial Services Authority (“BCFSA”) has written to insurers seeking written undertakings that insurers participating in policies for strata/condominium insurance in the Province of British Columbia will not engage in Best Terms Pricing (“BTP”), or similar practices.

Effective October 9, 2020, at the request of the BCFSA, Lloyd’s has entered into an undertaking on behalf of Lloyd’s underwriters in favour of the BCFSA that Lloyd’s underwriters will not use Best Terms Pricing (“BTP”) for any new or renewed strata insurance policy for a strata property in the Province of British Columbia.

The definition of BTP is set out in the undertaking as follows:

“the determination of the premium for an insurer’s portion of a subscribed strata insurance policy in British Columbia is set by reference to the premium bid (communicated to the insurer by a broker) or received by any of the other not affiliated insurers on the same subscription policy, but does not include a reference to the weighted average of the premiums bid by other non-affiliated insurers on the same subscription policy or the premium bid by the lead insurer on the same subscription policy.”

The undertaking states that nothing in the undertaking is intended to:

“restrict [Lloyd’s underwriters] from independently revising or changing a bid or quotation for strata insurance located in British Columbia provided that any such revised or changed bid or quotation shall be independently determined by [Lloyd’s underwriters] and shall not use Best Terms Pricing.”

Lloyd’s wishes to remind 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 September 25, 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, managing agents are referred to [‘Performance Management - Supplemental Requirements and Guidance’](#).

In addition to the Best Terms Pricing, the Province of British Columbia approved new legislative changes that affect the distribution/renewal of strata insurance. The changes that were effective September 4, 2020 prohibit insurers or insurance salesperson(s) from paying commission or compensation for business referrals related to the insurance of a strata corporation.

Effective November 1, 2020, insurers or insurance salesperson(s) are required to give the strata corporation at least 30 days notice of non-renewal or material changes of the strata corporation’s insurance policy. Also, insurance salesperson(s) are required to disclose their commission (or a reasonable estimate) to the strata corporation. Failure to meet the new requirements, could result in fines. The Insurance Council of British Columbia published an [Urgent Practice Advisory](#) that provides detailed information on these changes for their licensees.

What this means to you

Any managing agents, underwriters, Lloyd’s brokers, coverholders or open market correspondents currently offering or are planning to offer strata/condominium property insurance in the Province of British Columbia are advised to review and ensure they adhere to the terms of the undertaking given to the BCFSa as well as the BIPAR principles as published in ‘Performance Management - Supplemental Requirements and Guidance’.

It is also recommended to review and adhere to the new legislative changes that were effective September 4, 2020 and November 1, 2020.

Further details and a copy of the signed undertaking please refer to [Crystal](#).

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

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