

# Canadian Bulletin

Ref: AU-23-014

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<b>Date</b>	19 September 2023
<b>Recipient</b>	Stakeholders Writing Automobile Business in Canada
<b>Subject</b>	Update on the Canada Automobile/Motor Business

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<i>Purpose:</i>	To provide an update on the Canada Automobile/Motor Business
<i>Affects:</i>	Stakeholders writing Automobile/Motor business in Canada
<i>Line of Business:</i>	Automobile
<i>Jurisdiction:</i>	Canada
<i>Effective:</i>	Immediately

## **What you need to know**

As a reminder to our stakeholders writing automobile business in Canada, automobile continues to be a highly regulated line of business with the potential for significant fines and reputational risk when not conducted in a compliant manner.

In our last communication that was issued on February 27, 2023, in the Canadian Bulletin [AU-23-002](#), Lloyd's advised that 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 as follows:

- 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;
- 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 (IRCA), and standalone auto physical damage policies.

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

### **Updated Guidance from Lloyd's**

This bulletin provides an update to the status of the Canada Automobile/Motor portfolio and the various deliverables from the working group sessions:

#### **Common mandated automobile forms:**

Going forward, all Lloyd's contracts of automobile insurance will be based on regulatory approved forms that will be accessed via Informco (a third-party vendor). Access to the Informco library of automobile forms will commence effective September 2023. More information regarding subscribing to Informco and training on the Informco platform will be made available shortly.

Informco will be responsible for updating or replacing automobile forms used in the policy/document generation in accordance with any automobile revisions that are made by the applicable Provincial and Territorial regulator(s). Notifications regarding any automobile form revisions will be provided by Informco in the iaccessPLUS site.

To reiterate, as of a date to be defined by Lloyd's in the near future, all policies of auto insurance (and related forms) issued by Lloyd's underwriters must utilize Informco wordings without exception and without deviation.

#### **Mandated coding convention:**

Further guidance will be provided shortly regarding the appropriate coding for automobile business. It is critical that anyone underwriting automobile insurance follows the mandated coding instructions to ensure Lloyd's has accurate, statistical, and regulatory reporting of this class of business.

#### **Automobile Specialist in Canada:**

We are happy to announce that Clinton D'Souza, has joined Lloyd's Canada as the new Director of Automobile Oversight, to support the markets' underwriting activities. Clinton possesses a broad and technical background in the Canadian automobile insurance sector and was most recently with a large global insurance broker.

You may contact Clinton directly at:

Clinton.d'souza@lloyds.com

**Auto in the Province of Ontario:**

FSRA regulates insurers underwriting automobile cover in Ontario. Through no-names conversations with FSRA, Lloyd's was advised that auto physical damage may be written as a standalone policy for IRCA and Fleet in Ontario. However, when writing standalone auto physical damage cover, Lloyd's must obtain approval from FSRA prior to using any policy documents developed for this coverage (as such standalone cover would not be captured by the Owner's Policy or Endorsements).

For IRCA (i.e. non-Fleet) policies, Lloyd's must first file and obtain approval from FSRA for the rating and risk classification systems to be used for writing standalone auto physical damage cover.

Lloyd's must file underwriting rules with FSRA for approval prior to their use for both IRCA and Fleet.

**Action items for Ontario:**

- As noted above, Lloyd's has engaged Informco to file all applicable forms and documents with FSRA.
- The new Director of Automobile Oversight will engage with interested parties in the market to create and file the required rates and underwriting rules with FSRA.

**Auto in the Province of Alberta:**

Through "no-names" correspondence with staff at the Alberta Superintendent of Insurance, Lloyd's received informal guidance that auto physical damage can be underwritten as standalone coverage for IRCA and Fleet in Alberta.

The Alberta Superintendent noted that if standalone auto physical damage is written on Alberta's Owner's Policy and standard form Endorsements, prior approval of the form or policy documents is not required. However, the Alberta Superintendent also noted that any changes to the Alberta Owner's Policy and standard form Endorsements do require their prior approval, and therefore as a best practice Lloyd's should submit all policy forms and endorsements for standalone auto physical damage to the Alberta Superintendent for prior approval. In addition, Lloyd's is required to file their rating programs for approval.

**Action items for Alberta:**

- As noted above, Lloyd's has engaged Informco to file all applicable forms and documents with the Alberta Superintendent.
- The new Director of Automobile Oversight will engage with interested parties in the market to create and file the required rating program with Alberta Insurance Rate Board.

**Auto in the Province of British Columbia:**

In British Columbia, the minimum required automobile insurance coverage that must be maintained by all automobile owners (for personal or commercial use) is prescribed by the Insurance Corporation of British Columbia (ICBC) under AutoPlan.

Private insurers may only provide certain optional auto coverages in British Columbia that is in addition to that provided under AutoPlan. For private insurers offering such optional automobile cover in British Columbia, there is no policy form filing or rate filing requirements, however, insurers writing automobile insurance in British Columbia must still hold the requisite provincial insurer license. Standalone Own Physical Damage (and not direct compensation – property damage “DCPD”) automobile cover for IRCA and Fleet may be written as an optional insurance contract in British Columbia.

While policy forms for optional coverages are not mandated, all auto insurance contracts in British Columbia must comply with the form and content requirements set out under the Insurance (Vehicle) Act (British Columbia) (the “BC Vehicle Act”).

**Action items for British Columbia:**

- To ensure that all Lloyd’s policy documents contain the required wordings as prescribe by the BC Vehicle Act, Lloyd’s will have Informco provide Lloyd’s subscribers with the applicable content for policy wordings.

**Next Steps/Deliverables:**

1. **Coverholders to Self-Declare:** Lloyd’s requires all Coverholders to confirm if they are underwriting automobile/motor business in Canada by October 15, 2023, to [lloydscanada@lloyds.com](mailto:lloydscanada@lloyds.com). Managing agents should be advising all of their Canadian based coverholders accordingly. This will ensure that coverholders will continue to receive important communication updates.
2. **Informco Training:** Training will be provided on the iaccessPLUS system for the Lloyd’s coverholders and/or managing agents to access the Informco forms library. Please send an email to [lloydscanda@lloyds.com](mailto:lloydscanda@lloyds.com) providing contact details so that Lloyd’s Canada can register you for the training session. Lloyd’s is targeting the end of September and October for the training session.
3. **Underwriting Rules and/or Rate filings:** The project work that will be required for the filing of the Lloyd’s Underwriting rules and/or rates for the Provinces of Ontario and Alberta will commence immediately and the required stakeholders will be engaged shortly.

Until such time as the heightened governance and oversight framework has been implemented, managing agents are permitted, with respect to their existing Canadian automobile 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. Once the work outlined above in this Bulletin is completed, applications for new coverholders to underwrite the auto segments in

question will be entertained, and existing coverholders will be eligible to expand their existing auto portfolios to new provinces and/or territories.

Lloyd's will continue to communicate the progress on plan deliverables including the relevant timelines for the writing of new business, renewals, and binding authorities. Please continue to review all communications on this topic and send any questions to [lloydscanada@lloyds.com](mailto:lloydscanada@lloyds.com)

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