

An aerial photograph of a river with white water rapids flowing over grey rocks. The river is surrounded by green vegetation. A large, semi-transparent purple shape covers the left and top portions of the image, serving as a background for the text.

DENTONS

Provincial Insurance Regulatory Update

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An aerial photograph of a rugged mountain landscape. The foreground and middle ground are covered in dense green forest. A rocky riverbed with a small waterfall is visible on the right side. A large, semi-transparent purple shape is overlaid on the left side of the image, containing the title and author information.

Motor vehicle warranty contracts, dealership loyalty programs and vehicle protection products: Updates in British Columbia and Alberta

Marisa Coggin

Background

Common Vehicle Protection Products, Warranties and Ancillary Products

- Tire and wheel protection
- Windshield repair/replacement
- Key/fob protection/replacement
- Dent repair
- Paintless dent repair
- Lease-end protection
- Ancillary benefits (e.g., roadside assistance)
- Motor vehicle dealership loyalty programs
- Manufacturer/extended vehicle warranties
- Extended wear and tear coverage

Background

Regulation of vehicle warranties and vehicle protection products

- Vehicle warranty and vehicle protection products are not regulated uniformly across Canada.
 - Who is the obligor: manufacturer, retailer, third-party.
- Relevant classes of insurance:
 - **British Columbia:** Vehicle warranty insurance; automobile insurance.
 - **Alberta:** Equipment warranty insurance; property insurance; automobile insurance.
- Regulators:
 - **British Columbia:** British Columbia Financial Services Authority (BCFSA); Insurance Council of British Columbia.
 - **Alberta:** Superintendent of Insurance; Alberta Insurance Council.

Background

Is it insurance?

Sample Factors:

- an insurable interest (identity of obligor);
- terms of coverage;
- consideration (e.g. premiums, charges, or fees) paid in exchange for coverage;
- the requirement of a fortuitous event to trigger payment; and
- a promise to compensate another on the happening of such a fortuitous event.

British Columbia

BCFSA Regulatory Statement No. 24-008 - Product Warranty, Vehicle Warranty, and Automobile Insurance

- Vehicle warranty insurance - *means insurance, not being insurance included in or incidental to automobile insurance, against loss of or damage to a motor vehicle arising from mechanical failure, that is contracted between the purchaser of the motor vehicle and an insurer whereby the insurer undertakes for a specific period to assume costs of repairs, towing fees, car rentals and accommodation as a result of a covered mechanical failure.*
- Automobile insurance covers loss or damage to automobiles, such as indemnification for loss in the event of a theft, motor vehicle accident, or if the glass, paint, or other part of a motor vehicle is otherwise damaged due to a fortuitous event.
- **Takeaway:** common vehicle protection products cannot be distributed under the vehicle warranty insurance exemption (as they constitute automobile insurance, and do not relate to the motor vehicle's mechanical failure).

British Columbia

BCFSA Regulatory Statement Number 21-010: Motor Vehicle Dealership Loyalty Products

Dealership Loyalty Products

- Provide a discount to consumers on a future replacement vehicle at the originating dealership should an event occur that results in damage or total loss of the original vehicle.
- Discount values may vary based on the type of loss, the sale price of the original vehicle, the vehicle age at the time of purchase, and other factors.
- Loyalty products are sold at motor vehicle dealerships accompanying the purchase, lease or finance of a new or used vehicle.
- **Takeaway:** dealership loyalty products that undertake to indemnify the consumer by providing a benefit or thing of value on the occurrence of a certain risk or peril in exchange for a specified fee should the consumer return to that dealership to purchase a replacement vehicle are considered insurance.

British Columbia

Licensing Considerations

Solicitation and Distribution

- Manufacturers and dealers (and wholly-owned subsidiaries) are exempt from insurance underwriting and insurance agent licensing requirements where **vehicle warranty insurance** is sold incidental to the sale of the vehicle to which it applies:
 - Section 4 of *Insurer Exemption Regulation*;
 - Paragraph 2(1)(g) of the *Insurance Licensing Exemptions Regulation*.
- No new restricted licenses are presently being issued – important to have **licensed broker** involved in distribution.

Claims Adjudication

- Full insurance adjuster licensing or available exemption.

Alberta

Superintendent of Insurance Interpretation Bulletin 05-2024

Motor vehicle warranty contracts	Motor vehicle dealership loyalty programs	Motor vehicle protection products
Insurance: Coverage for any risk, peril, damage or loss beyond inherent deficiencies in the workmanship or materials arising from the production of the motor vehicle.	Insurance: Products which provide a dealership discount to consumers on a future replacement motor vehicle should an event occur that results in damage or total loss of the original motor vehicle.	Insurance: Coverage for external risk such as collision or theft.
Not insurance: Manufacturer warranty protections offered on the manufacturer's vehicles (including extended warranties that may be purchased separately).	Exception (Not Insurance): Debt waiver underwritten by the financing company.	Not Insurance: Roadside service plans; motor vehicle service plans which provide solely for planned maintenance or routine service of a motor vehicle, or minor repairs that are routine to the ownership of a motor vehicle.

Alberta

Motor Vehicle Protection Products - Examples of Insurance

- Deductible reimbursement/monetary credits given in the event of loss, damage, or theft of a vehicle.
- Non-manufacturer tire and rim warranties providing for tire and rim replacement.
- Glass protection products with partial/full coverage for windshield replacement.
- Anti-theft products which pay out in the event of the theft and/or non-recovery of the vehicle (e.g., etching or tagging and catalytic converter anti-theft devices that include a promise to pay if the product fails).
- Key fob replacement coverage.
- Payment for a motor vehicle rental provided in conjunction with a vehicle protection product that is insurance.

Alberta

Licensing Considerations

Solicitation and Distribution

- Full insurance agent/broker licensing, OR
- Automobile dealerships or equipment dealers with restricted licensing:
 - **Motor vehicle warranties (Equipment Warranty Insurance):** Restricted Certificate of Authority.
 - **Motor vehicle dealership loyalty programs and ancillary motor vehicle protection products:** Restricted Certificate of Authority.
 - Class of Insurance may be property or automobile insurance.

Claims Adjudication

- Full insurance adjuster licensing, OR
- Licensed insurance agents/brokers are permitted to handle claims up to \$15,000 without holding an adjuster licence.

Trends and Enforcement

- Increased regulatory scrutiny with respect to vehicle warranties and related products in the Western provinces.
- Increased focus on consumer protection and fair treatment of customers across Canada.
- Addition of restricted licensing regimes which increases flexibility for certain program structures.
- Increased enforcement activity:
 - Orders to cease distribution;
 - Voluntary Compliance Agreements;
 - Penalties/Fines for Offences:
 - Violations of a continuing nature may attract additional penalties.

Tips and Best Practices for Compliance

- 1. Review the entire customer journey including the proposed flow of funds.**
 - Needs analysis, opportunity for customer to discuss any questions with a licensee.
- 2. Review program administration agreements and client/consumer-level documents.**
 - Consider implications of insurance regulatory, consumer protection, privacy and motor vehicle legislation and regulations.
 - Ensure unlicensed entities are not engaging in unauthorized activity – consider audit and reporting rights, indemnification, requirements to conduct training and education.
- 3. Ensure intermediaries have all requisite licensing.**
- 4. Ensure underwriting insurer has all requisite authorizations in all relevant jurisdictions.**
- 5. Engage legal counsel to assist with voluntary compliance agreements, manage regulatory inquiries and investigations.**

An aerial photograph of a river flowing through a forested, rocky landscape. The river is surrounded by dense green trees and shrubs. The water is a vibrant blue, contrasting with the surrounding greenery. The riverbed is composed of large, light-colored rocks. A large, semi-transparent purple shape is overlaid on the left side of the image, containing the title and author's name.

Alberta Automobile Insurance rating and underwriting controls and sound practices Guideline

Jesse Collins-Swartz

Introduction to the Regulation of Automobile Insurance in Alberta

Who are the Regulators?

- The regulatory bodies overseeing insurers' conduct of automobile insurance business in Alberta are (i) the Alberta Superintendent of Insurance and (ii) the Alberta Automobile Insurance Rate Board.
- Insurance intermediaries (brokerages, agencies, MGAs, and adjusters) distributing policies of automobile insurance or adjusting claims under such policies are regulated by the Alberta Insurance Council.

Form and Rate Filing Requirements

- Insurers are required to write automobile insurance cover in Alberta on policy forms and endorsements approved by the Alberta Superintendent of Insurance.
- Insurers conducting automobile insurance business in Alberta must also file their respective rating programs with the Alberta Automobile Insurance Rate Board (subject to certain exemptions for fleet cover).

Rate Cap for “Good Drivers”

- The Government of Alberta capped automobile insurance rate increases for “good drivers” at 7.5% for 2025.

Alberta Automobile Insurance Rating Underwriting Controls and Sound Practices Guideline (the “Guideline”)

- **Applicable Regulator:** The Guideline was developed and published by the Alberta Superintendent of Insurance.
- **Effective Date:** January 15th, 2025.
- **Who Does the Guideline Apply To:** The Guideline applies to all insurers licensed to conduct automobile insurance business in Alberta.
- **What is its Purpose:** The intent of the Guideline is to provide sound practices for insurers’ operations, controls, and governance with respect to automobile insurance underwriting and rating in Alberta.

Reminder About the Canadian Council of Insurance Regulators' Fair Treatment of Customers Guidance

- As a reminder, the Fair Treatment of Customers Guidance sets out expectations that insurers have mechanisms and controls in place to identify any departure from organizational strategies, policies, and procedures that result in unfavorable outcomes to customers.
- The Guideline states that insurers are expected to have clear, well-documented, actionable, and measurable policies and procedures to mitigate risks relating to operations, controls, and governance for automobile insurance rating.

Four Categories of Operations, Controls, and Governance Sound Practices for Automobile Insurance Underwriting and Rating in Alberta

1. Timely Risk and Error Identification

- Implement regular audits, have a dedicated review team, detailed reviews of premium-related anomalies, leverage actuarial and analytic software, and ensure post-implementation checks.

2. Consistent Evaluations and Assessments for Incidents of Overcharging

- Timely assessments to identify and address the root cause and scope of any error(s).

3. Practices for the Prioritization and Mitigation of Errors and Omissions

- Clear action plans, timely implementation of remedial measures, and ensure proper adjustments to internal governance policies and procedures.

4. Ongoing Risk Monitoring and Reporting

- Multiple levels of internal review, maintenance of written records, clear processes for reporting and escalating risks and errors, and internal sharing of best practices.

Supporting Compliance with Automobile Insurance Regulatory Expectations

Examples of Insurance Regulatory and Compliance Matters that Dentons Canada's Corporate and Regulatory Insurance Team regularly advises clients on:

- Navigating the provincial and territorial automobile insurance regulatory form and filing requirements (e.g. form, rate, statistical, and underwriting filings).
- Federal and provincial/territorial insurer licensing matters (inclusive of adding the class of “automobile insurance” to an insurer’s federal and provincial/territorial licenses).
- Regulatory treatment and exemptions related to the distribution of automobile “fleet” insurance.
- Review of automobile insurance policy forms and endorsements for regulatory compliance.

Supporting Compliance with Automobile Insurance Regulatory Expectations (continued)

Examples of Insurance Regulatory and Compliance Matters that Dentons Canada's Corporate and Regulatory Insurance Team regularly advises clients on:

- Distribution and marketing of automobile insurance (e.g. licensing (brokerages, agencies, MGAs, and insurers), advertising activities, and online quote aggregation).
- Assist with the structuring of claims adjustment (e.g. provincial/territorial adjuster licensing and drafting service agreements with third-party claims adjustment companies).
- Regulatory treatment of emerging automobile insurance products (e.g. technology enabled usage-based insurance).
- Regulatory and market conduct investigations by insurance regulatory authorities.

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FSRA proposed Rule 2025-001: Life and Health Insurance Managing General Agents

Taschina Ashmeade

Overview of FSRA Rule 2025-001

Scope and Application of the Rule

- Applies to MGAs conducting “licensed activities” for life insurers in Ontario.
- Focused on entities engaged in agent contracting, onboarding, training, or supervision.
- Insurers that are licensed for the class of life insurance.
- Individual insurance agents.

Purpose of the Rule

- Part of FSRA’s six-point action plan to address consumer harm and bolster protection.
- Seeks to formalize oversight expectations for MGAs.

Key Regulatory Themes and Expectations

- Licensing regime for MGAs.
- Governance and controls required by MGAs.
- Supervision of agents.
- Product suitability.
- Evidence of documentation and reporting.

What's Required of MGAs Under the New Rule

1. Licensing Regime for Life and Health MGAs

- Appointment of a designated compliance representative.
- Insurance requirements.

2. Governance Framework

- MGAs to demonstrate strong internal governance.
- Member of senior management responsible for the MGAs compliance and oversight of distribution.

3. Agent Oversight

- MGAs are responsible for screening, monitoring, and assessing the agents they engage.
- Due diligence must be conducted at the outset and maintained through ongoing supervision.
- Supervisory responsibilities must be active and not passive.

What's Required of MGAs Under the New Rule

(continued)

4. Product Suitability

- MGAs play a key role in supporting product suitability by helping ensure agents are properly assessing client needs.
- MGAs must also ensure that agents have adequate knowledge of the insurer's products to make appropriate recommendations.
- While MGAs may not provide advice directly, they are expected to foster a compliant sales environment where suitability is a core principle.

5. Documentation and Reporting

- Maintain clear evidence of compliance and due diligence.
- Ensure thorough documentation of oversight processes and supervisory actions.

The Role of Insurers Under the New Rule

Independent but aligned responsibilities

- Insurers and MGAs must fulfill their own legal and regulatory obligations.
- Insurer/MGA collaboration is encouraged.

Insurer oversight of MGAs and Agents

- Insurers must maintain systems to screen, train, and monitor all agents, including MGAs.
- Insurers must assess and confirm the suitability of agents and MGAs they sponsor.
- Insurers must report to FSRA if they believe an agent or MGA is unsuitable.

Delegation does not shift ultimate responsibility

- Insurers may delegate functions to MGAs, but they retain full responsibility.
- Must ensure MGAs have appropriate experience, controls, processes and procedures and capabilities.

MGA Preparation – Practical Steps to Take Now To Align with the Rule

1. Strengthen agent onboarding and contracts

- Review and update onboarding processes and screening protocols.
- Revise agent contracts to address compliance, suitability, supervision, reporting, and termination.
- Identify and properly manage conflicts of interest in recruitment.

2. Update oversight framework

- Formalize and document oversight for agents and sub-MGAs.
- Define escalation protocols and clear accountability (e.g., compliance officer, business unit lead).
- Review current supervision practices for consistency and documentation.

3. Implement a risk-based oversight model

- Organize agents by risk factors like sales volume, product complexity, complaints, and disciplinary history.
- Tailor monitoring and supervision efforts to risk levels.
- Ensure your oversight model fits your MGA's size, complexity, and risk profile.

MGA Preparation – Practical Steps to Take Now To Align with the Rule (continued)

4. Training

- Provide targeted training to compliance, distribution, and onboarding teams.
- Ensure all staff understand the Rule, their roles, and FSRA expectations.
- Embed accountability into everyday operations.

5. Conduct a Readiness Assessment or Gap Analysis

- Compare your current practices against FSRA's expectations under the Rule.
- Highlight deficiencies and lapses in record-keeping.
- Prioritize remediation with clear timelines and ownership.

Final Takeaways and What's Next

Coming into Force

- As it stands, the effective date of the new Rule has not yet been confirmed following the close of the consultation period.

Potential Implications of the Rule for the P&C Industry

- Regulatory shift toward oversight of distribution
- Precedent for MGA licensing frameworks
- Influence on suitability and fair treatment standards
- Documentation and accountability expectations
- Use of agent platforms

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RIBO Artificial Intelligence Guidance: Responsible AI use among RIBO Licensees

Marisa Coggin and Jaime Cardy

Background

- RIBO published “Responsible AI Use Among RIBO Licensees” guidance on May 29, 2025.
- RIBO’s Behavioural Insights Team released a report in December 2024 outlining their findings related to the current and future use of AI by P&C insurance brokers and implications for regulation.
- Third-party applications vs. developed in-house.
- RIBO identified the following risks (among others) to customers:
 - reduced transparency;
 - biased and inaccurate decisions based on biased data;
 - use or disclosure of personal information that is in contravention with privacy legislation or expectations; and
 - provision of unsuitable advice/failure to provide advice in the customer’s best interest.

Overview of RIBO Regulatory Framework

RIBO brokers/licensees are governed by:

- *Registered Insurance Brokers Act* (Ontario) and its regulations;
- RIBO Code of Conduct Handbook; Principal Broker Handbook;
- RIBO Guidance (including Fair Treatment Of Customers Guidance).

RIBO licensees must:

- Regularly review and assess their clients' needs;
- Educate and advise their clients around coverage decisions;
- Act with competence;
- Disclose an actual or potential conflict of interest at the time of quotation to the client clearly and accurately;
- Protect and appropriately safeguard confidential information and personal information.

Key Principles

Fair Treatment of Customers and Code of Conduct Handbook

- AI cannot replace a licensee's professional judgement.
- When implementing AI tools, licensees must abide by the following principles:
 - Be competent;
 - Act with integrity and in their client's best interests;
 - Disclose any conflicts of interest;
 - Protect privacy and consumer data;
 - Maintain client confidentiality.

RIBO's Exploration of AI Use by Ontario's P&C Insurance Brokers

- **Purpose:** Explore key trends in the current and future uses of AI by insurance brokers and gain an understanding of whether RIBO's existing frameworks adequately address the regulatory challenges by AI innovation
- **Methodology:**
 - Review reports and articles from regulators, academics, and industry participants
 - Interviewed four Canadian brokers
 - Duration ~6 weeks

RIBO's Exploration of AI Use by Ontario's P&C Insurance Brokers: Findings

- Current and potential uses of AI by brokers in Ontario:
 - AI predominantly being used for back-office functions;
 - Exploratory use for marketing and social media functions;
 - Most tools are provided by third party vendors;
 - Brokers are hesitant about further AI adoption.
- In contrast, more significant AI adoption is seen amongst insurers.

RIBO's Exploration of AI Use by Ontario's P&C Insurance Brokers: Findings (continued)

- Benefits
 - Improve customer experience;
 - Increase efficiencies and profitability;
 - Expand business opportunities;
 - Enhance fraud prevention.
- Risks
 - Biased or inaccurate AI-generated outputs (e.g. decisions, predictions, advice);
 - Ill-suited advice on products;
 - Unauthorized uses of confidential and/or personal information;
 - Lack of transparency and explainability.

RIBO's Exploration of AI Use by Ontario's P&C Insurance Brokers: Implications

- There are no regulatory barriers to adoption.
- Many key consumer risks associated with AI are addressed by the existing regulatory framework.
- Recommendations for RIBO going forward:
 - Consider legislative, regulatory, or guidance-based updates to clarify whether Brokers are responsible for Code of Conduct violations resulting from third-party AI applications, and what the associated penalties should be;
 - Consider how to interpret and extend the requirements from the Code of Conduct to the AI tools that brokers are using to ensure brokers are accountable for the tools they choose to implement;
 - Conduct further research to better understand the current and potential uses of AI across a diverse range of brokers (e.g. size, location, client profiles, etc.);
 - Develop training for brokers;
 - Develop governance policies on how to responsibly use AI;
 - Develop and consult on proposals for updated legislation, regulation, and/or guidance to address consumer risks.

RIBO Guidance on Responsible Use of AI

- An AI Governance Policy will form the foundation of an organization's responsible and ethical AI-based innovations.
- RIBO's 4 recommendations for developing an AI Governance Policy:
 1. Competency related to third party tools and accountability for customer outcomes;
 2. Act in the client's interest by proposing suitable policies;
 3. Maintain a “human in the loop” and be transparent about AI use;
 4. Protect privacy and consumer data, and maintain confidentiality.

Competency Related to Third-Party Tools and Accountability for Customer Outcomes

- Brokers do not need to be experts in AI, **but** they do need to be trained to understand and be able to identify when AI is being used, and the risks of using AI within their business.
- It is a broker's professional responsibility to comply with the *RIBO Code of Conduct* even if they use third-party vendors or vendor tools to support or augment broker services that would otherwise be performed by a human.
- **Tip:** Implement processes to monitor risks, conduct ongoing due diligence, and provide staff education and training related to any AI-based tools and systems that are being used.

Acting in the Client's Interest

- Any information generated or altered by an AI tool should be reviewed by a licensed broker before being presented to a client.
 - Example: If AI is being used in underwriting, the broker should be sure to audit and monitor the AI-generated outputs to ensure that the model is performing as intended and is not subject to systemic biases.
- **Tip:** Ask AI vendor what objectives the AI model seeks to achieve and whether the model was trained on diverse data, and regularly engage in audits to confirm that recommendations are aligned with customer needs

Human in the Loop

- The use of generative AI by brokerages should be closely monitored and overseen by one or more licensed brokers.
- Licensees should be available to respond to coverage questions and take corrective action(s) in the event of any incorrect or misleading results.
- Liability: Who is responsible for incorrect information provided to customers by AI tool?
- **Tip:** Ensure people tasked with reviewing AI outputs are *sufficiently knowledgeable* in the area, as humans are increasingly revealing our bias whereby we tend to believe AI outputs.

Transparent Use of AI

- Brokers should be transparent about their use of customer-facing generative AI tools, such as chatbots or online quoters.
- Customers should be informed when they are engaging with AI instead of a human.
- **Tip:** Include obvious disclaimers when customers are interacting directly with AI and provide an option for customers to opt-out of AI-based interactions by electing to deal with a human representative instead.

Privacy, Consumer Data, and Maintaining Confidentiality

- Privacy laws require that clients' personal information be protected when using AI.
- **Tip:** implement policies regarding:
 - AI Vendor Selection;
 - AI Risk Awareness and Prevention.

Thank You



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