British Columbia Insurance Update: Insurer and Agent Licensing Exemptions for Motor Vehicle Manufacturers and Dealers

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Insurer exemptions are changing for motor vehicle manufacturers and dealers

British Columbia's *Restricted Insurance Agent Licence Regulation* (RIA Regulation) comes into force Jan. 1, 2027. The RIA Regulation will change how dealers' market and sell vehicle warranty insurance and other ancillary insurance products. In addition, related amendments to the *Insurer Exemption Regulation* narrow the current exemption under section 75 of the Financial Institutions Act for motor vehicle manufacturers and dealers that act, or offer to act, as insurance agents through their employees or agents for such products.

Section 75 of the *Financial Institutions Act* generally prohibits carrying on insurance business in British Columbia without authorization. Section 4(1)(a) of the *Insurer Exemption Regulation* currently provides an exemption for a manufacturer or retailer that provides vehicle warranty insurance solely incidental to its sale of the vehicle. Under B.C. law, vehicle warranty insurance captures all plans that provide coverage for loss of, or damage to, a motor vehicle arising from mechanical failure, whether backed by an insurer or the manufacturer.

Effective Jan. 1, 2027, the new section 4(1.1) of the *Insurer Exemption Regulation*, B.C. Reg. 366/2007 limits that exemption:

> ***Manufacturer's and retailer's warranties***
>
> 4(1) Subject to subsection (1.1), section 75 of the Act does not apply to
>
> (a) A manufacturer or a retailer,
>
> that provides vehicle warranty insurance or product warranty insurance that is solely incidental to the sale of the vehicle or product by the manufacturer or retailer.

[…]

(1.1) The exemption from section 75 of the Act in subsection (1) of this section does not apply to a person that is any of the following:

[…]

(c) a motor vehicle dealer, as defined in section 1 of the Restricted Insurance Agent Licence Regulation, or a manufacturer of motor vehicles;

[…]

when the person, through the person's employees or agents, acts or offers to act as an insurance agent, as defined in section 168 of the Act.

Employees and agents of restricted insurance agent licensee

4.2 Section 75 of the Act does not apply to an employee or agent of a person that is licensed under section 174.1 of the Act as a restricted insurance agent when the employee or agent carries on insurance business in accordance with the licence.

For the automotive sector, the limitation applies to motor vehicle dealers and manufacturers, as well as specified related corporations, including commonly owned affiliates, parent corporations and wholly owned subsidiaries, when they act or offer to act as "insurance agents" through their employees or agents.

Section 168 of the *Financial Institutions Act* defines "insurance agent" broadly to include a person, other than an insurance company or extra provincial insurance corporation, who solicits, obtains or takes an application for insurance, negotiates for or procures insurance, signs or delivers a policy, or collects or receives a premium.

For manufacturer-backed vehicle warranty insurance, the amendments do not remove the exemption solely because a manufacturer acts as the obligor. The key question is whether the manufacturer also acts or offers to act as an insurance agent through its employees or agents.

Insurance agent licensing changes

Separate from the insurer authorization exemption, section 2(1)(g) of the *Insurance Licensing Exemptions Regulation* currently exempts motor vehicle dealers and certain representatives from insurance agent licensing requirements for incidental sales of vehicle warranty insurance. That exemption will be repealed effective Jan. 1, 2027, subject to transitional provisions. Dealers wishing to continue those sales will need to obtain an RIA licence.

To review qualification requirements and the application process for an RIA licence, read our bulletin.

Contact us

To discuss how these insurer exemption changes or the RIA licensing rules affect your business, reach out to the authors.

By

Rick Da Costa, Sarah Sweet, Sunny Kim

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BLG Offices

Calgary
Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3
T 403.232.9500
F 403.266.1395

Ottawa
World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9
T 613.237.5160
F 613.230.8842

Vancouver
1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2
T 604.687.5744
F 604.687.1415

Montréal
1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4
T 514.954.2555
F 514.879.9015

Toronto
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3
T 416.367.6000
F 416.367.6749

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