



Financial
Institutions
Commission

GLASS REPAIR OR REPLACEMENT CONTRACTS (BULLETIN: INS-14-001)

Frequently Asked Questions

FINANCIAL INSTITUTIONS COMMISSION

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Why was this bulletin issued?

FICOM was recently asked to review a glass contract to determine whether it was an insurance contract that must meet insurance requirements. FICOM determined that it was a glass repair or replacement contract that fell within the definition of insurance business as set out in the *Financial Institutions Act* (FIA); as such it must meet the requirements of an insurance contract. FICOM believed that there were likely similar products being offered in the market. Bulletin INS-14-001 was issued to clarify FICOM's position on glass repair or replacement contracts.

Why is FICOM taking action now?

FICOM's position on glass repair or replacement contracts has not changed. The purpose of the bulletin is to restate FICOM's position to avoid any confusion among parties involved in this business.

What is the difference between a glass repair or replacement contract, a glass service contract and a product warranty?

Glass repair or replacement contract

Where a contract undertakes to repair or replace residential or commercial glass **due to damage or breakage**, it is a glass repair or replacement contract. For example, a contract that covers repair of glass due to a falling tree would be considered a glass repair or replacement contract.

In British Columbia glass repair or replacement contracts are considered to be insurance contracts. They must be underwritten by an authorized insurance company, conform to the requirements for insurance contracts set out in the *Insurance Act*, and sold in accordance with the FIA.

Glass service contract

In FICOM staff's opinion, a glass service contract is a business agreement between a contractor and customer that covers **the routine maintenance and servicing of glass over a specified period of time**. The need for maintenance/servicing is not triggered by accidental breakage or damage to the glass or by any fault, default or breakdown of the glass. For example, a contract that **only** covers the routine periodic cleaning of glass or its routine periodic maintenance could be considered a glass service contract.

Product warranty

A product warranty on glass covers the repair or replacement of glass **in the event of a defect in its manufacturing or installation**. Glass suppliers are only able to offer warranties on glass that they manufacture or sell. For example, a product warranty would cover reinstallation as a result of defect or poor workmanship.

In British Columbia product warranties are considered to be insurance products. However, there are exemptions that exist that permit manufacturers and retailers to provide or sell warranties on

products. For more information on these exemptions and on product warranties see [Information Bulletin INS-06-009: Product and Vehicle Warranty insurance.](#)

Canada Revenue Agency (CRA) has deemed my glass repair or replacement contract to be a service contract, not an insurance contract. Why is FICOM taking a different position?

FICOM cannot comment on any CRA position. Insurance business is subject to provincial legislation. Under British Columbia legislation (*Insurance Act* and FIA), any contract which undertakes to repair or replace residential or commercial glass resulting from an event that causes loss is considered to be an insurance contract.

What will happen with existing glass repair or replacement contracts?

Existing contracts can remain in force until they expire.

What will happen with renewals that have already been sent out?

Any renewals that were already sent out can be honoured.

Will FICOM allow any sort of transition period to bring products into compliance?

FICOM will allow glass suppliers and licensed insurance agencies operating in British Columbia to continue renewing existing contracts that have an expiry date of no later than May 31, 2014 as long as the renewal offer is made no later than May 31, 2014 and the renewal contract expires no later than one year after renewal. As of June 1, 2014 any renewals or new contracts must either be compliant with legislative requirements or they can no longer be offered. FICOM recommends that companies work with their legal counsel to ensure compliance.

What do I need to do to offer glass repair or replacement contracts?

Only an authorized insurance company can underwrite glass repair or replacement contracts. Entities that wish to provide a contract that covers the repair or replacement of broken or damaged glass must find an authorized insurer (or set up its own insurer) to provide the coverage. As of June 1, 2014, all glass repair or replacement contracts must conform to the requirements for insurance contracts set out in the *Insurance Act*.

Furthermore, only an authorized insurer or licensed insurance agent can sell glass repair or replacement contracts. Individuals or entities that wish to sell or market glass repair or replacement contracts to the public or to licensed agents must become licensed by the Insurance Council of British Columbia as an insurance agent. As of June 1, 2014, all glass repair or replacement contracts must be sold in accordance with the requirements of the FIA.

If you or your legal counsel have additional questions, please contact insurance@ficombc.ca.

Contact Information:

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