



March 11, 2014  
File No.: 78000-03  
Ref. No.: 0345

**Open Letter RE: Structure of Creditor's Group Insurance Offered in British Columbia**

It has come to the Financial Institutions Commission's (FICOM) attention that there are creditor's group insurance contracts in the market that have been effected by a third party, not the creditor. As these contracts are not being effected by the creditor, they do not meet the requirements to qualify as creditor's group insurance as stipulated in the *Insurance Act*.

Section 37 and section 92 of British Columbia's *Insurance Act* define creditor's group insurance as "*insurance effected by a creditor under which the lives of a number of the creditor's debtors are insured severally under a single contract.*" In order to "effect" a contract, the creditor must play an active and substantive role in negotiating and concluding the contract with the insurer.

FICOM plans to directly contact all insurance companies that are authorized to offer creditor's group insurance products in British Columbia in the coming weeks to determine the extent of third party effected contracts in the market.

Based on the results of its review, FICOM may work with other provincial regulators to address this issue.

Yours truly,

Frank Chong  
Executive Director  
Supervisory Support & Policy

MB/ac

- 
- Superintendent of Financial Institutions
  - Superintendent of Pensions
  - Superintendent of Real Estate
  - Registrar of Mortgage Brokers

2800-555 West Hastings  
Vancouver, BC V6B 4N6  
Telephone: 604 660-3555  
Facsimile: 604 660-3365  
[www.fic.gov.bc.ca](http://www.fic.gov.bc.ca)