

Lloyd's Canada Guidance on online sales for Coverholders

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1. Purpose and Scope

This guidance establishes mandatory requirements for the online distribution of P&C insurance and applies to soliciting, quoting, placing, binding, issuing, renewing, endorsing and cancelling insurance through digital channels.

For the purpose of this manual, “**Applicable Law**” means all laws, statutes, regulations, regulatory requirements, rules, guidance, by-laws, codes, directives, bulletins, and orders of any governmental, regulatory, or self regulatory authority having jurisdiction over the Coverholder, as amended or replaced from time to time.

2. Regulatory Framework

This manual is based on the Canadian Council of Insurance Regulators (CCIR) Electronic Commerce in Insurance Products guidance and the Quebec Autorité des Marchés Financiers (AMF) Regulation Respecting Alternative Distribution Methods [as well as Lloyd’s Canada’s interpretation of the application of provincial insurance legislation and regulations to the digital distribution of insurance]. AMF requirements are adopted as the minimum operational standard for all online distribution activities.

3. Roles and Responsibilities

The Coverholder is responsible for:

1. ensuring compliance of the distribution process with Applicable Law, including the fair treatment of customers and ensuring there are no unfair outcomes to customers,
2. oversight of delegated activities and supervision of agents distributing insurance, where applicable,
3. securely protecting all data handled by a digital channel,
4. maintaining fulsome audit records, and
5. regulatory reporting throughout the life cycle of the insurance product.

The Coverholder’s compliance function and Lloyd’s Compliance must review and approve customer journeys before implementation of any digital insurance offering.

4. Licensed Representative Requirements

The Coverholder must ensure that only licensed insurance representatives provide insurance coverage advice, assess customer insurance needs, explain insurance coverage, make recommendations, discuss suitability, negotiate terms or otherwise perform activities requiring an insurance agent or broker licence.

5. Prohibition on Unlicensed Activities

The Coverholder must ensure that unlicensed entities or persons only provide technology, administration or marketing services. They must not solicit insurance, provide advice, recommend products, bind coverage, negotiate terms or perform regulated insurance activities.

6. Commission and Compensation Controls

No insurance commissions, contingent commissions or production-based compensation may be paid to unlicensed entities. Referral arrangements require Lloyd's Canada compliance approval.

7. Data Protection, Data Governance, and Artificial Intelligence

Privacy and Data Protection. The Coverholder must ensure that all collection, use, disclosure, retention, safeguarding, processing, hosting, transfer, and disposal of all information about an identifiable individual ("**Personal Information**") in connection with the solicitation, quoting, placement, binding, issuance, renewal, endorsement, cancellation, servicing, or administration of insurance through digital channels is conducted in compliance with all Applicable Laws, including applicable Canadian federal and provincial privacy, data protection, and electronic communications laws.

The Coverholder must maintain appropriate privacy policies, consent mechanisms, notices, access and correction procedures, breach response protocols, vendor controls, and records of processing sufficient to demonstrate compliance.

The Coverholder must ensure that Personal Information is collected only for identified and necessary purposes, used only for authorized insurance-related purposes, protected by administrative, technical, and physical safeguards proportionate to the sensitivity of the information, and not disclosed to any third party except as permitted by Applicable Law, the applicable binding authority, and Lloyd's Canada's requirements.

Technology Providers, Hosting, and Data Governance. Where the Coverholder uses any website, portal, application, API, platform, rating engine, customer relationship management system, third-party administrator, software vendor, cloud service provider, data enrichment provider, analytics provider, or other technology solution in connection with digital distribution, underwriting or administration of insurance, the Coverholder remains responsible for the acts, omissions, security, compliance, and data handling practices of such providers.

The Coverholder must conduct appropriate due diligence before implementation and maintain written agreements requiring confidentiality, security safeguards, restricted use of data, breach notification, audit or assurance rights, subcontractor controls, data return or deletion, and compliance with Applicable Laws and Lloyd's requirements. The Coverholder must not transfer, host, process, or make available Lloyd's-related policyholder, applicant, claimant, broker, or underwriting data in a manner that would materially impair Lloyd's rights, regulatory compliance, auditability, or ability to respond to privacy, regulatory, claims, complaint, or litigation matters.

Artificial Intelligence and Automated Decision-Making. The Coverholder must not deploy or materially modify any artificial intelligence system, machine learning model, automated decision-making tool, algorithmic rating, underwriting, referral, triage, fraud detection, marketing, chatbot, document generation, or customer interaction tool in connection with Lloyd's insurance unless it has implemented governance controls appropriate to the nature and risk of the use case. Such controls must include documented human accountability, testing and validation, monitoring for accuracy and unintended bias, explainability proportionate to the impact on applicants or insureds, cybersecurity and data quality controls, restrictions on use of confidential or Personal Information for model training, and procedures for escalation, override, audit, and remediation.

The Coverholder must ensure that any AI-enabled tool does not make final decisions to decline, cancel, non-renew, materially alter coverage, or otherwise adversely affect an applicant, insured, claimant, or broker without appropriate human review where required by law, regulation, Lloyd's requirements, or prudent underwriting practice, and must maintain records sufficient to evidence the basis for AI-supported decisions.

8. Online Sales Procedure

The online distribution procedure should include the following requirements, at minimum:

1. Digital sales platform must be under control of licensed insurance intermediary.
2. Display full legal names of and contact information for Coverholder, insurer(s), and any other intermediaries involved in transaction, licensing information and complaint information.
3. Provide visible access to a licensed representative at all times during the transaction.
4. Collect underwriting information only once valid privacy consent has been obtained.
5. Validate eligibility and underwriting rules.
6. Present all required or recommended customer disclosures at or before time of quote.
7. Provide specimen policy wording and endorsements for customer review.
8. Customer reviews and confirms all information entered.
9. Obtain customer acknowledgements and valid privacy consent.
10. Bind coverage and issue policy documentation electronically.
11. [Collection of premium by licensed intermediary, remittance to Lloyd's syndicate(s)]
12. Retain complete audit record.

Market Conduct / Customer Outcome Analysis must be completed prior to launch [e.g., **ensure there are no issues related to automatic enrollment, tied selling, undue pressure, UDAP**]

9. Customer Disclosure Requirements

The following information must be disclosed to the customer at the time of quote and prior to the insurance product being bound and issued:

- Full legal name and contact information of Coverholder.
- Full legal name and contact information of insurer.
- Licensing and regulatory information.
- Coverage summary and key benefits.

- Material exclusions and limitations.
- Deductibles and sublimits.
- Eligibility requirements.
- Premium, fees, taxes and total cost to customer.
- Consequences of misrepresentation.
- Policy cancellation and rescission rights.
- Complaint process and escalation options.
- Privacy notice and consent language.
- Representative contact information.
- Access to specimen policy wording and endorsements.

10. Pre-Bind Compliance Checklist

- ☐ Coverage summary acknowledged
- ☐ Key exclusions acknowledged
- ☐ Policy wording available
- ☐ Premium accepted
- ☐ Customer reviewed application
- ☐ Privacy consent obtained
- ☐ Representative access available
- ☐ Electronic record saved

11. Website Compliance Checklist

- ☐ Firm identity displayed
- ☐ Representative contact visible – individual must maintain individual broker/agent licensing at a sufficient level to deal with clients directly and/or must be appropriately supervised
- ☐ Complaint process available
- ☐ Policy wording accessible within one or two clicks
- ☐ Privacy notice posted
- ☐ Audit logging enabled
- ☐ Cybersecurity controls active

12. Licensed Activity Checklist

- ☐ Advice provided only by licensed representative
- ☐ All distributors of insurance hold full or restricted insurance agent licensing, as applicable
- ☐ No unlicensed sales activities
- ☐ No prohibited commission payments
- ☐ Referral arrangements approved
- ☐ Customer interactions documented

13. Minimum Standards Adopted Nationally

- Representative contact information must remain visible throughout the transaction.
- Customers must be able to interact with a representative upon request.
- Required disclosures must be clear, readable and non-misleading.
- Specimen policy wording and endorsements must be readily accessible.
- Complaint handling information must be available.
- Customer information must be reviewable prior to binding.
- Digital transaction records must be retained and auditable.

14. Record Retention and Audit

Coverholders must maintain complete copies of applications, client disclosures, acknowledgements, recordings, complaints, policies, endorsements, compensation records and audit logs in accordance with Applicable Law. Such information shall be provided promptly to Lloyd's Canada upon request.

15. Annual Compliance/Audit Review

Compliance audits should be conducted annually to review website content, disclosure language, representative availability, compensation arrangements, complaints, privacy controls and regulatory reporting. The results of such audits shall be made available to Lloyd's Canada upon request.