

MARKET BULLETIN

From	Director Worldwide Markets (extn 6677)
Date	31 March 2006
Reference	Y3778
Subject	Canada: Code of Consumer Rights & Responsibilities
Subject areas	
Attachments	Appendix 1: Lloyd's Underwriters Code of Consumer Rights & Responsibilities
Action points	Managing agents and Lloyd's Brokers to action as appropriate
Deadlines	Immediate

The purpose of this Market Bulletin is to advise the Market of a revision to the Insurance Bureau of Canada's Code entitled 'Consumer Rights and Responsibilities' (the Code) that was adopted by Lloyd's underwriters in 2005 (see Market Bulletin Y3509, dated 4 March 2005). Also, following this change a customised version of the Code has now been developed for use by Lloyd's underwriters that clarifies how it applies in the Lloyd's context.

The Code was established to respond to regulator's concerns about matters such as transparency of remuneration practices. It sets out certain rights owed to the insured relating to insurance sales and services for consumers, when purchasing 'personal or commercial insurance'¹. It also sets out an insured's responsibilities to the insurer. It has been viewed favourably by Canadian regulatory authorities who have been evaluating the case for introducing regulations relating to several of the matters addressed in it.

The Insurance Bureau of Canada's (IBC) recent revision of the Code has been made following pressure on regulators to mandate a provision that insurers give a notice period of policy changes or cancellation. The Code therefore now states that insurers will advise policyholders or their brokers of changes to or the cancellation of, a policy at least 30 days prior to expiry. It goes on to provide, however, that the policyholder must promptly inform their insurer or broker or agent of any material change in their circumstances and that information required to determine renewal terms of their policy, must be provided by the policyholder at least 45 days prior to the expiration of the policy.

¹ The intention of the Code is that it applies to **all** personal and commercial lines of business, with no exceptions.

Following discussions with the LMA and the LMBC, it has been agreed that these provisions should be adopted for all Lloyd's Canadian business. As IBC members are free to adapt the Code to reflect their particular circumstances, Lloyd's has taken the opportunity to customise the Code to reflect how the Lloyd's market operates. Appendix 1 contains this customised version that now applies to Lloyd's Canadian business.

The Market should comply with the 'Lloyd's underwriters' version' of the Code in respect of Lloyd's Canadian business. Nicholas Smith, Lloyd's Attorney-in-Fact in Canada, will inform Canadian regulators and intermediaries accordingly.

It is proposed to incorporate the 'Lloyd's underwriters' version' of the Code into a LSW wording, which underwriters may wish to attach to an insured's policy to make them aware of their responsibilities. Until this is available, managing agents may want to request the relevant intermediary to convey this information to the insured.

It should be noted that in the case of binding authority business, the coverholder should, on behalf of underwriters, also comply with the 'Lloyd's underwriters' version' of the Code.

If you have any queries regarding this matter, please contact:

Lloyd's Worldwide Markets:

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This bulletin has been sent to active underwriters and the compliance officers of managing agents and Lloyd's brokers and the market associations.

More detailed information on Lloyd's trading rights may be found on [www.lloyds.com/Lloyds Worldwide](http://www.lloyds.com/Lloyds_Worldwide). Select the appropriate country from the drop down menu which will take you to the webpage for the country selected. Select the "Quick Reference Guide" link for a summary of Lloyd's licensing position. More detailed information may then be obtained for certain countries by selecting 'Manual' from the menu on the left hand side of the screen. You will be asked to input a password. Please contact the Worldwide Market Services (contact details as above) in order to obtain this information.

Julian James
Director
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Lloyd's Underwriters Code of Consumer Rights & Responsibilities

Lloyd's Underwriters are committed to safeguarding your rights when you shop for insurance and when you submit a claim following a loss. Your rights include the right to be informed fully, to be treated fairly, to timely complaint resolution, and to privacy. These rights are grounded in the contract between you and your underwriters and the insurance laws of your province/territory. With rights, however, come responsibilities including, for example, the expectation that you will provide complete and accurate information to the underwriters with whom insurance is being negotiated. Your policy outlines other important responsibilities. Underwriters and intermediaries acting on your behalf, and governments also have important roles to play in ensuring that your rights are protected.

Right to Be Informed

In dealing with Lloyd's Underwriters, you will be represented by an intermediary, such as a broker acting as your agent, and they may deal with other intermediaries. From the intermediary with whom you deal, you can expect to access clear information about your policy, your coverage, and the claims settlement process. You have the right to an easy-to-understand explanation of how insurance works and how it will meet your needs. You also have a right to know how premiums are calculated based on relevant facts.

A policy issued by Lloyd's Underwriters will expire on the day specified in the policy. If you wish to renew the policy, the intermediary with whom you deal will have to approach the Underwriters participating in it, often through another intermediary. If Lloyd's Underwriters are given the information they require to determine renewal terms for the policy at least 45 days prior to its expiry, under normal circumstances, they will advise the intermediary who approaches them of any changes to the policy terms at least 30 days prior to the expiration of the policy. Terms may subsequently change if there is a change in material facts prior to the expiration date.

Intermediaries may receive payments from Lloyd's Underwriters in a variety of ways, which may include the payment of commissions. Lloyd's strongly supports the disclosure and transparency of these commission arrangements. You have the right to ask the intermediary with whom you deal for details of how and by whom the intermediary is being paid.

Lloyd's Underwriters accept business as members of syndicates each of which is managed by a 'managing agent'. Lloyd's has risk management procedures in place in respect of the relationship between Lloyd's managing agents and any related companies that act as intermediaries. This is to ensure that the managing agent makes proper disclosures of any such arrangements. A policyholder may ask the intermediary whom he is dealing to disclose if it is a related company to a Lloyd's managing agent.

Responsibility to Ask Questions and Share Information

To safeguard your right to purchase appropriate coverage at a competitive price, you should ask questions about your policy so that you understand what it covers and what your obligations are under it. You can access information through brochures and websites, as well as through one-on-one meetings with the intermediary with whom you deal. You have the option to shop the marketplace for the combination of coverages and service levels that best suits your insurance needs. To maintain your protection against loss, you must promptly inform your underwriters of any change in your circumstances through the intermediary with whom you deal. The Underwriters with whom renewal is being negotiated must be given information required to determine renewal terms of your policy, via the intermediary whom you are dealing with, at least 45 days prior to the expiration of the policy.

Right to Complaint Resolution

Lloyd's Underwriters are committed to high standards of customer service. If you have a complaint about the service you have received, you have a right to access the Lloyd's complaint resolution process for Canada. The intermediary with whom you deal can provide you with information about how you can ensure that your complaint is heard and promptly handled. Disputes involving claims settlement matters may be handled by the independent General Insurance OmbudService www.gio-scad.org where your complaint may be referred to an independent mediator.

Responsibility to Resolve Disputes

You should always enter into the dispute resolution process in good faith, provide required information in a timely manner, and remain open to recommendations made by independent observers as part of that process.

Right to Professional Service

You have the right to deal with insurance professionals who exhibit a high ethical standard, which includes acting with honesty, integrity, fairness and skill. Brokers and agents must exhibit extensive knowledge of the product, its coverages and its limitations in order to best serve you.

Right to Privacy

Because it is important for you to disclose any and all information required by underwriters with whom insurance is being negotiated on your behalf to provide the insurance coverage that best suits you, you have the right to know from the intermediary with whom you deal the purposes for which Lloyd's Underwriters will use your personal information. This information will not be disclosed to anyone except as permitted by law. You should know that Lloyd's Underwriters are subject to Canada's privacy laws with respect to their business in Canada.