Bulletin to Interested Parties
Vehicle Protection Products

Purpose

The Automobile Insurance Rate Board (AIRB) is issuing this bulletin to advise insurers who write vehicle protection products of the expectations for filing a rating program to comply with Superintendent of Insurance Bulletin 05-2024 on Motor Vehicle Warranty Contracts.

Background

The Insurance Act (Act) permits a restricted insurance agent's certificate of authority and authorizes the holder and their employees to act as an insurance agent for specific classes or types of insurance specified by the Minister. Businesses, like automobile dealerships who intend to sell restricted insurance types must hold a restricted license authorizing only the specified type of insurance. Section 454 of the Act, states a restricted insurance agent's certificate of authority is subject to prescribed conditions and restrictions, as an insurance agent in respect of classes or types of insurance specified by the Minister (the Minister delegated this to the General Insurance Council (GIC)).

The GIC has used its authority to specify various restricted insurance types, including, where applicable, identifying the class under which the restricted type falls. The GIC added new restricted insurance types to include dealer loyalty programs and ancillary protection products in line with interpretations set out in Superintendent of Insurance Interpretation Bulletin 05-2024. This new type includes insurance coverages falling under the automobile insurance class, which require Superintendent of Insurance approved wordings and AIRB approved rating programs. Insurers should also reference Alberta Insurance Council (AIC) Bulletin IB-2024-01.

These bulletins advise the GIC has reviewed several types of coverages provided by loyalty program or ancillary protection product insurance and confirmed third party extended motor vehicle warranties are considered insurance. The AIC bulletin specifies the following three ancillary protection products as auto insurance, and therefore requiring approved policy wordings and rating programs.

1   **Non-manufacturer tire and rim warranties** providing for tire and rim replacement (excludes warranties provided by the motor vehicle manufacturer for tires and rims included in the vehicle's assembly),

2   **Glass protection products** promising to pay for some or all the cost of a windshield replacement, and

3   **Anti-theft products** including a promise to make a payment in the event of the theft and/or non-recovery of the motor vehicle (or part thereof); includes theft-deterrent etching or tagging and catalytic converter anti-theft devices including a promise to pay if the product fails.

Process

Insurers who write any of the three above-described products which have recently been classified as auto insurance are required to ensure they have an approved rating program.

Prior to submitting a filing with the AIRB, the insurer will:

1 Obtain approval from the Superintendent of Insurance for their policy wordings, and

2 Confirm they licensed to transact auto insurance.

When filing with the AIRB to establish a rating program, the insurer will:

1 Review the AIRB Filing Guidance to understand the documentation required to accompany a filing, including data and any explanation as to how the existing rates were established.

2 Submit a file and use filing through CARS, including the approved policy wordings, underwriting manual, product brochures or advertising materials, and any other documentation to assist in our full understanding of the product and how it is sold to Albertans.

Action Required

Insurers who write these products will file with the AIRB immediately to establish an initial rating program, and once approved would follow established rate filing procedures for proposing subsequent changes to the applicable rating program.

Should you have any questions relating to this Bulletin, please contact our office at (780) 427-5428 or by email: airb@gov.ab.ca.

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