



## **Unlicensed insurance selling:**

### **FICOM intervenes re: sales of ETCHING**

British Columbia's Superintendent of Financial Institutions has characterized the sales of so-called "etching" programs as auto insurance. Effectively, this currently means that if motor dealers sell this product, they must be licensed as insurance brokers and have licensed insurance agents dealing with their customers.

A "cease and desist" order was issued on April 7, 2009 against Penticton Honda, citing that the Platinum Security Protection Program offered through First Protection Security Products (FPSP), a division of Data Gathering Service Inc. (DGSI), was automobile insurance, since the product insures against loss of or damage to an automobile, and the loss of use of it. Although the underwriter, Millennium Insurance Corporation (MIC), was licensed in B.C., the Superintendent was concerned it was not authorized to offer this particular insurance program.

**A variance to this order was issued on April 24, 2009 stating that MIC has accepted all responsibility to ensure that regulations and sales practices adhere to the regulations for insurance sales as established by B.C.'s Financial Institutions Commission (FICOM).** In view of this assurance, Penticton Honda has been allowed to continue selling the program until June 26 by which time MIC must come up with an Etching sales and service plan acceptable to FICOM.

The issues could impact 228 dealerships in the province that are currently selling an etching program, either by itself or within a package of services. Individual dealers should make inquiries with FICOM to ensure they can continue to sell this program.

Unchanged in the recent variance is the Superintendent's concern that Penticton Honda charged the etching fee as part of its administrative/security fee and the consumer really had no choice but to pay for it:

*"While it appears numerous dealerships are selling these policies in British Columbia, Penticton Honda's forced sale of this product is particularly egregious and warrants specific remedial regulatory prohibition."*

In the April 7 ruling, FPSP and DGSI were ordered to cease and desist conducting insurance business in B.C. and MIC was ordered to cover existing sold policies.

Reporting FICOM's action to B.C. motor dealers, VSA Deputy Registrar Ian Christman said:

*"While the orders are specific to Penticton Honda, motor dealers who do not meet the current requirements noted in the Superintendent's two orders should be careful how they sell the program and monitor closely subsequent developments. The Superintendent's decisions also confirm that a motor dealer cannot require a consumer purchase the above insurance program, such as being part of an administrative fee, including it in a Pro Pack or by building it into the price of the motor vehicle. If a motor dealer continues to sell the above noted program contrary to B.C. law, they may face regulatory action by FICOM and by the VSA."*

#### **The two rulings are found here:**

<http://www.fic.gov.bc.ca/pdf/enforcement/trust/fia20090407.pdf>  
<http://www.fic.gov.bc.ca/pdf/enforcement/trust/fia20090424.pdf>

Consumers with claims for policies already sold should be referred to the MIC company noted.