

Steer clear of non-compliance: Alberta's new restricted insurance licence for dealership programs

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On Dec. 19, 2024, the Office of the Alberta Superintendent of Insurance published a revised version of [Interpretation Bulletin No. 05-2024](#) (the Superintendent's Revised Bulletin) setting out the Superintendent's position with respect to products commonly marketed by automobile dealerships in conjunction with the sale of motor vehicles. The original Bulletin published by the Superintendent has not substantively changed, and was previously summarized in an article by [BLG found here](#).

The Superintendent's Revised Bulletin has been released in conjunction with the Alberta Insurance Council's [Information Bulletin IB-2024-01](#) (the AIC Bulletin). Among other things, the AIC Bulletin announces a new Restricted Certificate of Authority (i.e. a Restricted Insurance Licence) for "dealership loyalty programs and vehicle protection products". This announcement aligns with the trend of Western provinces to expand these types of insurance intermediary licences for auto and equipment dealerships.

In short, the AIC Bulletin builds on the Superintendent's Revised Bulletin, and makes it clear that certain products sold by auto dealerships and equipment dealers must be underwritten by licensed insurers and sold under a Restricted Certificate of Authority. In particular, auto dealerships and equipment dealers will need to apply for and hold either:

1. **an Equipment Warranty type of Restricted Certificate of Authority** , in the event auto dealerships and equipment dealers sell motor vehicle warranty contracts; and/or
2. **a new type of Restricted Certificate of Authority** , in the event auto dealerships and equipment dealers sell motor vehicle dealership loyalty programs or ancillary vehicle protection products.

The AIC Bulletin also sets out what classes of insurance these products typically fall under the Classes of Insurance Regulation, [Alta. Reg. 144/2011](#).

Motor vehicle warranty contracts require an Equipment Warranty insurance Restricted Certificate of Authority

In the event a business (e.g. third-party motor vehicle equipment dealers and repairers) sells a **motor vehicle warranty contract**, it will need to obtain an “equipment warranty insurance” type of Restricted Certificate of Authority.

The Superintendent’s Revised Bulletin defines a motor vehicle warranty contract as (1) motor vehicle warranties that insure for risks beyond inherent deficiencies in a vehicle; and (2) third-party extended motor vehicle warranties. To ensure compliance, businesses such as auto dealerships and equipment dealers will need to take the following steps:

1. ensure that the motor vehicle warranty contracts it sells are underwritten by a licensed insurer; and
2. hold an “equipment warranty insurance” type of Restricted Certificate of Authority with the AIC that authorizes the sale of these products.

Motor vehicle dealership loyalty programs and ancillary motor vehicle protection products require a new type of Restricted Certificate of Authority

Auto dealerships and equipment dealers wishing to sell motor vehicle dealership loyalty programs or ancillary motor vehicle protection products must apply for and hold a new “dealership loyalty programs and vehicle protection products” type of Restricted Certificate of Authority. To ensure compliance, businesses such as auto dealerships and equipment dealers will need to take the following steps:

1. ensure that the dealership loyalty programs and the ancillary motor vehicle protection products that it sells are underwritten by licensed insurers; and
2. hold the new type of Restricted Certificate of Authority that authorizes the sale of these products.

The types of products that fall under this new Restricted Certificate of Authority, and the classes of insurance they fall under, are set out in the chart below.

Product	Class of insurance, as classified by the General Insurance Council
Dealership loyalty programs	
Motor vehicle dealership loyalty programs that provide a dealership discount on a future replacement motor vehicle in the event of damage or total loss of the original motor vehicle	Property Insurance Class
Ancillary motor vehicle protection products	

Deductible reimbursement and/or monetary credits given in the event of loss, damage, or theft of a motor vehicle	Property Insurance Class
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)	Automobile Insurance Class
Glass protection products that promise to pay for some or all of the cost of a windshield replacement	Automobile Insurance Class
Anti-theft products that include 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 that include a promise to pay if the products fails	Automobile Insurance Class
Key fob replacement coverage	Property Insurance Class
Payment for a motor vehicle rental provided in conjunction with a vehicle protection product that is insurance	Products would fall under the same class as the vehicle protection product the coverage is attached to

Applying for a Restricted Certificate of Authority with the AIC

Applications to the new type of Restricted Certificate of Authority will be available on the [AIC's Portal](#) located on the AIC's website in January 2025. To apply for the new type of Restricted Certificate of Authority, auto dealerships and equipment dealers must meet the same applications requirements as all other insurance types.

To this end, businesses applying for the “equipment warranty insurance” or the new Restricted Certificate of Authority will be required to apply separately for each type of insurance that the business will provide, and will be asked for the following information:

1. a designated individual;
2. Alberta Corporate Access Number;
3. valid errors & omissions insurance policy;
4. sponsorship from an insurance company;
5. payment of the license fees; and
6. registration with the Alberta Motor Vehicle Industry Council (which is applicable for auto dealerships).

Once applications for the Restricted Certificate of Authority are available, auto dealerships and equipment dealers that do not hold a valid Restricted Certificate of Authority will be subject to investigation. The sale of insurance products without a valid Restricted Certificate of Authority constitutes an offence under the Insurance Act, c. I-3, and may lead to disciplinary proceedings, including civil penalties and the suspension or revocation of certificates of authority.

Key takeaways

- **Alberta's automobile warranty industry stakeholders may not be able to rely on** historical assumptions about the way in which they are permitted to distribute certain automotive warranties in the province.
- Some automobile warranty products previously not thought of as insurance are, indeed, considered and regulated as automobile insurance in Alberta and may have to be underwritten directly by a licensed insurer unless an exemption is available.
- To sell these products, auto dealerships and equipment dealers may have to apply for a new type of Restricted Certificate of Authority provided by the Alberta Insurance Council.
- Industry stakeholders may now need to explore new ways of earning revenue from the distribution of these products, including the possibility of establishing an Alberta-domiciled captive insurance company to do so.

For more information on this topic, or if you're looking for more information on how to establish a captive insurance company to assume the risks and earn premiums paid for, reach out to any of the authors or key contacts below.

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