

**IN THE MATTER OF THE
FINANCIAL INSTITUTIONS ACT,
RSBC 1996, c. 141**

and

**The Sovereign General Insurance Company
(Pursuant to sections 158(1) and 244(2) of the *Financial Institutions Act*)**

VOLUNTARY COMPLIANCE AGREEMENT

[This Agreement has been redacted before publication.]

WHEREAS BC Financial Services Authority ("BCFSA") conducted an examination of The Sovereign General Insurance Company ("Sovereign") to determine if Sovereign established effective controls to prevent improper sales of supplemental automobile insurance products distributed through automobile dealerships in British Columbia ("B.C.");

AND WHEREAS Sovereign is an extraprovincial insurance company authorized to carry on general insurance business within B.C. pursuant to the *Financial Institutions Act* ("FIA").

AND WHEREAS BCFSA staff completed an examination of Sovereign's oversight and monitoring of its outsourcing arrangements with an intermediary and the distribution of supplemental automobile insurance products in B.C. (the "Examination") and has issued a Final Examination Report dated June 21, 2024, to Sovereign (the "Report");

AND WHEREAS the Examination found that Sovereign was failing or neglecting to perform acts or failing or neglecting to pursue courses of conduct, which failure or neglect might reasonably be expected to harm the interests of insureds, as set out in section 244 of the FIA, by failing to establish and implement adequate oversight and internal controls over the distribution of supplemental automobile insurance products in B.C. by intermediaries;

AND WHEREAS the Examination found that Sovereign had developed and implemented some controls to prevent unlawful and improper sales of supplemental automobile insurance products but that these controls were insufficient or absent in all areas under review;

AND WHEREAS the Superintendent of Financial Institutions (the "Superintendent") is of the opinion, based on the Examination, that Sovereign sold vehicle warranty insurance in B.C. without being authorized to do so under the FIA, thereby contravening sections 75 and 159(1) of the FIA;

AND WHEREAS the Superintendent is of the opinion, based on the Examination, that Sovereign failed to comply with section 91 of the FIA by not disclosing its identity consistently in all public facing materials;

AND WHEREAS the Superintendent is of the opinion, based on the Examination, that Sovereign failed to comply with section 93 of the FIA, as a result of its intermediary providing unfair, misleading, or deceptive documents in the B.C. marketplace;

AND WHEREAS Sovereign acknowledges that there were deficiencies in its oversight and controls over the distribution of supplemental automobile insurance products in B.C., and Sovereign is and will continue taking remedial actions to address the concerns and recommendations included in the Report;

THEREFORE, the Superintendent considers it appropriate to enter into a Voluntary Compliance Agreement with Sovereign, pursuant to sections 158(1) and 244(2) of the FIA;

ACCORDINGLY, by October 30, 2024, Sovereign undertakes the following:

1. To review and strengthen its internal controls to ensure it complies with legislative requirements set out in the FIA and other relevant regulations in place in B.C.
2. To establish monitoring and oversight controls over intermediaries that ensure outsourced functions are managed effectively and customers are treated fairly throughout the product lifecycle, including but not limited to:
 - Outsourcing agreements are comprehensive and have clear, enforceable roles and responsibilities for each party;
 - If any intermediaries are assigned the responsibility to train distributors, intermediaries are proactively monitored to ensure they fulfill delegated responsibilities;

- Insurance product public facing materials are accurate, clear, not misleading, and include the identity of the insurer; and
- Customers are provided with clear, easy to understand information about complaint handling and independent dispute resolution processes at the distribution level.

This Voluntary Compliance Agreement may be amended with the written consent of both the Superintendent and Sovereign.

Agreed to at the City of Calgary

Province of Alberta

This 16 day of July, 2024

"Original signed by Phil DeFehr"

By The Sovereign General Insurance Company, Authorized Signatory

Name: Phil DeFehr, VP - Specialty Lines Solutions

Agreed to at the City of Vancouver

Province of British Columbia

This 2nd day of August, 2024

"Original signed by Derrick Lau"

Derrick Lau

Vice President, Supervision

(Authorized Delegate of the Superintendent of Financial Institutions)

BC Financial Services Authority