Insurance Council
BRITISH COLUMBIA

PUBLIC STATEMENT

Understanding the New Conflict of Interest Rule for Strata Insurance

June 13, 2023

VANCOUVER, BC – A new rule introduced by the Insurance Council of BC (Insurance Council) will prohibit insurance agencies that have shared ownership with a property management company from conducting strata insurance business for stratas managed by the same property management company. This rule comes into effect July 1, 2023.

Rule created to address conflicts of interest

Although the Province banned the payment of referral fees to property managers from strata insurance transactions in 2020, this can still be bypassed. A property management company sharing ownership with an insurance agency is able to collect commissions in lieu of referral fees from another agency that administers a strata's insurance policy and acts as the agent of record.

The Insurance Council created Rule 7(11.2) to address this loophole and eliminate the financial motivation for placing a strata corporation's insurance with a property management company's affiliated brokerage, rather than with an insurance agent that best meets the strata corporation's needs.

Concerns about conflicts of interest that prompted the Insurance Council to take action to introduce this rule were identified through its reviews of industry practices, as well as by insurance professionals, and complaints from strata owners.

The introduction of this rule by the Insurance Council is consistent with regulatory actions taken by the Province to address affordability and rising strata insurance costs in British Columbia. Creation of the rule followed rule-making legislation, including public consultation that saw strong support for the introduction of this rule from insurance professionals, property managers and consumer advocates.

What this rule means for strata owners

Implementation of this new rule should not have an impact on a strata's insurance, and should result in little to no disruption to stratas. The rule applies only to BC-licensed insurance agents, and does not have any bearing on property management functions carried out by property managers on behalf of strata owners.

While a small number of agencies may need to take action to comply with the rule, very few, if any, will need to transfer strata insurance business elsewhere.

Strata owners should be aware that an insurance policy is a contract between the strata corporation and an insurance company. Any potential changes to the agent of record should not impact the terms of the strata corporation's existing policy with its insurance company.

Strata corporations with concerns about their insurance should identify and reach out to the agent of record or the insurance company indicated on their insurance policy. They can also contact the Insurance Council for clarification and assistance.

The Insurance Council is the licensing and regulatory body for BC's more than 50,000 insurance agents, salespersons and adjusters. We protect the public by ensuring agents and adjusters act ethically, with integrity and competence.

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