



Providing Services Across
Financial Services Sectors

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Bulletin

No. G-09/00

- General

Negative Option Marketing/Billing

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The Financial Services Commission of Ontario (FSCO) is concerned about the use of negative option billing (also known as negative option marketing) as a marketing practice by insurance companies, whereby consumers are charged for a new product or service before they have consented.

FSCO does not support negative option billing. Insurers are asked to refrain from engaging in this practice.

For example, in the property and casualty insurance sector, consumers benefit from the automatic renewal of their policies. However, consumers may not be aware when a change has been made to their policy and that there is an additional charge, particularly where consumers pay by automatic monthly premium installments. FSCO also recognizes that some insurance contracts contain provisions that allow the insurer to adjust the coverage and the resulting premium on renewal (i.e. Inflation Protection) and these types of contractual provisions are acceptable provided that consumers are made aware at the point of sale.

FSCO continues to stress the need for improved disclosure and consumer information by the insurance industry.

Insurers, agents and brokers are encouraged to actively sell insurance coverage by clearly explaining the benefits and costs to consumers. Consumers have a right to make an informed decision.

As you may be aware, the unfair and deceptive acts and practices provisions are now in Ontario Regulation 7/00. As part of a broader review of this Regulation, FSCO will consider recommending that negative option marketing in the

sale and renewal of insurance policies be included in the list of prescribed unfair practices. Stakeholders will be consulted on any proposed amendments.

FSCO Contact

If you have any questions, please contact Ms. Maria Policelli, Senior Policy Analyst in FSCO's Policy and Communications Branch, at 416-590-7275; fax 416-590-7070.

Dina Palozzi

Chief Executive Officer and

Superintendent of Financial Services

August 28, 2000

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Last Modified: 8/23/2005 3:30:57 PM

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