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Non-Renewal Risk Due to Broker Cancellation

Bulletin

No. A-4/91]

- Auto - B

Property & Casualty

We have received numerous consumer complaints on the non-renewal of risks by insurers following cancellation or termination of the agreements between an insurer and a broker.

Insureds are encountering difficulties in renewing policies with the same company upon expiry due to changes in circumstances beyond their control. For example:

1. A company terminates a broker due to unsatisfactory experience. It is a practice of some companies to decline renewal to the clients of the cancelled broker on a block basis, even though the consumers may wish to stay with the company.
2. A broker cancels the agreement with a company with a view to consolidate his/her portfolio. Again, it is the practice of some companies to decline renewal to all the broker's clients on a block basis, even though the consumers may wish to stay with the company.
3. An insured, for whatever reason, replaces his/her broker but chooses to continue to insure with the same company. The insured may be underwritten by the company as new business, because some companies define new and renewal business by distribution source and not by the insured's history with the company.

In these cases the individual may have difficulty in securing comparable renewal terms from the current insurer, even though the nature of this risk remains the same. The individual may have to secure insurance with another insurer, facing the possibility of a higher premium or less favourable policy terms.

It is our opinion that these practices are discriminatory to the consumer and contravene the Insurance Act (Section 208c). Therefore:

- i) underwriting policies or guidelines which stipulate that applications from clients of cancelled brokers will not be accepted, are disallowed, effective immediately;
- ii) each risk must be judged on its own merits with respect to renewal;
- iii) existing business must be treated as such regardless of a change in the brokerage submitting the application; and

iv) companies must provide consumers, on request, with the names of broker representatives serving the consumer's locale.

Donald C. Scott
Commissioner

May 7, 1991