

## Frequently asked questions:

### Motor vehicle warranty contracts, dealership loyalty programs and vehicle protection products

The following questions were received from the insurance industry by the Superintendent of Insurance (Superintendent) following issuance of Bulletin [05-2024](#). These questions and answers are shared with the insurance industry to provide clarity of regulatory perspective and expectations. Questions about these Q&As may be emailed to the Superintendent's Office at [tbf.insurance@gov.ab.ca](mailto:tbf.insurance@gov.ab.ca).

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#### COMPLIANCE

**1. What are the timelines for compliance for unlicensed insurer operations?**

**Answer:** Unlicensed insurers must immediately cease offering or issuing new insurance contracts in Alberta until they bring themselves into compliance with the [Insurance Act](#) (Act). To otherwise continue issuing insurance policies contravenes section 18 of the Act, for which unlicensed insurers could face regulatory action.

**2. In general, what is the Superintendent's approach to enforcement following the issuance of the Bulletin? Will it take a hard stance on enforcement, or seek to provide guidance and work with licensed insurers and other stakeholders? If the latter, how long will this period last?**

**Answer:** The Superintendent is committed to working with licensed insurers who proactively contact the Superintendent's office to provide details and a proposed action plan. The Superintendent will consider the circumstances in each case and will work with licensed insurers in the short term as they work to be compliant. The more time that passes, the more likely that the Superintendent will take regulatory action.

**3. What are the rates for ancillary motor vehicle protection products?**

**Answer:** Each insurer establishes its own rating program to establish rates for ancillary motor vehicle protection products. Rating programs for automobile insurance, must be filed with the [Automobile Insurance Rate Board \(AIRB\)](#). Insurers and intermediaries should be mindful of [Superintendent of Insurance Bulletin 08-2023 Adoption of CCIR/CISRO Incentive Management Guidance](#) when pricing products and developing sales incentives.

**4. Will these rates be capped?**

**Answer:** Private passenger automobile insurance rating programs are currently subject to Alberta's Good Driver rate cap. This cap is not intended to capture ancillary automobile insurance products marketed by dealerships using a restricted certificate of authority.

**5. How should refunds be handled when the premium was included in the finance agreement?**

**Answer:** Section 535 of the Act provides that if an insured assigns the right to a refund of premium that may accrue by reason of the cancellation or termination of a contract under the terms of the contract and notice of the assignment is given by the assignee to the insurer, the insurer must pay any refund to the assignee.

**6. How much can an insurer set the minimum retained premium for?**

**Answer:** Minimum retained premium should cover the administrative costs of issuing and cancelling a policy and must be reasonable. While there are no prescribed maximums, it is expected this will typically range from \$50 to \$100. As policy terms for VPPs usually cover a period greater than 1 year, insurers should create a short rate cancellation table that spans the policy term and includes a reasonable minimum retained premium.

## GLASS PROTECTION PRODUCTS

**7. How does the example of a "glass protection product promising to pay some or all of the cost of a windshield replacement" fit within the definition of insurance, especially when a manufacturer of a glass protectant solution provides a warranty on its own product?**

**Answer:** Since it promises to pay for some or all of the cost of the glass, it is insurance. If the warranty were instead only covering the product itself, it would not be insurance. For example, if the warranty only promises to replace the glass protection product if it is cut by a rock, that is not insurance.

**8. For products that pay to replace a windshield, does it matter if the windshield damage is due to external factors or normal wear and tear?**

**Answer:** No. Any product that pays to replace a windshield is automobile insurance unless the product is underwritten by the manufacturer of the windshield or the manufacturer of the automobile.

**9. Is the manufacturer of a glass protectant solution providing a warranty on its own product exempt?**

**Answer:** Yes, as long as the warranty is limited to the protectant solution and does not include the glass.

**10. If a company's ceramic coating is applied to the windshield and windows for chip resistance, glare reduction, and water repellency, and the company offers a product-based warranty that includes repair or replacement if the windshield or windows chip or crack, but this warranty is only available on vehicles treated with the ceramic coating, what category would this warranty fall under?**

**Answer:** This is insurance. See answers 7 and 9 above.

## TIRE AND RIM PROTECTION PRODUCTS

**11. Is a product covering tire damage from road hazards, along with roadside assistance and key fob replacement, automobile insurance, or could it fall under both automobile and equipment warranty coverage?**

**Answer:** Since the coverages you describe are ancillary to an automobile policy, they likely fall under the auto insurance class. To know for sure, we first ask for the insurer's analysis of which class it falls under, and second, we review the actual coverage contract.

**12. Does the tire and rim exemption apply to all tires and rims included in the vehicle's assembly by the manufacturer, even if they are not manufactured by the OEM?**

**Answer:** Yes, as long as the warranty is underwritten by the motor vehicle manufacturer, or the rim and tire manufacturers.

**13. If a company's tire sealant, injected into a vehicle's tires to protect against leaks, air loss, and punctures from road hazards, fails to prevent damage, and the company provides reimbursement for repairs, tire replacement, wheel reimbursement, and mounting and balancing costs, but the warranty is only available as part of the sealant program and not for untreated tires, what category would this warranty fall under?**

**Answer:** Based on the description, this is insurance. Like windshields noted above, any product that pays more than to replace the treatment, is automobile insurance.

**14. Is every contract providing for tire and rim replacement considered automobile insurance?**

**Answer:** Most of the products that provide tire and rim replacement that we have reviewed are automobile insurance. This is because they pay for damage caused by a hazard that exceeds any express manufacturer warranty of the tire or rim. If a product

pays only when the tire or rim fails to perform as per its design specifications, then it would be equipment warranty insurance.

## VEHICLE PROTECTION PRODUCTS

**15. Would head/taillight repair or replacement for ordinary wear and tear be considered insurance, and does the classification differ if the obligor is the OEM or a third-party non-manufacturer?**

**Answer:** If it is limited to bulbs or repairing a scratched lens, it is not insurance; however, a product that pays to replace the light assembly would be insurance.

**16. A company's ceramic coating is applied to the exterior of a vehicle to protect against dust, grit, and grime to prevent scratches. It protects against water/mud, oil, graffiti, and acid rain. The company provides a warranty against the product peeling, cracking, discolouring, or fading. Would this be considered a manufacturer warranty, product warranty, or another category?**

**Answer:** Based on the description, this is a manufacturer warranty. However, like windshields noted above, any product that pays to do more than replace the coating or treatment is insurance.

**17. Prepaid Key Fob exchange: The customer is entitled to exchange or replace their OEM key at no cost for any reason whatsoever. Because the program is not contingent on any particular event or loss, the thought is that there is no element of fortuity, which is a key aspect of insurance.**

**Answer:** This is insurance. If any component of the product is insurance, it is insurance. In this case, it covers fortuitous events without limitation.

**18. Do products like protective ceramic coatings for glass or exterior/interior surfaces of an automobile, which promise to repair or replace damaged sections if the product fails to prevent damage, fall under product warranty insurance?**

**Answer:** No, this would be automobile insurance.