

# INSURANCE BUREAU OF CANADA GUIDELINE

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GUIDELINE FOR ADDING CLASSES OF  
INSURANCE OR NEW PRODUCTS WITHIN  
THE “OTHER APPROVED PRODUCTS”  
CLASS

## **OBJECTIVE**

This guideline sets out the business practices that would typically be followed in the course of seeking approval to add a class of business to an existing license or to introduce a new product(s) within the “Other Approved Products” class of insurance (new product).

This effort is intended to significantly improve the communication between federal, provincial and territorial regulators and industry and the time to bring a new product or class(s) of business to market.

In addition, companies can reference this guideline for adding a currently defined class of insurance to existing licences. A target date for full approval of the insurance product would be negotiated between the company and the lead and other regulators involved in the process.

Companies that make a request to add a new product should reference this guideline and the process that is outlined in the *Insurance Bureau of Canada Guideline: Streamlined Process for Adding New Products within “Other Approved Products” Class*. Companies can expect that, with both guidelines, requests for adding a new product will receive coordinated regulatory approval from all affected jurisdictions within an abbreviated period of time.

## **THE ROLE OF THE BOARD OF DIRECTORS**

The Board of Directors should provide management with a written statement setting out the Board’s policies regarding adding a new product or class(s) of business.

In general terms, the Board’s policies and procedures will require management to take appropriate account of the company’s financial resources, its expertise in underwriting claims handling and other required areas of human expertise. In addition, management will consider the company’s ability to maintain appropriately high standards of market conduct and customer satisfaction in respect of the new product or class(s) of business.

The policy should also include general criteria regarding minimum expectations for volume and profitability.

## **THE ROLE OF MANAGEMENT**

In executing the Board’s policies and procedures for entering a new class of insurance, management will typically be required to:

- Conduct a detailed analysis of the human skills required in underwriting claims handling and all other important functions concerning the new product or class(s) of business and be satisfied that the new product or class(s) of business can be fully supported;
- Establish appropriate systems of control and reporting so as to be able to accurately monitor new product or class(s) of business performance;

- Provide that those who are responsible for distributing the new product or class(s) of business and dealing with the public in respect of the new product or class(s) of business are sufficiently knowledgeable to explain the new product or class(s) of business, to evaluate a consumer's needs in respect of the new product or class(s) of business and to provide any required disclosure in respect of the new product or class(s) of business;
- Develop an exit strategy which, if necessary, could be invoked to minimize the impact of any dislocation for consumers in cases where consumers may reasonably be seen to be subscribing in the expectation that the new product or class(s) of business will be renewed indefinitely into the future, and if discontinuance of the new product or class(s) of business could reasonably be expected to give rise to market dislocation;
- Prepare a financial forecast in sufficient detail to demonstrate that the new product or class(s) of business will be viable and will meet the company's standards in terms of profitability and the provision of consumer value.

If justified by the nature of the new product or class(s) of business and especially if premium volume with the new product or class(s) of business is expected to be material relative to the company as a whole, the company's policies and procedures will also compel management to:

- Take account of all reasonably available sources of predictive information in respect of the new product or class(s) of business, including possible experience with a similar new product or class(s) of business in other countries and the extent to which differences in performance can be expected on account of differing circumstances between those other countries and Canada;
- Prepare a detailed new product or class(s) of business financial forecast for at least three years into the future, including sensitivity testing, forecast balance sheets and income statements, solvency tests and any other appropriate analyses of profitability, as well as an actuarial analysis which demonstrates that no significant deterioration in company solvency is foreseen under any plausible adverse scenarios in respect of the new product or class(s) of business; and,
- Update the financial forecast, for at least the first few years after the new product or class(s) of business launch, as additional information becomes available through sales and by other means. This will give the company a current forecast, with respect to the new product or class(s) of business for the next three years, established on an on-going basis.

The foregoing is not intended to be exhaustive. Specification, procedures and plans should be considered in light of particular new product or class(s) of business characteristics and systems of distribution. The Board and management of each company are responsible for developing and introducing the new product or class(s) of business in such a way as to minimize the potential for financial strain to the company and the potential for economic disruption or inconvenience to consumers.