



REGULATORY INTERPRETATION BULLETIN

INSURANCE 2013-01 – SALE OF GAP PRODUCTS

Issue:

The Financial and Consumer Services Commission has reason to believe that there may be individuals selling GAP insurance products in New Brunswick, mostly working at automobile dealerships, who do not hold an insurance agent or broker licence.

GAP insurance products are considered to be automobile insurance products. Pursuant to section 351 of the New Brunswick *Insurance Act* these products can only be sold by licensed insurance agents and brokers. Consequently, individuals selling GAP products are required to hold an other-than-life insurance broker or agent licence.

Regulatory Requirements:

The Financial and Consumer Services Commission defines a GAP product as an undertaking by an insurer to indemnify an insured the difference between the balance owed to a creditor (or lessor) and the amount paid by the motor vehicle insurer upon the occurrence of a risk resulting in the total loss of the vehicle. GAP products are typically sold in connection with the sale of a motor vehicle that is financed.

Interpretation:

Should an automobile dealership wish to continue working in partnership with insurance companies to offer GAP products to consumers, the Financial and Consumer Services Commission's Insurance Division would like to clarify how this can be done in a manner that complies with the *Insurance Act* and the *Agents and Brokers Regulation*.

Automobile dealerships may advertise or market GAP products at their dealerships on behalf of licensed insurers. An unlicensed automobile dealership representative can also make the consumer aware of the availability of GAP products at the time of purchase or lease of a vehicle. However, a licensed insurance agent or broker must perform the tasks to sell the product, such as, but not limited to: providing advice to the consumer; completing a needs assessment; completing or assisting with the completion of the application form; or completing the sale and issuing the policy for the GAP product.

In the event a customer has a question about the GAP product being advertised at the dealership, the dealership representative must not provide advice or interpret policy wording and the dealership representative must direct the consumer to contact the licensed insurance broker.



At this time, this is the only arrangement between automobile dealerships and licensed insurers that the Financial and Consumer Services Commission considers as complying with the *Act* and *Regulation*. Staff of the Insurance Division are available to review any alternative arrangements between automobile dealerships and insurers to advise representatives whether the *Act* and *Regulation* are being respected.

Contact:

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Issued by:

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Date:

20 November 2013