



**IN THE MATTER OF THE *FINANCIAL INSTITUTIONS ACT*  
[RSBC 1996] CHAPTER 141**

**and**

**TRAVELERS INSURANCE COMPANY OF CANADA  
VOLUNTARY COMPLIANCE AGREEMENT**

**[s. 244]**

WHEREAS on January 13, 2016 the Financial Institutions Commission ("FICOM") issued an advisory letter ("Advisory Letter") to insurers authorized to write home warranty insurance in British Columbia which set out FICOM's expectations around the treatment of home warranty insurance as a contract of first resort, not a surety, and highlighted legislative requirements concerning the timely handling of home warranty insurance claims;

AND WHEREAS FICOM staff completed an examination of Travelers Insurance Company of Canada ("Travelers") claims handling practices for home warranty insurance, including review of 20 claims files obtained on February 27<sup>th</sup>, 28<sup>th</sup> and March 1<sup>st</sup>, 2017 and review of 5 claims files submitted by Travelers on June 8, 2018 as reflective of its current claims handling practices with respect to home warranty insurance claims;

AND WHEREAS of the 25 claims files reviewed, 16 were opened prior to the Advisory Letter and 9, including the 5 claim files submitted by Travelers in June 2018, were opened after the date of the Advisory Letter;

AND WHEREAS that examination found that, while the 5 more recent claim files from the secondary review were handled appropriately and consistent with FICOM's expectations, based on the other files claim files reviewed, Travelers had not responded adequately to the Advisory Letter and was committing acts or pursuing courses of conduct that might reasonably be expected to harm the interests of insureds pursuant to section 244 of the *Financial Institutions Act* ("FIA") by:

- a) not sufficiently treating its home warranty as insurance of first resort rather than surety;

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- Superintendent of Financial Institutions
  - Superintendent of Pensions
  - Registrar of Mortgage Brokers

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- b) not handling claims in a timely manner in certain cases;
- c) not ensuring policies and procedures are sufficient to mitigate the risk of unfair treatment of insureds involved in home warranty claims;
- d) not ensuring sufficient managerial oversight of open claims;
- e) failing to effectively make insureds aware of or providing sufficient opportunity to access all available dispute resolution processes prior to incurring the costs of mediation; and
- f) not having adequate record keeping and documentation of claims activities in files.

AND WHEREAS that examination found that, while Travelers has made improvements in the handling of home warranty claims following the Advisory Letter and continues to do so, there are still some issues with its handling of claims which require additional improvements in controls and communications;

AND WHEREAS Travelers acknowledges that there were deficiencies in its claims handling, however Travelers was and continues to be committed to taking remedial action;

THEREFORE the Superintendent considers it appropriate to enter into a voluntary compliance agreement with Travelers, pursuant to section 244 of the FIA:

Travelers undertakes the following:


1. By April 30<sup>th</sup>, 2019, Travelers will review and revise its home warranty claim handling procedures and policies with a focus on:
  - a. Compliance and Legislative Requirements under FIA section 80.3 and *Homeowner Protection Act Regulation* section 13(3);
  - b. Management oversight and internal control of claims management, such that policies and procedures are aimed at providing fair treatment of consumers and that claims are handled in timely, fair and transparent manner;
  - c. Claim file records management, so that claim file information is a complete record of the handling of the claim and facilitates continuity of claims handling; and
  - d. Complaints management, such that complaints are appropriately documented, and that the complaints process is disclosed, and handled in accordance with the legislated and internal processes.

2. By April 30<sup>th</sup>, 2020, Travelers will provide the Superintendent with an internal audit of compliance with Undertaking 1, for the period May 1, 2019 through March 31, 2020;
3. Prior to Travelers commencing the internal audit, the Superintendent will approve the terms of reference issued by Travelers to its internal audit function, on the basis that the terms of reference are reasonable and appropriate for the terms of this Voluntary Compliance Agreement.

This Voluntary Compliance Agreement may be amended with the written consent of the Superintendent and Travelers.

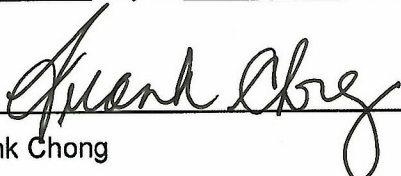
Agreed to at TORONTO  
Province of ONTARIO  
this 23<sup>rd</sup> day of JANUARY, 2019

Travelers Insurance Company of Canada

  
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By its Authorized Signatory

Name: **Jordan Solway**  
Title: **Group General Counsel**

Agreed to at the City of Vancouver  
Province of British Columbia  
this 25 day of JAN, 2019

  
\_\_\_\_\_  
Frank Chong

Acting Superintendent of Financial Institutions  
Province of British Columbia