



December 21, 2012

Mr. Eric Stevenson
Superintendent, Client Services and Distribution Oversight
Autorite Des Marches Financiers
Place de la Cite, tour Cominar
2640, boulevard Laurier, bureau 400
Quebec G1V 5C1

Dear Mr. Stevenson:

Thank you for meeting with a CAFII delegation in Toronto on November 15, and discussing current AMF legislative and regulatory initiatives. CAFII appreciates your willingness to find time in your busy schedule to consult with us on key industry issues.

As a follow-up to the meeting, you asked CAFII to provide written comments on the current draft of the AMF's revised two-page Distribution Guide (DG); on some key issues related to its implementation and use; and on related Distribution Without Representation (DWR) issues being considered in your consultation around Quebec's *Distribution Act*. CAFII appreciates the opportunity to review the latest iteration of the DG, and is pleased to provide the feedback and commentary you requested, as follows:

1. CAFII is pleased to learn that the AMF does not favour a regulatory monitoring process that would require insurance providers to file their telemarketing scripts on an ongoing basis. Scripts are living, breathing documents that are constantly being reviewed by providers to ensure that (i) they are compliant with relevant legislation and regulations; and (ii) they are efficient and effective from a business perspective. The compliance departments of insurance providers should continue to be responsible and accountable – through existing regulatory mechanisms – for ensuring compliance with AMF requirements.
2. CAFII feels it is positive that the AMF is willing to provide some flexibility, and allow insurance providers to make customizing modifications to the form in which they implement the DG, so long as all of the headings/sections and essential content are retained.
3. With respect to the DG itself, you are reconsidering whether or not a section on commission disclosure is necessary. CAFII's recommendation is that that section be

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removed from the DG. However, in the event that it is decided that a section on commission disclosure must be included, CAFII recommends that you insert an additional tick box in that section that would denote “No commission payable. I am a salaried employee” – the situation most frequently applicable in the case of CAFII members’ sales personnel.

4. CAFII is pleased that the AMF does not propose that telemarketing be prohibited as a distribution channel for insurance products. The telephone is a channel that caters to consumers’ desire for convenience, accessibility, and simplicity in their insurance purchases.

With respect to the telemarketing channel, it is not practical for insurance providers to be required to ensure that a consumer has an advance copy of the DG, i.e. before engaging in a sales interaction with him/her. Even if we were to mail Distribution Guides in advance of a telemarketing call, we could not ensure that the customer has it available at the time of sale. Therefore, CAFII’s recommendation for dealing with this issue – and achieving an optimal balance between consumer protection and business process efficiency – is the following:

- Require distributors using telemarketing to post the DG on their websites;
- Introduce a requirement that would formalize what is essentially the current *de facto* process followed by CAFII members, namely
 - (i) ensure that telemarketing scripting and internet/web content includes the high level principles set out in the DG; and
 - (ii) ensure that the DG is included in the fulfillment package that the insurance provider sends to the customer following the sales transaction; and that it is prominently positioned and promoted in the fulfillment package, by being highlighted as a must-read in the cover/transmittal letter and being appended to that letter.

5. As a general principle applicable to all distribution channels, CAFII does not support a requirement that the customer sign and return the DG, as this may create a misperception that the DG is part of the insurance contract. Rather, individual companies should be responsible and accountable for ensuring that the DG has been disseminated and received by the customer through their own monitoring of (a) their scripts and internet/web content and, (b) their embedded processes which ensure that the DG is included and featured prominently in the fulfillment package (both of which are auditable).

CAFII members support CLHIA G7 Guideline 6(b) which requires a 20 day period after receipt of the Certificate for the customer to review the insurance coverage they purchased, and during that time, should they decide to cancel the coverage, any premiums paid will be refunded. CAFII members typically provide a 20-30 day review period. We believe this review period provides customers with an appropriate

amount of time to review their insurance documents, investigate any other insurance options available to them, and decide whether they made the right purchase decision.

CAFII is strongly of the view that taking the approach recommended above – i.e. linking the provision of the DG - a key disclosure document - to the fulfillment package and to the signing of the insurance contract, would create much greater assurance of compliance than would requiring advance, pre-sale provision of the DG.

6. Finally, with respect to the DG section on confirmation of insurance, CAFII recommends that it be given a new title, as we find the current heading to be confusing; and that it lay out the steps to be completed before the consumer receives final confirmation of coverage. The section should conclude with a sentence along the lines of “You will receive your Certificate of Insurance within 30 days of your return of all documents requiring completion and/or a signature to the insurance provider.”

Thank you again, Eric, for directly engaging with CAFII on the current draft of the DG and related DWR issues, and inviting our feedback and input. Our representatives who attended the November 15 meeting also appreciated the candour of the discussion.

Don't hesitate to call upon us to review and comment on the next iteration of the DG or any other legislative or regulatory issue at any time. To do so, please contact Brendan Wycks, our newly appointed Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Jennifer Hines
Chair, Executive Operations Committee