

September 30, 2015

M. Richard Boivin  
Sous-Ministre Adjoint Aux Politiques Relatives Aux Institutions Financières et Au Droit Corporatif  
Ministère des Finances  
8, rue Cook, 4e étage Québec (Québec)  
G1R 0A4

Dear Sir:

**Subject:** *Report on the Application of the Act respecting the distribution of financial products and services*

CAFII is pleased to provide input in response to the Proposals and questions put forward in the above-referenced report. Our responses are offered from the perspective of insurers and distributors that:

- offer creditor's group insurance and travel insurance in Québec and across Canada;
- offer insurance products primarily through alternate, non-traditional distribution channels such as direct mail, contact centres, branches of financial institutions, and the internet; and
- for the most part, are federally incorporated and subject to both federal and provincial regulation.

## **CHAPTER 2: TRENDS IN THE REALM OF DISTRIBUTION**

**Proposal 1:** *Draw on the recommendations of the Canadian Council of Insurance Regulators to put in place a flexible legal framework that will enable insurers to offer their products online.*

We endorse the recommendations set out in the CCIR's final position paper on *Electronic Commerce in Insurance Products* and are pleased that Québec is proposing to use them to modernize its own framework. We congratulate the AMF on playing a leadership role in the CCIR consultation on electronic commerce and note that the consumer protection expectations set out in the final position paper are satisfied by current industry standards.

On a related point, we encourage Québec to move forward on the legislative and/or regulatory changes necessary to permit electronic beneficiary designations and electronic termination of insurance contracts, where both the insurer and the individual insured agree to those options.

**Proposal 2:** *Establish a legislative framework for distribution without a representative that applies directly to insurers, which must ensure that the mandataries (now called distributors) abide by the rules.*

CAFII believes that insurers already shoulder adequate responsibility for their mandataries/distributors and that the current distribution without a representative (DWR) system is working well for most such relationships. We believe that section 436 of the existing *Act respecting the distribution of financial products and services* sufficiently addresses the legal requirements of the insurer under the DWR regime.

CAFII would like to point out that the majority of CAFII member client service representatives are salaried staff and are supervised both in branch and in client contact centres. All CAFII member client service representatives are required to undergo comprehensive and recurring training to ensure that they provide consumers with accurate and reliable information. This training ensures that representatives offering insurance have the knowledge and skills to do their jobs and serve clients well.

Our members adhere to CLHIA Guideline G7, Creditor's Group Insurance, which requires insurers to a) establish reasonable procedures to train those offering their insurance products; and b) establish reasonable procedures to monitor the activities of those handling enrolments. With respect to travel insurance, members adhere to Guideline G5, Travel Insurance which sets out practices for providing consumers with information that will enable them to make an informed decision about the coverage being made available. Our members also follow Guideline G9, Direct Marketing.

In the case of most CAFII members, the selling of creditor's group and travel insurance, in addition to being subject to provincial regulation, is federally regulated. Consumers are well-protected through the financial institutions' compliance with the CBA Code of Conduct for Authorized Insurance Activities. This Code – part of the CBA's suite of Voluntary Commitments and Codes of Conduct – applies to all authorized insurance products promoted in Canada. The CBA's Voluntary Commitments and Codes of Conduct are non-legislated commitments that banks have made to their consumers in a number of areas. The banks' federal consumer regulator, the Financial Consumer Agency of Canada, oversees the banks' compliance with them.

As CAFII has said in past submissions, by and large, our members have delivered DWR products on a relatively complaint-free basis in Québec and we urge the AMF to take a principles- and risk-based approach focusing on ensuring compliance by any distributors that are causing concern.

**Proposal 3:** *Examine all approaches to ease the regulatory and financial burden of registrants, while maintaining adequate oversight of the distribution of financial products and services.*

CAFII members have not encountered any particular issues with the current oversight structure and have no comments to offer at this time. However, we commend the Ministry of Finance for initiating this review and, if specific proposals for change are brought forward in the future, we would like to have the opportunity to comment at that time.

### **Conclusion**

CAFII appreciates the opportunity to provide our comments and recommendations in this important review of the *Act respecting the distribution of financial products and services*. We look forward to providing further input on any proposed changes to the *Act* which may result from this consultation.

Should you require further information from CAFII or wish to meet with our Association at any time as the review progresses, please contact Brendan Wycks, our Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243.

Sincerely,



Greg Grant, MBA, FLMI, ACS  
Board Secretary and Chair, Executive Operations Committee  
Canadian Association of Financial Institutions in Insurance

## Links To Other Regulatory and Self-Regulatory Documents Cited In This Submission

- CCIR Electronic Commerce in Insurance Products Position Paper: [http://www.ccir-ccra.org/en/init/Elec\\_Commerce/ECC\\_position\\_paper\\_2013\\_EN\\_final.pdf](http://www.ccir-ccra.org/en/init/Elec_Commerce/ECC_position_paper_2013_EN_final.pdf)
- CLHIA Guidelines: [https://www.clhia.ca/domino/html/clhia/clhia\\_lp4w\\_ind\\_webstation.nsf/page/E0DABC49378B65DE85257A5B0062D156](https://www.clhia.ca/domino/html/clhia/clhia_lp4w_ind_webstation.nsf/page/E0DABC49378B65DE85257A5B0062D156)
- CBA Code of Conduct for Authorized Insurance Activities: [http://www.cba.ca/contents/files/misc/vol\\_20090000\\_authorizedinsuranceactivities\\_en.pdf](http://www.cba.ca/contents/files/misc/vol_20090000_authorizedinsuranceactivities_en.pdf)

## ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. CAFII members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. CAFII's full members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

In addition, CAFII has 10 Associates that support the role of financial institutions in insurance.

CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for the Association as our members' common ground. In addition, we advocate on behalf of alternate distribution of insurance – through channels such as direct mail, contact centres, and the internet including mobile devices -- and in support of regulatory structures that foster an open marketplace where consumers can freely choose how and where to purchase coverage.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. CAFII works with government and regulators (primarily provincial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.