

(French translation to follow, via separate transmittal)

March 29, 2019

Ms. Nathalie Sirois  
Senior Director, Supervision of Insurers and Control of Right to Practise  
Autorité des marchés financiers  
Place de la Cité, tour Cominar  
2640, boulevard Laurier, bureau 400  
Québec (Québec) G1V 5C1

Dear Ms. Sirois:

**Re: CAFII Proposed Strategies and Possible Solutions Submission Re Creditors Demonstrating That They Have A Pecuniary Interest In the Life and/or Health Of A Debtor's Spouse In Order To Offer Him/Her Creditor's Group Insurance Coverage Under Québec's Distribution Without a Representative Regime**

Thank you for your March 6, 2019 email reply to CAFII's letter of March 1, 2019. Our Association appreciates the AMF's willingness to grant our requested deadline extension to March 29, 2019 for delivering the *Proposed Strategies and Possible Solutions* included herein.

Although CAFII Members still believe that all aspects of their offering of group debtor life, health, and employment insurance in Québec are in compliance with the applicable legislation and Regulations, our Association understands the AMF's concerns with respect to the fair treatment of consumers. As such, all affected CAFII Members are currently reviewing their products, as part of both internal continuous improvement processes and collaborative work with the AMF to maintain sound commercial practices.

CAFII's affected Members are therefore grateful for your granting of a deadline extension to May 3, 2019 for their submission of detailed action plans and related data which the AMF has requested. That extension will allow our affected Members to have the benefit of

- the *Proposed Strategies and Possible Solutions* developed at the Association level which are set out below;
- the consultation discussions with which we would now like to have with you and AMF staff executive colleagues on those *Proposed Strategies and Possible Solutions*; and
- an opportunity to consider the outcomes of our consultation discussions in their action plan submissions.

### ***CAFII's Proposed Strategies and Possible Solutions***

As an opening comment and key caveat to our *Proposed Strategies and Possible Solutions* set out below, CAFII views it as critically important that the AMF recognize that not all strategies/solutions will work for all affected Members/industry players. Further, the AMF should not try to choose a one-size-fits-all strategy/solution and impose it upon the industry for any given product. Rather, it is essential that the AMF provide flexibility by endorsing a range of acceptable strategies and solutions which will assist the industry in achieving compliance with the expectations arising from your interpretation of Section 76 of the *Regulation Under the Act Respecting Insurance*.

As the AMF is aware, CAFII Members offer a variety of life, disability, critical illness, and job loss creditor's group insurance to consumers, both debtors and their spouses. For purposes of our *Proposed Strategies and Possible Solutions*, we have identified three (3) general categories of creditor's group insurance that are offered to the spouses of insured debtors in Québec.

In the first category, we believe that the creditor's pecuniary interest in the life and/or health of the spouse is already demonstrated and self-evident. In the other two categories, CAFII Members are prepared to consider changes/enhancements to their practices to address the AMF's concern that a creditor must be able to demonstrate that it has a pecuniary interest in the life and/or health of a spouse in order to offer him/her such coverage.

1. For credit card balance protection products which provide insurance coverage for a spouse who **is** an authorized secondary cardholder (i.e. an additional person authorized to use the credit card, but who is not directly responsible to repay the credit card debt) – whether that coverage is automatic or must be separately applied for – CAFII and its Members believe that the creditor's pecuniary interest in the life and/or health of the spouse is demonstrated and self-evident because (i) the spouse has been issued a credit card and is entitled to make purchases/charges to the card account; and (ii) as a result, the creditor has an appreciable financial interest which is directly linked to the life and/or health of the spouse (as explained in our related January 25/19 CAFII submission to the AMF).

(Based on our discussion with you and AMF colleagues during our February 6/19 meeting on this issue in Montréal, it is CAFII's understanding that for situations where spousal coverage is provided **at no additional premium**, the AMF is not concerned about a creditor having a demonstrated pecuniary interest in the life and/or health of the spouse. Therefore, we have not contemplated that scenario in this submission.)

2. For credit card balance protection products which cover a spouse who **is not** an authorized secondary cardholder and where such coverage is put in place through the debtor's application to add coverage for his/her spouse to existing insurance coverage or through the debtor's application for a product that specifically includes coverage for a spouse, CAFII Members would be prepared to do the following to demonstrate the creditor's pecuniary interest in the life and/or health of the spouse who is to be covered:

- include an eligibility-related “qualification statement” in the insurance materials to the effect that “You should only apply for this spousal coverage if your spouse is involved in your household or business, such that his/her contribution, monetarily or otherwise, contributes to your ability to make credit card payments.”

This qualification statement would be included in the balance protection insurance application.

3. For loan-related insurance coverage where the spouse of a debtor can apply to be covered, such as for creditor insurance on a mortgage, home equity line of credit, other consumer loan, or on a business loan or line of credit, CAFII Members would be prepared – in addition to obtaining the spouse’s signature on the insurance proposal -- to do the following to demonstrate the creditor’s pecuniary interest in the life and/or health of the spouse who is applying for coverage:

- include an eligibility-related “qualification statement” in the insurance materials to the effect that “You should only apply for this coverage if, as the spouse of the borrower, you contribute to the household or business such that your contribution, monetarily or otherwise, contributes to the ability of the borrower to make repayments on the [loan, line of credit, or other debt obligation].”

This qualification statement would be included in the loan-related insurance application.

### Conclusion

Thank you for receiving and considering this CAFII *Proposed Strategies and Possible Solutions* submission. We look forward to having an opportunity to dialogue with you and AMF staff executive colleagues about these proposals at your earliest convenience, bearing in mind the imminent May 3, 2019 deadline for affected CAFII Members to submit the detailed action plans and related data which the AMF has requested.

In closing, we feel it important to reiterate our key caveat that not all of our proposed strategies/solutions will work for all affected Members/industry players; and, as well, our strong belief that the AMF should not try to choose a one-size-fits-all strategy/solution and impose it upon the industry for any given product. It is essential that flexibility and a range of acceptable strategies and solutions be provided to assist the industry in achieving compliance with the AMF’s expectations arising from its interpretation of Section 76 of the *Regulation Under the Act Respecting Insurance*.

Sincerely,



Martin Boyle  
Board Secretary and Chair, Executive Operations Committee

### **About CAFII**

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our 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. Our 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 CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) 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.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. Our 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 Assurant, Canadian Premier Life Insurance Company, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and The Canada Life Assurance Company.