

**Agenda Item 4(b)**  
**April 30/19 EOC Teleconference Meeting**

Memo To: CAFII EOC and Market Conduct Committee Members, and Participants in the 17 April, 2019 AFM Meeting on the Regulation Respecting Alternative Distribution Methods (RADM) in Montreal

Memo From: CAFII Co-Executive Directors Keith Martin and Brendan Wycks

Date: 23 April, 2019

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The following are the key insights and action plan outcomes for CAFII Members emerging from a 17 April, 2019 meeting at the AMF offices in Montreal between CAFII representatives and Mylène Sabourin and Mélissa Perreault (attending in-person) from the AMF's Distribution Practices and Self-Regulatory Organizations Directorate and Jean-Christophe Bernier, AMF legal department (participating by phone). Approximately 10 CAFII representatives were at the meeting in-person, with about eight joining by the phone. (Participants at the meeting can be found in Appendix A to this document.)

**Change In Chapter Numbering/Reference Markers in the RADM**

The RADM's original Article 9 has been removed from the new version of the Regulation; therefore, any numeric reference to an Article in the new Regulation, from Article 9 on, will have a numeral that is one lower than in the original draft. See illustrative examples below:

Draft RADM Article 1	=	Final RADM Article 1
Draft RADM Article 8	=	Final RADM Article 8
Draft RADM Article 10	=	Final RADM Article 9
Draft RADM Article 33	=	Final RADM Article 32
Etc.		

**Two Separate and Distinct Regulatory Regimes Under the RADM**

It is important, the AMF emphasized, to keep in mind that there are two distinct regimes under the RADM: (i) one in Chapter Two on the offering of products and services without the involvement of a natural person as an intermediary (e.g. a firm offering insurance via the internet without the involvement of an intermediary/advisor in the sale); and (ii) the other in Chapter Three on the offering of insurance products through a distributor, which is also known as Quebec's Distribution Without a Representative (DWR) regime.

## **Changes/Adjustments Under The Revised RADM (In Final Version 2, Still To Be Released)**

**Important Terminology Changes:** A key change being made by the AMF is that the former requirement that certain information be visible on each page of an online platform will be changed to “accessible on each page.” As well, the term “platform” is being dropped in favour of “digital space,” (*“espace numérique” en français*) to provide more opportunity for emerging technologies, such as those that will be voice-driven versus requiring keystroke inputting of information.

**Clarification:** The original version of the RADM led to some believe that Chapter 2 would be applicable to enrollment-only sites (for example, a website that was not intended to sell a product, but only to enroll customer, for example to enable them to enrol in a group / employee insurance policy, pension plan, or annuity). However, the AMF stated unequivocally that Chapter 2 does **not** apply to such enrollment-only or non-transactional sites.

**Clarification:** If a firm’s website / digital space requires an intermediary/advisor representative to become involved at some point in the sales process, then Chapter 2 does **not** apply. Chapter 2 is only applicable to sites / digital spaces where it is possible to complete the process entirely without any involvement of a natural person as an intermediary/advisor.

**Clarification:** The original version of the RADM led some to believe that the insurance “specimen” which the AMF expects to be provided to the customer is the Master Policy. However, the AMF stated unequivocally that that is not the case; only the Certificate of Insurance needs to be provided.

**Clarification:** The original language in Article 30 (4) changes “target audience” to “eligibility criteria.”

Overall, however, the RADM will remain largely unchanged from the original version published in October 2018.

### **In-Force Date, Transition Period, and Phased-In “Enforcement”**

The revised version of the RADM will be the final version of the Regulation; and it will be published and publicly released sometime early in May 2019, and have a nominal/technical in-force date of 13 June, 2019.

However, perhaps the most important take-away from the 17 April meeting with the AMF is that Chapter 3 of the RADM, which relates to the distribution of insurance products without a representative, will generally be subject to a one-year transition period – to 13 June, 2020 -- to implement most elements of this Chapter of the RADM.

The one-year transition period does not apply to Chapter 2, so insurance companies selling insurance on the Internet or directly to consumers without a live person being involved need to implement the RADM requirements by 13 June, 2019. Specifically, the Distribution Guide needs to be available on the insurance firm’s websites as of **13 June, 2019**. That said, the Summary which will replace the Distribution Guide under the RADM does not need to be available until 13 June, 2020, **but with one exception**. The exception is that if a new product is introduced, the new Summary document, which will replace the Distribution Guide, must appear on the insurer’s website at the same time that the new product is offered.

**Speaking to a Representative if the Customer So Desires.** The requirement that information on how to access a representative needs to be on every page of the insurer's digital space, also applies as of **13 June, 2019**.

However, the requirement is no longer for that information to be "visible" on each page of the digital space, but rather that it must be "readily accessible" from each page (for example, a live link button that opens up the information or connects to a PDF on how to reach a representative would satisfy this requirement).

**Phased-In Enforcement.** The AMF understands that these requirements may be difficult or nearly impossible to implement by 13 June, 2019, **so they will accept reasonable action plans that defer the actual implementation of these elements past that nominal/technical in-force date.**

The organizational structure of the section of the AMF which is responsible for the RADM is relevant and informative to understanding some of the direction the AMF is taking.

Frédéric Pérodeau is the Superintendent of Client Services and Distribution Oversight. One of his Directors is Louise Gauthier, Directrice principale des politiques d'encadrement de la distribution (Principal Director, Policy Framework on Distribution), and on her team is Mylène Sabourin (Mélissa Perreault reports to Mylène Sabourin) and Mario Beaudoin, Directeur des pratiques de distribution alternatives en assurance (Director of Alternative Distribution Practices in Insurance). The key here is that Mylène Sabourin and Mélissa Perreault are policy specialists; Mario Beaudoin is focused on enforcement. While Mario Beaudoin was not at the meeting in question, the AMF did share with CAFII, and we have heard from other meetings that Mario Beaudoin was at, that he will **not** be in "strict enforcement mode" as of 13 June, 2019, so long as industry participants are making best efforts to be compliant; there is an action plan; there are communications with the AMF on efforts to become compliant; and there are no egregious behaviours displayed.

This leniency will apply to Chapter 2 rules. For Chapter 3, distributors generally have a one-year transition period.

There have been concerns expressed about the 13 June, 2019 implementation deadline for the required initial elements of the RADM, and a suggestion that CAFII ask for an extension. Based on the information provided by the AMF and the dialogue at the 17 April meeting, it is the view of CAFII management that there is no willingness on the AMF's part to extend the deadline, and that asking for such an extension with respect to the initial implementation elements would be counter-productive. However, we will continue to monitor the RADM implementation requirements closely and continue to communicate the need for the AMF to provide sufficient time for the industry to be able to implement and comply with any new regulatory requirements.

## **Appendix A**

### **Participants at the CAFII Debrief by the AMF 17 April, 2019 Montreal, Quebec**

#### **From the AMF :**

Mesdames Mylène Sabourin et Mélissa Perreault de la Direction des pratiques de distribution et des OAR

#### **From ACIFA / CAFII :**

##### **In - Person**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Firm</u></b>
Martin Boyle	CAFII Executive Operations Committee (EOC) Chair Director, Governance & BUCO	BMO Insurance
Dana Easthope	Chief Legal Officer, Chief Compliance Officer and Corporate Secretary	Canadian Premier Life
Isabelle Choquette	Conformité, Assurances Finances, Trésorerie et Administration	Desjardins
Marie Nadeau	Senior Advisor, Compliance, Projects and Documentation	Banque National Assurances
Lynne Chlala	Assistant Vice-President, Senior Business Compliance Officer, Québec	Canada Life
Josée Bortoluzzi	Vérificatrice principale de la conformité	TD Insurance
Sylvain Larocque	Conseiller juridique principal – Assurances   Senior Counsel - Insurance	Manulife
Brendan Wycks	Co-Executive Director	ACIFA / CAFII
Keith Martin	Co-Executive Director	ACIFA / CAFII

##### **By Teleconference**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Firm</u></b>
Rob Dobbins	Senior Director, Compliance	Assurant
Cecillia Xiao	Director, Lead Counsel Canada	Assurant
Nadine Roy	Senior Legal Analyst	Assurant
Brad Kuiper	Senior Compliance Manager	ScotiaLife Financial
Louise Nash	Senior Director Insurance Risk	CIBC Insurance
Laura Bedford	Senior Compliance Officer	RBC Insurance
Manpreet Singh	Senior Manager—Regulatory Compliance	RBC Insurance