

April 23, 2021

**AMF Response to THIA on the Application of the Distribution without a Representative Regime to Credit Card Embedded Insurance Products**

On July 14<sup>th</sup>, 2020 THIA wrote to the Quebec Autorité des marchés financiers (AMF) to express the concerns of our members with respect to its position on the application of the Distribution without a Representative (DWR) regime under the *Regulation respecting Alternative Distribution Methods* (RADM) to credit card embedded insurance products.

The industry has generally taken the view that there is no offer, sale, negotiation or distribution of these insurance benefits to the cardholders, as they are pre-negotiated between the credit card issuer and the insurer under a master policy.

However, the AMF has now responded and confirmed its view that credit card included insurance products are subject to the DWR regime in Quebec. This means that the AMF will expect all insurers and card issuers that offer these products to prepare product summaries and provide them to consumers when they choose their credit card. The AMF will also expect insurers to complete an initial disclosure in accordance with the RADM. The AMF has indicated that it expects insurers to complete the following by **September 17, 2021**:

- Disclose each product embedded in the credit cards under the DWR regime (one file per product);
- Make each product summary and a specimen of the policy or the insurance certificate accessible on their own website;
- Provide the AMF with an action plan to implement the delivery of the summary by their distributors to the clients, to train their distributors and to implement the necessary adjustments to their processes to comply with the Quebec laws and regulations.

In addition, the AMF has provided clarifications on the application of certain provisions of the RADM in response to specific questions raised by THIA, which have been attached at the end of this bulletin.

THIA plans to reply to the AMF and continue to advocate for the position that the distribution takes place between the insurer and the card issuer, *not* the individual cardholder. Cardholders do not have the ability to pick and choose between different benefits, they do not pay for the coverages, and they are under no obligation to use them.

However, given the nature of the AMF's position so far, it is important for our members to take note of the September 17, 2021 deadline and the steps the AMF has requested insurers to complete by that time.

**AMF Clarifications to Specific Issues Raised by THIA**

<b>Fact sheet and notice of resolution</b>	<p>The AMF cannot exempt insurers from the disclosures required by the law or regulation. According to the legislation, distributors are required to provide consumers with these documents.</p> <p>There are insurers offering credit card-embedded insurance products that have these documents delivered by distributors and to date, no issues have been brought to our attention by these insurers nor did we receive any complaint from consumers confused by the approach.</p>
<b>Initial disclosure</b>	<p>The AMF expects insurers to provide all the data required in the initial disclosure, that is:</p> <ul style="list-style-type: none"> <li>• the information required under section 66 of the Insurers Act;</li> <li>• the name and contact information of the third party to which the insurer has entrusted the performance of the obligations of an insurer with respect to the distribution of a product through a distributor, if applicable;</li> <li>• the hyperlink or any other means to access the distributor's offer through the Internet, if applicable.</li> <li>• the contact information of the insurer's assistance service referred to in section 27 of the RADM.</li> </ul>

	<p>We note that overall, there are 2 main guarantees offered:</p> <p>1- Insurance covering goods purchased with the credit card which includes contractual liability insurance assumed by the cardholder when renting a vehicle paid for with the card.</p> <p>This falls under the “credit card and debit card insurance” provided under section 424 (3) of the Distribution Act.</p> <p>2- Travel Insurance</p> <p>The AMF expects that Travel Insurance be disclosed under “Travel insurance”. These products cannot be disclosed under “credit card and debit card insurance”.</p> <p>For more specific questions regarding the disclosures, please do not hesitate to contact the analyst assigned to this file.</p>
<b>Annual disclosure</b>	<p>The AMF expects to receive all the following information:</p> <p>3- The number of insurance policies and certificates issued, and the amount of premiums written;</p> <p>We assume that the credit card issuer pays an amount per credit cardholder for the insurance. Therefore, this amount should be considered a premium by the insurer.</p> <p>The number of insurance policies and certificates issued corresponds to the new certificates only.</p> <p>4- The number of claims and the amount of indemnities paid;</p> <p>5- The number of rescissions and cancellations; You can enter the number of credit cards cancelled.</p> <p>6- The remuneration paid to all distributors and third parties referred to in subparagraph 1 of the first paragraph of section 20 of the RADM.</p> <p>If the distributors are not paid, the answer is 0.</p>

<b>Delivery of the product summary</b>	<p>Consumers must receive the product summary when choosing their card, both in person and online. We expect consumers to receive the summary for the product they are interested in.</p> <p>Online, the summary can be provided to the consumer in a format that will allow he or she to keep it. The distributor does not have to send the summary to the consumer in a paper format, an electronic format is sufficient.</p> <p>For other means of communication with the consumer that do not allow the summary to be provided at the time of the offer, section 23 of the RADM applies.</p> <p>The person who should receive the summary is the person who chooses the card and requests it.</p>
<b>Examples of product summaries</b>	<p>The AMF does not provide examples of summaries. However, if the industry wishes to use a standard format, we will be available to review it and provide general comments on this template.</p> <p>Summaries must be prepared on a product-by-product basis. A consumer should also not receive a document containing explanations about products that have not been offered to him or her or that he or she has not chosen.</p> <p>There are products offered through DWR where more than one insurer underwrites the risk. This is not an issue. The important thing is that the information provided is clear and relevant to the consumer.</p> <p>A product that is underwritten by more than one insurer must be disclosed to the AMF by only one of the insurers, which will then list the second insurer as a secondary insurer. Please note that the summary must contain the names and contact information of all insurers who underwrite the product.</p>
<b>Obligation to provide training</b>	<p>Insurers have to train their distributors as required by the RADM. Credit unions, banks and financial institutions are distributors of other products offered through DWR. Insurers must train their credit card issuers in the same way as other distributors.</p>

	<p>We understand that the implementation of these trainings will not be done instantaneously. We therefore ask that you submit an action plan to this effect.</p> <p>In addition, the insurer must have an assistance service to answer distributors' questions for each product offered.</p>
<b>Presence of the summary on the insurer's website</b>	<p>Insurers must make their summaries accessible on their website. If more than one insurer underwrites the same product, each insurer must make it available on its website.</p>