

XX July, 2020

Mr. Mario Beaudoin, Director, Alternative Insurance Distribution Policy
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

c.c. Mr. Frédéric Pérodeau, Superintendent, Client Services and Distribution Oversight
Mr. Patrick Déry, Superintendent, Solvency
Ms. Nathalie Sirois, Senior Director, Supervision of Insurers and Control of Right to Practise
Ms. Louise Gauthier, Senior Director, Distribution Policies

WITHOUT PREJUDICE

Dear Mr. Beaudoin:

Re: Applicability of the Regulation respecting Alternative Distribution Methods (RADM) to Credit Card-Embedded Insurance Benefits

During our Association's 11 February, 2020 meeting with you and AMF colleagues at the Autorité's office in Quebec City, CAFII communicated its strongly held view that the RADM – as drafted, finalized, and published -- does not apply to credit card-embedded insurance benefits. Credit card-embedded insurance benefits are not directly purchased or offered, but rather are included with some credit cards as part of the ancillary benefits the card provides to the customer. If a customer wants a particular credit card, the embedded insurance benefits cannot be refused. If the embedded insurance benefits are not wanted, the customer can choose to decline that particular credit card or simply opt not to use those included benefits.

Despite our firm view that the RADM does not apply to this product line, CAFII has endeavoured, through the proposals outlined below, to provide customer outcomes for this product line which align with those that are actual offers of insurance, as per the AMF's interpretation of the RADM and related expectations.

The purpose of this letter is to outline the creative solutions we have identified in response to the AMF's request of our Association and its expressed view that the RADM applies to credit card-embedded insurance benefits. We thank the AMF for granting a deadline extension, to 15 July, 2020, for this submission, in response our request due to the COVID-19 pandemic.

Filings and Disclosures to the AMF

With respect to credit card-embedded insurance benefits, CAFII members would be able to meet the following mandated disclosures to the AMF:

- the name and contact information of the distributor; and
- the contact information of the insurer's assistance service.

However, some of the other RADM-mandated disclosures do not fit with the credit card-embedded insurance benefits product line. Specifically, the following:

1) The number of rescissions or cancellations. The customer cannot cancel credit card-embedded insurance benefits as a component part of the overall credit card package; rather, he/she must cancel the credit card in its entirety. Customers most often choose to cancel a credit card because they do not like the annual fee, the interest rate, the rewards program, or to reduce the overall amount of credit they are carrying. Having the industry report on credit card cancellations would provide the AMF with no market conduct or consumer protection-related indicators or red flags relevant to the embedded insurance benefits.

2) Remuneration paid to all distributors. For credit card-embedded insurance benefits, there is no remuneration paid to distributors.

Given the realities outlined above and to ensure that the AMF still receives relevant data to fulfill its industry oversight responsibilities, CAFII recommends that instead of the industry addressing the requirements set out in Clause 21 of the RADM, the AMF should align its reporting requirements with those in the CCIR's Annual Statement on Market Conduct (ASMC). The ASMC calls for relevant credit card-embedded insurance benefits data and insurers could provide similar Quebec-specific data to the AMF rather than being required to implement different and/or additional reporting.

Customer Disclosures

Given that credit cards can have over 10 different embedded insurance benefits, and each issuer has a portfolio of unique credit cards, each issuer may have dozens of different embedded insurance benefits. It would be impractical to expect that, at the point of sale, the credit card issuer would provide the consumer with 10-plus summaries of the embedded insurance benefits when the primary information the consumer is seeking relates to the card's annual fee, its interest rate, payment grace period, and its rewards program. Furthermore, this would likely confuse rather than provide clarity to the consumer.

Given the AMF's request, CAFII members are prepared to produce summaries for consumers of credit card-embedded insurance benefits, which would be made available to all consumers on the insurer's website.

The summaries of embedded insurance benefits will

- be concise;
- be written in clear, consumer-friendly language;
- present accurate information;
- not contain any advertising or any promotional offers; and
- not be the Certificate of Insurance.

The summaries of embedded insurance benefits will include

- the insurer's name and contact information;
- the client number of the insurer registered in the Authority's register of insurers and the Authority's website address;
- the name and type of insurance product embedded;
- the eligibility criteria;
- the name and contact information of the distributor that offers the product;
- the product coverage, exclusions and limitations;
- any other specific clauses which may affect the insurance;
- the insurer's website address providing access to the information on where the client can file a complaint with the insurer and a summary of the complaint processing policy; and
- the manner in which the Certificate of Insurance can be accessed on the website.

Fact Sheet

It is CAFII's intent to try to find creative solutions to the AMF's expectations which will lead to positive consumer outcomes. The Fact Sheet, as prescribed by the RADM, is not aligned with credit card-embedded insurance benefits and would be a "forced fit."

Therefore, CAFII recommends that, in the case of credit card-embedded insurance benefits, the AMF should authorize credit card distributors to use the "*Reserved for use by the insurer*" section of the Fact Sheet to clarify important details about the embedded benefits.

The "*It's your choice*" and "*How to choose*" sections are not well suited to credit card-embedded insurance benefits, but the Fact Sheet section that is of particular concern is "*Right to Cancel*." As stated previously, credit card-embedded insurance benefits cannot be cancelled without cancelling the credit card itself. This is due to the fact that the coverages embedded in a credit card are issued under a group master policy to the policyholder (i.e. a bank or credit union) for the benefit of individual cardholders, who are provided with insurance certificates as participants under the group policy. Therefore, an individual cardholder under the group master policy cannot choose to cancel coverage under the certificate, as only the policyholder can terminate a group policy which would have the effect of cancelling coverage for all cardholders.

Therefore, CAFII recommends that, in the case of credit card-embedded insurance benefits, the AMF should authorize credit card distributors to use the "*Reserved for use by the insurer*" section of the Fact Sheet to clarify important details, such as under what circumstances – when an account is not in good standing, for example -- termination of coverage would be effected.

Other comments:

Information collected from consumers

With respect to the RADM Clause 25, no information is collected upfront from consumers relative to credit card-embedded insurance benefits. Any information collected from the credit card applicant is compliant with all applicable privacy requirements, including the federal PIPEDA. The insurer does not see any of the details about a specific enrollee in the group plan underlying a credit card-embedded insurance benefit until there actually is a claim.

Similarly, under RADM Clause 30, insurers would not be in a position to provide an applicant with the summary of the information collected from the client, as it is not collected for insurance purposes. However, the Certificates of Insurance would be provided, per normal fulfillment procedures.

Insurer Assistance service

CAFII members would be able to meet the expectations regarding the insurer having an Insurer Assistance Service, to answer questions from the distributor regarding each benefit offered, as referenced in RADM Clause 27.

Distributor training

With respect to RADM Clause 34, training of distributor staff already exists. Staff are provided with the necessary knowledge to ensure that customers' questions are addressed and that the appropriate information is being provided about the credit card-embedded insurance benefits. A common practice is for the distributor's staff to provide high level product information (e.g. *this credit card includes \$X Million in travel medical insurance for up to Y days*) and to direct more detailed questions around eligibility, pre-existing conditions, etc. to a licensed insurance agent who works for the insurer.

However, with respect to RADM Clause 33 related to the insurer “monitoring and supervising the offering of insurance products,” CAFII emphasizes that this provision is not applicable to credit card-embedded insurance benefits because for this product line, there is no “offering of insurance,” as there is, for example, in the case of credit card balance protection insurance, which is offered as a stand-alone product.

Conclusion

We thank you, in advance, for considering the creative solutions and related recommendations put forward by our Association in this letter. We look forward to dialoguing with the AMF on the proposals we have made. In that connection, please contact Keith Martin, Co-Executive Director, at keith.martin@cafii.com or 647-460-7725 at your earliest convenience, to set up an in-person or teleconference meeting for that purpose.

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), Sun Life Financial, and The Canada Life Assurance Company.