

**Agenda Item 5(a)
November 23/21 EOC Meeting**

Summary Notes of a Meeting on 10 November, 2021 between CAFII (Keith Martin, Brendan Wycks) and the AMF (Mario Beaudoin, Charlène Boucher)

CAFII's Co-Executive Directors met virtually with AMF staff executives Mario Beaudoin and Charlène Boucher on 10 November, 2021 to discuss the next steps around the creation of a pan-industry Working Group to modify the Regulation respecting Alternative Distribution Methods (RADM)-prescribed *Fact Sheet* and *Notice of Rescission* -- in order to make the content of those two documents accurate and useable for distribution to customers with respect to credit card-embedded insurance benefits.

The meeting was scheduled for 60 minutes, but had an actual duration of 75 minutes. For the first 45 minutes or so, Mr. Beaudoin spent much of the time lamenting all the various challenges which he and the AMF would face in modifying the Fact Sheet and Notice of Rescission to make their use possible with respect to credit card-embedded insurance benefits. He noted that those two documents were prescribed in legislation, and that it would be impossible to amend the governing Act in the short run.

Mr. Beaudoin acknowledged, however, that the RADM, in contrast, was a Regulation developed by the AMF and that it could therefore be changed by the AMF, but that doing so would not be a simple process. The desired Fact Sheet and Notice of Rescission changes would require internal approval at the highest levels of the AMF, he stressed, and they would also ultimately need to be approved by the Minister of Finance. Mr. Wycks noted that the Minister of Finance, Eric Girard, was a practical person with a lot of business experience, as was the Deputy Minister of Finance, Eric Stevenson, but Mr. Beaudoin did not comment on that observation.

Mr. Beaudoin also spoke about not wanting multiple versions of the Fact Sheet in existence for different types of travel insurance. CAFII emphasized that the modified version would be intended to cover all types of credit card-embedded insurance benefits, i.e. be applicable not just to embedded travel insurance but also to other embedded coverages such as extended warranties.

In response to CAFII's re-emphasized concern that the current wording of the Fact Sheet was inaccurate and misleading to consumers because it states that they can cancel the insurance benefits embedded in a credit card -- when, in fact, if they do not want the embedded insurance benefits, they must cancel the entire credit card itself -- Mr. Beaudoin said that this was viewed by some of his colleagues at the AMF as suggesting that the embedded insurance benefits were a form of "tied selling."

CAFII explained that that view was misguided and rooted in misunderstanding, as credit card-embedded insurance benefits were not an "offer of insurance," but rather were one of several features built-into credit cards to enhance their value proposition in an extremely competitive marketplace.

In addition, CAFII noted, insurance was not at the top of consumers' wish list of credit card features that consumers focus on in deciding which credit card to apply for and secure. Rather, they decide to apply for a particular credit card based on factors such as credit limit, annual fee, and rewards features. Furthermore, any insurance benefits embedded in a credit card are paid for by the credit card issuer; and the cardholder does not pay premiums for them.

Mr. Beaudoin did not dispute any of these points, but he continued to lament the challenges which changing the Fact Sheet would present to him internally at the AMF and, subsequently, at the Ministry of Finance.

Mr. Beaudoin also said that there are other types of “embedded insurance benefits” beyond those associated with credit cards; and that his AMF team would have to take into account and navigate how any changes to the regulatory approach with respect to credit card-embedded insurance benefits might affect those other types of embedded insurance coverages.

He cited the recent COVID-19-driven travel insurance that comes embedded in an airline ticket (such as those embedded in Air Canada and Westjet flight tickets) and “car dealership-embedded insurance products” as two examples of other types of embedded insurance benefits. With respect to the embedded travel insurance offered by airlines as part of the flight ticket price, Mr. Beaudoin noted that initially, when such coverage began to be offered in 2020 during the pandemic, one of the policies featured a disclaimer which stated “not available to residents of Quebec.” Both Mr. Beaudoin and Ms. Boucher did not hide their annoyance about that, acknowledging that they had been blindsided by that Quebec resident exclusion and then had to work with the insurer involved to get the situation rectified.

Mr. Beaudoin advised that he had also been in touch with another industry Association on the matters being discussed; and CAFII told him that we also were in regular contact with THIA on these matters, and were aware that he and Charlène would be meeting with Richard Ollier of THIA the following day.

Mr. Beaudoin said on several occasions during the meeting that he was meeting with various Association representatives separately to begin with, because he wanted to make progress and avoid getting bogged down in large meetings with too many people in attendance.

A repeated theme from the AMF was that the seemingly straightforward opportunity and possibility to change the RADM with respect to the Fact Sheet and the Notice of Rescission for credit card-embedded insurance benefits was, in practice, quite a complex and difficult undertaking. Reading between the lines, it appeared that this initiative would present discomfort and internal challenges to Mr. Beaudoin, because it would indicate and underscore that the drafting and related development of the RADM, of which he was a leading AMF manager, did not contemplate the separate requirements needed for credit card-embedded insurance benefits as a unique product set.

It became apparent to CAFII that one of Mr. Beaudoin’s primary concerns in pursuing any approach to modify the Fact Sheet and Notice of Rescission would be to “save face” to the maximum degree possible.

CAFII stuck to its guns around the importance of following through on the need to change the Fact Sheet and Notice of Rescission for credit card-embedded insurance benefits, and the AMF representatives suddenly pivoted. Ms. Boucher—who had been largely silent up to that point in the meeting—said that it was the law that customers had to receive a Fact Sheet and Notice of Rescission at point of sale—and she therefore asked: was CAFII members’ desire (i.e. endgame) to not have to distribute those documents to the holders of credit cards with embedded insurance benefits?

In response, CAFII emphasized that for non-embedded types of insurance, our members were already complying with the RADM’s requirement to provide the Fact Sheet and Notice of Rescission to customers. And for credit card-embedded insurance benefits, they were working towards the AMF-stipulated deadlines to be compliant, including development of Product Summaries and Action Plans for 17 December, 2021. The only desire/ask for change on CAFII’s part was for the Fact Sheet and Notice of Rescission to be modified so that they would be accurate and not misleading for the holders of credit cards with embedded insurance benefits.

Ms. Boucher then requested/suggested that CAFII could perhaps recommend to the AMF the modest wording revisions to the Fact Sheet and Notice of Rescission that would make them accurate for the holders of credit cards with embedded insurance benefits, i.e. amendments that would correct or provide clarifying context around any misleading language – so long as our proposed changes bear in mind the Insurers Act and the Distribution Act and don't violate them in any way.

The meeting concluded with this Next Steps request being made by Mr. Beaudoin and Ms. Boucher: that CAFII consult with its members and then get back to them, potentially with proposed Fact Sheet and Notice of Rescission revisions, by mid-December 2021.

(Another issue that was raised in the meeting was in relation to the recent CAFII submission to the AMF on burden reduction opportunities. Mr. Beaudoin shared that he was aware of some of the concerns we had raised in our letter addressed to his AMF colleague Julien Reid, some of which he felt were rooted in communication issues. He said that when the AMF was consulting on the draft RADM back in 2019, it had met in French with the Quebec arm of the CLHIA; and that perhaps some of the progress on that file had not been clearly communicated to CAFII and its members. Mr. Beaudoin therefore proposed, as a corrective measure, to have meetings on Distribution Without Representation (DWR) regime developments/issues perhaps twice a year with CAFII and its members, an offer which we welcomed on behalf of our Association.)

(CAFII also let Mr. Beaudoin know that we would imminently be setting up a meeting with Eric Jacob, the AMF's Superintendent, Client Services and Distribution Oversight, to informally discuss the October 14, 2021 CAFII/AMF Industry Issues Dialogue, and how such sessions could be improved for the future.)

Next Steps

In Process

1. The highlights of the meeting were verbally shared with EOC Chair Rob Dobbins and Vice Chair Karyn Kasperski on 12 November, 2021. They were concerned that it seemed that the AMF was not intending to convene a pan-industry Working Group with the AMF, and felt that it was imperative to carefully review the Fact Sheet and Notice of Rescission with such a group and make all necessary revisions to it for credit card-embedded insurance benefits.
2. Propose organizing a meeting with Chris Lobbezoo (Board Chair), Peter Thompson (Board Vice Chair), Rob Dobbins (EOC Chair) and Karyn Kasperski (EOC Vice Chair and AMF Working Group Chair) to discuss the Recommended Next Steps below, including whether to adopt or revise them.

Recommended Next Steps

3. Distribute the Summary Note to CAFII Board, EOC, and AMF Working Group members.
4. Send a request to CAFII Board members (copy to EOC and AMF Working Group Members) that they nominate EOC or other members to join a *Special Pan-Industry Working Group to Propose Modifications to the Fact Sheet and Notice of Rescission*.

Option A (Keith Martin):

- a. We will ask members with credit card businesses to consider nominating credit card experts to ensure the involvement of credit card expertise.
- b. We will suggest that members of the existing AMF Working Group (see Appendix A for membership) should join the Pan-Industry Working Group as well.
- c. We will invite THIA and CLHIA to participate in the discussions of the Pan-Industry Working Group.

Option B (Rob Dobbins): the Pan-Industry Working Group should be made up of select members (3 to 5) from each Association who can represent their Association's membership. That way, each Association can leverage current mechanisms in place, i.e. CAFII's EOC and AMF Working Group On Industry Alignment, to inform what they bring to the table of the Pan-Industry Working Group. This should help with getting consensus quicker for what gets presented to the AMF in terms of a modified Fact Sheet and Notice of Rescission. This will also appease Mario Beaudoin in terms of his concern about getting bogged down in large group meetings.

Appendix A

Members of the CAFII Working Group On Industry Alignment Around Compliance With AMF's Expectations Re RADM's Applicability To Credit Card-Embedded Insurance Benefits

<u>Member</u>	<u>Organization</u>
Karyn Kasperski (Chair)	RBC Insurance
Benita Chan	RBC Insurance
Yael Lipman	RBC
Susan Johnston	RBC
Penelope Cordogiannis	RBC
Trish Facciolo	RBC
Silvana Capobianco	BMO Insurance
Greg Caers	BMO Insurance
Mandy Rutten	CIBC Insurance
Anu Bains	CIBC Insurance
Marie Nadeau	National Bank Insurance
Michelle Butler	Scotiabank
Sherri Kuzio	Scotiabank
Trevor Gillis	Tangerine Bank
Pete Thorn	TD Insurance
Marie Skrelji	TD Insurance
Tracey Torkopoulos	Assurant
Jennifer Russell	Assurant
Nadine Roy	Assurant
Monika Spudas	Manulife
Isabelle Choquette	Desjardins