

**Read Only Agenda Item 5(a)  
September 20/22 EOC Meeting**

**From:** Brendan Wycks <[brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com)>

**Sent:** Wednesday, August 24, 2022 9:39 AM

**To:** CAFII Executive Operations Committee and Market Conduct & Licensing Committee Members

**Subject:** Canvassing CAFII Member Companies Re Possible Outreach Received From The AMF Around Promised 'Burden Reduction Initiative': Feedback Requested By Wednesday, August 31/22

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**CAFII Executive Operations Committee and Market Conduct & Licensing Committee Members:**

On January 19/22, Keith Martin and I had a virtual update/touchpoint meeting with Mario Beaudoin and Charlene Boucher of the AMF, at their request. (See below, beneath my signature block, for a full Highlights Summary of that meeting.)

In that meeting, Mr. Beaudoin offered/volunteered the following information about a new AMF burden reduction initiative:

AMF Initiative To Reduce Regulatory Burden Upon The Industry: Attempt to Simplify Disclosure of All Distributors:

*Mr. Beaudoin said that he understood from CAFII's October 2021 written submission on AMF Opportunities To Reduce Industry Regulatory Burden that the requirement for regulated entities to list all distributors (for example, all branches of a bank offering credit protection insurance or offering credit cards with embedded insurance benefits; or all travel agencies offering a particular travel insurance product) was onerous.*

*As a result, the AMF was currently engaged in an internal "data base overhaul and related technology upgrade exercise," the net result of which will be that regulated entities will soon be able to add or update an 'all distributors list' via a simple email instruction exchange with an AMF staff member; and the Autorite will then be able to look after the addition or update for the regulated entity.*

*The AMF will be reaching out to CAFII members and other industry players directly about this; and this burden reduction initiative will be phased in gradually over time, with a group of firms becoming beneficiaries of it in each of several successive phases.*

Over the subsequent seven months, CAFII, at an Association level, has not heard back from the AMF with any news about this initiative.

At this time, therefore, CAFII would like to do a quick canvass of all 15 Member companies – to find out if any have been contacted by the AMF with further information and/or a request to participate in the design and/or pilot testing phases of this promised burden reduction initiative.

If the results of this canvass of CAFII Member companies amount to a null set, we will reach out to Mario Beaudoin and Charlene Boucher shortly thereafter, with a request for an update on where this AMF initiative stands, which we will hopefully receive prior to the next EOC meeting on Tuesday, September 20/22.

**Therefore, we ask that one representative from each CAFII Member Company complete the following brief canvass/poll; and return it to Keith Martin and me by Wednesday, August 31/22 at 5:00 p.m. EDT**

**Respondent's Name and Member Company:**

**Date:**

**Has Your Company Received Any Contact To Date From The AMF About Its Promised Burden Reduction Initiative Related To Simplifying 'Disclosure of All Distributors' (AMF Internal Database Overhaul Initiative)?**

☐ Yes ☐ No

**If follow-up CAFII dialogue with the AMF about this burden reduction initiative indicates that the AMF is now looking for firms who would be interested in participating in the design and/or pilot testing phases of this burden reduction initiative, would your company like to volunteer?**

☐ Yes ☐ No

Thanks and best regards,

**Brendan Wycks, BA, MBA, CAE**

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## **Highlights Summary of CAFII Meeting with Mario Beaudoin and Charlene Boucher, AMF, on 19 January, 2022**

Keith Martin and Brendan Wycks met with Mario Beaudoin and Charlene Boucher on 19 January, 2022 from 3:00 to 4:00 pm EST.

The meeting was extremely cordial and Mr. Beaudoin and Ms. Boucher were open, engaged, and friendly.

Following are the highlights of the meeting:

**Action Plans For Bringing Credit Card-Embedded Insurance Benefits Into Compliance With Regulation Respecting Alternative Distribution Methods (RADM):** Mario Beaudoin reported that Action Plans had been received from many CAFII members and other industry players in mid-December, and they were generally of a good quality. “We are generally happy with the Action Plans and there are just a few ‘points of vigilance’ that we need to follow-up on with a small number of players. Most of what we’ve received is in line with our expectations,” he said.

Mr. Beaudoin advised that 186 (“just shy of 200”) credit card-embedded insurance benefits had been ‘disclosed’ to the AMF via the Action Plans. In comparison, in the prior industry disclosure to the AMF on insurance products distributed without a representative, 450 such products were disclosed. Mr. Beaudoin said he was impressed by how many credit card-embedded insurance products there are in the marketplace.

**Combining of Different Classes/Types of Insurance Benefits Into A Single Product Summary Is Not Acceptable:** Ms. Boucher had shared a report with Mr. Beaudoin prior to the meeting with CAFII, which indicated that two industry players had submitted an Action Plan in which they had combined quite different classes/types of embedded insurance benefits into a single Product Summary. That approach is not acceptable to the AMF, Mr. Beaudoin emphasized, because it will not serve consumers well.

Mr. Beaudoin elaborated that including all travel insurance embedded benefits (health; trip cancellation; trip interruption; baggage loss, etc.) was fine, but warranty-type embedded insurance benefits and rental vehicle-related embedded insurance benefits cannot be grouped into the same Product Summary as embedded travel insurance benefits. Warranty-type embedded insurance benefits and rental vehicle-related embedded insurance benefits are distinct classes/types of insurance that must be separated into their own Product Summary, he asserted.

Ms. Boucher advised that she would be following up with the two firms that had made this *faux pas* in their Action Plan submissions; and requiring them to decouple the distinct types of embedded insurance benefits into separate Product Summaries and to resubmit to the AMF in February.

**Asking The Customer for Consent to Provide The Product Summary Later Does Not Remove The Requirement To Provide Pre-Sale Disclosure:** Mr. Beaudoin said that some of the Action Plans submitted make reference to the firm's intention in certain situations -- for example, in a call centre sale of insurance -- to ask the customer for consent to send him/her/them the Product Summary later, subsequent to that sales call.

Mr. Beaudoin said that while that approach was acceptable under the RADM, it did not remove the disclosure obligation to disclose to the consumer "pre-sale" what is in the offer of insurance. He emphasized that the whole point behind the Product Summary, as a key component of RADM compliance, is that it is intended to provide "pre-contract disclosure"; and once a customer is actually insured, he/she/they should consult the insurance contract or certificate of insurance, rather than the Product Summary.

As such, RADM compliance is not achieved if the key information about the insurance is not provided to the customer until after the offer is accepted. If the customer does not receive the actual Product Summary pre-sale, then they still need to have the insurance described to them in adequate detail before the sale is actually confirmed, including key information such as coverage features, limitations, and exclusions.

**Particular Concern In The Case Of Credit Cards Secured 'Over The Internet' and Actively 'Delivering' The Product Summary Versus Just Making It Available:**

Mr. Beaudoin said that some companies that permit consumers to apply for and secure a credit card over the internet included in their Action Plans a reference to "making the Product Summary available." However, the RADM compliance requires "delivery" of the Product Summary to the consumer, for the purpose of drawing directly to his/her/their attention key information such as coverage features, limitations, and exclusions.

Mr. Beaudoin elaborated on this point, stating that simply telling/directing the consumer as to where to find the Product Summary is not good enough. What's required is direct and active, not passive, delivery of the Product Summary; and the onus should not be placed on the customer to find it. And even when a sale is completed in person, the Product Summary cannot just be handed over to the customer and left at that, it must be described and explained as well. This is not a legal disclosure; it is a way to help the customer make the right decision, Mr. Beaudoin stressed.

In that connection, Mr. Beaudoin expressed the AMF's concern about some companies' Action Plan-stated intention to merely provide an internet customer with a link/URL to the Product Summary on the insurer's website, opining that "the information posted at internet links often quite rapidly becomes outdated and incorrect."

However, in response to a question from Brendan Wycks, Mr. Beaudoin indicated that the AMF would be open to further discussion/negotiation about the use of internet links to fulfil the Product Summary disclosure obligation, if the link was to a PDF and there was a commitment on the regulated entity's part to constantly monitor the link and the related PDF to ensure that they are always functional and up-to-date.

**Action Plans ‘Conditional’ Upon The AMF’s Modification of Fact Sheet and Notice of Rescission By A Certain Date Are A Concern:** Mr. Beaudoin said that some of the Action Plans submitted state that the commitments and related dates set out therein are conditional upon the AMF confirming its position on the applicability/wording of the Fact Sheet and Notice of Rescission by a certain date, such as 31 March, 2022.

However, he emphasized that whatever the outcome of the review of the Fact Sheet and Notice of Rescission turns out to be, a company is still expected to meet all of the other commitments in its Action Plan; and he was dismissive of any conditions of this nature being included in an Action Plan.

**A 31 December, 2022 Target Date For Full Action Plan Implementation Is Prolonged, But Yet Acceptable To The AMF:** Mr. Beaudoin said that the AMF would accept the 31 December, 2022 target date for full implementation that was specified in many Action Plans, but that he was surprised by how long it would take to implement the changes necessary to become compliant with the RADM. CAFII explained that in many member companies, there are often hundreds of projects competing for resources, and that the changes necessary to bring credit card-embedded insurance benefits into compliance with the RADM would not be simple to implement; and they would impact training, communication, processes, and IT. Mr. Beaudoin responded that that was a valid point and he understood the challenges.

#### **Additional/Tangential Points of Discussion**

**AMF Initiative To Reduce Regulatory Burden Upon The Industry: Attempt to Simplify Disclosure of All Distributors:** Mr. Beaudoin said that he understood from CAFII’s October 2021 written submission on *AMF Opportunities To Reduce Industry Regulatory Burden* that the requirement for regulated entities to list all distributors (for example, all branches of a bank offering credit protection insurance or offering credit cards with embedded insurance benefits; or all travel agencies offering a particular travel insurance product) was onerous.

As a result, the AMF was currently engaged in an internal “data base overhaul and related technology upgrade exercise,” the net result of which will be that regulated entities will soon be able to add or update an ‘all distributors list’ via a simple email instruction exchange with an AMF staff member; and the Autorite will then be able to look after the addition or update for the regulated entity.

The AMF will be reaching out to CAFII members and other industry players directly about this; and this burden reduction initiative will be phased in gradually over time, with a group of firms becoming beneficiaries of it in each of several successive phases.

**Proposal for Regular Meetings with CAFII:** Mr. Beaudoin said that he felt that more regular communication and dialogue meetings between the AMF and CAFII would be mutually beneficial, as they would help to avoid any communication gaps or miscommunications.

In discussion with CAFII's Co-Executive Directors, Mr. Beaudoin and Ms. Boucher concurred with their recommendation that a quarterly frequency for such meetings would be ideal to begin with, at least for the first year or two, after which the frequency could be re-evaluated.

**Next Steps:** Ms. Boucher will capture all of the above-noted industry-level feedback points on the Action Plans in a draft letter; send that draft letter to Keith Martin and Brendan Wycks by February 4/22 for review and feedback; and, after receiving their feedback, send out a revised/final draft of the letter to all affected industry contacts in early February.