

Agenda Item 6(a)
October 5/21 Board Meeting

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Sent: September-13-21 11:26 AM

To: CAFII Board, EOC, and Other Committee Members

Subject: Insights Summary From Friday, September 9, 2021 Get Acquainted and Dialogue Virtual Meeting Between Eric Jacob, AMF Superintendent, Client Services and Distribution Oversight, and CAFII

Insights Summary From

Friday, September 9, 2021 *Get Acquainted and Dialogue Virtual Meeting*
Between

Eric Jacob, Superintendent, Client Services and Distribution Oversight; Louise Gauthier, Senior Director, Distribution Policies (reports into Mr. Jacob); and Mario Beaudoin, Alternative Insurance Distribution Policies (reports into Antoine Bédard who in turn reports into Mr. Jacob), all of the AMF; and Keith Martin and Brendan Wycks, CAFII

KEY TAKEAWAY: THE AMF MADE THE CONCESSION THAT WITH RESPECT TO THE REGULATION RESPECTING ALTERNATIVE DISTRIBUTION METHODS (RADM) AND ITS APPLICATION TO CREDIT CARD-EMBEDDED INSURANCE BENEFITS, THEY WILL NOT EXPECT THE FACT SHEET AND THE NOTICE OF RESCISSION TO BE PROVIDED TO AFFECTED CREDIT CARD HOLDERS BY THE 17 DECEMBER, 2021 DEADLINE; INSTEAD, INSURERS SHOULD INDICATE IN THEIR ACTION PLANS THAT AT THIS TIME, THEY ARE WORKING THROUGH CAFII AND WITH THE AMF TO FIND A SOLUTION FOR THE DISTRIBUTION OF THOSE DOCUMENTS.

Insights Summary of Meeting

The CAFII Board asked CAFII management to meet with Eric Jacob, the new Superintendent of Client Services and Distribution Oversight at the AMF, in order to explore a possible “reset” of the relationship and to share ongoing concerns about distribution of the Fact Sheet and the Notice of Rescission to consumers as part of CAFII’s compliance approach with respect to the AMF’s expectations around the Regulation Respecting Alternative Distribution Methods (RADM)’s applicability to credit card-embedded insurance benefits.

This *Get Acquainted and Dialogue Meeting* was held virtually on Friday, 10 September, 2021 (the earliest date and time offered in response to CAFII’s meeting request in early July), with fellow AMF staff executives Louise Gauthier and Mario Beaudoin – members of Mr. Jacob’s team in the area of insurance distribution -- also participating.

After Mr. Jacob had provided a self-introduction by highlighting from his capsule biography (see below, beneath my signature block), Keith Martin and Brendan Wycks similarly introduced themselves.

Mr. Jacob began by sharing his priorities at the AMF, which he said were driven by and well-aligned with AMF's new and recently published 2021-2025 Strategic Plan [AMF Strategic Plan 2021-2025](#). He said that he "wanted to make life easier for industry" and wanted to focus on "optimizing compliance" which he said meant "reducing the burden on industry" and looking at ways to make compliance simpler—whether through improved administrative mechanisms, through Rule adjustments, etc.

He was open, friendly, transparent, and listened carefully, and seem genuinely engaged.

Mr. Martin then shared the priorities of CAFII—to engage with insurance regulators and policy-makers across Canada through information-sharing, dialogue, and relationship-building; to focus on fair treatment of customers and consumer choice in insurance purchases, and developing related consumer education content, including through our consumer-facing website; to engage in research to better understand the needs and expectations of CAFII members' customers, which Mr. Jacob found interesting (we said we would provide him with a copy of the Executive Summary of the results of our recent Pollara Strategic Insights' research on CPI consumers' digitization preferences, and he said he would follow up with us on this); and webinars and other opportunities to share CAFII learnings with regulators, policy-makers, and other stakeholders.

We also spoke about our upcoming 14 October, 2021 *CAFII Industry Issues Dialogue With AMF Staff Executives* -- which Mr. Jacob said he was looking forward to, as the lead AMF participant.

We then turned to issues related to the RADM and its applicability to credit card-embedded insurance benefits.

Mr. Martin thanked the AMF for granting CAFII's three-month deadline extension request to 17 December, 2021 for affected insurers' submission of Action Plans, noting that CAFII members were entirely focused on compliance. He emphasized that the three-month extension was greatly appreciated, especially since compliance with the RADM in the case of credit card-embedded insurance benefits was quite complicated for industry.

He cited the example of one CAFII member's indication that in order to comply, it had to change 120 processes, and that such a volume of changes also had spillover implications for policies and procedures, training, customer communications, IT changes etc. He also pointed out that credit card offerings are national in scope, but the RADM requires unique approaches for Quebec. For example, a kiosk at Toronto Pearson or any other airport seeking to enrol an interested traveler in a new credit card will have to use a process for an applicant who resides in Quebec which is different from the one used for a person from any other jurisdiction in Canada. Similarly, a bank or credit union branch in Ottawa that is working with a credit card applicant will have to follow a different process if that applicant resides in Gatineau, Quebec rather than in Ontario.

The AMF executives acknowledged the relevance of the background context provided by Mr. Martin, indicated that they found the examples to be interesting scenarios, and said they appreciated the RADM-compliance challenges which the industry is facing.

With carefully worded positioning, Mr. Martin then shared that CAFII had recently obtained a legal opinion from Norton Rose in order to understand the legal framework around the RADM's applicability to credit card-embedded insurance benefits and the related powers, flexibility and options for making adjustments, particularly with respect to the Fact Sheet and the Notice of Rescission. He emphasized that the legal opinion had been sought not to resist compliance, but rather solely to understand the legal framework better.

Mr. Jacob responded that such a legal opinion initiative on CAFII's part made perfect good sense, and said "I would probably have done the same thing in your shoes."

Mr. Martin highlighted that the Norton Rose legal opinion indicates that the AMF does indeed have the power to modify regulations without requiring changes to the underlying legislation, including the ability to modify the Fact Sheet and the Notice of Rescission; and Norton Rose also opines that existing Quebec legislation related to the accuracy and transparency of consumer communications, which impinges upon the fair treatment of customers, could be seen as conflicting with the RADM's requirement to provide consumers with a Fact Sheet and a Notice of Rescission that contain inaccurate and misleading information.

CAFII offered to share the relevant sections of the legal opinion with the AMF staff executives, as well as to have Marc Duquette of Norton Rose present the findings to them. Mr. Jacob said he would welcome receiving a copy of the relevant sections of the legal opinion from CAFII, and he would follow up afterwards around a presentation, if desired after reading the document.

Mr. Martin then shared that while CAFII members were currently focusing intently on compliance with the AMF's expectations around the RADM's applicability to credit card-embedded insurance benefits and related implementation measures, the need to distribute the Fact Sheet and the Notice of Rescission was a major concern for our members; and the uncertainty about how that would unfold, given that the implementation date of 17 December, 2021 is fast approaching, was creating a major dilemma and challenge.

In response, the AMF staff executives expressed sympathy with the concerns being expressed by affected CAFII members; and they indicated that they had a sincere desire to launch imminently "a serious discussion between CAFII and the industry and the AMF on how best to deal with the Fact Sheet and the Notice of Rescission."

Mr. Martin advanced the discussion by noting that while it was appreciated that the AMF understood the industry's concerns, it was difficult for the industry to know how to deal with this issue in the immediate and near-term given that CAFII members are always extremely diligent about complying with legislation and Regulations. By wanting to treat consumers fairly and therefore giving serious consideration to the implications of providing an inaccurate and misleading Fact Sheet and Notice of Rescission to affected credit card holders on or before 17 December, 2021 -- in the absence of a formal AMF advisory or declaration on this matter -- affected CAFII members find themselves in an untenable position, Mr. Martin emphasized.

Louise Gauthier said that she understood the concern and asked if industry was hoping for an “exemption” with respect to distributing the Fact Sheet and the Notice of Rescission to credit card holders whose cards include embedded insurance benefits, which she said would be practically impossible to achieve.

Mr. Martin responded that the industry’s hoped-for solution was a modified Fact Sheet and a modified Notice of Rescission – customized to the unique circumstances of credit card-embedded insurance benefits – which would not contain inaccurate, misleading information for consumers.

Ms. Gauthier said that the AMF was willing to be flexible and discuss possible solutions and a resolution to this issue with CAFII and the industry, in response to which Mr. Martin proposed the following: **“Would the AMF accept that in their Action Plans due on 17 December, 2021, affected CAFII member insurers should state that at this time, the Fact Sheet and Notice of Rescission are not being shared with consumers who are holders of credit cards with embedded insurance benefits; and instead, they are working through CAFII and with the AMF to find a solution for the distribution of those documents?”**

In response, Ms. Gauthier said yes, she thought that would be acceptable. Mr. Jacob also immediately indicated his agreement, saying “I can live with that; yes, I can definitely live with that.”

There was further discussion on CAFII and the AMF following-up in the near future to launch a solution-focused dialogue around the applicability of the Fact Sheet and the Notice of Rescission to credit card-embedded insurance benefits, noting however that it would very likely not be resolved by 17 December, 2021. It was agreed that we would attempt to engage THIA and CLHIA in this consultation and dialogue process, so that a pan-industry solution could be identified and implemented.

The meeting concluded with pleasantries and good wishes, and overall the meeting was characterized by a high level of collaboration, dialogue, and co-operation.

Keith Martin

Co-Executive Director / Co-Directeur général

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Éric Jacob, Superintendent, Client Services and Distribution Oversight, AMF



Éric Jacob was appointed Superintendent, Client Services and Distribution Oversight in May 2021. With the assistance of over 150 employees, Mr. Jacob supervises the activities of representatives and firms in the insurance of persons, damage insurance, claims adjustment and financial planning sectors. He also administers the eligibility requirements related to and rules governing distribution activities, while overseeing the issuance of representative certificates and the registration of firms.

AMF Client Services and Distribution Oversight also groups together the AMF's financial consumer assistance services, the Strategic Financial Education, Outreach and Research Partnerships Program, the Fonds d'indemnisation des services financiers (financial services compensation fund), and the AMF Information Centre, in addition to supervising the activities of the Chambre de l'assurance de dommages (damage insurance chamber) and the Chambre de la sécurité financière (financial security chamber). Since May 1, 2020, it has been responsible for supervising representatives and firms in the mortgage brokerage sector.

Mr. Jacob joined the AMF in 2008 as Manager, Complaint Examination and Assistance. In 2010, he was appointed Director, Case Assessment and Cybersurveillance and interim Manager, Economic Crimes. He was appointed Director, Inspection in 2012 and promoted to Senior Director, Inspection in 2014. In 2020, he became Senior Director, AMF Monitoring, Risks and Performance. Throughout these years, he was an active member of the Canadian Securities Administrators' Enforcement Committee and chair of that organization's Compliance Committee.

Mr. Jacob has in-depth knowledge of the financial markets and the distribution of financial products and services. Prior to joining the AMF, he worked in the banking sector, including from 2006 to 2008 at BNP Paribas Canada, where, as Vice-President, International Trade Financing from 2006 to 2008, he oversaw bank syndication and corporate and institutional financing and was also given responsibility for a specialized special loans and recovery mandate. From 1994 to 2006, he managed various functions at RBC Royal Bank, including administrative services and business development in the small and medium-sized businesses sector and commercial sector. He was also chair of the board of directors of Collège de Montréal from 2016 to 2019.

Mr. Jacob holds a Bachelor of Laws from the Université de Montréal and a Master of Business Administration from the Université de Sherbrooke.