

March 29, 2019

Ms. Nathalie Sirois
Senior Director, Supervision of Insurers and Control of Right to Practise
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Dear Nathalie:

Re: *CAFII Proposed Solutions Submission Re Creditors Demonstrating That They Have A Pecuniary Interest In the Life and/or Health Of A Debtor's Spouse In Order To Offer Him/Her Creditor's Group Insurance Coverage Under Quebec's Distribution Without a Representative Regime*

Thank you for your March 6, 2019 email reply to CAFII's letter of March 1, 2019. Our Association appreciates the AMF's willingness to grant our requested deadline extension to March 29, 2019 for delivering the *Proposed Solutions* included herein, which are intended to make the offering of group debtor life, health and employment insurance products compliant with the AMF's interpretation of Section 76 of the *Regulation under the Act respecting insurance*.

Similarly, CAFII's affected Members are grateful for your granting of a deadline extension to May 3, 2019 for their submission of detailed action plans and related data which the AMF has requested. That extension will allow our affected Members to have the benefit of the *Proposed Solutions* developed at the Association level which are set out below; and, similarly, to have the benefit of the consultation discussions with which we would now likely to have with you and AMF staff executive colleagues on them; and to consider the outcomes of that process in their action plan submissions.

Please be advised that this *Proposed Solutions* submission is CAFII's alone; however, in its development, we have worked collaboratively and in tandem with CLHIA/I'ACCAP and expect that it will be making its own submission to the AMF.

CAFII's Proposed Solutions

As underwriters and distributors of creditors group insurance who offer life, disability, critical illness, and job loss insurance coverage to the spouses of insured debtors in Quebec, CAFII Members are prepared to make the following changes/enhancements to their practices to address the AMF's concern that a creditor must be able to demonstrate that it has a pecuniary interest in the life and/or health of a spouse in order to offer him/her such coverage:

1. For credit card products that include, as part of their embedded features and benefits, automatic insurance coverage for a spouse who is an authorized secondary cardholder (i.e. an additional person authorized to use the credit card, but who is not directly responsible to repay the credit card debt), CAFII and its Members believe that the creditor's pecuniary interest in the life and/or health of the spouse is already demonstrated and self-evident because the spouse has been issued a credit card and is entitled to make purchases/charges to the card account.

2. For credit card products where a cardholder (the debtor) can apply to have his or her spouse who is not an authorized secondary cardholder covered by creditor's group insurance (whether by applying to add coverage for his/her spouse to existing insurance coverage, or by applying for a product that specifically includes automatic coverage for a cardholder spouse), CAFII Members would be prepared to do the following to demonstrate the creditor's pecuniary interest in the life and/or health of the spouse who is to be covered:

- include a "qualification statement" in the insurance materials which indicates that "You should only apply for this coverage if your spouse is involved in your household or business, such that his/her contribution, monetarily or otherwise, contributes to your ability to make credit card payments."

This qualification statement would be included in the balance protection insurance application.

3. For loan-related insurance coverage where the spouse of a debtor can apply to be covered, such as for creditor insurance on a mortgage, home equity line of credit, other consumer loan, or on a business loan or line of credit, CAFII Members would be prepared – in addition to obtaining the spouse's signature on the insurance proposal -- to do the following to demonstrate the creditor's pecuniary interest in the life and/or health of the spouse who is applying for coverage:

- include a "qualification statement" in the insurance materials which indicates that "You should only apply for this coverage if, as the spouse of the borrower, you contribute to the household or business such that your contribution, monetarily or otherwise, contributes to the ability of the borrower to make repayments on the [loan, line of credit, or other debt obligation]."

This qualification statement would be included in the insurance application.

Conclusion

Thank you for receiving and considering this CAFII *Proposed Solutions* submission. We look forward to having an opportunity to dialogue with you and AMF staff executive colleagues about these proposals at your earliest convenience, bearing in mind the imminent May 3, 2019 deadline for affected CAFII Members to submit the detailed action plans and related data which the AMF has requested.

Sincerely,

Martin Boyle
Board Secretary and Chair, Executive Operations Committee