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**Re: CAFII Feedback On AMF's Draft Regulation respecting Complaints Handling and Dispute Resolution in the Financial Sector**

Dear Mr. Lebel:

CAFII thanks the AMF for the opportunity to provide feedback comments on the Autorité's Draft Regulation respecting Complaints Handling and Dispute Resolution in the Financial Sector. Our Association strongly supports a fair, convenient, and transparent complaints handling and dispute resolution process, one which ensures that customers have readily accessible and responsive avenues available to them to address and resolve concerns, complaints, and disputes.

**Opening Comments**

We note that

*The Draft Regulation is intended to harmonize and strengthen the fair processing of complaints in Québec's financial sector. It includes requirements drawn from national and international FTC (fair treatment of customers) principles and was drafted taking into account input from various AMF advisory committees and the comments of multiple financial sector stakeholders.*

We also note that the purpose of the Regulation is summarized as follows:

*The Draft Regulation establishes a common set of rules and practices to be followed by financial institutions, financial intermediaries and credit assessment agents in processing complaints and resolving disputes. These rules and practices also cover the keeping of complaint records and the sending of such records to the AMF for examination. The Draft Regulation would also prohibit certain practices.*

*The Draft Regulation identifies the elements to be included in a financial intermediary's complaint processing and dispute resolution policy.*

*Finally, it sets out the monetary administrative penalties that may be imposed on financial institutions or credit assessment agents by the AMF in the event of non-compliance with the Regulation's provisions applicable to their practices.*

CAFII generally supports the above-noted statements on the Draft Regulation's purpose and intent; however, we do have concerns about the Draft Regulation which arise from its level of prescriptiveness – thus straying from principles-based regulation – in a number of instances.

CAFII member companies are financial institutions and insurers which have long had robust and comprehensive complaints and dispute resolution processes in place. From that perspective, our Association believes that regulators should communicate their expectations through broad principles, and leave to individual regulated entities the mechanics and details of how the consumer outcomes associated with those principles will be achieved. Such a principles-based approach is, in our view, more efficient and effective than a prescriptive approach because it avoids a situation in which a regulator is dictating to businesses how to manage the details of their operations.

#### **General Comments and Observations**

CAFII strongly believes that the insurance and financial services ecosystem in Québec, and indeed throughout Canada, is best served by a regulatory system that is harmonized to the maximum degree possible across provincial/territorial and federal jurisdictions. With this Regulation, as drafted, Québec will be introducing a novel and unique set of rules that is, in many respects, distinctly different from those utilized in other provinces, territories, and the federally regulated financial sector.

Our Association's members are national institutions with policies and procedures designed to be followed throughout all of Canada. The practical implications of the AMF's introduction of a Regulation on Complaints Handling that includes distinctly different and unharmonized elements is that financial institutions which choose to operate in Québec will have to dedicate considerable financial and other resources to dealing with Québec's unique provisions, resources which otherwise could have been devoted to meeting the insurance needs and wants of Québec consumers. The end result is a more costly and inefficient system, and one which we do not believe will deliver enhanced consumer protection.

In that connection, we believe that there are certain provisions in the Draft Regulation which constitute regulatory over-reach and are therefore inconsistent with the AMF's expressed commitments to principles-based regulation and regulatory burden reduction.

One other general, thematic point – elaborated upon in the specific feedback below – which we want to highlight is that the Draft Regulation seems to be very oriented towards and supportive of paper-based complaints processes. It would therefore be beneficial to adjust the wording throughout the document to remove that bias and orientation; and instead to reflect the fact that complaints are often made, and often resolved, verbally or electronically; and, similarly, to clarify that digital means of communication are fully acceptable in complaints handling and dispute resolution processes.

### **Transition and Implementation Period**

We note that the Draft Regulation and its related transmittal materials are silent on the critical issue of a Transition and Implementation Period. That uncertainty is of particular concern to CAFII members, given that this is a totally new and substantive Regulation which calls for major changes to firms' existing governance, resource allocation, structure, systems, and policies and procedures, as well as staff hiring and training during a time of significant labour shortages. All those factors considered, CAFII members must request a minimum three-year Transition and Implementation Period from the coming into force of the Regulation, in order to have adequate time to make the necessary changes based on a schedule of prioritized and staggered deliverables, which will be a huge undertaking. During that Transition and Implementation Period, insurers, distributors, and intermediaries will ensure that complaints are processed and disputes resolved in a diligent manner, in accordance with the AMF's and CCIR's current expectations.

### **Feedback on Specific Clauses and Provisions**

- We strongly disagree with the requirement in Clause 11 that regulated entities provide a "complaint drafting assistance service" for any person expressing a need for it. We support the concept that complaints processes must be simple and accessible, and that institutions need to ensure the fair treatment of customers. However, to ask a company to assist a customer in drafting a complaint – a complaint that is about and will be directed to that company itself -- produces, in our view, a clear conflict-of-interest. That readily apparent conflict-of-interest would not be beneficial to the complainant nor in any way be in his/her/their best interest. In practice, such a drafting assistance service would be extremely difficult to structure, resource, and implement. In our view, such a drafting assistance service would be much more appropriately offered by the AMF itself. That approach would avoid the conflict-of-interest challenge, and would be more efficient than having regulated entities each have to develop such an assistance service themselves.
- We strongly disagree with the requirement set out in Clause 14 that a regulated entity must continue to manage a complaint through its existing processes even when a "complainant files an application or motion pertaining to elements of the complaint with a court or adjudicative body." In our view, doing that would be entirely inconsistent with appropriate legal and good governance expectations. We believe that once a complainant decides to take his/her complaint or dispute to a court or adjudicative body, he/she has opted out of the company's internal complaint handling process; and therefore, the internal complaint process must be terminated and the file closed.

We also recommend that a "carve out" be added to the Draft Regulation so that such court/adjudicative body files are excluded from the definition of "complaint" once that avenue is chosen by a complainant.

- With respect to Clauses 27, 28, and 29 on monetary penalties, we note that the AMF is giving itself the latitude to impose penalties for even very minor and trivial administrative errors. In our view, that would constitute regulatory over-reach and be inconsistent with the AMF's expressed commitments to principles-based regulation and regulatory burden reduction.

- The definition of “complaint” set out in Clause 3 as “... any dissatisfaction or reproach in respect of a service or product offered by a financial institution or financial intermediary” is very broad and sweeping; and thereby could capture very minor issues that a customer does not intend to bring forward as a “complaint.” In some instances, a customer verbally mentions, typically on the phone or in-person, a minor point of irritation – which the customer just wants the company to be aware of – and the customer expressly states that he/she is not filing an official complaint about the issue, nor does he/she expect to receive any follow-up or response about it (e.g. “I was kept waiting on hold for very long time to speak to a customer service representative.”).

In that same connection, in the definition of “complaint” the words “that cannot be remedied immediately” are used to qualify the definition. CAFII’s understanding is that this would exclude Level 1 complaints, when such complaints are remedied immediately to the complainant’s satisfaction. We request additional clarity on this point in the subsequent version of the Regulation.

- We recommend that Clause 4 should reference existing AMF and CCIR/CISRO regulatory expectations around the fair treatment of customers, including those outlined in the AMF’s Sound Commercial Practices Guideline; and, to the extent practicable, clause 4’s wording should align with those expectations.
- In Clause 7, it is not reasonable to expect the staff person responsible for processing complaints to have “detailed knowledge of the products and services offered by the financial intermediary,” because there may be cases – particularly in large financial institutions/intermediaries – where there is a centralized complaints team and its complaints handling specialists rely on expertise from various areas of the business to be able to deal with complaints that arise related to particular areas of the business. We recommend that the wording here be modified to “have access to detailed knowledge and resources with respect to the products and services offered by the financial intermediary.”

Similarly, we recommend that the following wording in Sub-Clause 7(2) with respect to staff responsible for complaint handling – i.e. should have “access at all times to information essential to the performance of the functions of this staff” – should be modified to reflect realistic expectations. It is not realistic, from a security and privacy perspective, to expect that a complaints officer will have unfettered access to all customer information. In some complaint matters, some customer information that is deemed pertinent will need to be requested from other areas of the company, rather than be directly and immediately accessible to the complaints officer. We suggest revised wording along these lines: “information that is essential to allow staff responsible for complaint handling to perform their duties should be available to those persons at all times.”

We also want to point out that it will be impossible, particularly in a large company, for one person alone to perform the role of complaints officer -- because it will require him/her to process a huge number of complaint records, acknowledgement letters, and final responses. We therefore recommend that the Draft Regulation be amended to specify that complaints officers can delegate their responsibilities to another person; and that they may appoint a substitute, such as a compliance officer, if they are unable to act or in the case of a conflict-of-interest (e.g. a complainant who is a family member or an acquaintance). In this way, firms will be able to plan for the resources needed to comply with the requirements of the Draft Regulation while having controls in place to deal with delegations of authority. It is also quite possible, particularly within a small company, that a complaints officer will have other, unrelated duties and responsibilities. Given the Draft Regulation's prescriptive nature in this Clause and other places, it would be prudent to address the possibility of the above-noted situations in the Draft Regulation, particularly so that businesses are able to structure their resources effectively.

- We recommend that the language in Clause 10 should be modified in order to clarify whether or not the following interpretation is correct: the analysis referred to in clause 10 is not expected to be published or publicly released; rather, the mandated analysis is intended to be an internal effort by financial institutions and intermediaries, the goal of which is to determine if there are any systemic issues that are the root causes of complaints. In that same connection, we recommend that the AMF align its analysis requirements with the *CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers* around analysis of complaints, which is based on high-level principles.
- In Chapter II, which applies to financial intermediaries, we note that such companies can vary significantly in size and sophistication. The "one size fits all" prescriptive regulatory expectations set out in this Chapter may be quite challenging for smaller financial intermediary companies to comply with.
- With respect to Clause 12, some complaints are quite simple to resolve while others that become escalated (Level 3 complaints) can be very complicated. A 60-day resolution deadline could be quite challenging to meet with respect to more complicated, escalated complaints. It is also not clear to CAFII whether the 60-day deadline includes the time required for the heretofore-called "internal ombudsperson" process to be utilized (which will now be an escalation that is managed by an internal "complaints officer").
- We believe that use of the word 'enlightened' in "to allow the complainant the opportunity to seek advice for the purpose of making an enlightened decision" is an improper use of that word in English; and the intent would be better captured by using the word 'informed' instead.

- With respect to Clause 15, there are some complaints where multiple issues are raised, including a variety of complaints that may not be related or even all directed at the same company. If a company receiving a complaint has to resolve it in coordination with another company, such as a business partner (an example being an insurance distributor receiving a complaint that also involves its insurance underwriter), it is reasonable to expect that the company receiving the complaint would advise the complainant that he/she needs to file the complaint with the other company him/herself, and to provide the other company's contact information. It should be specified, however, that if the complainant is filing a multiple issues complaint which includes concerns about another company – which concerns the company receiving the complaint cannot address and resolve because they are not connected to them – then the receiving company should not be expected to provide any information about the 'not applicable' aspect(s) of the complaint in response to the complainant.
- In Clause 16, we recommend avoiding the use of "any," which implies "all," as a modifier of "document or information" in subsection (3); and instead the Regulation should specify a pertinent threshold, because not every communication with the customer needs to be captured. We recommend that the Regulation should specify "the acknowledgement and final response letter to the complainant" as that pertinent threshold.

Also in Clause 16, instead of using the term "precise form" which does not carry sufficient meaning in English, we recommend the use of "clear, accurate, and not misleading."

- Clause 18 is an example of a very prescriptive provision that goes into great detail about how a company must manage the complaints it receives, as opposed to remaining principles-based and setting out the regulator's customer protection-focused expectations/outcomes. In our view, this Clause is inconsistent with the AMF's expressed commitment to regulatory burden reduction.

We are assuming that "its federation" refers to the two Quebec Chambres which the AMF oversees; and we recommend that that lack of clarity be addressed in the next version of the Regulation. We are also assuming that "complaints register" is intended to mean a log of all individual complaints managed by the company receiving the complaint. We recommend that the lack of clarity around those two points be addressed in the next version of the Regulation.

- With respect to Clause 19, it is our view that a Level 1 complaint that is immediately remedied by the company to the complainant's satisfaction should not be subject to this Clause. We believe that specifying this exclusion would bring the Quebec/AMF Regulation into harmony with the definition of a Level 1 complaint set out in CCIR's Annual Statement on Market Conduct (ASMC). In the absence of harmony between the AMF's definition of a Level 1 complaint and the corresponding definition used in the ASMC, it would be necessary for the AMF to utilize its own separate industry mechanism for complaint reporting (outside of the ASMC), which would be inefficient and degrade the value of reporting done through the ASMC.



- With respect to Clause 20, we recommend that when the Regulation references another document or Regulation, the relevant clauses/provisions should be included and directly spelled out, rather than forcing the reader/user to locate and reference the separate document. The meaning of the term “written form” is not clear, and we recommend that the next version of the Regulation provide clarity that it is not intended to mean exclusively “paper-based,” but rather also includes digital/electronic and verbal-only means of communication.

In addition, Sub-Clause 20(6) calls for “the signature of the complaints officer.” We recommend that that wording be amended to say “the signature of the complaints officer or a delegate.”

Overall, this Clause is another example of a very prescriptive approach which abandons principles-based regulation.

- With respect to Sub-Clause 21(5), we recommend that the Draft Regulation be amended to spell out that an electronic signature—or simply a signature block in an email message—is sufficient; and that “signature” does not mean exclusively a paper-based, wet signature. We also recommend that for complaints referred to the AMF (or a federation, which we assume is a Quebec Chambre), the Regulation should specify a deadline for its response to the complainant.

As well, with respect to Clause 21 generally, we recommend that for the English version of the Regulation, instead of using the term “offer,” which in English can imply a financial settlement, the term “resolution” should be used, because some complaints may be satisfactorily resolved without any financial settlement. We therefore recommend saying “...has accepted the proposed resolution to the complaint, **if applicable.**”

- In Clause 23, we recommend spelling out what the AMF’s expectations are with respect to the term “among other elements.” It would also be beneficial for the Regulation to recognize explicitly that not all complaints are made in writing, as some are delivered verbally only; and the process of responding to such verbal-only complaints often also entails verbal-only communication.
- Clause 24 is too narrow in its framing, as it does not reflect the fact that complaints may be made verbally, for example through a call centre representative.

In conclusion, CAFII again thanks the AMF for the opportunity to offer our comments on the Draft Regulation respecting Complaint Processing and Dispute Resolution in the Financial Sector. Should you require further information from CAFII or wish to meet with representatives from our Association on this submission or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at [keith.martin@cafii.com](mailto:keith.martin@cafii.com) or 647-460-7725.

Sincerely,



Rob Dobbins  
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 credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection 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 which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.