



10 December 2018

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
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Montréal, Québec, H4Z 1G3

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Dear Me Beaudoin,

**Re: Regulation respecting Alternative Distribution Methods**

### **Introduction**

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative frameworks governing automobile, property and commercial insurance to enable product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI appreciates the opportunity to contribute to the refinement of the Autorité's (AMF's) draft regulations which set out the rules for selling insurance over the internet, including sales which would take place without the intervention of a 'natural person'.

We know from experience that Canadians are among the highest internet users worldwide – some 88 percent use the internet.<sup>1</sup> They are accustomed to shopping and buying online, in fact, the majority buy online weekly or monthly.<sup>2</sup> Increasingly, these online shoppers are using their mobile devices to do so. One in four makes monthly online purchases from a smart phone.<sup>3</sup> With this frequency and familiarity with online purchases, these digital consumers expect a consistent experience across channels.

When it comes to insurance, 70 percent of Canadian consumers use some form of digital research like price comparisons or social media scans before buying insurance.<sup>4</sup> Even five years ago, in 2013, 40 percent of Canadian consumers were obtaining insurance quotes online.<sup>5</sup> We have no doubt those figures have climbed since then.

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<sup>1</sup> ITU (2015)

<sup>2</sup> CIRA (2016)

<sup>3</sup> Catalyst (2016)

<sup>4</sup> Forrester (2015)

<sup>5</sup> Deloitte (2015)

In this context, we welcome the Quebec government and AMF's move to enable Quebecers to buy, and insurers to offer, insurance products over the internet. As the first jurisdiction in Canada to set out such a framework, Quebec is leading the way, and we encourage other jurisdictions to consider moving in this direction.

For our part, CADRI has analysed AMF's Advisory document and Draft Regulations from the perspective of providing consumers with modern, simple, easy, informative means of buying insurance when it is convenient to them. It goes without saying that CADRI's members have integrated concepts of, and compliance with, consumer protection measures throughout their operations and that these measures would naturally extend to the operations of online sales.

### **Request for regulatory clarity**

#### Comparison shopping websites

In the Advisory notice, 2.2, AMF sets out the requirements for comparison shopping websites. We understand and agree that the information provided to consumers should be factual and recommendations should fit with their requirements. However, we submit that the regulatory requirements requested could be more onerous than necessary given that transactions would be conducted through insurers' web sites and not the comparison shopping sites themselves.

#### Intervention of a representative

Advisory notice, 3, sets out expectations of insurers regarding transactions which take place outside of the hours staffed by agents. We agree that if a customer requests more information from an insurer's licensed representative, that the interaction should take place within a reasonable time frame. Our members are cognizant that reasonable timelines are important to both the insurer and the customer and may vary depending on the inquiry and the situation.

#### Technological neutrality/mobile devices

AMF makes several references in its Advisory notice, and in the regulations, to the amount of information that must be available or visible to customers as they are moving through their research and transaction. CADRI submits that some of these requirements are not designed with the reality of a digital experience in mind.

Specifically, 7.2 of the Advisory notice suggests that "certain information be visible at all times", and Chapter 2, Division III, 8. suggests information be "visible on the firm's platform at all times" and 11. "make available on its platform at all times a specimen of the policy for each product offered". CADRI submits that making this information "accessible", i.e. through a link or otherwise, will meet AMF's objectives. Most consumers who will be using these digital platforms will be familiar with similar sites and the lexicon or semiology of how digital platforms are designed while ensuring that certain information is always visible will hamper the customer experience, particularly for those engaging in transactions on mobile devices and tablets.

A similar situation arises in the Advisory 7.3 *Information to be provided before inputting personal information* and at Chapter 2, Division III, 9. of the draft regulations. These stipulate that an insurer must present a potential client with certain information prior to accepting any information from the person. CADRI appreciates and shares AMF's concern that consumer protections be built into the online sale of insurance. However, in a digital environment, consumers read and travel through web platforms at will. Previously mentioned 2015 research by Forrester showed that 70 percent of Canadian consumers use some form of digital research before buying insurance. This suggests a consumer would have looked through the insurers' digital platform, as well as other sources of information, prior to making a decision.

Finally, Chapter 2, Division III, 18., requires that the firm must "enter in the client record all the information collected from the client..." Taken literally this could include the visits to the digital platform, web pages viewed etc. As such, this rule would provide a far greater onus on data collection than is currently required by face-to-face transactions. This is not data that insurers currently collect for customers. CADRI presumes AMF is interested in the information most relevant to the interaction i.e. the quote insurer presents to the customer, rather than also including the customer's digital footprint.

### Prohibitions

We have noted that the draft regulations at Chapter 2, Division V prohibit the presentation of advertising for other products or services once a client completes a proposal. We understand that AMF seeks to ensure protections are in place for the consumer. CADRI submits that once a customer of the firm, an insurer may well have some useful suggestions for the client.

### Post-subscription withdrawal

AMF has drawn to the industry's attention that, under sections 19 and 88.0.1 of the Distribution Act, a customer can withdraw from an agreement up to 10 days after the transaction. As this may pose challenges for the industry, particularly as it pertains to travel insurance, and may give rise to misinterpretation and misuse, CADRI will be working with the Corporation des assureurs directs de dommage du Québec (CADD) to draw these challenges to the attention of the appropriate decision-makers in government.

### **Conclusion**

Canadians are already digital consumers. Continuously evolving technology offers new and innovative ways to disseminate information, allowing service providers to offer content in multiple languages, in accessible formats, and catering to a variety of learning styles.

Influenced by their experience in other sectors, customers expect ready access to content that is personally relevant, at anytime, anywhere, in the format and on the device of their choosing. They expect a seamless customer experience, encouraging companies and regulators to simplify product and process.

Insurers are innovating with products and processes that are focused on their customers' needs and expectations.

CADRI submission to AMF on Regulations respecting Alternative Distribution Methods

CADRI appreciates the AMF's framework to enable consumers to be able to compare products and purchase insurance online in the same way they have been accustomed to engaging in transactions in other sectors.

Refinement of the regulations as suggested above will allow consumers to have a more streamlined experience in keeping with that of other industries.

We look forward to working with AMF in the implementation of the new regulations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alain Thibault', written in a cursive style.

Alain Thibault  
Chairperson and President

cc:  
CADRI Board of Directors  
CADRI Digital and Emerging Technologies Task Force  
Denis Coté, Executive Director, CADD