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February 24, 2011

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1B3
Fax: 514-864-6381

Dear Ms. Beaudoin:

**Re: Issues and Consultation Paper on Distribution of Insurance
Other than through a Representative – NOVEMBER 2010**

The member companies of the Association of Canadian Financial Corporations (ACFC) have been serving Canadians for more than 70 years.

Membership in the ACFC is open to companies that act as financial intermediaries, or that finance retail installment sales and inventory, make or purchase unsecured and secured loans to consumers or industrial and commercial enterprises, own and lease property, and factor and finance industrial and commercial accounts receivable.

The current members of the Association are¹:

- CitiFinancial Canada, Inc.
- HSBC Financial Corporation Limited
- Wells Fargo Financial Corporation Canada

Finance companies provide important financial services to Canadians including such products as small balance loans, private label retail sales financing and mortgages. Combined, the member companies serve 1.74 million customers and have \$8 billion in assets. CitiFinancial Canada, Inc.'s parent company is Citigroup Inc., HSBC Financial Corporation Limited's parent company is HSBC Holdings plc, and Wells Fargo Financial Corporation Canada's parent company is Wells Fargo and Company.

We are responding to the Autorité des marchés financiers (the "AMF") invitation for comments on its recommendations regarding the above-noted consultation paper.

Our members are distributors of creditor life, disability and employment insurance, in conjunction with the loan products they offer to consumers.

¹ The ACFC has three associate members: Assurant Solutions, Canada; First Canadian Title Company Limited; and Trans Union of Canada Inc.

We agree that the disclosure of information to consumers in the distribution guides should be simplified, and some critical elements of the insurance contracts should be highlighted such as exclusion, restriction and limitation clauses, including those pertaining to pre-existing conditions. However, the proposals will not result in a simplification of the guide, but merely a redesign of the document's structure, since there are no recommendations to reduce the informational content of the guide.

DISCLOSURE OF INFORMATION TO CONSUMERS

We agree that the guides are lengthy and complex, and should be simplified using plain language. The content of the guide should also be reduced, harmonizing the disclosure requirements with other provincial jurisdictions such as Saskatchewan and Alberta.

The guide should be limited to critical information that will influence the consumer's decision to purchase the insurance (exclusions, restrictions, limitations), contact information for the insurer, and procedures to follow when making a claim. The consumer should not be overwhelmed with other contractual terms and conditions at this point in time. The consumer will subsequently have a rescission period, (upon confirmation of the insurance coverage) to fully review all terms and conditions once he or she receives a certificate of insurance or insurance policy, and may cancel the insurance at that time.

With respect to limiting the number of insurance products offered in the same guide, creditor life, disability and employment insurance should be allowed within one guide, since they are sold as a bundled product. Moreover, involuntary unemployment insurance and disability insurance coverage must be offered as one product in Quebec.

Although the AMF's proposal to make the guides available on its website would, in theory, be useful to the consumer for the purpose of comparison shopping, in reality a consumer will be primarily influenced by the cost of the loan when considering an offer of creditor insurance. Moreover, the issue of purchasing the required insurance to protect a loan, vacation, or purchase usually arises at the point of sale. It is unlikely that purchasers will consult the AMF's website at this point in time, especially if there is a multitude of guides to review. This initiative may result in the AMF spending its resources setting up, maintaining and updating a registry of guides, which most consumers will not consult.

DISCLOSURE OF DISTRIBUTORS REMUNERATION

Distributors' remuneration should not be disclosed in the guides, which may be posted on the AMF's website for public viewing. This will result in significant competitive disadvantages for distributors and insurers, who should not be required to divulge such proprietary information.

The AMF should consider harmonizing its DWR regime with other Canadian jurisdictions, where the fact of remuneration is disclosed to consumers without disclosing the amount of the remuneration.

FINANCING SINGLE PREMIUMS

Disclosure of the cost of credit is already addressed in Quebec's consumer protection legislation, and should not be duplicated in the guide.

USE OF TELEMARKETING

Requiring call scripts to contain full disclosure of terms called for in the DWR regime is not practically feasible for telemarketing, and would result in confusion for the consumer, who would be

overwhelmed by the lengthy and complicated information being provided orally. Telemarketing scripts are revised frequently, which would make it onerous for insurers to file scripts with the AMF.

Once again, the focus or emphasis should be on restrictions, exclusions and limitations so that consumers can make an informed decision, and avoid being declined upon an event of loss. Providing the consumer with 30 days to fully review the written terms and conditions, with the opportunity to cancel if the insurance does not meet the consumer's needs or requirements, would be more beneficial to the consumer.

CONCLUSION

Selecting and highlighting information from the DWR regime that is critical to ensuring that the consumer makes an enlightened decision, should be the focus of the AMF's policy review. Disclosure requirements for the DWR regime should be harmonized with other provincial jurisdictions.

We look forward to participating in any further public consultations regarding changes to the disclosure requirements for the DWR regime.

ASSOCIATION OF CANADIAN FINANCIAL CORPORATIONS