

Draft Regulations

An Act respecting the distribution of financial products and services
(R.S.Q., c. D-9.2, ss. 202, 211, 213 and 223)

Regulation to amend the Regulation respecting the pursuit of activities as a representative and its concordant regulation

Notice is hereby given by the *Autorité des marchés financiers* (the "Authority" or the "AMF") that, in accordance with section 217 of *An Act respecting the distribution of financial products and services*, R.S.Q., c. D-9.2, the following draft Regulations, the texts of which are published hereunder, may be made by the Authority and subsequently submitted to the Minister of Finance for approval, with or without amendment, after 45 days have elapsed since this publication in the Bulletin of the Authority:

- *Regulation to amend the Regulation respecting the pursuit of activities as a representative;*
- *Regulation to amend the Regulation respecting firms, independent representatives and independent partnerships.*

REGULATION TO AMEND THE REGULATION RESPECTING THE PURSUIT OF ACTIVITIES AS A REPRESENTATIVE

PURPOSE OF DRAFT REGULATION

This draft Regulation is made under sections 202, 211 and 213 of *An Act respecting the distribution of financial products and services*, R.S.Q., c. D-9.2 (the "Distribution Act"), and is intended to amend the *Regulation respecting the pursuit of activities as a representative* (the "Regulation") pertaining to various aspects of the practice of representatives governed by the Distribution Act.

PROPOSED AMENDMENTS

Incompatible occupations – sections 2 and 3

Certified management accountant, certified general accountant and chartered administrator

An **exclusive profession** means a profession that no person may claim to carry on or have the right to carry on, or may act in such a way as to lead to the belief that he is authorized to do so, unless he is listed on the roll of the relevant order. The profession of lawyer, for example, is an exclusive profession; in other words, a profession whose activities can only be performed by a lawyer who is a member of the Bar. Likewise, the profession of notary or chartered accountant can only be performed by, respectively, a notary or a chartered accountant.

The professions of certified management accountant, certified general accountant and chartered administrator have **reserved titles**: Only members of the professional orders concerned may use these titles. However, as non-members may also pursue these professional activities, currently, a conflict of interest analysis is conducted to determine whether they are in an

incompatible situation. To ensure fairness, it is proposed to withdraw the professions of certified management accountant, certified general accountant and chartered administrator from the list in section 2 of the Regulation. A conflict of interest analysis will be conducted on a case-by-case basis to determine whether or not a representative's certificate can be issued to these professionals.

Real estate broker

The coming into force of the new *Real Estate Brokerage Act* (R.S.Q., chapter C-73.2) in 2010 abolished the incompatibility between the activities of a real estate broker and those of a representative.

For consistency, the draft Regulation proposes to remove the similar incompatibility in the Regulation.

Funeral director

Life insurance is currently offered to existing or future funeral home clients.

As the AMF seeks to prevent conflicts of interest in the financial industry, the occupation of funeral director is added to the list in section 2 of the Regulation. This addition is necessary given the vulnerability of funeral home and funeral insurance clients and the real potential conflict of interest to which the person selling both prefuneral arrangements and funeral insurance is exposed.

A funeral director may not obtain a certificate as an insurance representative. Conversely, an insurance representative would not be authorized to obtain a funeral director's licence or to pursue activities in the funeral industry. Consequently, an insurance representative should not, as part of his activities, inform clients about specific funeral needs or the products and services offered by funeral homes. He should only propose an average amount of insurance, and should refer clients to a funeral home if they are seeking a more accurate evaluation of their funeral needs and the related costs.

Time devoted to activities as a representative – section 4

The concept of availability is brought into the Regulation and replaces the concept of devoting time primarily to activities as a representative.

The purpose of this section is to require representatives to pursue activities in such way as to remain available and useful to clients. Regardless of the time actually devoted to activities as a representative, it is the impact on the service provided to the client that is important.

Sections 2 and 3 of the Regulation relate to the issue of incompatible occupations by preventing the representative from occupying certain functions that could place him in a real or apparent conflict of interest.

Section 4 concerns cases where a representative holds other employment or where, without having other professional occupations, he does not devote sufficient time to his activities as a representative.

Sales contests – section 5

The purpose of existing section 5 of the Regulation is to protect consumers from the sale of products that do not necessarily meet their needs. It is intended to ensure that representatives do not recommend specific products to clients solely in order to derive a personal gain, in particular through a contest.

Provisions regarding contests introduced by firms or independent partnerships are added to the *Regulation respecting firms, independent representatives and independent partnerships*. Therefore, it is proposed that sales contests still be allowed, provided that they are not likely to influence the performance of the representative's obligations to the detriment of his client. Contests must not promote the sale of a particular product.

The draft *Commercial Practices Guideline* raises the issue of contests as they pertain to insurers. Under the guideline, the AMF may expect insurers to establish global compensation strategies (which include contests) so that incentives do not prejudice the fair treatment of consumers.

Financial needs analysis – section 6

Section 6 of the Regulation covers **ALL** insurance of persons representatives, whether they are **financial security advisors** (sector) or **representatives in accident and sickness insurance** (sector class). Insurance of persons representatives offer insurance of persons products, regardless of the title they hold for certification purposes and the type of insurance product offered (life, disability, sickness, critical illness, etc.).

Section 6 does not create the obligation to prepare a financial needs analysis. This responsibility exists under the Distribution Act (in particular, section 27). Therefore, the purpose of section 6 of the Regulation is to clarify the basis on which the representative should prepare the analysis of the client's financial needs.

Rules are provided for representatives who complete insurance proposals, but do not stipulate cases where a representative offers an insurance product that includes an investment component (e.g., segregated funds, universal life insurance). This section was amended to clarify the situation and specifically require the representative to gather additional information and to consider the "investment" portion of the transaction. In such cases, insurance of persons representatives must determine the client's investment needs and objectives, as well as his risk tolerance profile.

Broker/agent – section 7

The Distribution Act distinguishes between two types of damage insurance representative: agent and broker. It stipulates as follows:

- "5. A **damage insurance agent** is a natural person who, on behalf of a **firm** that is an insurer **or** that is bound by an **exclusive contract** with a **single** damage insurer, offers damage insurance products directly to the public."

- "6. A **damage insurance broker** is a natural person who offers a range of damage insurance products from **several insurers** directly to the public, or who offers damage

insurance products from one or more insurers to a firm, an independent representative or an independent partnership.”

Existing section 7 of the Regulation restates the distinction established in sections 5 and 6 of the Distribution Act between a damage insurance agent and a damage insurance broker. Therefore, it seems unnecessary to have a similar section in the Regulation, and it is proposed that it be withdrawn.

Mandate of financial planner and insurance representative – sections 8 and following

Section 8 of the Regulation sets out the obligations of financial planners regarding the **mandate** (agreement) they are required to prepare for the client. This section currently refers only to financial planners, whereas it should extend, with the necessary adaptations, to insurance of persons representatives, damage insurance representatives who require compensation and group insurance of persons representatives. Logically, the obligations set out in this section apply to them as well.

Representatives must also comply with the rules set out in the *Regulation respecting information to be provided to consumers*, particularly in the division on the disclosure of fees.

Representations and client solicitation – sections 10 to 15

The rules regarding representations are intended to protect clients. They ensure that a client has all the information needed to identify his representative, is aware of his representative’s area of expertise, and can easily contact him. Representations are sometimes viewed as a marketing tool that distances representatives from their primary responsibility: providing information to the public.

In this respect, it is important to clarify the rules, which have been relaxed.

It is proposed to import into the Regulation the concept of representations existing in securities law, namely, that no part of the representation should cause confusion. Therefore, information may be part of written representations where:

- it pertains to the activities as a representative; and
- does not cause confusion.

Policy replacements – sections 18 to 27

Insurance of persons representatives **must endeavour** to ensure that all insurance contracts are **maintained in effect**. Replacement of an insurance contract is only justified when in the interest of the purchaser (policyholder) or the insured. Consequently, the representative must not encourage an insured or a purchaser to cancel, cause to lapse or abandon one insurance contract in favour of another insurance contract, unless he complies with the replacement procedure. The representative must demonstrate that the replacement is justified.

As part of its mandate, the Canadian Insurance Services Regulatory Organizations (“CISRO”) designed a life insurance policy replacement form.

The AMF is proposing a new form that is based on the CISRO form but specific to Québec:

- Information given to the client for his understanding;
- Representative must reply in writing to the form questions;
- One form for all products (section 23 of the Regulation will therefore be repealed);
- Structure of core components of contract more logical and sequential (parts, type of coverage, insured amount, premiums, etc.);
- Comparison using answers to precise but open questions corresponding to the reality of several products;
- Caution regarding suicide and incontestable clauses;
- Remittance of form to client and insurer of replaced policy;
- Signature by client.

Although there is only one form for all products, the representative must complete one form for each replaced contract.

Representatives subject to obligation

The obligations regarding policy replacement apply to insurance of persons representatives who replace an insurance of persons contract. The concepts of insurance of persons representative and, incidentally, insurance of persons contract, are encompassing and inclusive. They pertain to:

- ALL insurance of persons representatives, whether they are financial security advisors (sector) or representatives in accident and sickness insurance (sector class);
- ALL insurance of persons contracts, whether life insurance contracts or accident and sickness insurance contracts and, therefore, the coverage related, in particular, to disability and critical illness. They also cover other insurance of persons contracts that could be introduced on the market.

Availability of forms

Forms can be printed or downloaded free of charge via the AMF website. A fee will however apply where the AMF provides printed forms.

Representatives would use the AMF form, regardless of the type of product offered or replaced. In addition, representatives must have the client initial each page of the completed form and sign it, and must immediately give the client a copy.

In all cases, a copy of the form must be sent to the insurer whose policy is being replaced, within five days of the client signing the insurance proposal.

It is proposed that the previous versions of the forms sold by the AMF be used for a period of one year after the new Regulation comes into force.

Designation E – section 28

The Distribution Act provides an exception to the general principle whereby a claims adjuster may not act in another sector. Therefore, under section 46 of the Act, the AMF may authorize a damage insurance agent or broker to act as a claims adjuster, in certain circumstances and under certain conditions as determined by the Act and the Regulation.

Designation E is an exceptional and circumstantial solution. A damage insurance agent or broker may not act as a claims adjuster on a permanent basis. The Regulation proposes clarifications.

Signature and time periods

Requirements regarding the dating of documents and their signing by clients, the remittance of such documents to clients and compliance with time periods are added.

Terminology

Some linguistic modifications were made.

REGULATION TO AMEND THE REGULATION RESPECTING FIRMS, INDEPENDENT REPRESENTATIVES AND INDEPENDENT PARTNERSHIPS

PURPOSE OF DRAFT REGULATION

The proposed amendments to the *Regulation respecting firms, independent representatives and independent partnerships* essentially ensure consistency with the amendments to the *Regulation respecting the pursuit of activities as a representative*. Therefore, the rules related to the content of client records will be amended to align them with the changes made to the *Regulation respecting the pursuit of activities as a representative*.

Sales contests – section 5

Provisions regarding incentives introduced by firms and independent partnerships are added to the *Regulation respecting firms, independent representatives and independent partnerships*.

Consequently, contests or promotions focusing on specific products are prohibited. Moreover, firms and independent partnerships must keep a register of these incentives.

Request for comments

Comments regarding the above draft Regulations may be made in writing before October 17, 2011 to:

M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22^e étage
Montréal (Québec) H4Z 1G3

Fax: 514-864-8381

E-mail: consultation-en-cours@lautorite.qc.ca

Comments will be made public unless otherwise noted.

Further information

Further information is available from:

M^e Geneviève Côté

Analyst, Distribution Practices

Autorité des marchés financiers

Telephone: 418-525-0337, ext. 4813

Toll-free: 1-877-525-0337

E-mail: genevieve.cote@lautorite.qc.ca

September 2, 2011

REGULATION TO AMEND THE REGULATION RESPECTING THE PURSUIT OF ACTIVITIES AS A REPRESENTATIVE

An Act respecting the distribution of financial products and services
(R.S.Q., c. D-9.2, ss. 202, 211 and 213)

1. Section 2 of the Regulation respecting the pursuit of activities as a representative (R.R.Q., c. D-9.2, r. 10) is amended:

(1) by inserting the following after subparagraph 2:

“(2.1) performing the duties of a minister of religion;

“(2.2) performing the duties of a funeral director or any other similar duties in the funeral services industry;”;

(2) by replacing the words “carrying on the profession of” in subparagraph 3 with the words “pursuing activities as a”;

(3) by deleting the words “, certified management accountant, certified general accountant, or chartered administrator” in subparagraph 6;

(4) by deleting subparagraph 7.

2. Section 3 of the Regulation is amended:

(1) by replacing the words “incompatible avec l’exercice des activités d’agent”, in the introductory portion of section 3 of the French version with the words “incompatible avec l’exercice des activités d’agent en assurance de dommages”;

(2) by replacing, the words “la profession” in paragraph 1 of the French version with the words “l’exercice des activités”;

(3) by replacing paragraph 2 with the following:

“(2) vendor, lessor or repairer of movable property;”;

(4) by replacing the words “la profession” in paragraphs 3 and 4 of the French version with the words “l’exercice des activités”.

3. Section 4 of the Regulation is amended:

(1) by replacing paragraph 1 with the following:

“(1) he must demonstrate availability and diligence;”;

(2) by replacing the words “held by him” in paragraph 2 with the words “held by him as an independent representative”.

4. Section 5 of the Regulation is amended:

(1) by deleting the words “, with the exception of benefits or property of low value” in the first paragraph;

(2) by deleting the third paragraph.

5. Section 6 of the Regulation is replaced by the following:

“**6.** A representative in insurance of persons must, before completing an insurance proposal or offering an insurance of persons product containing an investment component, analyze the financial needs of the purchaser or those of the insured with the purchaser.

Therefore, depending on the product, the representative in insurance of persons must analyze with the purchaser, in particular, the policies or contracts in effect held by such purchaser, the features thereof, the name of the issuing insurers, the purchaser’s investment objectives, risk tolerance and financial knowledge, and all other necessary elements such as the income, financial situation, number of dependents, and personal and family obligations of the purchaser.

The representative in insurance of persons must record the information gathered for such analysis in a document dated and signed by the purchaser. A copy of the document must be given to the purchaser no later than five business days after he has signed it.”.

6. Section 7 of the Regulation is repealed.

7. Section 8 of the Regulation is amended:

(1) by replacing subparagraph 2 with the following:

“(2) in addition to the disclosures required under section 4.2 of the Regulation respecting information to be provided to consumers (c. D-9.2, r. 18), an estimate of the number of hours required to complete the mandate;”;

(2) by deleting the words “offered by the financial planner” in the second paragraph;

(3) by inserting the following after the second paragraph:

“This mandate must be dated and signed by the financial planner and given to the client.”.

8. The Regulation is amended by inserting the following after section 8:

“**8.1.** The obligations set out under section 8 apply to representatives in insurance of persons where they require compensation from the clients with whom they transact business.

“**8.2.** A representative in damage insurance must, in a document accompanying the policy, inform the client from whom he requires compensation, of the nature and scope of his mandate and the estimated time required to complete it.

This document must be dated and signed by the representative in damage insurance.

“**8.3.** No representative in group insurance may render services or offer products in such capacity unless he has first entered into a written agreement with the client which, as a minimum, specifies the following:

(1) the identification of the policyholder and the person designated as the policyholder’s contact person;

(2) the nature and scope of the mandate;

(3) the method of remuneration and, if applicable, the rate of commission if the contract is issued;

(4) the financial needs analysis;

(5) in the case of calls for tenders, a comparison of guarantees, including costs and any differences noted;

(6) where an insurance contract is renewed, the description of the existing plan and an analysis of group experience;

No agreement entered into may oblige the policyholder to purchase a financial product or service.

This mandate must be dated and signed by the policyholder or the person designated as his contact person, and a copy of this document must be given to him no later than on the date the insurance contract comes into effect, if applicable.”.

9. Section 9 of the Regulation is amended by adding the word “financière” after the word “planification” in the French version, and by inserting the following paragraph:

“The financial planner must date and sign this report.”.

10. The Regulation is amended by inserting the following after section 9:

“**9.1.** A representative in group insurance must, when he submits a call for tenders or a proposal, give a written report of his recommendations to the person designated as the policyholder’s contact person.”.

11. Section 10 of the Regulation is replaced by the following:

“**10.** Upon first meeting a client, and at all subsequent meetings held for different purposes, a representative must give the client a written document, such as a business card, which indicates the following:

(1) the representative’s name;

(2) the representative’s main business address, business telephone number and electronic mail address, if any;

(3) the name of the firm or independent partnership on whose behalf the representative is acting or the description “independent representative”, as the case may be;

(4) the titles under An Act respecting the distribution of financial products and services which the representative is authorized to use in respect of the firm or independent partnership on whose behalf he is acting or the titles under such Act which he is authorized to use as an independent representative, as the case may be.”.

12. Section 11 of the Regulation is amended:

(1) by replacing, in the introductory portion of section 11, the words “may also include the following” with the words “or any other written representation may contain other information, provided such information is not likely to cause confusion, is related to the pursuit of activities as a representative and is not incompatible with those activities, including the following”;

(2) by deleting paragraphs 1 and 2;

(3) by replacing paragraph 3 with the following:

“(3) the representative’s education and qualifications as well as the titles he holds based on such education and qualifications;”.

13. Section 12 of the Regulation is amended by replacing “paragraphs 1, and 3 to 5” in the first paragraph with “paragraphs 1, 3 and 4”.

14. Section 14 of the Regulation is amended by adding, in the introductory portion of section 14 and after the words “or representation that”, the words “may cause confusion or that”.

15. Section 16 of the Regulation is amended:

(1) by replacing the words “, including an endowment contract, the representative must give to the client a document, printed in at least 10-point Bookman Old Style font or its equivalent,” in the introductory portion of section 16 with the phrase “the representative must give the purchaser, within five business days of signing the proposal, a legible document”;

(2) by deleting paragraph 6;

(3) by inserting the following independent paragraph at the end:

“The representative must date and sign this document.”.

16. Section 18 of the Regulation is amended by deleting the words “, including serious or critical-illness insurance contracts” in the first paragraph.

17. Section 22 of the Regulation is amended:

(1) by deleting paragraph 1;

(2) by replacing paragraph 2 with the following:

“(2) complete, at the same time as the insurance proposal, the form provided by the Authority and set out in Schedule I if it is in the interests of the policyholder or the insured to replace one contract with another;”;

(3) by replacing the words “give the form, once completed, to the insured or the policyholder and explain the form to such insured or policyholder” in paragraph 3 with the words “explain the content of the form to the policyholder”;

(4) by inserting the following after paragraph 3:

“(3.1) have the policyholder sign the completed form and give him a copy;”.

18. Section 23 of the Regulation is repealed.

19. Section 28 of the Regulation is replaced by the following:

“28. A damage insurance broker or agent is authorized to act, exceptionally, as a claims adjuster pursuant to section 46 of An Act respecting the distribution of financial products and services under the following conditions and circumstances:

(1) his pursuit of activities as a claims adjuster must be incidental to the pursuit of activities as a damage insurance broker or agent;

(2) he must comply with the rules governing the activities of a claims adjuster, with the necessary modifications;

(3) he must disclose, in writing, to each person with whom he transacts business the type of remuneration he receives for services rendered as a claims adjuster.”.

20. Schedule I of the Regulation is replaced by the following:

“SCHEDULE I
(section 22)

Notice No.: _____

NOTICE OF REPLACEMENT OF INSURANCE OF PERSONS CONTRACT

IMPORTANT MESSAGE FOR CONSUMERS

READ THE FOLLOWING BEFORE YOU TERMINATE YOUR INSURANCE CONTRACT.

1. Read the financial needs analysis prepared by your representative.

Among other things, it outlines your current and future financial needs, your objectives and your ability to pay the insurance premium.

Verify that your representative has taken the necessary steps to retain or modify your existing contract.

2. Read this replacement notice prepared by your representative. After reading the notice and your representative's explanations, determine whether or not you still wish to replace your existing insurance contract with the proposed contract.

If you decide to replace your contract, read and ensure that you have understood this notice, then initial each page and sign the notice. Your representative will give you a signed copy of the notice and will forward a copy to any insurer concerned. **This notice is not a contract and does not terminate your insurance.**

3. Read the insurance proposal prepared by your representative. The signed copy sent to the insurer is confirmation of your application to purchase insurance. On receipt, the insurer will determine whether or not to insure you.

4. Read the insurance contract you receive from the insurer that has accepted your insurance proposal. If you are satisfied, you can terminate your former contract, since your new contract will be in effect.

Termination of contract

You may cancel the purchase of your new insurance contract at any time before it is issued. In addition, most insurers allow clients 10 days in which to terminate the contract at no charge. Ask your representative if you are eligible to do so.

To contact the AMF Information Centre:

Telephone:

Québec City: 418-525-0337

Montréal: 514-395-0337

Toll-free: 1-877-525-0337

Fax: 418-647-9963

Important documents to read and keep

To replace an insurance contract, your representative must complete several documents and explain them to you:

- Financial needs analysis
- Notice of replacement of insurance contract
- Insurance proposal

You will receive your insurance contract soon afterwards.

IMPORTANT MESSAGE FOR INSURANCE OF PERSONS REPRESENTATIVES

You must encourage the client to maintain an insurance contract in effect, unless it is in the interests of the policyholder or the insured to replace the contract.

This replacement notice helps your client make an informed decision by allowing him to compare the advantages and disadvantages of replacing the contract.

Nonetheless, you are responsible for providing your client, fully and objectively, with the explanations he needs to make an informed decision.

You must complete this notice if you are proposing that a client replace his insurance contract.¹

Here is some useful information regarding this notice:

- You must explain each point to your client.
- The notice must be signed on the same day as the insurance proposal.
- The notice number and insurance proposal number must be the same. It must appear at the top of each page of this notice.
- If the new insurance contract is replacing more than one contract, a replacement notice must be completed for each replaced contract. The number on each replacement notice must correspond to the number on the insurance proposal, followed by a figure (e.g., proposal number 1, proposal number 2).
- You must give a copy of this replacement notice to the policyholder.
- You must send a copy of this notice to the insurer whose contract is being replaced, within 5 days of signing the notice.
- You must keep a copy of this notice, the replaced contract and the insurance proposal.

1. Division VII of the *Regulation respecting the pursuit of activities as a representative (R.R.Q., c. D-9.2, r.10)* - *An Act respecting the distribution of financial products and services*.

Important documents to explain and give to the client

To replace an insurance contract, you must complete several documents and explain them to the client:

- Financial needs analysis
- Notice of replacement of insurance contract
- Insurance proposal

The client must then receive his insurance contract.

To contact the AMF Information Centre:

Telephone:
 Québec City: 418-525-0337
 Montréal: 514-395-0337
 Toll-free: 1-877-525-0337

Fax: 418-647-9963

Notice of replacement of insurance of persons contract

If you need extra space, add pages, clearly indicating the Part number and the notice number. Both you and your client must initial each page.

PART 1 – General information

Policyholder Person purchasing the contract	_____ Date of birth: _____ Last name and first name _____ Day Month Year
	_____ Date of birth: _____ Last name and first name _____ Day Month Year
Other insureds Other persons covered by the contract	_____ Notice No.: _____ Initials: _____ Last name and first name _____
	_____ Notice No.: _____ Initials: _____ Last name and first name _____
	_____ Notice No.: _____ Initials: _____ Last name and first name _____
Cancelled insureds Insureds who will no longer be insured	_____ Last name and first name Type of coverage: _____ Amount: _____
	_____ Last name and first name Type of coverage: _____ Amount: _____
Additional insureds	_____ Last name and first name Type of coverage: _____ Amount: _____
	_____ Last name and first name Type of coverage: _____ Amount: _____
Joint insurance	
Payable on 1 st death <input type="checkbox"/> or on 2 nd death <input type="checkbox"/>	
Last name and first name of 2 nd insured: _____	

PART 1 – General information (cont.)		
Include all insurance contracts replaced by the proposed contract	Policy No.	Date in effect
	_____	Day Month Year
	_____	Day Month Year
	_____	Day Month Year
Insurance contract	Existing	Proposed
Name of insurer		
Nature of insurance Life, critical illness, disability, etc. (specify type: term, permanent, universal life, etc.)		
Date in effect		
Benefit amount Amount paid on occurrence of covered risk • List amount(s).		
Amount of annual premium		
Indemnity period / Waiting period		
Comments Use this section for any additional information, such as whether or not the benefits and premiums indicated above are fixed or guaranteed.		

PART 2 – Reasons for replacement

2.1 Explain why the existing insurance contract does not meet your client's needs.

2.2 Explain why you are not modifying your client's existing contract.

2.3 Explain the disadvantages for your client of replacing his contract (additional exclusions, higher premium, extra premium, etc.).

2.4 Explain how the proposed contract better meets your client's needs.

PART 2 – Reasons for replacement (cont.)

2.5 Explain the financial impact of the replacement (e.g., redemption fees, cash surrender value [guaranteed or non-guaranteed], cancellation fees, premiums, tax considerations, policyholder dividend, registration as an RRSP, forthcoming dividend payment).

2.6 Explain the differences between additional or optional guarantees under the existing contract and the proposed contract (e.g., waiver of premiums, guarantee of insurability, and any other endorsements).

Comments

PART 3 – Signature of policyholder

Having read and understood the notice,

I, _____, the undersigned,

Policyholder's first and last name

wish to replace my existing insurance contract no. _____

and subscribe to the following new insurance contract _____

(Name of policy)

for the following reasons:

Signature of policyholder Date: _____

Signature of policyholder

Day Month Year

PART 4 – Signature of representative(s)			
I have explained to my client, fully and objectively, the type of insurance, as well as the advantages and disadvantages of replacing his existing insurance contract. A copy of this notice will be sent to the insurer of the replaced insurance contract.			
Representative 1			
_____	_____	_____	_____
Representative's last name and first name	Certificate No.	Telephone	Signature
Representative 2			
_____	_____	_____	_____
Representative's last name and first name	Certificate No.	Telephone	Signature
Supervisor			
_____	_____	_____	_____
Supervisor's last name and first name	Certificate No.	Telephone	Signature
Trainee			
_____	_____	_____	_____
Trainee's last name and first name	Certificate No.	Telephone	Signature

Client's initials: _____ ”.

21. Schedule II of the Regulation is repealed.

22. The forms sold by the Authority for purposes of paragraph 2 of section 22 as it read on the date of the coming into force of this Regulation may be used until (*indicate one year from the date of the coming into effect of this Regulation*) to replace an insurance of persons contract, in accordance with Division VII of the Regulation respecting the pursuit of activities as a representative (R.R.Q., c. D-9.2, r. 10).

23. This Regulation comes into force on (*indicate the date of the coming into effect of this Regulation*).

REGULATION TO AMEND THE REGULATION RESPECTING FIRMS, INDEPENDENT REPRESENTATIVES AND INDEPENDENT PARTNERSHIPS

An Act respecting the distribution of financial products and services
(R.S.Q., c. D-9.2, s. 223, pars. (6), (8), (11) and (13.1))

1. The Regulation respecting firms, independent representatives and independent partnerships (R.R.Q., c. D-9.2, r. 2) is amended by inserting the following after section 11:

“**11.1.** The firm or independent partnership may not introduce incentives that could have an influence on the performance of the obligations of a representative to the detriment of his client.

A contest or promotion to sell specific products is deemed to have such influence.

The firm or independent partnership may however provide non-pecuniary benefits that are of a promotional nature and of low value where such benefits are not sufficiently material, in value or frequency, to have an influence on the performance of the obligations of a representative to the detriment of his client.”.

2. Section 17 of the Regulation is amended:

(1) by deleting the words “or real estate brokerage” in the first paragraph;

(2) by replacing the words “as prescribed in Division VII of that Regulation” in subparagraph 9 with the words “as prescribed in Division VII of the Regulation respecting the pursuit of activities as a representative (c. D-9.2, r. 10).”;

(3) by adding the following after subparagraph (9):

“(10) a copy of the documents prescribed in sections 8, 9 and 16 of the Regulation respecting the pursuit of activities as a representative (c. D-9.2, r. 10).”.

3. Section 20 of the Regulation is amended by inserting the following after paragraph 3:

“(4) a copy of the mandate and report prescribed in sections 8.3 and 9.1 of the Regulation respecting the pursuit of activities as a representative (c. D-9.2, r. 10).”.

4. Section 21 of the Regulation is amended by adding the following after subparagraph 5:

“(6) a copy of the mandate prescribed in section 8.2 of the Regulation respecting the pursuit of activities as a representative (c. D-9.2, r. 10).”.

5. The Regulation is amended by inserting the following after section 28:

“§ 5. *Register of incentives*

“**28.1.** The firm or independent partnership must keep a register of the incentives that it introduces.

The firm or independent partnership must provide in such register a description of the terms and conditions of each incentive, its duration, related benefits, applicable products or services and the names of eligible representatives.”.

6. This Regulation comes into force on (*indicate the date of coming into force of this Regulation*).