

Expectations of the Autorité des marchés financiers regarding disclosures applicable to damage insurance brokerage firms and brokers

- The following table clarifies the disclosure obligations in section 83.1 of the *Act respecting the distribution of financial products and services (Distribution Act)* and the Regulation respecting damage insurance brokerage and in regard to business relationships.

Responsibility for disclosure	Section 83.1 Distribution Act
<p>Brokerage firm that offers personal-lines insurance products under section 38 (automobile and home insurance (primary residence)) directly to the public</p>	<p><u>Where? On its website</u></p> <p>What?</p> <ul style="list-style-type: none"> The names of the insurers for which it offers insurance products in the personal-lines automobile insurance and home insurance classes: <ul style="list-style-type: none"> All the insurers (and not banners and wholesalers) must be disclosed A firm does not have to disclose the names of all the insurers to which it may have access (e.g., through a banner), only those for which <u>it offers insurance products</u>. <p><u>Where? In written communications by which the firm invites personal-lines insurance clients to purchase automobile or home insurance products</u></p> <p>What?</p> <ul style="list-style-type: none"> Disclose the names of at least three of those insurers AND indicate how to obtain the complete list of these insurers <p>This includes communications sent directly by a third party (e.g., an insurer or wholesaler) on behalf of or jointly with the firm.</p> <ul style="list-style-type: none"> Examples of communications that are not included: <ul style="list-style-type: none"> A simple communication to set up an appointment, whether via social media, text message or any other means E-mail correspondence following an initial solicitation e-mail in which the disclosure was made <p><u>Where? On its website AND in written communications by which the firm invites personal-lines insurance clients to purchase automobile or home insurance products</u></p> <p>What?</p> <ul style="list-style-type: none"> The name of any insurer to which more than 60% of personal-lines automobile insurance or home insurance premiums¹ are paid (the exact percentage of the volume placed with the insurer does not have to be disclosed) <p>Example: "Our firm does business primarily with insurer ABC Inc."</p>
<p>Brokerage firm (in personal-lines or commercial-lines damage insurance)</p>	<p><u>Where?</u></p> <ul style="list-style-type: none"> On its website AND in written communications by which the firm invites damage insurance clients to purchase automobile insurance or home insurance products <p><u>What?</u></p> <ul style="list-style-type: none"> The name of the financial institution, the financial group or the legal person related thereto that holds an interest in shares issued by the firm representing more than 20% of the value of the firm's equity capital. <ul style="list-style-type: none"> Shares that do not carry the right to vote or the right to receive a share of the firm's remaining property on liquidation must be excluded from the calculation of equity capital. These shares are usually referred to as "preferred" shares. Example: "Our firm has a financial relationship with insurer ABC Inc."

¹ For the purposes of the [Regulation respecting damage insurance brokerage](#), home insurance is defined as property and civil liability insurance on the principal residence that the insured owns or rents.

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Responsibility for disclosure	When personal-lines automobile insurance or home insurance ² is offered to the public (section 2 Regulation respecting damage insurance brokerage)
Broker (or on the firm's recorded telephone greeting)	<p><u>When?</u> Before inquiring into the client's situation, if the broker's firm places 60% or more of the total volume of risks in personal-lines insurance with a single insurer (does not apply to renewals).</p> <p><u>What?</u></p> <ol style="list-style-type: none"> 1) The name of the insurer, and 2) Percentage of the total volume of risks placed in personal-lines insurance with the insurer
	<p>Disclosure of business relationships Section 26 of the Distribution Act and sections 4.8 to 4.13 of the Regulation respecting information to be provided to consumers</p>
	<p><u>What?</u></p> <p>Three types of business relationships must be disclosed:</p> <ol style="list-style-type: none"> 1) Ownership interests: any direct or indirect interest held by an insurer in the ownership of a firm or held by a firm in the ownership of an insurer 2) Financing: where an insurer that is a financial institution, a financial group or a legal person related to the financial institution or financial group grants a benefit by lending a sum of money or granting any other form of financing to a firm, its executive officers, directors or shareholders (or other legal persons for which these executive officers, directors or shareholders are also executive officers, directors, shareholders or partners) 3) Concentration: when 60% or more of the risks in personal-lines insurance are placed with a single insurer or insurers that are members of the same financial group <ul style="list-style-type: none"> o Does not have to be disclosed to commercial-lines insurance clients <p><u>When?</u></p> <ul style="list-style-type: none"> • Before offering a product, verbally, and • When brokers place a risk with an insurer, they must confirm in writing, at the time of issuance of the policy, the disclosure they have made regarding their business relationship with that insurer. At the time of renewal of the policy, they must also disclose in writing this business relationship as well as new relationships established during the year prior to renewal. (They must also make such disclosures verbally when communicating verbally with their client.) <p><u>How?</u></p> <ul style="list-style-type: none"> • By using the required phrases prescribed in schedule 4 of the Regulation respecting information to be provided to consumers, i.e.: <ul style="list-style-type: none"> o For ownership interests or the granting of financing: <ul style="list-style-type: none"> ▪ "Our firm has a financial relationship with insurer ABC Inc." ▪ "Insurer ABC Inc. has granted a loan or financing to our firm." or ▪ "Our firm is owned in part by insurer ABC Inc." or "Our firm owns part of insurer ABC Inc." o For concentration: <ul style="list-style-type: none"> ▪ "Our firm does business primarily with insurer ABC Inc." or "ABC Inc. is our firm's principal insurer."

² For the purposes of the [Regulation respecting damage insurance brokerage](#), home insurance is defined as property and civil liability insurance on the principal residence that the insured owns or rents.