



Report – Summary of specific consultations on products and services offered via the Internet and the regulation respecting alternative distribution methods

December 2022

Legal Deposit – Bibliothèque et Archives nationales du Québec, 2022

ISBN 978-2-550-93212-3 (PDF)

Table of Contents

Background	5
Snapshot of the offering of products and services via the Internet	5
Specific consultations	6
Summary of participant comments	7
4.1 Consumers	7
4.2 Intermediaries	8
4.3 Insurers	10
4.4 FinTechs	11
Analysis of comments	12
Consumer protection – informed decision-making	12
Next steps	13
Conclusion	15
Appendix	16



The Internet is an indispensable part of life in 2022. Accessible anytime through a variety of platforms, it provides access to every conceivable type of product and service. Financial products and services are no exception. In just one click, consumers can purchase insurance, submit their claims, compare products, engage with the financial community, and so on.

Since 2012, the Autorité des marchés financiers (the “AMF”) has been actively involved in work relating to the provision of products and services via the Internet.

Specifically, in order to better identify and understand activities related to the on-line distribution of financial products and services in the sectors governed by the *Act respecting the distribution of financial products and services* (the “Distribution Act”), the AMF began conducting consultations in February 2012. While continuing to monitor the development of the offering of such products and services via the Internet and its regulation in other jurisdictions, the AMF adopted the Regulation respecting Alternative Distribution Methods (the “RADM”), which came into force in June 2019, and it continues to proactively analyze the markets, engage in dialogue with the industry and assess the impact of its regulations.

This report summarizes the discussions held in 2022 as part of specific consultations on financial products and services offered via the Internet and the RADM.

The purpose of the consultations was to learn about the experiences of the various stakeholders since 2019 and to identify issues related to the RADM that might affect consumer protection or hinder growth in the distribution of financial products and services via the Internet.

This report also presents the participants’ comments relating to the topic of the RADM and its application, provides an analysis of those comments and describes the next steps the AMF intends to take.

The AMF would like to thank everyone who took part in the conversation around the specific consultations on products and services offered via the Internet.

The dialogue took place in an atmosphere conducive to improving regulation of the offering of products and services via the Internet, and everyone involved was very open-minded and very generous with their time.

Background

SNAPSHOT OF THE OFFERING OF PRODUCTS AND SERVICES VIA THE INTERNET

The RADM covers the offering of insurance, financial planning, claims adjustment and mortgage brokerage products and services.

It applies only to firms that operate digital spaces, such as websites or mobile apps, that are fully transactional, i.e., that allow clients to complete a transaction on-line (buy a product or obtain a service) on a self-directed basis.

If the process begins via the Internet or on-line but still requires the intervention of a representative to finalize the transaction, the offer is not considered to have been completed on a digital transaction space covered by the RADM. A representative intervening in the transaction process does not necessarily have the effect of excluding the transaction from the scope of the regulation. The RADM continues to apply, despite the intervention of a representative, when the transaction is carried out, entered into and confirmed on an automated basis.

In the fall of 2022, in Québec, **57** firms are offering a total of **1,072** financial products and services via the Internet, including insurance products and claims adjustment services. For now, no firms are offering financial planning or mortgage brokerage services that do not require the intervention of a representative.

There are **223** digital transaction spaces offering financial products and services via the Internet.

In Québec, insurance products offered via the Internet represented nearly **\$96,000,000** in written premiums in 2021.

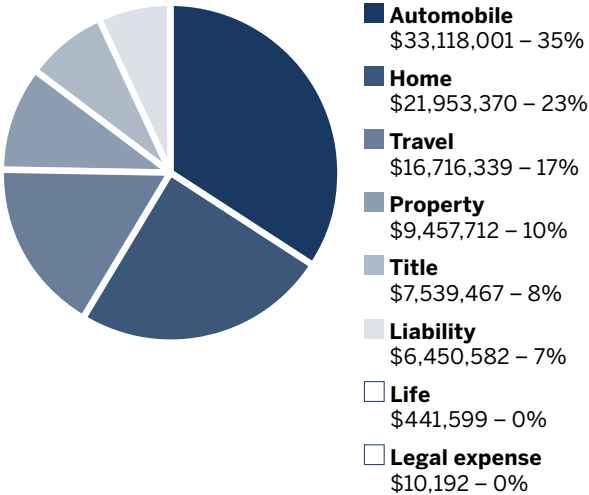
While the segment does not represent a significant percentage of the market as a whole,¹ the volume of transactions among players that are active in it are increasing considerably from one year to the next.

The five firms that are the most active in offering insurance products and services via the Internet are owned by insurance companies (direct insurers), which shared **63% of the total volume** of premiums written via the Internet in 2021, up 16.8% from 2020.

¹ The aggregate of all premiums written amounts to \$13,893,000,000, for a ratio of 0.691% for premiums written via the Internet. This amount excludes premiums paid for group insurance and annuities, as these premiums are collected at enrollment, which is excluded from the scope of the RADM.

The top-selling products on the Internet are automobile insurance, home insurance and travel insurance, in that order.

Premiums written in 2021:



SPECIFIC CONSULTATIONS

The AMF wants to fully understand the effects of the RADM and how it is applied by the industry. That’s why, in accordance with its [2022-2023 Annual Statement of Priorities](#), it conducted specific consultations in early 2022 on products and services offered via the Internet.

Discussions during the consultations focused on regulatory issues as well as the initiatives and technological tools implemented by the industry and the assistance offered by the AMF since the rules came into effect in 2019.

The AMF held some 20 meetings and brought together approximately 50 persons (individuals and businesses) from all areas of expertise and interest:

- Consumer representatives (Option consommateurs and Union des consommateurs) and representatives from the Office de la protection du consommateur and the AMF’s Financial Products and Services Consumer Advisory Council (collectively, the “Consumers”)
- Industry members/intermediaries (registered firms from all sectors), members of the AMF’s Distribution Practices Advisory Committee, and members of organizations representing firms and representatives (Mortgage Professionals Canada, the Association des courtiers hypothécaires du Québec and the Regroupement des cabinets de courtage d’assurance du Québec), the Institut Québécois de planification financières, the Chambre de l’assurance de dommages and the Chambre de la sécurité financière (collectively, the “Intermediaries”)
- Industry members/insurers (property and casualty insurers and life and health insurers) and members of organizations representing them (the Corporation des assureurs directs de dommages, the Insurance Bureau of Canada, the Canadian Life and Health Insurance Association and the Travel Health Insurance Association) (collectively, the “Insurers”)
- Representatives of companies whose core business is technology, including certain firms, and members of the AMF’s Technological Innovation Advisory Committee (collectively, the “FinTechs”)

SUMMARY OF PARTICIPANT COMMENTS

Participants took the opportunity offered by the specific consultations to share their points of view with the AMF on a number of related topics not connected with the application of the RADM:

- Group damage (property and casualty) insurance
- Duplication of requirements for firms that are also insurers
- Access to the automobile claims database (Fichier central des sinistres automobiles)
- Right of cancellation
- Open insurance
- Commission sharing
- Protection of personal information

The AMF is sensitive to the issues related to these topics. The AMF continues to participate in work related to the above topics that fall outside the scope of the laws it administers. As for the other topics, which fall within the scope of those laws, the AMF has already initiated a process of reflection and certain projects as part of its work on reducing the compliance burden.

Furthermore, this document catalogues only those comments relating to the purpose of the consultations: to learn about the experiences of the various stakeholders since 2019 and to identify issues related to the RADM that might affect consumer protection or hinder growth in the distribution of financial products and services via the Internet.

The concerns expressed were generally shared by all the participants belonging to the same group (Consumers, Intermediaries, Insurers or FinTechs).

The following summarizes the comments expressed by each group during the specific consultations.

4.1 Consumers

As was the case when they were consulted in 2012 and 2018,² the Consumers had some reservations about the risks involved when financial products and services are offered via the Internet. They were mainly concerned about the low level of financial literacy among Québec consumers and, accordingly, underscored the importance of using clear and simple language in offering financial products and services. According to them, young people, in particular, need to be better educated financially. They are the target audience, as they are more inclined to use the Internet to meet their insurance needs, and are often having their first insurance shopping experience.

Financial literacy is having the knowledge, skills and confidence to make responsible financial decisions.³

The Consumers agreed that one of the reasons a consumer shops for a financial product online is to have a different experience than the one they would have if they directly consulted a representative in person or by telephone. However, many of the Consumers we talked to also said they were convinced that the offering of products and services via the Internet needed to be regulated to ensure robust protection of consumers who choose this distribution method. They maintained that this protection must exist even if the clients themselves seem to say they do not need it.

² See [Appendix](#) for details.

³ <https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy/financial-literacy-history.html>

The desire for regulation was particularly evident among consumer protection organizations, but also among some industry representatives. Some also said that the framework in place, in addition to strengthening market integrity, protects both consumers and the companies offering products and services via the Internet, because it helps these companies ensure compliance.

From the point of view of coverage, the Consumers expressed an interest in comparing the indemnities paid under contracts entered into on-line versus those paid under contracts entered into with the intervention of a representative.

Some Consumers insisted that the requirement that a specimen of the offered policy be available at all times should be maintained. Other Consumers opined that the specimen is difficult to consult, is not the appropriate tool for gathering information and could even create confusion in the minds of the consumers who refer to it. While the Insurers would like to see the requirement to make the policy available to consumers eliminated, the Consumers held the view that insurers should, instead, make the policies more readable and easier to understand. According to the Consumers, documents should be designed taking into account the low level of consumer financial literacy.

Some Consumers suggested that firms offering products and services via the Internet conduct checks at the beginning of the transaction process to determine the client's level of financial literacy, so that clients whose level of financial literacy is determined to be too low can be redirected to a representative.

The Consumers indicated that they do not initially know their financial needs and that they therefore need a guide when they shop for insurance, whether they do so through a representative or on an on-line digital space. However, they say that the needs analysis process could be minimized on some conditions without affecting the quality of the advice offered to clients.

The Consumers said that they do not like ads that tout low prices (rather than coverage) and the speed with which financial products and services can be purchased on-line (rather than the importance of being properly insured). They believe that clients should be attracted through other arguments and that their experience should be based more on the quality of the service and information received than on how quick the process is.

Some Consumers suggested that the least expensive insurance product should always be prominently displayed or offered first, even if it does not provide the best coverage. These consumers believe this approach may help convince less affluent or less financially educated clients to purchase an insurance product that would cover their risks, even minimally, rather than having no coverage at all.

4.2 Intermediaries

Several Intermediaries said that the representatives involved in on-line transactions when needed do not understand the scope of their responsibility. These Intermediaries questioned the role of the representative who intervenes during a transaction. Some believed that when the representative intervenes, he or she becomes responsible for the entire process and for the recommendations that are made, and that he or she must start the entire process over again with the client.

In addition, some Intermediaries interpreted the firm's requirement to make visible the means to interact with a firm representative as requiring a representative to be available at all times.

Some Intermediaries expressed concern that clients who engage in a fully automated transaction may not understand the risk they are taking. They believe that such clients do not receive the same level of advice as clients who transact through a representative.

One firm we met with proposed that the "best" product always be offered to the client first. According to that firm, this way, the coverage offered would help make up for the possible lack of advice received by the client. The firm said that it had observed that the cheapest, but also the "worst", product is often offered first on digital spaces.

A number of Intermediaries said they appreciate the AMF's assistance and availability. However, some would have liked the AMF to approve their Internet sales model, give them a legal opinion on model compliance, or provide detailed follow-up after its intervention.

Some Intermediaries told the AMF about challenges they were having in applying and interpreting the RADM, particularly section 14, which requires the firm to take certain measures in specific situations during the transaction process.

Regardless of the distribution method (on-line or through a representative), some **life and health insurance** Intermediaries suggested that the financial needs analysis, while necessary, be adjusted based on the product sought or the needs expressed by the client. For example, clients who want insurance to cover funeral expenses at death, insurance for a newborn child or low-cost insurance could be offered a product without going through a comprehensive analysis of their situation and financial needs. Intermediaries who hold this view, however, expressed the opinion that a full needs analysis is sometimes necessary. This latter position was fairly unanimous and applies to all distribution methods.

Some **property and casualty insurance** firms point to their dependence on insurers' computer systems and the difficulties in gaining access to them.

Some Intermediaries also decried competition between direct insurers and firms, as direct insurers have the advantage of distributing their products exclusively without allowing brokers to offer them as well. For example, some Intermediaries highlighted the difficulty in obtaining three quotes from different insurers when offering auto or home insurance products on their digital spaces.

Some property and casualty insurance firms questioned the requirement that a representative be available at all times. In their opinion, this rule should be relaxed, as it is costly and places Québec at a competitive disadvantage in relation to the rest of Canada.

4.3 Insurers

Most of the Insurers that the AMF met with are also registered as firms and are therefore able to offer their products via the Internet directly, without going through a third party.

AMF discussions with the Insurers revealed that it is easier to comply with the regulatory framework when the products offered are property and casualty insurance and simple products, rather than life insurance products, which tend to be more complex. The Insurers said that the technological developments needed to ensure regulatory compliance are very expensive.

According to the Insurers, the regulatory framework precludes financial products and services from being offered on mobile apps because too much information is required to be provided under the regulations and mobile devices are too small to accommodate it all.

Some Insurers are asking for principles-based, rather than rules-based, regulation. According to them, the RADM is, on the whole, overly prescriptive of the means to be put in place to achieve the desired outcomes for consumers. The general opinion is that the amount of information to be provided to consumers and when it is to be provided (timing) is problematic.

Some Insurers pointed out that the burdensome process prescribed by the regulations makes for an unpleasant consumer experience. After comparing websites located in Québec and websites located elsewhere in Canada, they have come to the opinion that websites located elsewhere in Canada are far more user-friendly than websites based in Québec.

Several Insurers raised questions about the interpretation to be given to a number of provisions of the RADM. According to them, existing grey areas are dictating a cautious approach to managing the exposure to regulatory risk from the RADM and limiting them in offering products on-line.

Some Insurers said that the representative's role in a transaction is not well understood.

Some Insurers suggested that the AMF review the vocabulary used to ensure consistency across the regulatory framework. For example, the RADM stipulates that firms must provide the client with "the product coverage, exclusions and limitations in relation to the needs identified," whereas the Distribution Act stipulates that firms must "indicate clearly to the client any particular exclusion of coverage, if any, having regard to the needs identified and provide the client with the required explanations regarding such exclusions."

Most Insurers expressed the view that the policy specimen should not be accessible at all times on the digital space before the contract is made.

For a number of **life and health insurers**, the challenges in applying the RADM are at odds with life and health insurance products, which is preventing some of them from developing their markets. According to them, the requirements go too far, to the point where designing compliant digital spaces would require too much in terms of technological development and would be too expensive. As an example, some insurers pointed to the requirements of section 14 RADM, which, in their opinion, contains too many restrictions.

Some life and health insurers said they are at a disadvantage in relation to other markets they consider comparable, such as GAFAM (Google, Apple, Facebook, Amazon and Microsoft) and the banks, which, in their view, are not as strictly regulated.

Some of those insurers believe that the obligations of representatives and firms should not be transferred to the context of products and services offered via the Internet because those obligations are an impediment to innovation and creativity.

Some life and health insurers held the view that the obligation to analyze the client's needs should be modulated according to the product the client is looking to buy.

A number of insurers are finding the procedure for replacing a life or health policy difficult to implement for products and services offered via the Internet.

Some life and health insurers suggested that providing advice not be required for products and services offered via the Internet. According to them, this distribution method should be more closely aligned with distribution without a representative (DWR). Certain Insurers provided examples to support this point of view, including one that suggested that it would be acceptable for a pregnant person to buy a travel insurance policy without a needs analysis being completed or without being warned that being pregnant is an exclusion under the contract.

4.4 FinTechs

Almost all FinTechs and other technology-based companies expressed the view that the regulation is not an obstacle but, rather, is enabling the design of robust digital spaces, which protects consumers.

Some also said that they start off by developing their digital spaces for Québec, where the requirements are more stringent, and then use those spaces in the rest of Canada. They said that doing this provides them with certainty that consumers will be protected and the requirements of the other provinces will be met.

According to one FinTech, the risk of a client being pressured is higher in the context of a relationship with a representative than it is in the context of a digital space. The FinTech in question also believed that clients who deal with a representative tend to feel more protected and to put their complete trust in the representative, whereas clients who shop on their own on a digital space tend to be more attentive and "accountable."

Moreover, the FinTechs suggested that certain products that are distributed without a representative (DWR) be offered on digital spaces regulated under the RADM. In their view, pressure from a distributor adversely affects a consumer's ability to decide which product to purchase. In their opinion, a digital space that is neutral and objective, monitored, and regulated under the RADM provides consumers with greater protection.

Some FinTechs expressed the view that the needs analysis could be an optional step to be completed if the client requests it. Others considered the needs analysis to be a crucial step in any offer of financial products and that the analysis should even be a requirement in DWR.

The FinTechs see the process required to replace a life or health insurance contract as an impediment in the market. They argued that clients should be able to refuse to undergo this process and release the firm from any liability in this regard.

The FinTechs said they are in favour of seeing everyone invest in cybersecurity. In their view, all businesses, regardless of the level of technology in use, should ensure that their systems and the information they hold are secure.

ANALYSIS OF COMMENTS

One thing is clear right away from the specific consultations conducted by the AMF: positions have not changed much since 2019, except in the case of the Intermediaries, who are far less resistant to offering products and services via the Internet than they were in 2019. The Insurers continue to believe that this method of distribution should not be regulated by a framework like the existing one, while the Consumers are again of the view that offering financial products and services via the Internet, even with the current framework, still presents a significant risk for them.

On this matter, the AMF wishes to point out that the obligations of concern to certain participants are part of the Distribution Act. However, the specific consultations focused solely on the RADM, which the AMF adopted and has the power to amend, and on the application thereof; they were not intended to put into question the framework provided by the Distribution Act.

Consumer protection – informed decision-making

The AMF would like to clarify that the existing regulation is not intended to resemble the process for offering products and services through a representative but, rather, to ensure that consumers who shop via the Internet have protection that is equivalent to the protection afforded to consumers who deal with a representative.

Consumers who use a digital space to purchase a financial product or service must receive all the necessary information in a timely manner and in language that is clear, readable, specific and not misleading. The essential elements must be highlighted to enable consumers to make an informed decision regarding the product or service offered. The information provided during the transactional process must not cause confusion or misunderstanding for consumers.

Consumers must know whether the policy is suitable for their situation before the policy is issued so that they can make an informed decision before purchasing a product. To use an example heard during the consultations, if a travel insurance policy has an exclusion applicable to pregnant women, then a pregnant woman seeking to buy such a policy must be made aware of this fact before purchasing the insurance.

In terms of information to be provided to consumers, some Insurers said that the amount of information to be given to clients under the regulation was excessive (they pointed out that clients do not have the level of knowledge required to understand the information and that they get lost in the details). However, the same Insurers also required more flexibility in advertising to allow them to offer more products to clients on-line. According to them, clients would have more to choose from by receiving more offers.

NEXT STEPS

As a result of the specific consultations and the analysis of the comments received, the AMF intends to take the following actions.

The AMF will conduct **consumer focus groups** to obtain their perspective on the various topics discussed during the consultations.

Since the framework is essentially designed to ensure consumer protection, the AMF considers it advisable to test the focus areas directly with consumers before proposing changes to the RADM. Accordingly, the AMF intends to **form consumer focus groups** to hear their perspectives on the various topics addressed, including:

- The information needed to make an informed decision (nature of the information, order of presentation of the information, procedure for replacing a life or health insurance contract, renewal of a policy, etc.) and the level of language
- Advertising
- Mobile apps
- Client's experience on the digital space

The AMF will form **working groups with industry representatives** to address comments that were made during the specific consultations but which were not specific to the RADM.

The specific consultations provided an opportunity to discuss important issues that the AMF wishes to find solutions to. Following the discussions, the AMF suggests that some of the concerns expressed be worked on with industry members.

Several of the opinions expressed did not relate to the offering of products and services via the Internet specifically but rather to the distribution of financial products and services in general. The AMF is sensitive to these comments and wishes to form working groups to study and propose solutions to some of the concerns expressed, which relate, among other things, to:

- Needs analysis
 - Could this obligation, which forms the basis of the role of the representative and therefore of the digital space, be modulated according to the type of product, the consumer or the consumer's expectations or needs?
- Gifts offered to clients
- Insurance products sold in retail businesses
 - Should it possible for insurance products offered at the purchase of consumer goods to be offered through a representative or on a digital space under a different framework than the one currently in effect?

The AMF would like to point out that it is not possible to modulate regulatory requirements according to the complexity of each product. Since the framework must be equivalent for all products, it is up to the product developer to ensure that the product is offered in accordance with the applicable distribution framework.

The AMF is of the opinion that the requirements of the RADM ensure adequate consumer protection and orderly market development, without limiting the products that may be offered via the Internet.

Firms must ensure that selling over the Internet is adapted to the products they offer on-line, if applicable, and that it meets the needs of the client. As part of its activities, the AMF ensures that the means deployed by firms are consistent with the types of products offered via the Internet.

The AMF publishes and will maintain a **tool that explains the RADM** on its website.

One finding that emerged from the consultations was that not everyone interprets the framework in the same way and that the AMF's application of the regulations is sometimes more flexible than the reading of it by certain industry players. In these cases, the issues appear to have less to do with the regulations than with the industry's conservative reading of the regulations.

The AMF has already explained how it intends to apply the RADM and the Distribution Act. These explanations may be found in the [Notice relating to the application of the Regulation respecting alternative distribution methods](#) and on its website.

However, the AMF is aware that more clarification is needed.

In conjunction with the publication of this report, the AMF is publishing on its website a tool that explains the RADM. The AMF will keep the tool up to date.

The findings from the discussions with consumers and the industry may result in **changes to the RADM**.

The consultations showed that the RADM strikes a good balance between consumer protection and industry development. In addition, the comments received were often polarized. The AMF also notes that many of the people it met with are still in the process of adapting to and taking ownership of the new rules. In this context, the AMF considers it premature to implement major changes in the short term and intends to continue the discussions.

The AMF will increase its consumer **financial education** efforts.

In line with one of the main objectives of its 2021-2025 Strategic Plan, the AMF wants to step up its financial education efforts.

Discussions during the consultations focused on consumer protection and financial literacy, as well as consumer accountability when shopping on-line for financial products and services. The AMF believes that better knowledge of the financial industry can better equip consumers.

In keeping with its desire to support consumers in the digital transformation of the financial markets, the AMF will periodically enhance the content of its website.

Through targeted awareness campaigns on social media, the AMF will disseminate key messages of vigilance related to purchasing insurance via the Internet. These key messages will also relate to the responsibilities of consumers who choose this means of acquiring products and services and to the AMF's assistance services.

Finally, the AMF will use the extensive networks of some of its partners, such as associations that promote better household finance management, consumer associations, seniors' associations and a well-established reference such as Protégez-Vous! to reach a greater number of consumers, with an even greater impact. The study of the financial behaviour of insurance consumers on the Internet will also be an asset in intervening with optimal efficiency.

CONCLUSION

Since the coming into force of the framework for the offering via the Internet of insurance, financial planning, claims adjustment and mortgage brokerage products and services, the AMF has increased its assistance activities and fully assumed its role of local regulator.

The recent specific consultations mentioned in this report are part of a major commitment by the AMF to continue to monitor and assist firms. In line with this, the AMF is publishing an explanation tool to ensure a thorough understanding of the framework in place.

The AMF wishes to continue its collaboration with the various stakeholders, all of whom have the interests of consumers at heart, consumer protection having been at the centre of the discussions held during the specific consultations.

APPENDIX – SUMMARY OF WORK CARRIED OUT FROM 2012 THROUGH 2019 WITH RESPECT TO OFFERING INSURANCE VIA THE INTERNET

2012

On February 24, 2012, the AMF shared the results of its previous work on the on-line distribution of insurance products in a consultation entitled [Internet Insurance Offerings in Québec](#). The AMF suggested guidelines for possible changes to the framework for the distribution of insurance products via the Internet in general and, more specifically, made 13 proposals relating to certain specific elements.

All interested parties, whether financial sector stakeholders or consumers, were invited to express their views on the suggestions and proposals.

The AMF also took into account and adapted the proposals made by the Canadian Council of Insurance Regulators (“CCIR”) as part of its work, which led to the publication of a document entitled [Electronic Commerce in Insurance Products](#) in January 2012.

2015

On April 2, 2015, following the consultation and the compilation of all comments received, the AMF published the report [Internet Insurance Offerings in Québec – Presentation of Consultation Findings and Orientations](#), in which it reported on its consultation and detailed the 11 orientations that it retained.

For its part, the Ministère des Finances du Québec (the “MFQ”), in the [Report on the Application of the Act respecting the distribution of financial products and services](#) published on June 12, 2015, formulated proposals on which interested parties were invited to comment in the context of the consultation on the revision of the *Act respecting the distribution of financial products and services* (the “Distribution Act”).

2018

Important legislative changes

In June 2018, [An Act mainly to improve the regulation of the financial sector, the protection of deposits of money and the operation of financial institutions](#) was passed.

This law enshrines the possibility of offering financial products and services via the Internet, without the intervention of a natural person (“Internet offerings”).

Provisions in the Distribution Act and the *Insurers Act* specifically governing the offer of financial products and services via the Internet came into force in June 2019.

These provisions specify that a digital space must comply with obligations equivalent to those of a representative when offering insurance, financial planning, claims adjustment and mortgage brokerage products and services.

Thus, a firm that offers financial products and services on a digital space must, among other things, adequately advise clients as a representative would. In order to do so, it must inform itself about its clients' situations in order to identify their needs and, if it offers them a financial product or service, make sure that it is suitable. In all cases, the firm, like a representative, remains responsible for the reliability of the information required to meet this obligation.

In addition, the law specifies that an insurer must be registered as a firm to offer products and services via the Internet; therefore, an insurer cannot make such an offer directly, without being registered as a firm or without going through a firm. This implies that all the rules set out in the Distribution Act and its regulations (record keeping, advertising, etc.) apply to a firm offering products and services via the Internet.

2019

The Regulation respecting Alternative Distribution Methods

The AMF has the power to adopt regulations to clarify the provisions of the legislation it oversees. Thus, in June 2019, at the same time as the provisions of the Distribution Act and the *Insurers Act* on Internet offerings came into effect, the AMF brought into force its [Regulation respecting Alternative Distribution Methods](#) ("RADM").

The RADM details the disclosures that must be made to the AMF by a firm wishing to offer products and services via the Internet, the information that must be provided to the consumer by the firm on its digital space, and the rules for operating the digital space.

The RADM is precise, but flexible: it allows for clear and consistent interpretation and application, while being able to adapt to rapidly changing technologies.

Thus, the proposed framework is based primarily on the information to be provided to the consumer. This information must be presented in a manner that allows the consumer to make an informed decision about the product or service being offered, when not necessarily in the presence of a certified representative.

The RADM and the amendments to the Distribution Act and the *Insurers Act* apply only to firms that operate digital spaces that are fully automated, i.e., that allow the consumer to complete the transaction (purchase a product or obtain a service) on-line independently, without the intervention of a representative.

Excluded from the application of these new regulations are on-line shopping sites (comparison), information gathering or customer referral sites or transaction spaces that require the intervention of a representative for the transaction to be concluded (hybrid sites).

If the offer process begins on the Internet, but still necessarily involves a representative in order for the transaction to be completed, the offer is not considered to have been completed on a fully automated digital space and is therefore not covered by the RADM.

However, as soon as a digital space, whether it is a website or a mobile application, is transactional, i.e., it allows a transaction to be carried out in a fully automated manner, the firm must comply with the RADM.

The new regulations apply only to **individual** insurance contracts. The enrollment in a **group** insurance, annuity or pension plan contract on a digital space is not covered by the regulations; however, the offer of the contract to the policyholder is.

Toll-free: 1-877-525-0337

lautorite.qc.ca

Québec City

Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
418-525-0337

Montréal

800, rue du Square-Victoria, 22^e étage
C. P. 246, Place Victoria
Montréal (Québec) H4Z 1G3
514-395-0337



**AUTORITÉ
DES MARCHÉS
FINANCIERS**