Notice relating to the offering of debtor life, health and employment insurance contracts

Since July 1, 2026, a debtor life, health and employment insurance contract ("**Loan Insurance"**) offered by an insurer and distributed other than through a representative must provide that the premium is payable at least once a year for each year of the contract.[1]

When this new provision of the Distribution Act came into force, the Autorité des marchés financiers (**AMF**) specified in a public communiqué that this legislative amendment was intended to modify business practices for products distributed by automobile dealers that failed to adequately address consumer interests. The AMF expected insurers and other stakeholders involved in the distribution of these products to comply with these new requirements.[2]

Sound practices regarding the Loan Insurance offer

An insurer is required to adhere to sound and prudent management practices and sound commercial practices, including practices relating to the fair treatment of clients.[3]

The legislative amendment that resulted in the addition of section 442.1 of the Distribution Act was specifically intended to ensure the fair treatment of clients by allowing them to periodically reassess their insurance coverage and by making it easier for them to cancel that coverage, if they so choose. Accordingly, the premium collection structure implemented by insurers should help meet this objective.

The AMF considers that concentrating a substantial portion of the total premium cost during the first year of the contract deprives consumers of a genuine opportunity to reconsider their coverage, in particular its cost. In addition, this practice promotes the payment of substantial compensation to the distributor at the time the contract is entered into, where such compensation is proportional to the premium. The magnitude of this initial compensation increases the risk that the insurance product will be offered in a manner inconsistent with clients' actual needs and interests, thereby undermining their fair treatment.

AMF analysis and findings regarding market practices

In recent months, the AMF has collected data from the insurers concerned to ensure that their practices are consistent with the new requirements of section 442.1 of the Distribution Act.

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[1] Section 442.1 of the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2 (**Distribution Act**).

[2] Autorité des marchés financiers, *Nouvelles règles en vigueur pour la vente d'assurance par les concessionnaires d'automobiles, de véhicules récréatifs et de véhicules de loisirs*, July 30, 2026, (https://lautorite.qc.ca/grand-public/salle-de-presse/actualites/fiche-dactualite/nouvelles-regles-en-vigueur-pour-la-vente-dassurance-par-les-concessionnaires-dautomobiles-de-vehicules-recreatifs-et-de-vehicules-de-loisirs) (in French only).

[3] Sections 50, 51, 74 and 75 of the *Insurers Act*, CQLR, c. A-32.1.

This exercise shows that the majority of the insurers concerned have established a level premium payment structure, with premiums distributed evenly over the term of the contract.

The AMF endorses the market practice since the coming into force of section 442.1 of the Distribution Act and considers it a sound practice for an insurer offering Loan Insurance to use a level premium payment structure, whereby the premium is distributed evenly over the term of the contract.

Additional information

Additional information may be obtained from the AMF Information Centre at:

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