

Date 5 April 2018

Recipient Registered damage insurance firms in Québec

Subject AMF Québec Bill 141/150: – *Acts respecting mainly the implementation of certain provisions of the Budget Speeches of 17 March 2016 and 28 March 2017*

<i>Purpose:</i>	To advise stakeholders of proposed changes to Bill 141/ 150 – <i>changes which will effect Quebec's Insurance Industry</i>
<i>Affects:</i>	Registered damage insurance firms in Québec
<i>Line of Business:</i>	All
<i>Jurisdiction :</i>	Québec
<i>Effective:</i>	To be proclaimed

What you need to know

In October 2017, Québec's Finance Minister introduced Bill 141 and Bill 150, *An Act respecting mainly the implementation of certain provisions of the Budget Speeches of 17 March 2016 and 28 March 2017*. More than 80 acts will be amended by the Bill, including the *Act respecting the distribution of financial products and services*. This bulletin highlights some of the changes in respect of these Acts, including how this will impact insurance intermediaries within Quebec and the complex issue of business ties that may exist between brokerage firms, insurers and other financial institutions.

The main objective of the Bill 141 is to replace the *Act respecting insurance* with the *Insurers Act*, and to amend the *Act respecting the distribution of financial products and services (ADFPS)*. The purpose of these recent changes has been, among other things, to group together the *Chambre de la sécurité financière* and the *Chambre d'assurance de dommages (ChAD)* within the *Autorité des marchés financiers (AMF)*, in addition to integrating certain measures to facilitate the distribution of insurance products via the Internet. Bill 141 does not to immediately address the complex issue of business ties which have subsequently been addressed in Bill 150.

What are the proposed changes?

The Bill 141 introduces some examples to facilitate the distribution of certain products by the Internet. For example, a firm is recognized for being able to offer insurance services without the intermediary of a natural person once he employs a representative who can practice in insurance. The terms of the information and documents to provide in this case will be specified later by regulation. Legal person who, without acting as a firm, earns commission based on sales of insurance by Internet must be registered with the AMF.

The Bill aims to broaden certain terms specifying how the AMF is to communicate certain information concerning automobile business. The collection of driving experience of insured persons by an authorized insurer is permitted only for the purposes of classification and risk rating when an automobile insurance policy is obtained or renewed.

The Bill 150 differentiates between two types of insurance intermediaries, which will be required to be registered with the AMF. The two designations are detailed below;

1. **Damage insurance agency** is defined as those who are limited to the sale of insurance products with a limited number of insurers or a single insurer;
2. **Damage insurance brokerage firms** are defined as those who offer products from at least four insurers who do not belong to the same financial group.

An additional key factor for determining which of the two designations will apply to your business is in respect of potentially complex business ties that may exist within your organisation. Bill 150 abolishes section 148 of the ADFPS, "*which provides that no more than 20% of the shares or voting rights connected to a brokerage firm may be held, directly or indirectly, by financial groups or financial institutions (including insurers)*". This is replaced by a "significant interest" of a financial group or a financial institution.

"Significant interest" is defined within the Bill as a shareholder's ability to exercise 20% or more of the voting rights over shares issued by that firm and will also be considered to be in place when voting rights or shares are held by **legal persons** related to the financial institution or the financial group. For damage insurance firms which have a financial institution, financial group or a legal person affiliated with them with a "significant interest" will be required to register or change its registration to a **damage insurance agency**.

Both **damage insurance agencies** and **damage insurance brokerage firms** will also be subject to new disclosure requirements on their website and in their communication with clients: the name of the insurer(s) for which it offers insurance products and, if applicable, it must specify if they are bound by an exclusive contract and which products are included in the contract

What this means to you

Registered damage insurance firms in Québec should consider how this will impact their business and the steps to be taken to ensure compliance.

Once the Bill is proclaimed, Registered damage insurance firms in Québec must ensure that they are registered accordingly and their websites are updated in accordance with the requirements.

For further details, Bill 141 and 150 may be viewed on the Assemblée Nationale Québec [website](#).

For further information, please contact info@lloyds.ca.

Sean Murphy

President, Lloyd's Canada Inc.

Attorney in Fact in Canada for Lloyd's Underwriters

Fax 514 861 0470

info@lloyds.ca