

For immediate distribution

**REGULATING REPLACEMENT INSURANCE: GOOD NEWS FOR CONSUMERS**

Longueuil, June 2, 2014 – In a recent article, the Autorité des marchés financiers (AMF) announced plans to regulate the sale and purchase of replacement insurance. In the RCCAQ's view, this decision marks a major step forward in efforts to denounce illegal business practices in which some auto dealers take part and to protect consumers' interests.

**Efforts are paying off**

The AMF's message comes through loud and clear. In the May 12 issue of *Journal de l'assurance*, the AMF publicly acknowledged what the RCCAQ has been saying all along: replacement insurance is a useful optional policy that meets a real consumer need. When this product is sold, however, improper and unregulated practices could have a negative impact on the marketing process.

"Over the past two years, we have submitted evidence to the AMF detailing illegal practices engaged in by certain auto dealers who have been taking advantage of consumers' ignorance about this product," said RCCAQ chairman Jean Bilodeau. "Our efforts are now starting to pay off." The RCCAQ has long taken the position that the sale of replacement insurance should be properly regulated.

**Disturbing findings**

The article in question ("Les dossiers chauds") includes a number of disturbing findings that have raised questions at the AMF, including the fact that 50%-70% of the premiums paid by consumers makes its way back to auto dealers in the form of commissions and that nearly 90% of consumers who replace vehicles after a write-off do so with the same dealer, even though they have the option of taking their business elsewhere. Mr. Bilodeau adds: "It's clear that consumers pay an average of 60% more when doing business with a dealer than they would with a broker. If they aren't extremely careful when signing their policy, they might end up having to replace their vehicle at the same dealership."

The AMF also noted that certain distributors are acting as if they were certified professionals (which brokers are). Unfortunately, many consumers are unaware that auto dealers are not authorized to collect their personal information when providing an

insurance quote or when offering advice. That's why the AMF intends to ensure that the regulations are clearly understood by all stakeholders and, at the same, time, are aimed squarely at enforcing the related provisions, as they should be.

### **Brokers: watching over clients' interests**

Meanwhile, the RCCAQ continues its outreach with the AMF by denouncing illegal business practices that are at odds with consumers' interests. Brokers will ensure that clients receive all the information they need to make a wise choice. Consumers know that replacement insurance will cost less with a broker, although they are free to do business with whichever dealer they choose.

### **Brief reminder**

When buying a new vehicle, there are two ways to protect yourself against a partial or total loss: "replacement" insurance and "replacement value" insurance. Replacement insurance (QPF #5) is an additional policy, while a replacement value endorsement (43 A-E) is a rider to an auto insurance policy (QPF #1). Both products are available from your broker, who has the required expertise to explain their respective advantages. In contrast, auto dealers are not certified insurance professionals and thus cannot sell auto insurance (QPF #1), nor can they advise clients on related coverage. In addition, they are authorized to sell replacement insurance only.

### **About the RCCAQ**

The RCCAQ is a professional association that seeks to promote and defend the socioeconomic interests of its members. It represents more than 4,200 brokers based in some 600 firms and branch offices in all regions of Quebec.