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Press release from the ministère des Finances of Québec Consultation on the 20% Rule

April 19, 2017

On April 18, 2017, the ministère des Finances of Québec announced a public consultation on the rules enacted in *An Act respecting the distribution of financial products and services* to limit the ownership of damage insurance firms by financial institutions.

This consultation's objective is to receive comments and input from consumers and the industry on the relevance of the body of rules prohibiting financial institutions from holding more than 20% of the shares of a firm registered for the damage insurance sector that acts through a damage insurance broker (the "**20% Rule**").

Notably, the ministère des Finances is seeking responses to the following questions:

> Does the 20% Rule respecting the ownership of damage insurance firms guarantee a broker's objectivity and adequately contribute to prevent conflicts of interest?
> Can conflicts of interest be regulated without imposing restrictions on the ownership of damage insurance firms? In that regard, what would justify a difference of treatment between personal insurance and damage insurance?
> If the 20% Rule was to be abrogated, should rules governing the disclosure of business relationships and representatives' titles be revamped to make sure consumers are well informed?

The public consultation period ends on **June 23, 2017**.

The ownership of damage insurance firms has been a highly debated topic in the Québec financial services industry for many years. When first adopted in 1988, the 20% Rule aimed to protect the independence of brokers, to prevent conflicts of interest and ensure the objectivity of their service offering.

Ten years later, in the wake of the "*Rapport quinquennal sur la mise en œuvre de la Loi sur les intermédiaires de marchés*", new rules were enacted on the disclosure of business relationships and to prohibit the holding of more than 49% of the exchange-traded shares of firms registered in the damage insurance category by financial institutions.

Changes in business models in the insurance sector, the consumers' expectations respecting insurance products distribution methods, the industry members' ability to adapt to market demands and the absence of a rule similar to the 20% Rule in the other Canadian provinces have led the ministère des Finances to reassess the relevance of the 20% Rule.

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