

**DISTRIBUTION  
GUIDE  
DRAFTING**

# **MANUAL**

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**For a practical, user-friendly Guide**

Insurance products available through distributors

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**AUTORITÉ  
DES MARCHÉS  
FINANCIERS**

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## WHO IS THIS DRAFTING MANUAL FOR?

This Manual is intended for anyone responsible for drafting the distribution guides that are given to consumers in connection with the offering of insurance products by distributors.

Since its creation in 1999, the *Bureau des services financiers* had been responsible for the supervision of distribution guides and the preparation of a drafting manual. On February 1, 2004, with the adoption of the *Act respecting the Autorité des marchés financiers*, these functions were entrusted to the *Autorité des marchés financiers* (may also be referred to in this document as the “AMF” or the “Authority”).

## WHAT ARE THE OBJECTIVES OF THIS DRAFTING MANUAL?

This Manual has been written to:

- › Help insurers prepare a distribution guide on the basis of their obligations under the *Act respecting the distribution of financial products and services* and the AMF’s *Regulation respecting distribution without a representative*.
- › Provide insurers with the information required to draft a distribution guide in clear and simple language so consumers can easily understand it.
- › Provide insurers with a self-correction grid for their distribution guides.

## **PRESENTATION OF THE DRAFTING MANUAL**

This drafting manual is a tool available to insurers to help them draft a distribution guide for insurance products offered by their distributors.

In Part 1, we define what a distribution guide is and its legal requirements.

Part 2 explains how to prepare a distribution guide using a detailed drafting grid based on the nine elements a guide must contain.

Part 3 deals entirely with the various techniques used to draft a document using clear and simple language, while Part 4 contains a self-correction grid that can help you in revising your guide.

We hope this Manual proves useful.

## WHY A DISTRIBUTION GUIDE?

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The *Act respecting the distribution of financial products and services* (the “Act”) specifies that certain insurance products may be offered through distributors.

A distributor is a person who, in pursuing activities in a field other than insurance, offers, as an accessory, for an insurer, an insurance product which relates solely to goods sold by the person or secures a client’s adhesion in respect of such an insurance product (section 408 of the Act). For example, a financial institution may offer a client to whom it has granted a mortgage loan a life insurance product for payment of the balance of the mortgage in case of death.

However, before offering such a product through a distributor, the insurer must prepare a distribution guide. This distribution guide is an information document about the type of insurance product offered and its limitations. The insurer supplies this guide to its distributors, which in turn provide it to consumers who may be interested in the product. Among other things, distributors must describe the product to the client, explaining the nature of the guarantee and clearly indicating all exclusions.

### 1.1 PURPOSE OF A DISTRIBUTION GUIDE

A distribution guide helps consumers determine the suitability of an insurance product without the presence of an insurance representative. This guide is also a tool for the person who distributes the insurance product. This person must explain the insurance product to the consumer, as well as ensure that he actually needs the product. If the client is unsure, the distributor must encourage him to verify whether he is already covered by another insurance product.

In other words, the distribution guide is not a promotional document. It is an information document drafted in clear and simple language to be read and understood by consumers.

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A distribution guide is a reference tool for consumers, not an instruction guide for persons distributing insurance products.

The reader of a distribution guide is a consumer of the insurance product offered.

The reader must be able to find all the information he needs to make an informed decision about the appropriateness of the insurance product being offered.

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Under the Act, insurers and distributors have obligations and responsibilities for the distribution of such a guide to consumers.

In fact, under section 410 of the Act, an insurer may not offer a product through a distributor without first preparing a distribution guide and providing the distributor with a copy of the guide.

In addition, the Act stipulates that a distribution guide must be drafted pursuant to the rules determined by the AMF, including those in the *Regulation respecting distribution without a representative* (section 413).

## 1.2 OBLIGATIONS AND RESPONSIBILITIES OF INSURERS<sup>1</sup>

### Summary of certain obligations and responsibilities of insurers under the Act respecting the distribution of financial products and services

Adopted under the Act, the *Regulation respecting distribution without a representative* stipulates that a distribution guide drafted by an insurer must meet specific requirements. The guide must describe the product offered and its features, and highlight the inherent exclusions. It must also, among other things, describe the procedure for presenting a claim and the time limit for doing so. Moreover, the guide must conform to all instructions concerning the format and visual presentation of compulsory content and the order in which that content is to be presented. Finally, the guide must be drafted in clear and simple language with a view to making the text easily understandable to a consumer who has no specialized knowledge of insurance or law.

We remind you that the insurer is responsible for ensuring that its distribution guide meets the requirements of the Act and the *Regulation respecting distribution without a representative*.

- › Before offering one of its products through a distributor, an insurer must prepare a distribution guide and provide the distributor with a copy of the guide (section 410). The insurer is also responsible for providing the AMF with all required documents (section 414) and for ensuring that the guide is drafted and presented in compliance with the rules determined by the Authority (section 413).
- › Once these documents are received by the AMF, the insurer must immediately begin using its guide in its distribution network.
- › Before providing a distribution guide to its distributors, the insurer must submit a copy to the AMF. The insurer must do this each time the guide is amended (section 414).
- › When an insurer amends its distribution guide, it must, without delay, send a copy of the amended distribution guide to its distributors and take the necessary steps to ensure that outdated guides are recovered (section 415).

Under section 426, certain types of products may be offered without a representative. These products must be group insurance products.

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1 See Appendix A

Products mentioned in section 424 can only be individual insurance products.

Also, the government has the power to authorize an insurance product that cannot be offered by a distributor to be offered. However, it must consult the Authority before making that decision.

The government also has the power to refuse to authorize the distribution of an insurance product that could normally be offered through a distributor. However, this power does not cover the products referred to in sections 424 and 426.

The government renders these two types of decisions by order-in-council.

## HOW TO DRAFT A DISTRIBUTION GUIDE

The Act and the *Regulation respecting distribution without a representative* are very clear as to the obligations and responsibilities of insurers and distributors regarding the distribution of insurance products without representatives.

### 2.1 DRAFTING REQUIREMENTS

Producing a distribution guide is a key requirement under the Act and the *Regulation respecting distribution without a representative*. The prescribed content and format of the guide are considered to be guarantees for the protection of consumers' interests. This is why the guide is important and must be drafted based on the instructions given in Parts 2 and 3 of this Manual.

The *Regulation respecting distribution without a representative* provides precise instructions on the content of the distribution guide insurers are required to draft when selling products through distributors.

This regulation also provides instructions concerning the format (style, drafting techniques, page layout, etc.) required for the distribution guide.

Specifically, the text:

- › Must be drafted in clear and simple language in order to convey an unambiguous message;
- › Must be concise and consist of short, direct sentences;
- › May include illustrations, colour, pictures and lists in order to facilitate comprehension by the consumer and provide information in a user-friendly manner;
- › Must include definitions when necessary to facilitate the consumer's understanding of the information set out in the guide;
- › Must not be drafted in a false or misleading manner or in a manner that may be deceptive;
- › Must include a table of contents;
- › Must be printed in a font equivalent to Bookman Old Style at least 10 points in size, such as Times New Roman or Arial.

### 2.2 DRAFTING PLAN

In order to help you draft a guide that meets these requirements, the following is a drafting plan for the essential information, broken down into 9 sections. These sections are discussed later using a drafting grid.

## DRAFTING PLAN FOR A DISTRIBUTION GUIDE

### 1 INFORMATION ABOUT THE PRODUCT AND THE DISTRIBUTOR

### 2 AMF'S RESPONSIBILITY

### 3 TABLE OF CONTENTS

### 4 INTRODUCTION

### 5 DESCRIPTION OF INSURANCE PRODUCT OFFERED

- A Nature of guarantee
- B Summary of specific features
- C Exclusions, restrictions or reductions in coverage
- D End of insurance coverage
- E Cancellation
- F Other information

### 6 PROOF OF LOSS OR CLAIM

- A Submission of a claim
- B Insurer's reply
- C Appeal of insurer's decision and recourses

### 7 SIMILAR PRODUCTS

### 8 REFERRAL TO THE AMF

### 9 APPENDICES

This plan covers the requirements of the Act and the *Regulation respecting distribution without a representative*. It reflects the structure of your distribution guide.

You must:

- › Cover all the sections, regardless of the order in which they will be used (see Appendix 3);
- › Use the section headings and sub-headings;
- › Provide the requested information;
- › Format a readable document, with a well-structured content and an attractive page layout;
- › Draft the content of your distribution guide according to the principles of clear and simple language found in Part 3 of this Manual.

Sections 5 and 6 of the drafting plan contain essential information to help consumers understand the insurance product offered by a distributor.

The information in the insurance policy is of course your starting point. However, an insurance policy does not have the same readability requirements as a distribution guide, as the purpose of these documents is not the same.

A distribution guide provides the consumer with information about the insurance product. It highlights details of the contract that are likely to interest him, such as the type of product, specific features restricting the scope of the coverage, conditions for cancellation of the contract and claim procedures.

You will now have to go over the insurance policy to gather essential information from the consumer's point of view. You must select this information and arrange it using the proposed drafting grid in Part 2.

### 2.3 DRAFTING GRID

A plan for a distribution guide is detailed here by way of a drafting grid. It shows the information that must be developed in the text and the order in which it is to be presented. You may change the order of the headings, so long as the guide remains easy to understand for consumers.

Among other things, the drafting grid presents the information deemed essential about the insurance product offered (such as exclusions, restrictions and reductions in coverage) as well as information concerning proof of loss or claim.

In addition, throughout this grid, we will be using the accompanying icon to refer to a list of ten tips that will help you draft your guide. This list is on page 24 of this Manual. **C1**

These tips should not, however, replace a careful reading of the basic principles of clear and simple language discussed in Part 3.



### › **Distributor’s contact information**

- Name
- Address (e-mail if applicable)
- Telephone and fax numbers of the client service department

#### **IMPORTANT**

The contact information must be that of the distributor who actually gave the guide to the consumer. A blank space may be left so each distributor can enter its own name and address using a label, for example.

## **2 AMF’S RESPONSIBILITY**

On the title page of the guide, in a different font, print the warning below. This text is adapted from Schedule 4 of the *Regulation respecting distribution without a representative*, in keeping with the integration of the *Bureau des services financiers* within the AMF.

**“The Autorité des marchés financiers does not express an opinion on the quality of the product offered in this guide. The insurer alone is responsible for any discrepancies between the wording of the guide and the policy.”**

## **3 TABLE OF CONTENTS**

Insert a table of contents in your distribution guide, preferably right at the beginning. You may insert it before the introduction.

**C2** See tip no. 2: *Organizing the content*

## **4 INTRODUCTION**

Draft a short introduction in your own words and based on the features of your insurance product in accordance with the explanations given in Schedule 4 of the *Regulation respecting distribution without a representative*:

“Explain the role of the distribution guide, which is to describe the insurance product offered and facilitate the client’s comprehension by transmitting the information in a user-friendly form. The objective of the guide is to enable the client who is not in the presence of an adviser in insurance of persons or an agent or a broker in damage insurance to evaluate whether the insurance product offered corresponds to his needs.”

In this introduction, you may also describe the outline of your guide or specify where the information of most interest to consumers may be found, such as definitions, exclusions, restrictions and the procedure for presenting a claim.

### EXAMPLE

#### Introduction

This distribution guide describes the “Sun Liberty” insurance policy. It is designed to give you all the information necessary about this insurance product in a user-friendly manner. Finally, this distribution guide was prepared to allow you to determine whether this insurance product meets your needs, considering that you are not in the presence of an insurance representative.

**C3** See tip no. 3: Define specialized words

## 5 DESCRIPTION OF INSURANCE PRODUCT OFFERED

### A Nature of guarantee

Specify the nature of the insurance product. Describe its main features in two or three paragraphs.

### EXAMPLE

Our automobile loan insurance provides coverage for the repayment of the balance on your loan in case of death or total disability.

It includes the following coverage:

- Life insurance to cover the repayment of the balance on your loan in the event of death;
- Disability insurance that covers the repayment of the monthly instalments on your loan in the event that you become **totally disabled**.

Note that the expression “totally disabled” is in bold. This means that the insurer has defined this expression in the “Definitions” section of the guide.

### B Summary of specific features

Describe the important features of the insurance offered. Some of the features that should be mentioned are discussed here. They are divided according to whether you offer insurance of persons or damage insurance. We suggest that you add a section concerning the steps to be followed for purchasing insurance before you describe the product’s features.

After highlighting the coverage offered, include a reference to specific clauses of the insurance policy. Do the same for exclusions, restrictions or reductions in coverage.

## INSURANCE OF PERSONS

### Persons to whom protection applies

#### EXAMPLE

To be eligible for this insurance, you must be:

- a natural person (an individual);
- at least 18 years of age;
- less than 70 years of age;
- a Canadian resident;
- the **debtor** of a **creditor**.

Note that the words “debtor” and “creditor” are in bold. This means that they are defined in the “Definitions” section of the guide.

### Amount of protection

#### EXAMPLE

What is the amount of the protection?

It is determined according to the lower of the following amounts:

- a protection amount of \$50,000; OR
- the balance on your loan.

### Procedure involved in designating a beneficiary

#### EXAMPLE

Who is the beneficiary of this insurance?

The **beneficiary** of this insurance is your **creditor**. The benefits will be paid directly to the creditor. These benefits will be used to pay back your loan.

Note that the words “beneficiary” and “creditor” are in bold. This means that they are defined in the “Definitions” section of the guide.

### The amount of the premiums, whether guaranteed or not, and the payment frequency

<b>The waiting period in the event of a claim</b>
<b>Term of the contract</b>
<b>EXAMPLE</b> The period covered by this insurance  This insurance provides coverage for the term of your loan to a maximum of 48 months. Your insurance will terminate after the 48 month period, even if you have not repaid your loan in full.
<b>The effective date or the expiry date of the insurance contract and applicable conditions</b>
(example: medical examination)
<b>Confirmation of the insurer set out in section 444 of the Act</b>
<b>EXAMPLE</b> Within 30 days of signing the application, you will receive a letter confirming that you are insured.
<b>Renewal procedures or conditions</b>
<b>If the renewal of the insurance contract or the coverage offered is guaranteed</b>
<b>The grace period pertaining to the non-payment of the premium, where applicable</b>
<b>EXAMPLE</b> You must pay your premium every month at the same time as the payment on your loan. However, you have a grace period of 30 days.  Example: You make a payment on your loan on the 12th of each month, at which time you also pay the insurance premium. If for some reason you are unable to pay your premium when due, you will have a grace period of 30 days to do so.
<b>Any other item that is likely to influence a client's decision</b>

## DAMAGE INSURANCE

### The property or risks covered

#### EXAMPLE

The property or risks covered by this insurance are the following:



The loss of or damage to luggage during your **trip**.

Note that the word “trip” is in bold. This means that it is defined in the “Definitions” section of the guide.

### Amount of coverage

#### EXAMPLE

What is the maximum amount of coverage?

The maximum amount of coverage for luggage is \$1,500 per person. Each suitcase is covered for a maximum amount of \$500.

### The person to whom the benefit will be paid

#### EXAMPLE

Who will the benefit be paid to?

In the event of a claim for lost luggage, the benefit will be paid directly to you. Lost or stolen luggage can therefore be replaced.

### The amount of the premiums and the payment frequency

### The deductible applicable to claims

#### EXAMPLE

What is the amount of the deductible?

When you make a claim for stolen luggage, you will have to pay a deductible of \$50.

### Term of the contract

#### EXAMPLE

This insurance policy is valid for one year.

### Renewal procedures or conditions

#### EXAMPLE

This insurance policy is not renewable.

### Any other item likely to influence a client's decision

#### **C** Exclusions, restrictions or reductions in coverage

In this section of your guide, highlight the rules and events that may give rise to exclusions, restrictions or reductions in coverage of the insurance referred to in the distribution guide.

These exclusions must be presented as follows:

- › Using boldface characters;
- › Within boxes;
- › Preceded by the word "Caution."

#### EXAMPLE

Exclusions, restrictions or reductions in coverage

#### **CAUTION**

No application for benefits will be accepted if death has been caused by:

- › Suicide by the insured within two years of the effective date of the insurance policy;
- › Consumption of drugs, narcotics or medicine other than that prescribed by a doctor legally authorized to practice medicine in Canada;
- › Illness when death takes place within six months of the effective date of the insurance, if such illness was diagnosed six months before the insurance was contracted;
- › War or insurrection.

The information in the guide must correspond to the content of the insurance policy. Avoid making references to the insurance policy for important information.

**C4** See tip no. 4: *Be careful with long lists*

**C5** See tip no. 5: *Avoid long sentences*

**D** **End of insurance coverage**

Indicate the circumstances that can lead to the termination of the insurance coverage:

**EXAMPLE**

Under what circumstances may disability insurance be terminated?

Insurance will be terminated when any of the following events occurs:

- >** Your loan is fully paid;
- >** You reach the age of 75;
- >** Your property changes ownership.

## **E** Cancellation

Explain in detail the procedure to be followed to cancel the insurance contract. Make sure to mention that under the Act, a client may cancel an insurance contract without penalty within 10 days of signing it by notifying the insurer by registered or certified mail (section 441).

The following is a list of procedures to be addressed:

- › What documents are required?
- › What is the time limit provided for cancellation?
- › What are the applicable penalties?
- › Where must the notice of cancellation be sent (name and address)?
- › What is the effect of cancellation?

Please note that you must include a “Notice of cancellation of an insurance contract” in your distribution guide. A copy of this document is provided in Appendix 1.

The AMF introduced two directives in this regard. The first aims to prevent a consumer from cancelling his insurance contract after his trip has begun or after he has taken possession of a rental vehicle when said contract has been issued for 10 days or less.

### **DIRECTIVE<sup>2</sup>:**

**Section 441** shall not apply where the principle contract has a term of 10 days or less and where its consummation commenced at the time of the request for termination of the cancellation insurance contract.

The second directive aims to prevent a consumer from cancelling an insurance contract signed 11 days or less prior to the start of the principal contract (car rental, travel, etc.). Otherwise, a consumer could decide to cancel his insurance the day before his departure, seeing that everything is in order and that he is able to leave as planned. This would be prejudicial to the insurer, which would have nonetheless assumed the risk during the period prior to the trip or car rental period.

### **DIRECTIVE<sup>2</sup>:**

**Section 441** shall not apply in the case of a cancellation insurance made within a period of 11 days or less preceding the travel or the lease of an automobile.

**C6** *See tip no. 6: A coherent text*

## **F** Other information

Indicate how the consumer can find out more information about the product offered, contact the insurer or the distributor, and obtain a copy of the insurance policy.

## 6 PROOF OF LOSS OR CLAIM

All the steps involved in submitting a claim must be indicated here, namely:

- › Submission of a claim;
- › Insurer's reply;
- › Appeal of the insurer's decision and recourses.

**C7** *See tip no. 7: One concept, one word*

### **A** Submission of a claim

Explain the procedure to be followed to submit a claim and specify:

- › The type of documents to be transmitted;
- › The number of copies necessary;
- › The method of completing a claim form;
- › The identity of the person or persons authorized to submit the claim;
- › The period in which the claim or the notice of claim must be sent to the insurer;
- › The specific measures to be taken by a loss victim.

### **B** Insurer's reply

Indicate:

- › The period during which the insurer must inform the insured or a beneficiary that his claim is accepted;
- › The period during which the insurer must pay the benefit;
- › The period during which the insurer must inform the insured or a beneficiary that his claim is refused and the reasons that justify this decision.

### **C** Appeal of insurer's decision and recourses

Describe the procedure to be followed by an insured in the event of the refusal of his claim or non-settlement by the insurer. Using general terms, specify the rights of an insured when the insurer refuses his claim. Point out that he may consult the AMF or his own legal counsel.

**7**

**SIMILAR PRODUCTS**

Indicate whether other insurance that may include coverage similar to the insurance described in the distribution guide is available on the market.

**EXAMPLE**

Other insurance products on the market have the same insurance coverage as that described in this distribution guide.

Again, when offering the insurance product, the distributor must ask the consumer whether he is already covered by similar insurance and, if he is unsure, encourage him to find out. See section 430 of the Act.

**C8** *See tip no. 8: Use illustrations*

**8**

**REFERRAL TO THE AMF**

Give the address and telephone number of the AMF as follows:

For additional information regarding the insurer's and the distributor's obligations to you, please contact the AMF at:

Autorité des marchés financiers  
Place de la Cité, tour Cominar  
2640, boulevard Laurier, 4<sup>e</sup> étage  
Québec (Québec) G1V 5C1

Québec City: 418-525-0337  
Montréal: 514-395-0337  
Toll-free: 1-877-525-0337  
Fax: 418-525-9512

**C9** *See tip no. 9: Page layout*

9

**APPENDICES**

At the end of your distribution guide, include when applicable:

- › a “Notice of cancellation of an insurance contract” (Appendix 1);
- › “Notice of free choice of insurer or representative” (Appendix 2), if your distributor offers financing for the purchase of goods or services and requires the debtor to subscribe for insurance to guarantee the reimbursement of the loan (section 443 of the Act);
- › “Notice of specific consent” (Appendix 3), when the distributor collects personal information of a medical nature or concerning a client’s lifestyle (section 437 of the Act).

**IMPORTANT**

Appendices 1, 2 and 3 of this manual have been reproduced from the *Regulation respecting distribution without a representative*. However, the telephone numbers in the appendices will not exist after April 1, 2008. You must replace them in your distribution guides with the following numbers:

Québec City: 418-525-0377  
Montréal: 514-395-0337  
Toll-free: 1-877-525-0337

Also, appendices 1, 2, 3 and 4 refer to the *Bureau des services financiers*. You must replace it in your distribution guides with the *Autorité des marchés financiers*.

It may also be useful to include space for the consumer’s own notes at the end of your guide.

**PERSONAL NOTES**

Coverage amount \_\_\_\_\_

Premium \_\_\_\_\_

Other \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**C10** See tip no. 10: *Thorough revision!*

## 2.4 TEN TIPS FOR PROPERLY DRAFTING A DISTRIBUTION GUIDE

C1

### TIP NO. 1

#### **Who are the intended readers?**

Right from the start, you have to consider the reader's point of view. What does he want to know most of all? What questions will he be asking? How can you reach your readers? See section 3.2.

C2

### TIP NO. 2

#### **Organizing the content**

In order to be easily understood, your distribution guide must be organized in a logical and clear manner (Appendix 4). You therefore have to properly plan the structure of the content, clarify your ideas and use an attractive, reader-friendly page layout. See sections 3.1, 3.6 and 3.7.

C3

### TIP NO. 3

#### **Define specialized words**

Have you used specialized words in your guide and defined them? Be sure to highlight them in a strategic location, such as a glossary or footnotes. See sections 3.3.1 and 3.6.2.

However, it is advisable to use standard words so as not to have to define numerous specialized terms. See sections 3.3.2 and 3.3.3.

C4

### TIP NO. 4

#### **Be careful with long lists**

Under a heading such as "Summary of specific features," it is not recommended to make a long list of features. Vary your drafting and highlighting techniques. For example, use questions that elicit the reader's interest and guide him. Provide a short answer that is divided into numbered sections:

Who is this insurance for?

Any person who meets the following requirements:

- › is 18 years or older;
- › is a Canadian resident;
- › is employed in Québec.

By clustering information that specifically answers the questions most often asked about an insurance product, you help the reader search for information and you divide the text into small parts that are easy to locate. See sections 3.2, 3.6.4 and 3.6.6.

C5

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TIP NO. 5

**Avoid long sentences**

Sentences that use clear and simple language should include between 15 and 25 words. Usually, they express only one idea. It is better to use positive statements in the active voice. See sections 3.4.1 to 3.4.3.

C6

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TIP NO. 6

**A coherent text**

Writing clearly and simply does not mean that you can't use transitional words (because, due to, owing to, etc.). Quite the contrary. All these words structure the material and show how ideas are linked. See section 3.5.

C7

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TIP NO. 7

**One concept, one word**

Avoid referring to the same concept using different words that seem to be synonyms to you. For example, use the word "automobile" throughout the guide. Switching to words such as "car" or "vehicle" may confuse the reader. See section 3.3.4.

C8

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TIP NO. 8

**Use illustrations**

Are you dealing with difficult concepts in your guide? Do not hesitate to vary the way in which you explain them. Define, describe and give examples, but also include illustrations, tables and diagrams. See section 3.6.

C9

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TIP NO. 9

**Page layout**

A careful page layout reflects the logic behind the content and improves the reader's understanding. The presentation, headings and sub-headings as well as the typography and highlighting all contribute to improving the readability of your guide. See section 3.7.

C10

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TIP NO. 10

**Thorough revision!**

You have gathered information from the insurance policy, carefully followed the drafting grid and drafted your text according to the principles of clear and simple language. Now all you have to do is thoroughly revise your guide using the self-correction grid found in Part 4 of this Manual.

## HOW TO DRAFT USING CLEAR AND SIMPLE LANGUAGE

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This section gives practical advice on how to draft your distribution guide in accordance with one of the requirements of the *Regulation respecting distribution without a representative*, namely, drafting using clear and simple language. By using a series of drafting and presentation techniques and writing clearly and simply, it is possible to produce documents that can be read and understood by many readers, including a significant proportion of slow readers. This is also designed to increase the readability of a text.

### What is the readability of a text?

Readability is a measure of the linguistic and non-linguistic elements that contribute to reading and understanding the text.

Readability is assessed on the basis of:

- › Vocabulary;
- › Sentence organization and style;
- › A logical organization of the text;
- › The linguistic and visual elements that contribute to understanding the text.

### A clear and simple text

A clear and simple text may be distinguished by:

- › Its logical, coherent and clear organization;
- › Content that is comprehensible on first reading;
- › A visual presentation that facilitates reading.

This way of drafting encourages selective rather than continuous reading. A person reading selectively does not follow the flow of ideas under the headings. He reads according to a personal choice of points he wants clarified. Continuous reading, on the other hand, follows the order of headings and sub-headings.

Selective reading is more effective with administrative texts, which are often consulted to answer specific questions.

Clear and simple language is therefore ideal for drafting a distribution guide because it is intended for a consumer. He must be able to easily read your document and, above all, understand the message.

Writing techniques using clear and simple language are designed to enhance the readability of a text. The stakes are high: Your document must be read and understood by consumers.

In explaining the drafting grid, we have provided drafting tips that will be discussed here in detail.

### 3.1 STRUCTURED CONTENT

The structure of your text must be highlighted using various techniques. A basic rule applies to all these techniques: The writer must use a coherent system that closely corresponds to the structure of the text.

- Decide how you will subdivide your sections, using either figures or letters.
- Use visual and typographical styles to clearly distinguish the sections and highlight certain content:
  - **boldface** or *italics*;
  - font size (from 10 to 12);
  - CAPITALS/lower case;
  - type of fonts, with or without serifs;
  - colours;
  - boxes;
  - point form: bullets, dashes, arrows;
  - alternate between vertical and horizontal lists.

Use these techniques in a consistent manner.

- At the beginning of each part of the text, prepare a short introduction to explain what will be dealt with in the following paragraphs. This type of introduction plays an important role in understanding a document.
- It is also recommended that you use an introductory statement at the beginning of a list. Draft a statement that not only introduces the content of a list but also makes sense. For example: The following are the three grounds of exclusion for a life insurance application: 1. ... 2. ... 3.
- In developing your explanations, use expressions that refer to subdivisions of the content: on one hand, on the other hand...; first of all, secondly; in one case, in the other...; first, next, lastly. These expressions are often used together. Be careful not to mix them up by using for example “first of all” and “next.”
- Once the document is drafted, prepare a detailed table of contents and carefully reproduce the subdivisions in the text using the same words from the document.
- The objective of a highlighting system is to help the reader quickly understand the kind of information available in the document and allow him to find what he needs. The system reflects the organization of the text and helps make it unambiguous and evident.

Simple systems are the most effective. The distribution guide is divided into sections that are subdivided into main points. An effective highlighting system tells the reader what he is about to read and gives him reference points throughout the document.

A detailed table of contents gives the reader a layout he can use to find the subjects that interest him. The table of contents and the highlighting system work hand in hand. They are aids for the reader, designed to help him understand the document and search for information.

## 3.2 BEING CLOSE TO THE READER

In general, speak directly to the reader; use the form “you/your” when addressing him or “I” when quoting him.

### EXAMPLE

Do I need additional life insurance?

You can ask your distributor for the claim form.

As for the author of the document, it is an organization. The words “we/our” are therefore the forms used to refer to the organization that is speaking in the text.

### EXAMPLE

Our insurance product allows you to be insured in case of death.

Using the word “our” conveys the image of a team of persons working within the organization.

In general, in order to be understood, the point of view of the reader has to be used as much as possible. In the distribution guide, this means that the information will be presented to reflect the needs of a consumer and state how the insurance product meets those needs. An effective writing technique is to divide the information into questions the consumer would ask.

Accordingly, in the section “Summary of specific features”, rather than simply listing features, use questions that are of interest to the reader in order to guide him. Lengthy lists can be tiresome and may discourage the reader. By clustering the information that specifically answers the questions most often asked about the insurance product, you help the reader search for information and you divide the text into small separate parts that are easy to locate.

## EXAMPLE

Do I need additional health insurance when I travel outside Canada?  
What is the maximum amount I may claim in the event of lost luggage?  
In case of lost luggage, what documents must I supply with my claim?  
What is total disability?  
When do disability benefits start?

In order to choose and classify the relevant information in a way that takes into consideration the reader's needs and interests, you must:

- › Be very familiar with the product you are describing (the content of the insurance policy);
- › Keep in mind the reader you are addressing (the consumer of the insurance product);
- › Remember the objectives of the distribution guide (inform and protect the consumer).

## 3.3 CHOICE OF WORDS

The main purpose of using clear and simple language is not to surprise the reader but to simplify the reading of the document. Accordingly, standard words should be chosen and they should be used in their usual meanings and reflect concrete rather than abstract notions. This can only improve readability.

### 3.3.1 Specialized words

All insurance contracts use specialized vocabulary that is often legal in nature. Specialized vocabulary is unique in that it is restricted to a specific context. For example, the term “total disability” in everyday life refers to a poor state of health that may affect any person. However, in an insurance contract, it may refer to the inability to perform the tasks related to a person's primary job function and such a disability may be limited in time. The second definition belongs to specialized insurance vocabulary, while the first one is part of standard vocabulary.

You will not be able to completely avoid specialized vocabulary in the distribution guide because your source of information is an insurance contract.

It would therefore be advisable to choose the specialized words you think are necessary and define them to facilitate your reader’s understanding. Under the circumstances, this means restricting the scope of certain words within the context of an insurance contract. These definitions may constitute a glossary. It should be placed either at the beginning or end of the guide or be part of the footnotes.

Every time a specialized word appears in the text, it is important to repeat the footnote or identify the word in reference to the glossary (using bold-face or italics, for example). Because the reader will not necessarily read the distribution guide from cover to cover, you will have to use one of the highlighting techniques discussed later in order for specialized words to stand out (see section 3.7).

**EXAMPLE**

Words to be defined:

Participant, beneficiaries, spouse, debtor, borrower, legal person, etc.

In order to make your guide easier to read, work on all parts of the policy that may be difficult to understand. To the extent that it is possible to do so, avoid using specialized language. Convey as much information as possible using clear and simple language.

**3.3.2 Standard words**

Standard words are different from specialized words and informal language. They are everyday words that the reader will have no difficulty recognizing because he uses them frequently. The size of a vocabulary varies tremendously from one person to another. When you have the choice, always use the word that is most common.

SPECIALIZED/ FORMAL	STANDARD	SPECIALIZED/ FORMAL	STANDARD
accrue schedule fractionate obligated in lieu of solicit diversify	increase timetable separate necessary instead of ask vary	is tantamount to lexicon restrict subsequently accordingly disparate solicit	is the same as vocabulary limit after therefore different ask

## EXAMPLE

Specialized or more formal words and their equivalents in everyday (standard) language

SPECIALIZED/FORMAL	STANDARD
■ <b>discharge</b> of a debt	■ <b>full payment</b> of a debt
■ your <b>subsequent</b> payment	■ your <b>next</b> payment
■ first loan <b>disbursement</b>	■ <b>first payment</b> , first monthly payment
■ the borrower <b>undertakes the payment</b> of an amount	■ the borrower <b>must pay</b>
■ the premium is payable in a <b>lump-sum</b> payment	■ the premium is payable <b>in a single</b> payment
■ you are <b>required</b> to ask	■ you must <b>ask</b>

Standard words are often shorter (not always) than specialized/formal words, and this makes them easier to understand. They are native English words, or words borrowed from other languages as defined in dictionaries.

Always choose the standard meaning of a word rather than a specialized or technical meaning. The standard meaning is what the reader has in mind when he sees the word.

Avoid foreign and archaic words or regionalisms with limited usage, specialized words, initialisms and abbreviations.

If you have to use specialized terms, take the time to define them in a glossary, as mentioned above. When absolutely necessary, initialisms and abbreviations must be clearly explained and expressed in full form before being used.

### 3.3.3 Concrete words

Concrete words are easier to understand than abstract words because of their precision and descriptive value. Instead of referring to “unfortunate situations,” specify what they are: an automobile accident, lost luggage, a cancelled return flight, etc. Concrete words are descriptive and refer to what the reader is familiar with. Abstract words are analytical and require more effort on the part of the reader.

### 3.3.4 Using synonyms

Use the same word or expression when designating the same concept. Avoid synonyms as they make it more difficult to readily understand a document. This advice also applies to the use of pronouns (he, she, this, etc.). It is better to repeat a name several times if there is the slightest doubt that use of a pronoun will cause confusion. Key words have to be repeated.

A distribution guide is not an exercise in style; it is an easy-to-understand reference document. In general, find the proper word and stick with it, rather than using an archaic or unusual word or a variety of words with the same meaning.

#### EXAMPLE

Avoid:

- › the accident, the loss, the event
- › the illness, the disorder

### 3.4 CLEAR AND SIMPLE SENTENCES

Clear and simple sentences have certain features that are easy to remember.

#### 3.4.1 Short sentences

A short sentence with a single thought is easier to read than a complex sentence involving several thoughts. A short sentence is more readable than a long one because of the likelihood of remembering the general meaning of the sentence and the difficulty some people have in establishing a logical connection between two thoughts.

In general, sentences drafted in clear and simple language consist of 15 to 25 words. This calculation is based on extensive research in readability.

#### 3.4.2 One idea, one sentence

A simple sentence usually has only one idea. This idea is all the more understandable because it is limited to one sentence. The principle of “one idea, one sentence” applies especially if the idea is important.

#### EXAMPLE

**It is better to write:**

Come to our office on the date stated in this notice. Please bring your insurance policy with you.

**Rather than:**

You will have to come to our office on the date stated in the notice and bring your insurance policy with you.

### 3.4.3 Affirmative sentences using the active voice

---

Use affirmative rather than negative sentences if you want to emphasize what is to be done.

#### EXAMPLE

**It is better to write:**

Bring your birth certificate.

**Or:**

You must bring the following documents: your birth certificate...

**Rather than:**

Do not forget to bring your birth certificate...

On the other hand, if you want to insist on a restriction, a negative sentence can be more effective:

#### EXAMPLE

If you do not pay your premium on the specified date, your insurance policy will lapse.

Double negation can be confusing:

#### EXAMPLE

**It is better to write:**

It would be necessary to...

**Rather than:**

It would not be unnecessary to...

A sentence written in the active voice is more easily understood than one in the passive voice.

#### EXAMPLE

**It is better to write:**

We will process your claim as soon as possible.

**Rather than:**

Claims will be processed by the insurer as soon as possible.

### 3.4.4 Word order

---

The most common and simplest sentence structure is: subject – verb – object. Obviously, an entire text written in this way would be monotonous. However, a practical document is not read like a magazine article or novel. The reader does not necessarily intend to read the whole document. He is looking for specific information. This information will be easier to find if it is expressed in simple sentences with a familiar structure.

Remember that what is stated at the beginning of a long sentence is perceived as being more important than what is stated at the end. This principle must guide you when drafting more complex sentences.

As well, place the verb near the subject or object, and move the adverbial phrase to the beginning or end of the sentence.

#### EXAMPLE

**It is better to write:**

Before filling in this form, take the time to read the distribution guide.

**Rather than:**

Take the time, before filling in this form, to read the distribution guide.

## 3.5 LINKING IDEAS

In a coherent text, one idea flows to the next. Ideas are linked instead of simply allowed to pile up in the text. The following techniques are used to indicate a change in ideas.

### 3.5.1 Paragraphs

---

A paragraph visually shows a change from one idea to another. It gives rhythm to reading and relaxes the eye because it is easier to read a text divided into short paragraphs.

As far as the distribution guide is concerned, it is to your advantage to draft short paragraphs containing four or five sentences. It is also preferable for a paragraph to deal with only one topic, i.e. only one main idea at the beginning of the paragraph. The following sentences will offer additional information or explanations.

### 3.5.2 Transitional words and phrases

It is possible to establish different relationships between ideas: addition, opposition, cause, consequence, condition and restriction indicate logical relationships between ideas. These relationships must be highlighted using appropriate expressions.

#### EXAMPLES

- You must bring your birth certificate and social insurance card. In addition, you must make a cheque for \$35 to open your file. (addition)
- All luggage is covered by the insurance contract except (...) or unless (...). (restriction)

#### Transitional words and phrases

ADDITION	OPPOSITION	CAUSE	CONSEQUENCE	CONDITION	RESTRICTION
Moreover	While	Due to	Therefore	On condition	Even if
Furthermore	Unless	Since	Thus	Unless	Notwithstanding
Also	Notwithstanding	Because	Accordingly	In case of	This being said
Likewise	However	As long as	In short	As long as	However
As well	In spite of	In fact	Hence	Considering that	At least
In addition	Nonetheless	By reason of	This is why	Provided	Even though
Especially	On the other hand	Given that	For this reason	Only if	Except
And even	Regardless	Thanks to	Consequently		Nonetheless
Specifically	Although	In view of	In short		Aside from
	Yet	On account of	As a result		Barring
	Without	Owing to	So much so that		At any rate
	Whereas		Which explains why		Excluding
	This being said				Other than

#### Structure of the text

In summary, a distribution guide should be organized as follows:

There should be one guiding idea or topic per chapter. Each paragraph should be structured around a principal idea or theme. Each sentence in the paragraph should usually contain only one thought related to the paragraph's principal idea or theme. Thus, each sentence will support what you are trying to express in the paragraph.

## 3.6 CLARIFYING IDEAS

### 3.6.1 Order of ideas

---

Here are some ways of structuring information:

- › From general to specific;
- › From positive to negative (contrasting or opposing ideas);
- › From the most to the least important;
- › Step by step (from first to last);
- › From what concerns the majority to what concerns the minority;
- › From known ideas to new ones;
- › From simple to more complicated;
- › From familiar to less familiar.

The beginning of a sentence or text is considered to be the most important element.

Some concepts discussed in the guide cannot easily be explained. Here are techniques to help clarify their meaning.

### 3.6.2 Definitions

---

Draw up a glossary to explain technical terms or words with a restricted meaning. This glossary may be inserted at the beginning or end of the guide. You may also define terms in footnotes.

No matter how you choose to define terms, identify them with underlining, boldface, italics or capitals. Do this for all definitions in the guide. This way, the reader will know that these words are defined in the guide. You should also add a note at the beginning of the guide that states how you have identified the definitions and where they may be found.

### 3.6.3 Examples

---

Illustrate complex situations with real-life examples. This makes the text livelier because the reader relates more easily to people than ideas. A real-life example has the additional advantage of being told like a story, and this is quite familiar to most readers. Examples should preferably be highlighted to distinguish them from the narrative text in which they are found.

### 3.6.4 Descriptions using lists

Concepts mentioned in the guide often involve a list of specific characteristics. Be sure to introduce these lists with statements that specify the meaning and scope of what follows, as in the following example:

#### EXAMPLE

This is the list of documents to be included when submitting your claim:

- › Your birth certificate;
- › The proof of loss form duly completed and signed by the claimant;
- › The proof of loss form duly completed and signed by the attending physician.

### 3.6.5 Tables

To compare data or to illustrate a situation and its consequences, a table can often be useful.

#### EXAMPLE

INSURANCE PLANS	BEGINNING OF PAYMENT OF BENEFITS	CALCULATION OF BENEFITS
With retroactive compensation	As soon as the selected waiting period is over	Benefits are calculated from the first day of total disability
Without retroactive compensation	As soon as the selected waiting period is over	Benefits are calculated from the first day of total disability following the selected waiting period

### 3.6.6 How to highlight

There are various techniques for highlighting information. Highlighting helps the reader focus on the most important information. Below are the main highlighting techniques (for detailed explanations, see point 3.7):

- › **Boldface**, *italics* or underlining;
- › Larger font size;
- › Using CAPITALS;
- › Using colours, **shading**;
- › Using boxes;
- › Alternating between vertical and horizontal lists;
- › Headings and sub-headings.

## 3.7 PAGE LAYOUT

Various page layout techniques can also improve the readability of your text. They reflect the logical reasoning behind the content and facilitate understanding by the reader.

We encourage you to produce an attractive brochure that is easy to read.

### 3.7.1 General presentation of a text

---

Avoid presenting information in a dense and stuffy manner. This gives the impression that it is difficult and boring. Space out your text by:

- › Clearly dividing your guide into sections so the reader can easily find them.
- › Writing short paragraphs containing a maximum of four or five sentences and leave sufficient space between each paragraph.
- › Using wide margins.
- › Increasing the space between lines and paragraphs.
- › Inserting boxes, tables or illustrations.
- › Leaving empty spaces. This will make paragraphs well spaced out and give the reader room for notes.

### 3.7.2 Headings and sub-headings

---

Headings help structure your text. Be sure the reader can easily see them by using typographical techniques such as formatting, colours, etc.

### 3.7.3 Typesetting

---

Under the Act's *Regulation respecting distribution without a representative*, the text of a distribution guide must be printed in a font equivalent to Bookman Old Style and characters that are at least 10 points in size and line spacing must be at least 2 points. Moreover exclusions, restrictions or reduction in coverage must be boldface and be presented in boxes preceded by the word: "Caution".

### 3.7.4 Fonts

Use regular fonts that are easy to read, such as Bookman, Courier or Times New Roman. Don't use unusual fonts or a mix of several types within the same document. Depending on the font chosen, use size 10, 11 or 12 as the visual effect is not the same from one font to another. (The previous paragraph is an example of the requirements under the Regulation.)

Normally, no more than two fonts are used in the same document, one for the headings and one for the text itself. Fonts with serifs are more appropriate for the text because it is easier to follow the line traced by the serifs. On the other hand, fonts without serifs are clear and make headings stand out.

You may increase font size for highlighting headings or specific words. However, do not widen or narrow the spacing between letters, as it reduces readability and is seldom aesthetically pleasing.

### 3.7.5 Aligning the text

To facilitate reading, align the text on the left-hand side. You will note from the following examples that justifying a text creates irregular spaces between words and aligning a text on the right makes it difficult to read. Left alignment should be used because it makes the text more readable. Headings and sub-headings should also be aligned to the left.

LEFT ALIGNMENT	JUSTIFIED	RIGHT ALIGNMENT
Don't justify the text. This makes reading more difficult because it creates irregular spacing between words.	Don't justify the text. This makes reading more difficult because it creates irregular spacing between words.	Don't justify the text. This makes reading more difficult because it creates irregular spacing between words.

### 3.7.6 Highlighting

As mentioned, typographic highlighting draws the reader's attention to important information, key words, definitions, explanations, etc.

Here is some advice about typographic highlighting.

- ▶ Boldface is especially useful for headings, sub-headings and summary statements. Remember that the section dealing with exclusions must be entirely printed in boldface.
- ▶ Italics can also be used to highlight a word, but they are mainly used for the titles of reference book, quotes and foreign words. Using too many italics can however diminish the impact and become tiresome.
- ▶ Use underlining carefully: In almost all cases, it considerably reduces readability. This is a leftover from the days of typewriters when underlining was the only way of highlighting.

- › Capital letters may be used to highlight headings or words. However, don't use capitals for long passages of text as it makes reading them all that more difficult.
- › Just like shading, colours may improve the appearance of your document and highlight information. However, avoid printing pale fonts on a dark background.
- › Boxes can be useful. They add information without creating a cumbersome text and help to present the content in a dynamic manner. Use boxes for examples or explanations, related points, etc.
- › Likewise, illustrations, diagrams and tables facilitate understanding and reduce the monotony of a text. However, they must be relevant and simplified as much as possible.
- › Lists are useful to quickly show a series of elements, conditions and exceptions, or to show the level of importance of events or the order in which they will be presented.
- › Lists should be presented vertically and not within a sentence. Use bullets, arrows or dashes, making sure they are used logically and consistently. For example, use dashes for a first-level list and bullets for a second-level list, or even distinctive graphical identifiers. Also, try to keep the content of a list on the same page, as this will make it easier to understand the list as a whole.

#### EXAMPLE

##### Vertical two-level list

The writer must use a coherent highlighting system that closely corresponds to the structure of the text:

- › Decide on a **method of dividing the sections** using numbers or letters.
  - Distinguish the sections and emphasize some of the content using visual or typographic techniques:
    - **boldface** or *italics*;
    - font size (from 10 to 12);
    - CAPITALS/lower case;
    - type of fonts, with or without serifs;
    - colours;
    - boxes;
    - point form: bullets, dashes, arrows;
    - alternating between vertical and horizontal lists.
  - Before beginning a list, carefully draft a statement that will not only introduce the content but will also make it meaningful.

## REVISING THE DISTRIBUTION GUIDE ACCORDING TO DRAFTING MANUAL INSTRUCTIONS

Your guide is an information document that describes the features of an insurance product offered through distributors. It allows the consumer to determine whether the product is suitable for him. The guide is also a tool for the person who distributes the product to consumers.

In other words, the distribution guide is not a promotional document. It is an information document drafted in clear and simple language to be read and understood by the consumer.

When drafting a guide for the first time, you may find it time-consuming and restrictive due to the numerous requirements under the Act and the *Regulation respecting distribution without a representative*, but it is critical that you pay special attention to how you draft your guide.

### 4.1 THREE PRINCIPLES FOR REVISING A DISTRIBUTION GUIDE

When revising your guide, ensure that you have:

- › Complied with the instructions in the *Regulation respecting distribution without a representative* and repeated in the drafting grid of this Manual concerning compulsory content, the linking of content and the rules of presentation;
- › Used techniques for clear and simple language;
- › Respected grammar and spelling rules.

To help you revise your guide, we are including a self-correction grid in section 4.2 to help you determine whether you have followed the instructions given in this Manual.

Do not hesitate to do this self-correction exercise. It may help you find oversights that could be corrected before sending your guide to the AMF.

In addition, numerous resources can be useful when drafting your guide. We suggest you consult the following for help with the most common writing problems:

- › *Plain Language: Clear and Simple*, Human Resources Development Canada, Canadian Government Publishing
- › *Roget's 21st Century Thesaurus*, Delta Publications
- › *Gage Canadian Dictionary*, Canada Publishing Corporation
- › *The Globe and Mail Style Book, A Guide to Canadian Language and Usage*, McClelland & Stewart

- › *A Practical English Grammar*, Oxford University Press
- › *The BBI Dictionary of English Word Combinations*, John Benjamins Publishing Company
- › *The Canadian Style, A Guide to Writing and Editing*, Dundurn Press Limited
- › *Oxford Collocations Dictionary, for students of English*, Oxford University Press
- › *The Elements of Style*, William Strunk and E.B. White, Longman

**4.2 SELF-CORRECTION GRID**

	DONE	TO BE REVISED
<b>PRESENTATION PLAN AND DRAFTING GRID FOR DISTRIBUTION GUIDE</b>		
I carefully followed the instructions in Part 2 of the Manual.		
I drafted a coherent text.		
I followed the order of linking ideas as suggested in the Manual.		
I used headings and sub-headings according to the instructions in Schedule 4 of the <i>Regulation respecting distribution without a representative</i> .		
I highlighted the exclusions, limitations and reductions in coverage by using boldface and boxes. I used the word “Caution” at the beginning of this section.		
My text has line spacing that is at least 2 points and a font that is equivalent to Bookman Old Style 10 points. It is justified only on the left.		
I drafted a detailed table of contents that reflects the content and page numbering of the document.		
The information in the guide is not drafted in a false or misleading manner or in a manner that may be deceptive.		
<b>TECHNIQUES FOR USING CLEAR AND SIMPLE LANGUAGE</b>		
I used indicators to inform the reader about the general structure of the text and to allow him to find the sections of special interest to him.		
Information is given with the reader’s point of view taken into consideration.		
Throughout the guide, I tried to establish a close rapport with the reader by speaking directly to him.		
The vocabulary used in the guide is standard and concrete, and synonyms are seldom used.		
In general, sentences are short, in the active voice, affirmative rather than negative, and only involve one idea at a time.		
Word order generally follows the commonly used subject-verb-object model. The subject is near the verb and the verb is near the object.		
To show the flow of ideas, I used paragraphs, words and expressions of relationships as well as transitional words.		
The order in which ideas are linked takes into consideration the reader’s expectations.		
The text uses techniques for clarifying ideas, such as examples, definitions, tables and techniques for highlighting important information.		
The page layout incorporates good spacing and is uniform so that the document is easier to read.		
<b>STANDARD GRAMMAR AND SPELLING RULES</b>		
I checked verb tenses and moods, subject-verb agreements, plurals, capitalization and abbreviations.		
I used the common dictionary meanings of words.		
I applied punctuation rules, especially regarding commas.		

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## SUMMARY OF OBLIGATIONS AND RESPONSIBILITIES OF INSURERS UNDER TITLE VIII OF THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES

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The following is a list of the various obligations and responsibilities under the *Act respecting the distribution of financial products and services* (the “Act”) that must be respected by insurers distributing their products without representatives:

- Before offering one of its products through a distributor, an insurer must prepare a distribution guide and provide the distributor with a copy of the guide (section 410).
- The distribution guide must describe the insurance product offered, specify the type of coverage and clearly state any exclusions. The distribution guide must specify the way in which eventual claims are to be presented and the time limit for doing so. The guide must also indicate the lapse of time available to the insurer in such a case, to pay the amounts insured, and the steps to be taken by the insured if the insurer fails to allow the claim and the time limit for doing so (section 411).
- Where applicable, the distribution guide must mention that the insurer is aware that other insurance products offering guarantees similar to those of the product offered are available on the market (section 412).
- The distribution guide must be drafted and presented in accordance with the rules determined by the Authority (section 413).
- Before providing a distribution guide to its distributors, the insurer must first send a copy to the Authority. The insurer must do this each time the guide is amended (section 414, par. 1 and 3).
- The distribution guide must include a copy of the policy related to the products described in the guide as well as a list of the names and addresses of the distributors through whom the insurer’s product described in the guide is offered (section 414, par. 2).
- When an insurer amends its distribution guide, it must, without delay, send a copy of the amended distribution guide to its distributors and take the necessary steps to ensure that outdated guides are recovered (section 415).
- The Authority may, as often as it considers it necessary, order an insurer to amend a distribution guide in the manner and within the time it specifies. The insurer must send a copy of the amended guide to the Authority within that time. The Authority may, before the expiry of the time specified, grant an extension (section 416).
- The insurer may, before the expiry of the time for making an amendment, notify the Authority of its decision to terminate the distribution of the insurance product concerned. The insurer must, without delay, inform its distributors of its decision. It must also take the necessary steps to ensure that the distribution guides and blank contract forms relating to the product are recovered. This procedure applies in all cases where time an insurer terminates the distribution of a product (section 417).
- The insurer must, without delay, inform the Authority of the name and address of every new distributor through whom an insurance product is offered, together with a description of the product. The same procedure applies where the insurer ceases to do business with a distributor (section 418).

- › Depending on the complexity of the product concerned, the insurer must, in addition to preparing a distribution guide, take the appropriate steps to ensure that its distributors are sufficiently familiar with the product (section 420).
- › The insurer must maintain a consultation service to answer any inquiries from a distributor or from a client concerning the distribution guide (section 421).
- › An insurer must, at the request of the Authority, disclose the remuneration it grants to distributors for the sale of a product (section 432).
- › Remember that an insurer may offer insurance products through a distributor provided it complies with Title VIII of the Act. A distributor is a person who, in pursuing activities in a field other than insurance, offers, as an accessory, for an insurer, an insurance product which relates solely to goods sold by the person or secures a client's adhesion in respect of such an insurance product (section 408).
- › An employee of an insurer whose principal duties consist in offering credit may act as a distributor and secure the adhesion of clients in respect of an insurance product referred to in subsection 1 of section 426 (section 409).
- › Where an insurer fails to comply with an order of the Authority, the Authority may order the insurer to cease distributing the product through distributors (section 419).
- › Under section 426, certain types of products may be offered without a representative. These products must be group insurance products. On the other hand, products mentioned in section 424 can only be individual insurance products.
- › In addition, the government has the power to authorize an insurance product that cannot be offered by a distributor to be offered. However, in order to do so, it must consult the Authority before making that decision (section 428).
- › The government also has the power to refuse to authorize the distribution of an insurance product that is normally offered through a distributor. However, this power does not cover the products referred to in sections 424 and 426 (section 427).

The government renders these two types of decisions by order-in-council.

## SUMMARY OF OBLIGATIONS AND RESPONSIBILITIES OF DISTRIBUTORS UNDER THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES

The following is a list of various obligations and responsibilities of distributors under the *Act respecting the distribution of financial products and services* (the “Act”):

- A distributor must, before offering an insurance product, take all the necessary steps to ensure that every person responsible for distributing the product is sufficiently familiar with the distribution guide relating to the product (section 429).
- Where the distribution guide so indicates, the person responsible for distributing the product must inform the client that other insurance products offering coverage similar to that of the product offered are available on the market. The person distributing the product must also ask if the client is already covered by such an insurance product and, if the client is unsure, encourage the client to look into the matter (section 430).
- A person who distributes an insurance product must describe the product to the client and explain the nature of the guarantee and the exclusions under the guarantee. The person distributing the product must also disclose the remuneration received by the distributor, if the remuneration exceeds 30% of the product’s sale price (section 431).
- A distributor offering more than one insurance product for the same goods must disclose to the client the remuneration paid by the insurer for the sale of each insurance product (section 433).
- The person distributing a product must inform the client of the procedure and time limits for making a claim. The client must also be informed of the time available to the insurer to pay the insured amounts, and of the steps to be taken within a specified time limit if the insurer fails to allow the claim (section 434).
- Before selling an insurance product to a client or securing his adhesion, the person distributing the product must give the client a copy of the distribution guide (section 435);
- Where a client of a distributor has not received the information required under section 431, the distributor is liable for any resulting injury to the client (section 436).
- Sections 35 and 36 of the Act, adapted as required, apply to a distributor who collects personal information of a medical or lifestyle-related nature from a client. Sections 92 to 94 and 102, adapted as required, also apply to distributors (section 437).
- Where a distributor is notified by an insurer of the latter’s decision to terminate the distributor’s distribution of an insurance product, the distributor must return to the insurer, without delay, all distribution guides and blank contract forms relating to that product. Where a distributor who has received such notification sells an insurance product to a client, the distributor is liable for any injury suffered by the client (section 438).
- A distributor may not subordinate the making of a contract to the making of an insurance contract with the insurer specified by the distributor. The distributor may not exercise undue pressure on the client or use fraudulent tactics to induce the client to purchase a financial product or service (section 439).
- A distributor that, at the time a contract is made, causes the client to make an insurance contract must give the client a notice stating that the client may cancel the insurance contract within 10 days of signing it. The notice given to the client must be drafted in the manner prescribed by regulation of the Authority (section 440).

- A distributor that offers financing for the purchase of goods or services and that requires the debtor to subscribe for insurance to guarantee the reimbursement of the loan must give the debtor a notice stating that the debtor may subscribe for insurance with the insurer and representative of the debtor's choice provided that the insurance is considered satisfactory by the creditor. The notice must be drawn up in the manner prescribed by regulation of the Authority. The distributor may not subordinate the making of the contract of credit to the making of an insurance contract with the insurer specified by the distributor (section 443, par. 1).
- A distributor that, on granting a loan, solicits the adhesion of a client to debtor life, health or job loss insurance must provide the client with confirmation of insurance from the insurer within 30 days of the application for adhesion (section 444).
- Moreover, a contract may not contain any provisions allowing its amendment in the event of cancellation or termination by the client of an insurance contract made at the same time (section 442).
- Similarly, a contract of credit may not stipulate that it is made subject to the condition that the insurance contract subscribed with such an insurer remains in force until the expiry of the term or that the expiry of such an insurance contract will entail forfeiture of term or reduction of the debtor's rights (section 443, par. 2).

**NOTICE OF CANCELLATION OF AN INSURANCE CONTRACT****NOTICE GIVEN BY A DISTRIBUTOR**

Section 440 of the *Act respecting the distribution of financial products and services*

**THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS.**

- The Act allows you to cancel an insurance contract you have just signed when signing another contract, **without penalty, within 10 days of its signature**. To do so, you must give the insurer notice by registered mail within that delay. You may use the attached model for this purpose.
- Despite the cancellation of the insurance contract, the first contract entered into will remain in force. Caution, it is possible that you may lose advantageous conditions as a result of this insurance contract; contact your distributor or consult your contract.
- After the expiry of the 10-day delay, you may cancel the insurance at any time; however, penalties may apply.

For further information, contact the Bureau des services financiers at (418) 525-6273 or 1-877-525-6273.

**NOTICE OF CANCELLATION OF AN INSURANCE CONTRACT**

To: \_\_\_\_\_  
(name of insurer)

\_\_\_\_\_  
(address of insurer)

Date: \_\_\_\_\_  
(date of sending of notice)

Pursuant to section 441 of the *Act respecting the distribution of financial products and services*, I hereby cancel insurance contract no.:

\_\_\_\_\_  
(number of contract, if indicated)

Entered into on: \_\_\_\_\_  
(date of signature of contract)

In: \_\_\_\_\_  
(place of signature of contract)

\_\_\_\_\_  
(name of client)

\_\_\_\_\_  
(signature of client)

The distributor must first complete this section.

This document must be sent by registered mail.

Sections 439, 440, 441, 442 and 443 of the Act must be reproduced on the back of this notice.

**NOTICE OF FREE CHOICE OF INSURER OR REPRESENTATIVE**

Section 443 of the Act respecting the distribution of financial products and services

**THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS.**

- You are required to purchase insurance coverage to secure the repayment of a loan;
- However, you are free to purchase this insurance from the insurer or representative of your choice. **You may thus obtain the required insurance in three different ways:**

**1. By purchasing the insurance offered to you;**

If you choose this option, you benefit from the application of section 19 of the Act which allows you to cancel an insurance contract that you signed at the time of signing another contract, without penalty, within 10 days of its signature. However, you must then purchase another equivalent insurance to the satisfaction of the creditor who may not refuse without reasonable causes.

**2. By purchasing other insurance that is equivalent to the insurance required,** to the satisfaction of the creditor who may not refuse without reasonable cause.

**3. By demonstrating that you already have insurance that is equivalent to the insurance required,** to the satisfaction of the creditor who may not refuse without reasonable cause.

You may change insurer or representative at any time, provided that during the term of the loan agreement you maintain insurance equivalent to the insurance required to the satisfaction of the creditor who may not refuse without reasonable cause. You cannot be required to choose or keep an insurance contract with a particular insurer, nor can you be refused credit or have your loan called in for this reason.

To cancel you insurance, you may use the section hereunder entitled "Notice of cancellation of an insurance contract". For further information, contact the Bureau des services financiers at: (418) 525-6273 or 1-877-525-6273.

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**DESCRIPTION OF THE REQUIRED COVERAGE**

(section completed by the distributor)

To secure the repayment of your loan, we have required that you purchase:

Damage insurance:

in an amount of: \$ \_\_\_\_\_  
(coverage)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(particulars)

Insurance of persons of the following type:

in an amount of: \$ \_\_\_\_\_  
(coverage)

\_\_\_\_\_  
(life, disability, other)

**NOTICE OF CANCELLATION OF AN INSURANCE CONTRACT**

Section 440 of the Act respecting the distribution of financial products and services

To: \_\_\_\_\_  
(name of insurer)

\_\_\_\_\_  
(address of insurer)

Date: \_\_\_\_\_  
(date of sending of notice)

Pursuant to section 441 of the *Act respecting the distribution of financial products and services*,  
I

hereby cancel insurance contract no.: \_\_\_\_\_  
(number of contract, if indicated)

Entered into on: \_\_\_\_\_  
(date of signature of contract)

In: \_\_\_\_\_  
(place of signature of contract)

\_\_\_\_\_  
(name of client)

\_\_\_\_\_  
(signature of client)

The distributor must first complete this section.

This document must be transmitted by registered mail.

Sections 439, 440, 441, 442 and 443 of the Act must be reproduced on the back of this notice.

**NOTICE OF SPECIFIC CONSENT**  
**You are free to grant or refuse this consent**

Sections 92 and 437 of the Act respecting the distribution of financial products and services

**WHAT YOU MUST KNOW:**

- At this date, we hold certain information relating to you.
- We require your consent to allow some of our clerks to have access to this information.
- These clerks will also have access to any update of the information done during the period of validity of the consent.
- These clerks will use the information available **in order to solicit you for the purchase of new financial products and services.**

**YOU ARE FREE TO SET THE PERIOD OF VALIDITY OF YOUR CONSENT**

- If you grant consent for an undetermined period of time, you may at any time terminate it by revoking it. At the end of this form, you will find a revocation notice model that you may use for this purpose or as a basis for preparing your own notice.
- If you wish to grant consent for a limited period of time, you may do so by determining this period yourself. This form provides, in the “specific consent” section, a place where you may write down the period of validity desired.

**THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS**

Without this specific consent, the distributor may not use this information for a purpose other than the purpose for which it was collected. **The distributor cannot compel you to give your consent or refuse to do business with you if you refuse to give it. Section 94 of the Act protects you.** For further information, you may contact the Bureau des services financiers at: (418) 525-6273 or 1-877-525-6273.

The information we hold pertaining to you, at this date, was collected as part of:

-----  
-  
-----  
-  
-----  
-

(purpose(s) of the file)

Here are the required categories of information that we would like one of our clerks to use and the products and services he may offer you. For a fuller description of each category, you may refer to the back of this sheet.

Please authorize each category of information requested.

<b>Required information category to be accessed</b> <sup>(1)</sup>	<b>For which products and services?</b> <sup>(2)</sup>	<b>Client's Authorization</b> <sup>(3)</sup>	<b>Initials</b> <sup>(4)</sup>
<i>To be filled by the distributor</i>	<i>To be filled by the distributor</i>	<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	
		<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	
		<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	
		<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	
		<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	
		<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>	

Instructions for the distributor (duplication not required):

1. The distributor must describe each category on the reverse side of this sheet.
2. The distributor must specify the nature of the products and services it wishes to offer the client. Each information category must be associated with a specific purpose. Where a category serves several purposes, the distributor must repeat it for each purpose.
3. The client may give his or her authorization by telephone, provided both parties can identify each other. In such case, this form shall serve as a script for the officer, who will also read the detailed description of each category to the client. The distributor must fill out this form and send it to the client within ten (10) days of obtaining the verbal consent.
4. If in electronic form, the initials may be replaced by a confirmation window. However, the notice of consent must be made available to the client by any means allowing the reading or printing thereof.

In accordance with the Act respecting the protection of personal information in the private sector, **you may request access to the information that we hold pertaining to you.**

## SPECIFIC CONSENT

Having read the above, I, the undersigned, \_\_\_\_\_  
(name of client)

consent to the use of the information held by the distributor for the purposes indicated above.

This authorization will be valid until revoked or for the following period:

\_\_\_\_\_  
 DD/MM/YY (to be filled out by the client)

**I may revoke this consent at any time by sending a notice.** I may use the attached model notice for this purpose or as a basis for preparing my own notice.

\_\_\_\_\_  
 (signature of client)

\_\_\_\_\_  
 (date of signature of the consent)

\_\_\_\_\_  
 (client identification, address, folio or contract no., etc.)

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**I HEREBY REVOKE THE SPECIFIC CONSENT GIVEN TO THE DISTRIBUTOR BY  
 THE FOLLOWING NOTICE**

To: \_\_\_\_\_  
(name of distributor)

\_\_\_\_\_  
 (address of distributor)

On: \_\_\_\_\_

I, the undersigned, \_\_\_\_\_ hereby notify you that  
(name of client)

I am canceling the specific consent authorizing the communication of my personal information for new purposes.

Consent given to you on \_\_\_\_\_  
(date of consent)

\_\_\_\_\_  
 (name of client)

\_\_\_\_\_  
 (signature of client)

\_\_\_\_\_  
 (client identification, address, folio or contract no., etc.)

**DISTRIBUTION GUIDE****Name of Insurance Product:****Type of Insurance Product:****Name and Address, etc., of Insurer:**

Name:

Address (electronic address, where applicable):

Telephone and fax numbers of client services:

**Name and Address, etc., of Distributor:**

Name:

Address (electronic address, where applicable):

Telephone and fax numbers of client services:

**Responsibility of the Bureau des services financiers**

On the title page of the guide , in a different character style, indicate the following warning:

“The Bureau des services financiers does not express an opinion on the quality of the product offered in this guide. The insurer alone is responsible for any discrepancies between the wording of the guide and the policy.”

**Introduction:**

Explain the role of the distribution guide, which is to describe the insurance product offered and facilitate the client's comprehension by transmitting the information in a user-friendly form. The objective of the guide is to enable the client who is not in the presence of an adviser in insurance of persons or an agent or a broker in damage insurance to evaluate whether the insurance product offered corresponds to his needs.

**ITEM 1:****DESCRIPTION OF THE PRODUCT OFFERED**(a) Nature of the Coverage

Specify the nature of the insurance product.

(b) Summary of specifics features

Describe the important features of the insurance offered, including, in particular: ("di" for damage insurance and "ip" for insurance of persons)

- persons to whom protection (ip) applies;
- amount of the protection (ip);
- property or risks covered by the insurance (di);
- amount of the coverage (di);
- procedure involved in designating a beneficiary (ip);
- person to whom the benefit will be paid (di);
- premiums to be paid by the insured, whether guaranteed or not, and the payment frequency (di and ip);
- deductible applicable to claims (di);
- waiting period in the event of a claim (ip);
- benefits table (di);

- term of the contract (di and ip);
- the effective date or the expiry date of the insurance contract and the conditions attached thereto, if any, for example, a medical examination (ip);
- confirmation of the insurer set out in section 444 of the Act (ip);
- renewal procedures or conditions (di and ip);
- if the renewal of the contract (or the coverage offered) is guaranteed or not (di and ip);
- grace period pertaining to premium non-payment (di and ip);
- any other item that is likely to influence a client's decision (di or ip).

Reference may be made to specific clauses in the policy provided that the guide has already highlighted the coverage provided.

### **Exclusions, restrictions or reduction in coverage**

Clearly state the rules and events that may give rise to exclusions, restrictions or reduction in coverage of the insurance dealt with in the distribution guide. The exclusions must be drafted so as to allow the client to ascertain if he falls within an exclusion situation.

In addition to being in bold-face characters, the exclusions must be presented in boxes preceded by the word: “Caution”.

A reference to specific clauses in the policy may be made provided that the guide has already highlighted the exclusions.

To facilitate comprehension on the part of the client, the exclusions may, at the option of the insurer, be placed immediately following each type of coverage provided.

### **Cancellation**

Indicate the procedure to be followed in order to cancel the insurance contract, including, in particular, the documents required, the time limit provided for the cancellation, the penalties applicable, if any, the name and address of the person to whom the notice is to be sent, and the effect of the cancellation;

#### (c) End of the Insurance Coverage

Explain the other circumstances terminating the protection offered by the insurance product;

#### (d) Other Information

Indicate how a client may obtain additional information on the product offered. Indicate that he may join the insurer or the distributor and how he may obtain a copy of the insurance contract described in the distribution guide.

**ITEM 2: PROOF OF LOSS OR CLAIM**

Explain the various steps involved in the submission of a claim, namely:

**(a) Submission of a Claim**

Indicate the procedure that must be followed by an insured or a beneficiary in order to submit a claim to an insurer and, in particular, specify the nature of the documents to be transmitted, the number of copies, the method of completing a claim, and the person or persons authorized to submit the claim.

Also indicate the period during which the claim or the notice of claim must be sent to an insurer.

Indicate the specific measures that must be taken by a loss victim.

**(b) Insurer's Reply**

Indicate the period during which the insurer must inform the insured or a beneficiary that his claim is accepted as well as the period during which the insurer must pay the benefit. Also indicate the period during which the insurer must inform an insured or a beneficiary that his claim is refused and the reasons that warranted the decision made.

**(c) Appeal of an Insurer's Decision and Recourses**

Describe the procedure to be followed by an insured or a beneficiary in the event of the refusal of his claim or non-settlement by an insurer.

Specify, in general terms, the rights of an insured in the event that an insurer fails to respect its commitments and, in particular, include a reference to the effect that the consumer may consult the Bureau des services financiers or his own legal adviser.

**ITEM 3: SIMILAR PRODUCTS**

Indicate whether other insurance that may include coverage similar to the insurance described in the distribution guide exists on the market.

**ITEM 4: REFERRAL TO THE BUREAU DES SERVICES FINANCIERS**

For all additional information on an insurer's and a distributor's obligations toward a client, indicate the name, address, etc., of the Bureau des services financiers.

**PERSONAL NOTES:**

Coverage amount:

Premium:

Other:

**OPTIONAL**

**ACKNOWLEDGEMENT OF RECEIPT:**

You acknowledge receipt of this distribution guide when you acquire the following insurance product: \_\_\_\_\_  
(name of the insurance product)

Date: \_\_\_\_\_  
(date of acknowledgement of receipt)

Per: \_\_\_\_\_  
(name of distributor)

\_\_\_\_\_  
(signature of client)

\_\_\_\_\_  
(name of client)

\_\_\_\_\_  
(address of client)