

CAFII Follow-up Information Items

Prepared for British Columbia Ministry of Finance

April 2016

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Creditor's Group Insurance fulfills unmet consumer protection needs

- An immediate solution to a change in financial circumstances arising from taking on new debt
- Meets customer need for ease of access
- Delivered through trusted financial institution
- Protects customer's credit rating
- Covers all occupations and lifestyles
- Life, Critical Illness, Disability and Job Loss coverage available

Creditor's Group Insurance part of a sound financial plan

- Creditor's group insurance tailored to specific amount of protection needed
 - Average industry new mortgage amount nationally \$230,000¹
 - Average industry new creditor's group mortgage life insurance: \$222,000¹
 - Average industry new individual term life insurance: \$417,900¹
- Creditor's group insurance complementary to and often augments individual and other group insurance
 - Creditor's group insurance protects debt obligation
 - Client free to use individual and other group insurance to cover other risks
 - Majority of households with creditor's group insurance on their mortgage also own some individual life insurance

¹Source: Towers Watson September 2015 Report:

Comparison of the Customer Value Proposition of Creditor's Group Insurance on Mortgages with Individual Insurance (using 2013 data)



The Canadian Association of
Financial Institutions in Insurance

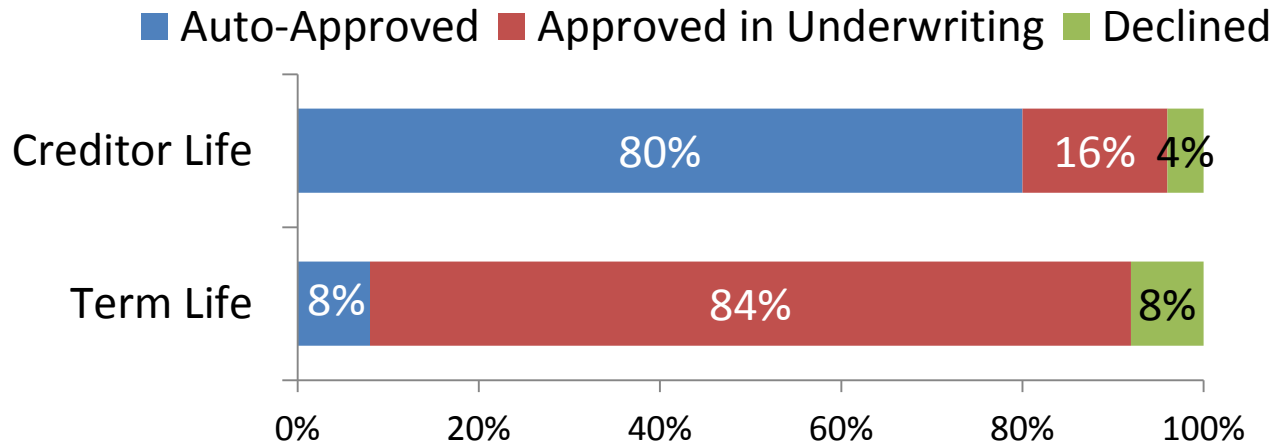
L'association canadienne des
institutions financières en assurance

Making Insurance Simple and Accessible for Canadians
Rendre l'assurance simple et accessible pour les Canadiens

Creditor's Group Insurance provides convenience and ease of access for Canadian households

A recent Towers Watson independent actuarial industry study¹ showed that applications for creditor's group insurance on mortgages are likely to be auto-approved and don't have to go through the more complex and time-consuming underwriting process:

Industry Application Approval Rates for Mortgage Life and Term Life Insurance



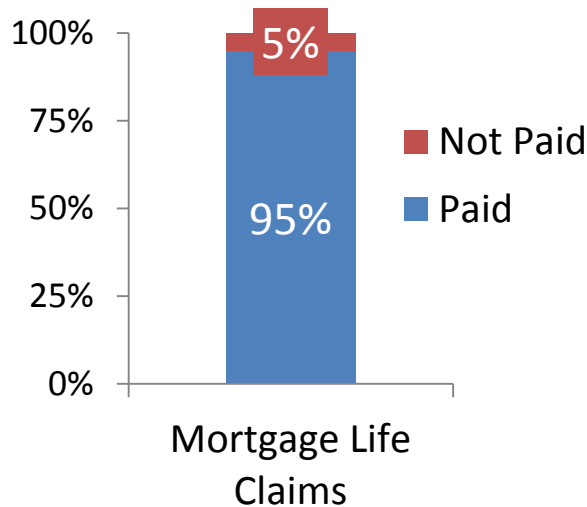
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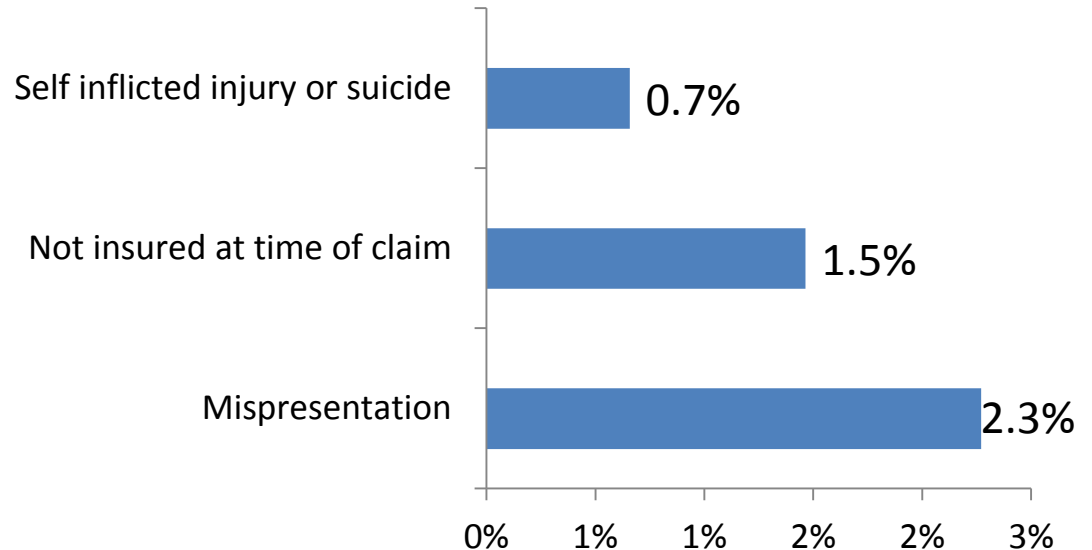
Nearly all Creditor's Group Insurance claims are paid as submitted

The Towers Watson study also found that a high rate (95%) of creditor's group mortgage life insurance claims are paid and that no claims were denied due to pre-existing conditions

Industry Mortgage Life Insurance Claims



Industry Incidence of Claims Reasons Why Not Paid

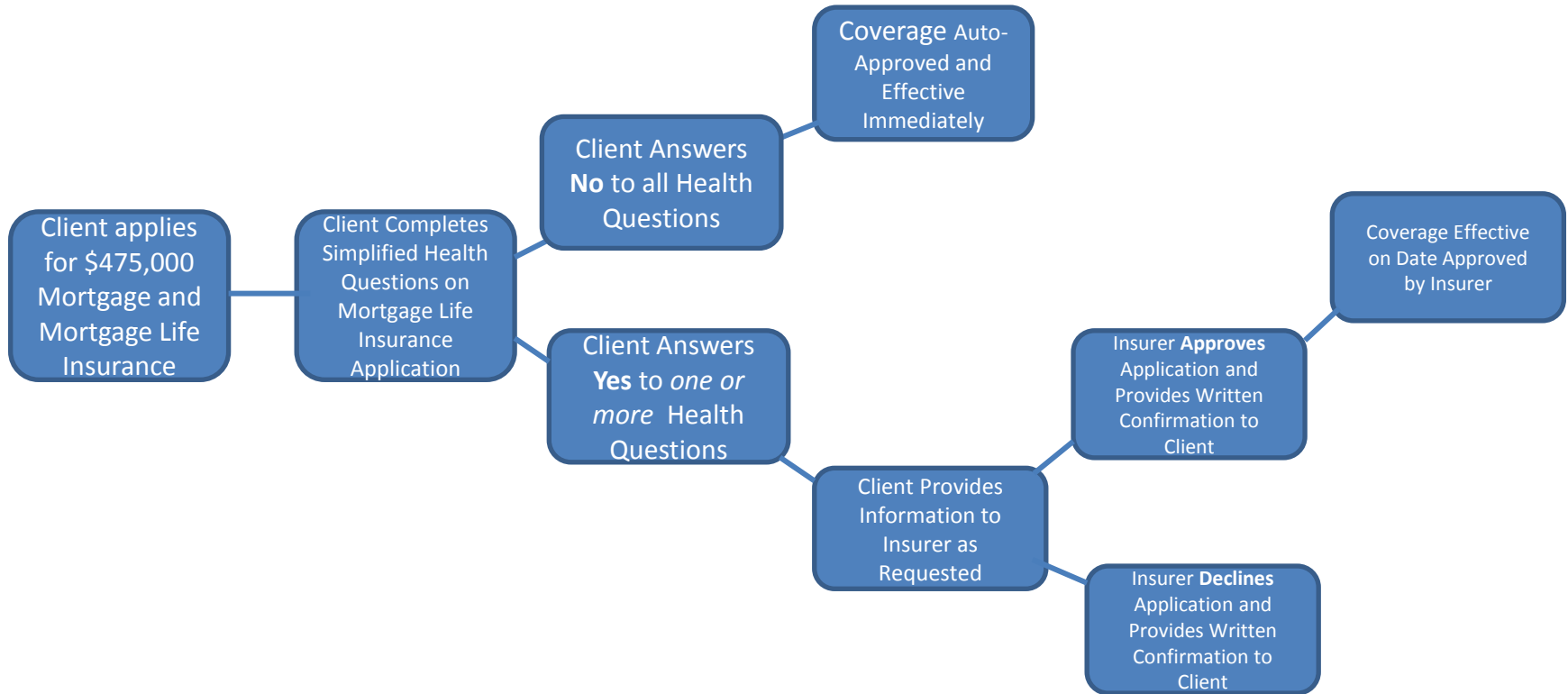


The enrolment process for Creditor's Group Insurance is straightforward

The customer...

- Completes the credit application
- Receives insurance offer to cover risks posed by new debt obligation
- Is advised of existence of insurance terms and conditions and given clear disclosure of significant exclusions, restrictions and limitations
- Completes creditor's group insurance application
- Receives copy of application and certificate of insurance
 - If coverage is auto-approved, coverage begins immediately
 - If coverage is not auto-approved, the client will be required to provide additional information to the insurer. Coverage will begin when the insurer approves the application and the client will receive a written notice.

Application Example, Mortgage \$475,000



The extent of underwriting required for Creditor's Group Insurance is generally based on the amount of coverage being requested

- Small amounts
 - Guaranteed issue with a pre-existing condition provision
- Higher amounts
 - Simplified health questions
- Specific medical conditions
 - Tele-underwriting or longer questionnaire
 - Medical testing
 - Coverage approved or declined
- Broad ranges of risk accepted at standard rates

Simplified health questions are typical for Creditor's Group Insurance on mortgages and secured lines of credit where coverage amounts can exceed \$500,000 ¹⁰

Standard Questions Asked on CAFII Member Creditor's Group Insurance Application Forms

For Life, Critical Illness and Disability Insurance:

In the past 3 years, have you received any treatment for (including taking pills, injections or other medications), consulted a physician or health practitioner for or been diagnosed as having:

- Chest pains related to the heart or for which a cause has not yet been determined, circulatory illness or heart disorder (including irregular heart beat and coronary artery disease (CAD)), high blood pressure or stroke (including transient ischemic attack (TIA));
- Cancer, leukemia, tumour, disorder of the brain or of the nervous system (including paralysis, multiple sclerosis and muscular dystrophy), digestive or intestinal disorder, kidney or liver trouble (including hepatitis), diabetes, arthritis (excluding osteoarthritis) or prostate trouble (excluding benign prostatic hyperplasia (BPH));
- AIDS (Acquired Immune Deficiency Syndrome), ARC (AIDS Related Complex), or HIV (Human Immunodeficiency Virus) or any disorder of the immune system, lupus, bleeding or blood disorder, lung or respiratory disorder;
- Mental or psychiatric condition (including depression and anxiety);
- Alcohol, drug or substance abuse?

Yes or No or N/A

Source: BMO

Simplified health questions are typical for Creditor's Group Insurance on mortgages and secured lines of credit where coverage amounts can exceed \$500,000

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Standard Questions Asked on CAFII Member Creditor's Group Insurance Application Forms

For Critical Illness Insurance:

Have you or any of your immediate biological family members (mother, father, brothers or sisters) had cancer, tumour, heart disease, stroke or diabetes, before the age of 60?

Yes or No or N/A

Source: BMO

For Disability Insurance:

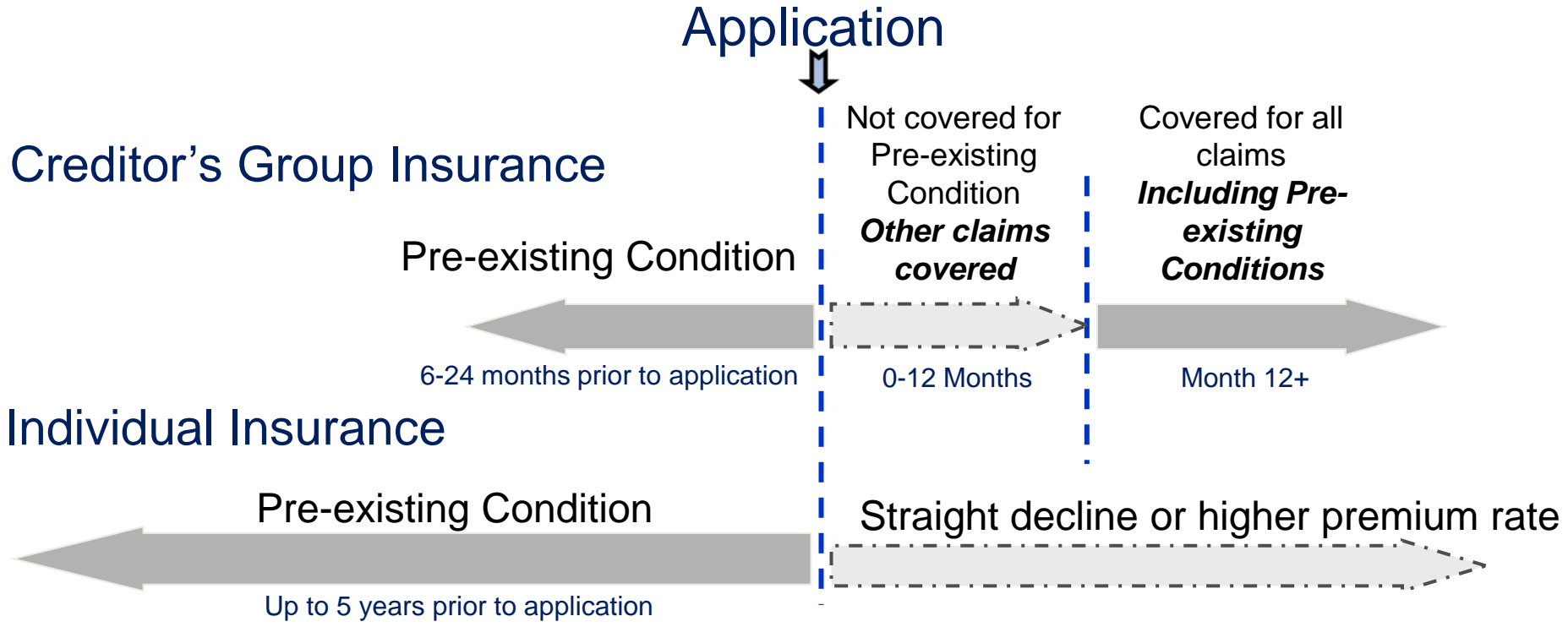
In the past 3 years, have you:

- had any of the following disorders which lasted longer than 3 weeks and/or which required time off work or hospitalization: sprains, strains or other problems of the muscles, bones, ligaments, tendons, back, neck, shoulders, hips, elbows or any other joints, or
- received any treatment for (including taking pills, injections or other medication), consulted a physician or health practitioner for or been diagnosed as having: arthritis, chronic fatigue syndrome or fibromyalgia?

Yes or No or N/A

Source: BMO

A pre-existing condition provision allows individuals to purchase insurance who may not otherwise qualify. It is often used in lieu of health questions where the coverage amount is low (e.g. personal loans and unsecured lines of credit)



A pre-existing condition provision makes insurance coverage possible for vast majority of Canadians, while managing insurer risk. The provision is not used where coverage is approved through an underwriting process, e.g. mortgage life insurance

CAFII-Pollara Travel Medical Insurance Consumer Research¹

In response to concerns raised in the media about travel medical insurance, CCIR asked the industry to review the issue. As part of that review, CAFII commissioned Pollara Strategic Insights to conduct consumer research to quantitatively assess the following:

- The general public's perceptions of the travel medical insurance sector and the level of consumer confidence in travel medical insurance
- Experiences and satisfaction levels with the travel medical insurance purchase process among recent buyers (past 12 months)
- Experiences and satisfaction levels with the travel medical insurance claims submission process and outcomes among recent claimants (past 12 months)

¹Source: CAFII-Pollara Travel Medical Insurance Study – September 2015 . CAFII has also provided a copy of the complete results report from this study, as part of this package.

Highlights from recent travel medical insurance consumer research¹ (CAFII has provided a copy of the complete research report with this package):

- Canadians have confidence in the travel medical insurance industry
 - 80% are confident they would receive the needed assistance...
 - Rising to 90% for buyers and 93% for claimants
- Satisfaction levels are virtually identical by channel – phone, online & mobile, in-person
- Satisfaction with the purchase experience is very high - 94%
- Overall satisfaction with the claims experience, from initial contact to final outcome is also high - 92%
- Most importantly, **99% of processed claims were paid**: 75% fully, 24% partially (1% denied)

¹Source: CAFII-Pollara Travel Medical Insurance Study – September 2015 .

Thank You