

CAFII Special Project

Proposed Business Consultancy Outputs—Risks and Benefits

The current CAFII Special Project effort identified some key outputs – at both an industry-wide, Association level and at an individual company, proprietary level – which would help CAFII members proactively respond to potential regulatory and public criticisms of Credit Card Balance Protection Insurance (CCBPI). Strategically, there are both business and legal risks to any effort to gather information and develop strategic options through a common cause initiative in an industry Association, but it was felt that these were manageable and that the larger and more significant risk is actually to not proactively engage in this effort, and only respond to regulatory, media, and consumer group criticisms in a reactive, defensive manner.

Below is a list of the key business consultancy outputs currently contemplated as part of this project, with an analysis of the legal and business benefits and risks of each.

Business Output	Description	Benefits of the Output	Is there a valid basis to assert a claim of privilege?	Is It Discoverable?	Risks of Disclosure and Offsets	Mitigating Factors
International Comparative Research	What is similar and what is different between Canada and other jurisdictions around CCBPI and Regulatory Concerns around the product?	Gives us a fact base and allows us to focus on where we may have issues	Provided to legal firm and shared as advice with CAFII--Yes	Possibly	<p>--Regulators could become aware of what a CAFII project found to be issues related to CCBPI</p> <p>--On the other hand, regulators -- if they learned we were doing this -- might view it as a positive indication that the Canadian industry is striving to understand where issues have existed in other countries, and where the Canadian industry should focus its efforts to improve on Fair Treatment of Consumers</p> <p>--There is a risk if existing issues are identified as serious concerns in Canada, and we do not as an industry implement changes</p> <p>--Will business consultant interviews with CAFII members to strengthen their Subject Matter Expertise be potentially discoverable?</p>	In the engagement contract with the Business Consultancy firm, emphasize no editorializing—this needs to be fact-based and objective

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Canadian Industry Benchmarking	Collect data on key dimensions from our members and aggregate them anonymously so we that we have benchmarks on several key dimensions	This allows us to understand the industry across some key dimensions, and for individual members to benchmark where they are against the industry	Data is not privileged	<p>This information is already readily available to regulators.</p> <p>FICOM is already collecting this in B.C. – through its 2019 follow-up survey on implementation of the 2015 CGI Information Bulletin -- and can share it with other CCIR members.</p> <p>Within CAFII, a similar benchmarking exercise (on the consumer value proposition of creditor's group mortgage life insurance) has been done through actuarial firms Avalon Actuarial and Towers Watson (firms now combined in Willis Towers Watson), without legal oversight, three times in the past.</p> <p>Our members provide similar information to CLHIA annually.</p> <p>Most CAFII members also participate in an annually/biannually recurring industry benchmarking survey on CCBPI, which is commissioned by Assurant and carried out by Willis Towers Watson.</p> <p>There is an Annual Survey on Market Conduct that the CCIR conducts every year that collects data.</p>	There may be concerns about assembling information about loss ratios, although this is not something that a regulator would have difficulty getting if it so desired.	We could remove premiums collected, claims payouts, and loss ratios from the information collected, but the benefits of such removals may be outweighed by the loss of useful data.

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Fact Pack	An easy-to-understand graphical explanation of CAFII members' CCBPI products and how they work.	The Fact Pack will be an educational tool, drawing on this overall effort, which can be used with the regulators, placed on our website, etc.	No	Yes	There is no risk, we are developing this with the intention of sharing it with regulators etc.	

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Consumer Value Proposition	Based on the research and on interviews, develop a summary of the consumer value proposition of the CCBPI product in Canada.	Provides a clear understanding of the consumer benefits of the product, as well as potential areas for enhancements.	Yes	Potentially	If a regulator obtained this information, could it pose risks around areas for enhancements if these are not implemented?	Keep this high level.

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Business Modeling	Developing a financial model of the key levers that affect business outputs, for example what would be the impact upon the loss ratio of a premium reduction?, a higher claims payout rate?; and/or changes in the coverage limitations/exclusions?	Under the careful oversight of a Competition Lawyer, could allow the CAFII and its members to identify the best approach for establishing industry guidelines/ best practices, to affect change	Yes	Possibly	--If we develop a Guideline around changes but it is not ultimately adopted, could be used to criticize members --Several members have questioned the value of this output, because they are very skilled internally at this type of analysis—will this really bring any new knowledge to our members?	

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Strategic Options	A set of possible actions or options at the industry level and/or the individual member proprietary level	Provides actionable options available to the industry and to individual members	Yes	Potentially	<p>This is probably one of the more beneficial outputs, but also one of the more sensitive ones.</p> <p>If a regulator obtained our Strategic Options document, it could question why we did not implement any of them.</p>	<p>Only provide high level options and identify the benefits, risks, and issues around each.</p> <p>Do not issue recommendations, just options for discussion.</p>

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Strategic Recommendations	Business consultancy firm identifies what it thinks are the right set of changes to make.	Provides objective, third-party recommendations that are actionable.	Yes	Potentially	<p>If a specific recommendation is made, what happens if we do not implement it and a regulator questions why?</p> <p>Some members noted that some recommendations could be very sensitive. If the business consultancy recommends a specific loss ratio and the recommendation is not implemented, that is potentially damaging.</p>	<p>Perhaps the strategic options provide enough guidance for the industry, and the recommendations output should be eliminated.</p> <p>If the business consultant would like to make some soft recommendations, they can be made verbally only.</p>