

The background of the slide is a blurred image of a credit card payment terminal. The terminal is dark-colored with a small screen at the top and a numeric keypad below it. The keypad has buttons for digits 0-9, a 'MENU' button, and a red button. The screen shows some text, but it is not legible. The overall image is out of focus, emphasizing the text in the foreground.

# CAFII

## *Business Research, Modeling & Strategic Recommendations for credit card balance protection insurance*

Proposal to provide consulting services  
March 28, 2019



## Our commitment to you

Dear Keith,

Thank you for the opportunity to submit our response for conducting a global market scan; benchmarking industry data and developing possible enhancements related to the credit card balance protection insurance (CCBPI) product.



CCBPI has been under global scrutiny by regulators and consumer advocacy groups on the product value and its sales and distribution practices. In some jurisdictions we have noted significant penalties imposed by regulators on the industry, or simply discontinuing the otherwise highly lucrative industry. These are early warnings for CAFII and its members, but present an opportunity to proactively reevaluate the consumer value proposition of CCBPI. In conducting this assessment we understand it will be critical to highlight improvement areas for the industry at large, yet we also recognize that there is no a “one size fits all” solution and therefore it will be important to identify the different options available to CAFII’s membership base and their potential impacts. These insights can provide guidance to CAFII’s members on an optional basis for bespoke solutions.

We understand the importance of this report to you and your members. We are uniquely positioned to provide you with global insights and actionable recommendations because we:



**Have assembled a solid team globally, and have already started our research** - Time is short, so we already got started. We assembled a global team of partners to gain their insights on the work they have done with regulators and the industry on creditor insurance, customer fairness and remedies across Canada, the UK, the US and Australia. Our team comprises of insurance strategists, risk and regulatory practitioners, actuaries, and data scientists.



**We know your members** - We work with many of your member firms, either as strategic advisors, on regulatory reform (such as FATCA, CRM2, IFRS), as appointed actuaries or peer reviewers and more. This gives us the added advantage of intimate knowledge of their products, services, distribution channels and more, so we can derive more value for you when we conduct the proposed interviews with the CAFII members.



**Have done this before** - Our teams have prepared similar market studies and reports in the financial services industry and its associations in Canada and globally. In one of our reports - “Putting customers at the heart of your business - Impacts of Bill C-86”, we provide our views on C-86 and how it dovetails with the proposed Fair Treatment of Customers from CCIR and CISRO.



**Manage projects with rigor** - Staying on top of stakeholder schedules, conducting the research, benchmarking and strategic assessment will be needed to deliver the various artefacts. At PwC, every engagement we run adopts our 12 elements of delivery excellence, which means that our proposed team is fluent with managing the rigor required for successful delivery and on time.

We are looking forward to hearing from you. If you have any questions regarding this proposal, you can always give me a call at 416 815 5052.

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**March 28, 2019**



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# Our understanding of your needs

*We have developed a robust plan to deliver you and your members high quality outputs that bring together our top multidisciplinary team. From your RFP and Q&A, we understand you are looking for market research, benchmarking, and a report on strategic recommendations to enhance the credit card balance protection insurance (CCBPI) product.*

## What you've told us


- Credit Card Balance Protection Insurance (CCBPI) products have been the **subject of attention** by regulators, media and consumer advocacy groups.
- It is important for the industry to be able to articulate positive information, including the **consumer value proposition** of this product to relevant stakeholders.
- CAFII, on behalf of its members, is seeking to **identify the concerns** with CCBPI and their causes in other countries, **compare them to Canada** and **propose enhancements** to address the concerns of regulators and advocacy groups.
- CAFII is currently seeking proposals from business consultancy firms to **lead the market research, industry benchmarking, business strategic recommendations and business modeling** for CCBPI.

## Our plan

- Leverage **our global network of insurance and regulatory reform specialists** who have experience working on CCPBI and similar projects in Australia, the U.K., the U.S. and Ireland. This will enable us to quickly understand concerns with CCPBI and the nuances that will be relevant to Canada, accelerating our market scan.
- We will deploy our experienced **Data Analytics** team to conduct thorough benchmarking of CAFII members' performance and statistical assessment for economic insights on the product and sales/distribution. This will enable us to understand the drivers of trends and what levers we can pull in our strategic recommendations to influence lasting, impactful change.
- We will integrate our findings from parts 1 and 2 to drive meaningful insights, develop **strategic recommendations**. We will work with our business and **Actuarial** team to design and build "generic" **business models** for CAFII and its members.

# Global Creditor Insurance Market Perspective

*Several factors globally, such as regulatory reviews and increasingly active consumer advocacy groups, lack of awareness for consumers and traditional sales practices for credit card balance insurance are resulting in declining sales and regulatory penalties. These serve as early 'warning signs' for Canadian FIs to prevent the unwanted consequences.*



## **Regulatory reviews are prompting significant changes**

Major reviews have been conducted in the United States, Ireland, UK and Australia prompting changes to sales distribution, marketing and reporting functions. The FCAC report on sales practices issued in March 2018 in Canada was directional and did not point out systemic cases of customer detriment.



## **Sales practices & distribution models**

Traditional sales and distribution models have been challenged due to regulatory review. It has been observed that misaligned sales incentive structures have prompted mis-selling of products to customers who are not suitable (or even eligible) for it. Deferred sales models (such as that in Australia) could challenge the way creditor insurance is typically sold to consumers and result in far lower sales volumes.



## **Lack of awareness**

Customers may be unaware that they have purchased creditor insurance, or are unsure what they are eligible to submit as a claim. The value proposition is often unclear and many contracts are written with complicated language. Too often the result is consumer dissatisfaction and poor outcomes.



## **Declining sales and regulatory penalties**

Misleading sales practices and regulator-mandated customer payouts have garnered international attention, and the market continues to suffer from reputational damage. As an example, the total premiums in the UK have decreased by ~7% annually between 2013 and 2018, and in Australia the big banks could face a class action over the sale of millions of dollars of “worthless” credit card insurance.

Source:

UK creditor insurance unlikely to bounce back, The Actuary, August 2015

Domestic bank retail sales practices review, Financial Consumer Agency of Canada, March 2018

Banks to overhaul consumer credit insurance sales processes, Australian Securities & Investments Commission August 2017

# Regulatory Changes: Sample Country Snapshots

*After extensive regulatory reviews, new rules and expectations pertaining to commission disclosures, customer complaints, sales practices and online distribution have been proposed in other jurisdictions.*

## Ireland & UK



### ***More information must be disclosed to the customer (UK)***

- The Financial Conduct Authority (FCA) introduced measures for insurers to disclose information to the customer prior to the point of sale (e.g., commission). August 29, 2019 has been established as the deadline for customers to submit claims for compensation if they were mis-sold coverage, or not told details about what percentage was paid in commission.

### ***Consumer protection laws apply to add-on insurance products (Ireland)***

- The Central Bank of Ireland confirmed that the Consumer Protection Code applies to add-on/linked insurance coverage. Over 77,000 customers unknowingly purchased coverage were eligible for a refunds totalling nearly €67.6M between 2007 and 2014.

## Australia



### ***Express consent from customers required for online transactions***

- Reforms introduced in August 2017 require insurers to obtain express consent to purchase add-on coverage. Earlier in 2017, Commonwealth Bank was forced to refund \$10M to 65,000 customers after the ASIC alleged add-ons were oversold.
- When obtaining consent, insurers also required to disclose full cost and duration of the policy.

### ***Deferred sales model is mandatory for coverage sold over the phone or in branches***

- Australian Securities & Investments Commission (ASIC) requires insurers to wait a minimum of four days to sell coverage to consumers after they have applied for a credit card over the phone.
- Reforms introduced in August 2017 with the goal of reducing pressure on consumer to purchase a product that may not meet their needs.

#### Sources:

FCA proposes tweaks to PPI rules that may increase bank payouts, Financial Times, July 2018

Summary report of payment protection review, Central Bank of Ireland, 2014

Banks to overhaul consumer credit insurance sales processes, Australian Securities & Investments Commission, August 2017

Commonwealth Bank dumps insurance add-ons and will pay back \$16M to customers, ABC News, March 2018

# Case study: CBA discontinues Credit Card Insurance

The controversies surrounding the CCBPI have led some banks to exit the lucrative market altogether. Commonwealth Bank of Australia stopped selling new credit card and personal loan insurance in mid-2018, while ANZ has stopped selling new credit card insurance policies altogether.



## The Issues in Australia



CCBPI is sold, not bought.



It is a **complex** product with limited disclosures.



It is **not always appropriate** for customers, so they feel duped.



It does not always indemnify, with average **loss ratios less than 30%**.



It has been subject to **mis-selling**, due to high sales targets and lack of information on the product.



## Consumer Advocacy Groups & Royal Commission react



The Consumer Action Law Center calls CCBPI as "junk" insurance, costing Australians more than **\$1 billion over the last 10 years**.

Hayne Royal Commission summons CEO of CBA for the final round of public hearings, where he admitted to "significant failings," including **wrongly selling credit-card insurance** to more than **64,000 unemployed customers**.



## Impacts to Commonwealth Bank of Australia & Regulatory Reform



CBA refunds **\$16M** to **140,000** Australians.



CBA **scraps** the lucrative product.



**New guidelines** introduced by the Australian Banking Association and new code of practice being written by the Insurance Council of Australia, will add compliance costs and increase operational complexities.



# Canadian Regulators promote fair sales practice

*As awareness of sales mis-practice in financial services increases, numerous Canadian regulatory bodies are taking action and issuing guidance on measures to better protect financial service customers.*



**FCAC**  
Financial Consumer Agency  
of Canada

After the media reported sales mispractice in Canada as well as U.S. FIs in the spotlight such as Wells Fargo, the FCAC conducted a review of the Canadian banks and issued a report of its findings in the spring of 2018. The findings from the FCAC report were the foundation of many of the proposed provisions in Bill C-86.



**FSCO**  
Financial Services Commission  
of Ontario

The FSCO released guideline No 03/18 to inform those licensed by the FSCO of its expectations regarding the fair treatment of financial services customers.



**CCIR & CISRO**  
Canadian Council of Insurance Regulators &  
Canadian Insurance Services Regulatory  
Organizations

The CCIR & CISRO jointly released a guideline on the fair treatment of customers for insurers and their intermediaries.

## Key themes identified by regulators to promote the fair treatment of customers



Establish fair treatment of consumers as a key component of corporate governance, culture and business strategy



Consider fair outcomes across the product lifecycle (product design, sales, post sale treatment) including the appropriate disclosures



Establish controls/ governance mechanisms to mitigate sales mispractice, with consideration for higher risk products & distribution channels



Revise performance management programs so that pay and incentives align to customer interests as well as commercial interests



# Reimagine the future of creditor insurance

*There are opportunities for FIs to reevaluate their products and sales tactics and transition to a more consumer-focused model*

Today...



## Growing Market

Credit card insurance is a high margin product, which has grown ~10% since 2011 to over a \$1B market in Canada



## Eligibility vs. Suitability

Product bundles with poor product knowledge by branch/call center staff are sold to consumers based on eligibility and not based on client needs (or suitability).



## Poor Sales Practices

Frontline staff are not properly trained and are incentivised to cross-sell bundles. In addition there is limited oversight on third party distribution channels and sales practices.



## Regulatory Reaction

Legislative and regulatory bodies are placing greater emphasis on consumer protection and introducing new reforms (e.g., Bill C-86)

**Product / Business focused**

Tomorrow



## Realignment of the customer value proposition

Evaluate opportunities to drive greater consumer value (e.g., increased loss ratios, reduced premiums etc.)



## Redesign of products and sales incentives

Evaluate product bundling and pricing and introduce activity based targets to mitigate mis-selling.



## A workforce that is better equipped to sell well

Train frontline sales staff to ensure creditor products are sold by knowledgeable staff who can offer products based on customer needs.



## Robust governance and controls on sales practices risk that are proactive, not reactive

Enhance governance, especially 1st line controls, to manage sales practices in all sales channels, including third party sales.

**Consumer focused**

# *Why PwC*

# We have done this before

*Our global experience in leading and successfully completing industry projects of similar scope and size — including for many of CAFII member firms. Over the years, we have built a knowledge base of key findings that we will share with CAFII.*

Selected Projects	Strategy	Risk, Regulatory, Customer	Product/service enhancement
<b>Top 5 Canadian bank</b> Growth opportunities within their respected business lines (Creditor, Traditional Life, P&C, Travel).	✓		✓
<b>Top 5 Canadian bank</b> Comprehensive market research and insights to yield differentiated Creditor Insurance offering.	✓		✓
<b>Top 5 Canadian bank</b> Improve the distribution performance of third party mortgage broker creditor insurance.	✓		✓
<b>Canadian Federal Credit Union</b> Sales Practices Review including creditor insurance	✓	✓	✓
<b>Top UK retail bank</b> Approach to customer remediation following Supreme Court Case.	✓	✓	✓
<b>Top UK Life Assurance companies</b> Support life insurers respond to the Financial Conduct Authority findings on treatment of longstanding life insurance. customers.	✓	✓	
<b>Top UK retail bank</b> Develop key customer outcomes for reporting to the Conduct Risk Committee and Board.		✓	✓
<b>Top UK retail bank</b> Advice, and project management support to help various FS clients enhance their approach to managing conduct risk.	✓	✓	✓
<b>Multiple Australian retail financial institutions</b> Support on customer fairness, risk, compliance and culture; on creditor insurance reviews.	✓	✓	✓
<b>Central Bank of Ireland</b> Develop the Consumer Protection Risk Assessment Model for the Consumer Protection Division, to assist them in their supervision of consumer risk management within regulated entities, including insurance companies.	✓	✓	✓
<b>Top US bank</b> Review current state of sales practices, PwC reviewed the current state of sales practices and designed the operating model.	✓	✓	✓

# We have the right expertise

*We will draw upon our global partners who work with regulators and the industry to get you first hand knowledge on CCBPI. We have assembled a team of seasoned advisors in business strategy, along with a team of actuaries and data analysts to deliver pragmatic recommendations.*

## Advisory

### Business Strategy and Research

We have helped some of your CAFII members with growth strategy, particularly in the creditor insurance market.

### Risk & Regulatory reform

We have a strong global regulatory practice that has worked with clients on numerous Canadian, U.S., U.K. and Australian regulatory reforms with a specific focus on fair customer treatment.

### Global Market Research

We have conducted several global research studies and developed industry benchmarking reports.

## Data Analytics

### Analytics

We have significant experience with benchmarking, building analytical algorithms and visualisation tools.

### Data Visualization

We develop what-if models and scenarios to help our clients visualize through BI tools (e.g., Tableau, Alteryx) in real-time implications (e.g., changes to profitability as a % of increasing claims payouts).

## Actuarial

### Actuarial Modeling

We are appointed actuaries and peer reviewers for many of the insurance companies in Canada. This gives us unprecedented experience with developing product pricing models and assessing loyalty programs, which are key components for business modeling. We have advanced capabilities for predictive modeling and what-if scenarios to help our client make informed choices.

We develop proformas, DCAT / stress testing to better understand implications of strategic choices.

## Your members that we have worked with before:

CUMIS  
Assurant  
BMO Insurance  
RBC Insurance  
Desjardins Financial Security

Manulife  
Canada Life  
TD Insurance  
CIBC Insurance  
American Express

## Our global strength

### Advisory

With 37,000 FS professionals worldwide, we bring a team with deep global insurance industry experience.



In fact, PwC was named the *#1 Insurance Consulting Service Provider* by Gartner Competitive Landscape survey in 2017

### Analytics

Our Analytics team has extensive experience enhancing the value of data and analytics by integrating business analytics expertise across industries and geographies. We can transform your data into interactive reports and extract relevant insights to suit your business needs.

### Actuarial

Our actuarial team is the largest professional consulting actuarial team in Canada. Our global leaders are appointed actuaries for many of the Insurance companies, with extensive experience in Creditor insurance. Our firm is part of a global actuarial network of more than 1,000 consultants in 35 countries.

# Our global thought leadership and studies

Our teams have prepared similar market studies and reports in the financial services industry and industry associations both in Canada and globally.



## ***Sound advice - Insights into Canada's Finance Industry***

Advocis commissioned and used this report to lobby and inform provincial regulators on the advice channels in anticipation of a review on embedded commissions.



## ***Economic Impact Assessment of Banning Embedded Commissions in the Sale of Mutual Funds***

PwC supported IFIC with their submission to CSA provided an Economic Impact on the potential banning of embedded commissions on Mutual Funds.



## ***Putting customers at the heart of your business - Impacts of Bill C-86***

Following the 2018 FCAC report Bill C-86 brings changes to the provision of financial products and consumer outcomes. PwC view dovetails this with the proposed Fair Treatment of Customers from CCIR and CISRO.



## ***Perspectives on the Financial Services Royal Commission Final Report***

The Royal Commission's report into Misconduct in the Banking, Superannuation and Financial Services Industry will have major impacts and PwC has provided insight and guidance on the required marketplace changes.



## ***Insurance Conduct Risk Series***

PwC's UK Insurance Conduct Risk Series provides companies and industry guidance on:

- FCA's review into fair treatment of longstanding life insurance customers
- Predictions & advice for insurers following FCA's Heritage Review
- Developing add-ons to increase transparency & product quality and consumer value in the insurance market to ensure better consumer outcomes.

# Reimagine insights through visualization

*Our approach to understanding large amounts of data to get meaningful insights is to leverage advanced interactive tools, which allow different stakeholders to slice and dice the information with simple clicks in real-time. We find these tools allow stakeholders to answer the “so-what”, which is often lacking in standard static reporting.*

Large amounts of data not only need to be gathered and organized but also needs to be understood.

When working with copious amounts of data that needs to be synthesized and sliced in different ways, we typically provide **interactive** and **user-oriented** reporting. We will work with CAFII, based on the data available, to create appropriate visualizations.

For instance, users will be able to visualize the impacts of one business model over another by seeing the movements to proformas, e.g., if loss-ratios moved  $\pm 10\%$ , or lapse rates moved by  $\pm 5\%$ .

This advanced ‘real-time’ analysis will be more insightful, actionable, and value-added.



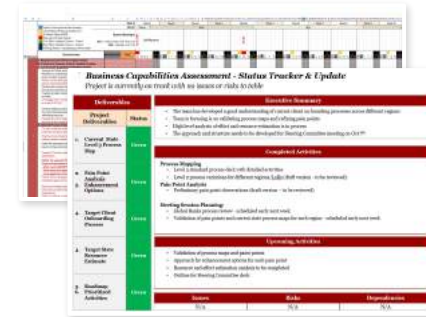
# Our project management rigor

Our teams have managed similarly sized important global and multi-stakeholder research projects successfully. We will not start from a blank piece of paper. We will leverage our 12 elements of delivery excellence, and we have integrated several project accelerators throughout our approach on this engagement.



## Sample Tools & Accelerators

Our mature project management tools and accelerators will get us aligned and organized to deliver through a clear scope, robust plan, periodic status updates, early feedback cycles and stakeholder engagement throughout the 8 week timeline.





## *Our approach and timeline*

# Our Approach

*By the end of 8 weeks, we will provide to CAFII a report\* on strategic recommendations and business modeling that CAFII and its members can leverage to guide the actionable path forward for CCBPI. These recommendations will be backed by a thorough global market scan and Canadian industry benchmarking in parts 1 and 2.*



## Part 1 Market Research

3-4 weeks

Develop a **comparative global research** report on CCBPI through a market scan of Australia, U.K., U.S., and Ireland in order to understand the concerns of local regulators and consumer groups had with CCBPI and how their experiences could apply to Canada.

To do so, we will review internal PwC materials, premium publications, public documents, academic and government studies; and interview key participants in relevant jurisdictions and CAFII member firms.



## Part 2 Industry Benchmarking

2-3 weeks

Work alongside with CAFII and Stikeman Elliott on the key dimensions that should be benchmarked, and collect only those data\* required to **benchmark** across CAFII members for comparative analysis.

Work with our Actuarial and Data Analytics teams to develop **interactive data visualization** to present the aggregated and anonymized results to CAFII.

Prepare a 'fact pack' in an easy-to-use graphical and interactive format so your members can clearly understand the key facts about the product, its sales/distribution, value proposition to begin to address concerns expressed by the consumer advocates, regulators and policy makers. We will also provide options for product enhancements for considerations.



## Part 3 Strategic Recommendations and Business Modeling

2-3 weeks

Based on findings from previous parts of the engagement, we will provide **strategy recommendations\*** on the risks and opportunities for the industry, including possible enhancements that demonstrate the industry's proactive approach to responding to concerns expressed by the consumer advocacy groups, regulators and policy makers.

We will develop "generic" **business models** (e.g., modifications to the product, or sales/distribution) that illustrate how the changes may impact the industry and how some of those changes could be implemented.

Conduct 12 one-hour presentations with the CAFII member institutions to present the findings of this research effort and the strategy recommendations.

\*We will work alongside Stikeman Elliott for compliance with Competition Act on collection and use of CAFII member data, recommendations, discussions and actions as a result of this engagement.

# Market Research



## Part 1

### Timeline: 3-4 weeks

In Part 1, the team will hold a kick-off meeting with CAFII project leadership to agree upon the approach, timelines, resources and stakeholders for the engagement. PwC will then leverage our robust knowledge of Insurance regulatory reforms to conduct an assessment of the global market with a focus on CCBPI in Australia, U.K., U.S. and Ireland.

We will conduct interviews with PwC subject matter specialists in our relevant global jurisdictions, Stikeman Elliott experts, key members of CAFII membership and review public documentation to understand the concerns that regulators and consumer groups had with CCBPI in relevant jurisdictions and how their experiences could apply to Canada.

### Deliverables

- Comparative International Research

## Project Kick Off:

- Host kick-off meeting with CAFII leadership to confirm scope, deliverables, initial document request, and finalize project approach and timeline.
- Identify key CAFII stakeholders (~20-25) to be interviewed and schedule meetings.

## Comparative International Market Research Study:

- Perform market research using public documents, academic and government studies and leverage existing PwC analysis and internal network sources to articulate key product risks, regulatory challenges and opportunities in Australia, the U.K., the U.S., and Ireland CCBPI markets.
- Conduct interviews with:
  - PwC subject matter specialists in our relevant global jurisdictions across Australia, the U.K., the U.S., and Ireland to understand what was it about CCBPI that was of concern to regulators and consumer groups in those jurisdictions, and what learnings can be applied to Canada. (~4-6 interviews).
  - Key members of the CAFII membership to understand how the regulatory and consumer concerns identified in other jurisdictions might be applicable to Canada. (~20-25 interviews).
- Use research and interview findings to conduct assessment of CCBPI to identify any potential Canadian regulatory concerns.
- Consolidate findings from international market research into a reader-friendly comparative report that CAFII can utilize both with its members and in informing regulators and other stakeholders.

## Sample Deliverables

### Comparative International Research



# Industry Benchmarking



## Part 2

**Timeline:** 2-3 weeks

In Part 2, the team will aggregate CAFII member data on CCBPI products to conduct a benchmarking study and extract industry level CCBPI statistics. We will use the outputs of this study to create a fact pack, outline the CCPBI value proposition and propose a list of strategic enhancements to the CCPBI value proposition.

### Deliverables

- Benchmarking study
- Fact Pack
- Value Proposition
- Strategic Enhancements

### Benchmarking Study:

In Part 2, we will anonymize and aggregate data from CAFII Member CCBPI products in order to extract relevant industry level statistics as we:

- Work alongside with Stikeman Elliott (legal firm hired and retained by CAFII) and CAFII to confirm the dimensions and metrics that CAFII wants to benchmark.
- Collect information about these attributes across the CAFII membership in a manner that is compliant with competition laws.
- Use interactive data visualization tools to present the aggregated, anonymized results to CAFII membership.

### Fact Pack:

- Utilize the results of the benchmarking study to design a fact pack that explains how CCBPI products work and provide key facts on the products, their key value proposition and their sales and distribution.
- Present the facts in a graphical format so they are easy to understand and can be used to educate relevant stakeholders.

### CCPBI Value Proposition:

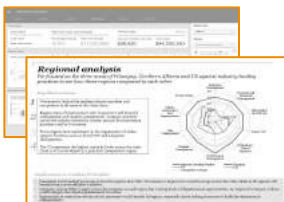
- Develop the CCBPI value proposition for Canadian consumers to provide the key benefits of the product.
- Determine, outline, compare and contrast the key concerns expressed by stakeholders regarding the value proposition and the practical measures that could potentially be taken to address them.

### Strategic Enhancements:

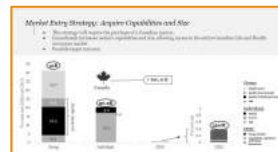
- Propose an extensive list of possible options to strategically enhance the CCBPI value proposition, at the industry-level.

## Sample Deliverables

### Benchmarking Study



### Fact Pack



### Value Proposition



### Strategic Enhancements



# Strategic Recommendations and Business Modeling

## Part 3

**Timeline:** 2-3 weeks

In Part 3, we will develop strategic recommendations for an actionable path forward with respect to CCBPI on an industry level.

We will also develop “generic” models to illustrate how recommended changes could be implemented to enhance the CCBPI product and/or its distribution.

We will work alongside with Stikeman Elliott so all recommendations, discussions and actions are compliant with the Competition Act.

### Deliverables

- Final Strategy recommendations
- Business models for strategic recommendations
- 12 one-hour, internal presentations with the CAFII member institutions

### Business Strategy Recommendations:

- Leverage outcomes from industry benchmarking and compare against outcomes from market research, to identify commonalities across product features, risks, applicability of criticisms and regulatory direction to crisply articulate the challenges faced by CAFII and its members.
- Conduct working sessions with PwC Canadian banking partners to identify enhancements to offset these challenges and develop enhancements that demonstrate the industry is being proactive and responsive to concerns expressed by regulators, policy-makers and consumer advocacy groups.
- Develop a report of strategic recommendations based on the current and evolving Canadian regulatory and policy-making environment.
- Work alongside with Stikeman Elliott and the core CAFII group to get early feedback and iterate to refine report.
- Update the final report and present to the CAFII members.

### Business Modelling:

- Develop “generic” business models (e.g., modifications to CCBPI product or its distribution) that could be adopted for implementation of the strategic recommendations.
- Develop interactive dashboards to facilitate what-if scenarios and financial modelling (e.g., if loss ratios were to increase, what would the impact be on the profitability and customer outcome by demographics etc.) so that the industry can determine levers that could shift the profitability of a product while providing increased consumer value.
- Socialize findings with CAFII.
- Conduct 12-one hour internal presentations with the CAFII member institutions.

### Sample Deliverables

#### Final strategy recommendations including business models



#### Illustrative what-if scenarios (e.g., Tableau / Alteryx)



# Key Outcomes: A sneak peak at your deliverables

Part

1

## Market Research



At the end of part 1, we'll provide CAFII with:

- A comparative global research report that shows concerns from regulators and consumer advocacy groups and lessons that can be applied by CAFII members in Canada.

Part

2

## Industry Benchmarking



At the end of part 2, we'll provide CAFII with:

- A user friendly 'fact pack' that shows key attributes for the product and its sales / distribution.
- Detailed value proposition of the product, including concerns and practical measures to mitigate them.
- A list of improvement opportunities to CAFII's current strategy and business model to enhance the product.

Part

3

## Strategic Recommendations & Business Modeling

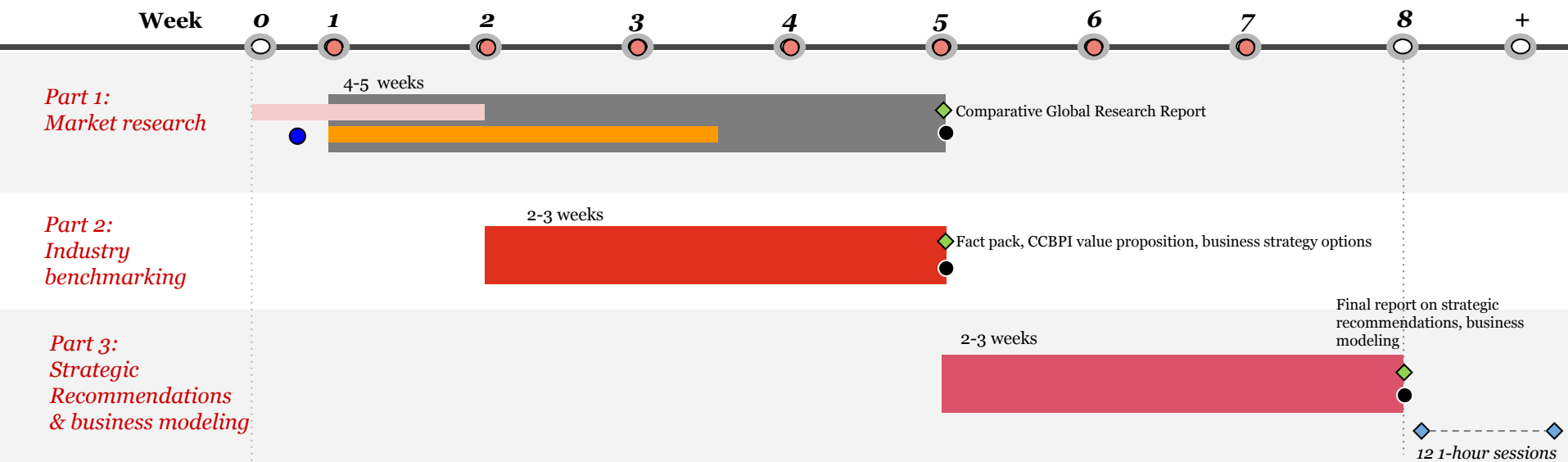


At the end of part 3, we'll provide CAFII with:

- A final report that consolidates all improvement opportunities, and a list of recommendations for CAFII's considerations.
- "Generic" business models that could support the implementation of strategic recommendations (e.g., required modifications to CCBPI product or its distribution).
- 12 one-hour, internal presentations with the CAFII member institutions.

# High-level timeline

To accelerate the delivery, we have already started our research and initial discussions with our territory partners. We kick-off early to align on project logistics, set up key stakeholder interviews, weekly touchpoints and executive touchpoints. We will run parallel streams of work to get you the outcomes within the prescribed 8-week timeline.



**Legend:** ● Kick-off ● Executive touchpoint ● Status Updates ■ PwC interviews ■ CAFII interviews ◆ Key outcomes ◆ 12 1-hour sessions



# Our Team

We're ready to get going.

Our team has been assembled specifically around your needs, bringing the right experience and knowledge to execute this engagement.

Oversight for the project will be provided by Keegan Iles and the day to day project lead will be Tarun Agarwal. They will be supported by a team consisting of Insurance and Actuarial industry specialists and analysts that have the analytical and strategic industry experience to support you in executing business research, modeling and providing strategic recommendations.

## Industry Subject Matter Specialists



**Keegan Iles**  
Engagement Partner



**Matthew Lawrence**  
Engagement Director



**Byren Innes**  
Insurance Strategy  
Specialist



**Tarun Agarwal**  
Engagement Manager

## Risk & Regulatory Subject Matter Specialists



**Robin Taylor**  
Canada FI and Regulatory  
Specialist, PwC Canada



**Matt Browne**  
UK FI and Regulatory  
Specialist, PwC UK



**Amanda Cox**  
US FI and Regulatory  
Specialist, PwC US



**Trisha Gibbons**  
Ireland FI and Regulatory  
Specialist, PwC Ireland



**Sarah Collins**  
Conduct & Sales Practice  
Risk Specialist  
(Canada/U.K.)



**Caroline McCombe**  
Australia FI and Regulatory  
Specialist, PwC Australia

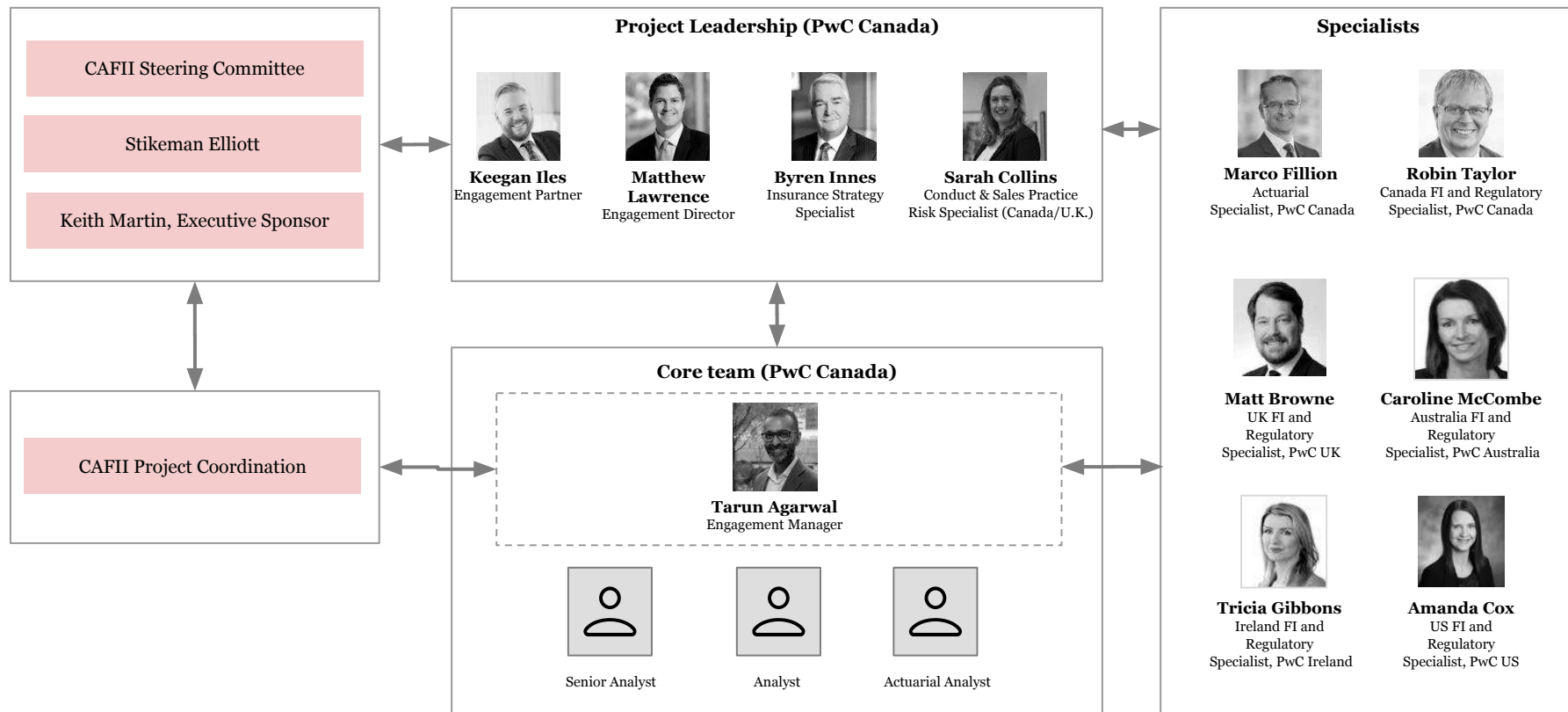
## Actuarial Subject Matter Specialist



**Marco Fillion**  
Actuarial Specialist  
PwC Canada

# How we will work with you

*Our team has been assembled specifically around your needs, bringing the right experience and knowledge to execute this engagement.*



# Fees

*We want to deliver value to you through this engagement. We typically find that fixed fee commercial structures align incentives on both sides - clearly articulating value through a set of structured deliverables.*

## Assumptions

- 8-week timeline, commencing the week of April 8th 2019
- Timeline is subject to scheduling of stakeholder interviews and working sessions at kick-off
- CAFII sponsors will actively participate in status meetings, interviews and working sessions, and will review deliverables in a timely manner in order to meet the proposed timeline
- CAFII will provide PwC with data requested within the first week of the engagement.

Professional Fees	Cost
Market Research	\$175,000
Industry Benchmarking	\$50,000
Recommendations & Model Options	\$100,000
<b>Total Fixed Fee</b>	<b>\$325,000</b>

## Payments

Engagement fees will be billed at a fixed cost and invoiced as follows:

- Project fees will be billed at the completion of engagement
- In addition to professional fees, we will bill applicable taxes and out-of-pocket expenses such as transportation, hotel, and per diem costs. These will be capped at 10% of professional fees, if incurred.

# Appendix

1. Proposed team's credentials
2. Our global experience

1

Proposed team's  
credentials

# Simply put, our project team brings an unparalleled level of **experience and specialization**, and we're ready to get going

Our practitioners are passionately dedicated to their fields of specialization, specifically life and health insurance. In addition to our customized approach for this engagement, we've brought together the best of our Insurance, Regulatory and Technology teams who have the skills and experience to support you in this exciting initiative.

## About

**Keegan Iles**  
National Insurance Consulting Leader,  
*Engagement Partner*, PwC Canada



Keegan is the national insurance consulting leader. Over the past 15 years, Keegan has worked with insurance **clients in strategy and large-scale transformation**, due diligence and M&A advisory, cost reduction, project governance, change management, IT strategy, planning and implementation, insurance supply chain advisory, process reengineering, and outsourcing. Keegan has published numerous white papers on claims transformation, vendor management, human capital management and is a regular **presenter to insurance industry panels and client events, including CAFII presentations on digital and insurtech trends.**

## Relevant Experience

- For a leading bank, Keegan led the improvement of customer experience at origination and servicing through changes to delivery model for creditor insurance through innovative changes into business models and technology build out.
- For a major Canadian insurer Keegan directed a team to review their back office services effectiveness, identify improvement opportunities and prioritize / sequence of those initiatives in an roadmap.
- For a top 5 Canadian Bank, Keegan led the Creditor Insurance product strategy including market scan, competitive assessment and business models that support different sales models.
- For a leading workers compensation fund Keegan led the development of a program management office transformation including associated program artefacts and the establishment of a stage-gate process for their transformation efforts.
- For a leading Canadian public insurer, Keegan provided risk advisory services to their Transformation Committee of the Board of Directors.

**Matthew Lawrence**  
Director, Insurance Strategy and Operations,  
*Engagement Director*, PwC Canada



Matthew Lawrence is a Director in PwC's Financial Services Consulting Group and his main area of focus is Insurance Operations and Strategy. Matthew has over 14 years of experience working with financial institutions across the US and Canada and he has recently led numerous projects spanning corporate strategy, operating model design, channel effectiveness, digital distribution, compensation strategy, process improvement, and operational due diligence.

- For a top 5 Canadian Bank, Matthew led a market entry assessment of a new Creditor Insurance product focused on the Automotive Finance market. Key activities included conducting comprehensive market and consumer research, competitive assessment, third party channel analysis and market sizing to determine the overall feasibility of launching the new product.
- For a top 5 Canadian Bank, Matthew co-led the development of a new Creditor Insurance sales model as lending applications transitioned from advisor-led (branch, call centre and third party) to a full digital operating model.
- For a top 5 Canadian Bank, Matthew led the development of a new mortgage creditor insurance sales and compensation model for loans that were originated through third party mortgage brokers

## About

**Byren Innes**  
Strategic Advisor,  
*Insurance Strategy Specialist, PwC Canada*



Byren is a senior contributor to PwC's Insurance and Wealth Management Consulting Practices with over 46 years of experience (28 years in industry) in senior management roles with leading insurance and wealth management organizations across Canada. For over 18 years, he has **led consulting engagements and research projects** with most of the Canadian insurance companies, wealth management and larger distribution firms, as well as firms in the US and Caribbean.

**Sarah Collins**  
Manager, Risk Assurance,  
*Conduct & Sales Practice Risk Specialist*  
*(Canada/U.K.), PwC Canada*



Sarah has over **10 years** of experience in PwC's Financial Services Risk and Regulation Practice. Sarah leads a number of regulatory and sales practices engagements with a **focus on business conduct and customer fairness, spanning asset and wealth management and retail banking**. Sarah is a recognised thought leader in conduct risk and regulatory topics and has authored and co-authored articles on consumer protection and risk culture in financial services. Sarah holds the UK Certificate in Retail Banking Conduct of Business (CertRBCB) from the Institute of Financial Services.

**Tarun Agarwal**  
Manager, Insurance Advisory  
*Engagement Manager, PwC Canada*



Tarun has over **14 years** of experience, 6 of which in Insurance consulting group with experience across Canada, US, UK and the Caribbean. He is currently the Advisory lead for IFRS 17 regulatory reporting, and has conducted numerous insurance industry research reports. He has **led over 10 small and large scale projects successfully**, in various industries, including insurance industry research projects

## Relevant Experience

- Recognized specialist in MGA, National Account, Direct, Captive and Bancassurance Distribution channels
- Has held industry association leadership roles in insurance companies, as well as MFDA, IIROC and MGA Distribution
- For over 15 years, has conducted numerous research & industry impact reports based on global regulatory changes in wealth and insurance distribution as well as industry and proprietary company studies and consultancy mandates including product and channel strategies
- Co-authored the Sound Advice report on insurance and wealth distribution
- Co-led the development of a new Creditor Insurance Sales model as lending applications transitioned from advisor-led (branch, call centre and third party) to a full digital operating model.

- Sarah joined the Toronto firm from PwC UK where she led a number of regulatory engagements at a time of acute customer focus, post-global financial crisis. This included design and implementation of conduct risk frameworks and advising clients on UK regulatory requirements focused on conduct of business.
- Sarah also spent time at one of the UK's leading challenger bank's at the height of the UK Financial Conduct Authority's (FCA) focus on fair customer treatment, setting up the bank's conduct framework, and member of the Board's Conduct Committee, presenting on the status of enterprise-customer outcomes.
- Sarah started her career at the FCA as a supervisor in the retail division focused on the FCA's Treating Customers Fairly (TCF) initiative.

Sample industry projects as lead project manager:

- For a bancassurance client of Canada, he conducted industry research on creditor insurance product and distribution channels to help the client grow the market share of their product.
- For a direct insurer, Tarun led the market research of innovations through Insurtech and Fintech in the US, the UK, Australia, Germany and south-east Asia. He developed a comprehensive report, complete with different business models that the client could consider to increase its profitable market share.
- For another insurance client, he led a global market research that included, market scan of four jurisdictions on emerging consumer trends, distribution models, product offerings and the use of social media.
- For a mutual insurance company, Tarun led the Program Management Office for a \$60M Insurance Claims Transformation, which included target state design for managing claims payout.



## About

### Marco Fillion

National Actuarial Leader,  
Actuarial Specialist, PwC Canada



Marco has **30 years of insurance experience** in product development, risk assessment, actuarial valuation, financial reporting, M&A and capital requirements. He is the Chair of the ASB Designated Group on Integration of DCAT and ORSA, is the past Chair of the CIA Committee on Risk Management and Capital Requirement, and sits on PwC's International Insurance Accounting Group. Marco leads the largest professional consulting actuarial team in Canada who are the **auditors or actuarial external peer reviewers for over 70 Canadian insurers**, including and the **Appointed Actuaries for over 25 Canadian insurers**, including those with Creditor insurance portfolios. Marco is the lead industry speaker on regulatory capital changes, and co-authored PwC publications including "Insurance Solvency Regime Developments: Striking the right balance in Canada" and "Low interest rates – Life insurers' great depression".

- Completed a number of projects for large insurers requiring the design, implementation, conversion and enhancement of both product and business projection models for DCAT and ORSA.
- Has in depth experience with creditor insurance and loyalty programs, working with several CAFII members.
- Prior to joining PwC he was also the product manager for the Creditor portfolio (Mortgage and Personal Loans Life and Disability).

## Relevant Experience

### Robin Taylor

Partner, Internal Audit, Risk and Regulatory,  
Risk Assurance Specialist, PwC Canada



Robin is a Partner in the Canadian Risk Assurance Practice with over **25 years** of FS consulting experience. Robin has broad and deep experience across financial services including banking, insurance and asset and wealth management, specializing in **risk and regulatory management**. He has undertaken a number of regulatory engagements with a **focus on conduct and customer** and has significant experience of working directly with regulators and has a strong understanding of regulatory expectations.

- Led engagements on behalf of regulators in areas of sales practices, conduct, regulatory compliance systems and governance including engagements on behalf of OSFI and OSC.
- Performed engagements for Canadian insurers in areas of risk management, compliance, internal audit and controls including work for several CAFII members.
- Performed engagements for credit card issuers in Canada. Work performed includes assisting with risk management frameworks, overseeing new product launches, and reviews related to governance and internal controls.
- Performed benchmarking study for FSCO on regulatory approaches across **US, UK, Australia and Netherlands** to assist with risk based regulation initiative.

### Matt Browne

Director, Regulatory Practice  
UK FI and Regulatory Specialist, PwC UK



Matt leads conduct risk and regulation within the Insurance practice. He supports insurers and intermediaries across the life, pensions and general insurance market on a broad range of conduct issues, from the **redesign of compliance functions to development of product governance** procedures and second-line monitoring of advice, financial promotions, and complaints. Matt has **significant experience supporting the FCA, including regulatory assessments and review of retail distribution review (RDR)**. Prior to joining the regulator, Matt was an **insurance economist working for the Association of British Insurers (ABI)**.

- Section 166 reviews: led the delivery of skilled person reviews covering oversight and controls sales and distribution operations, pensions and complex investment advice (including DB pension transfers).
- Long-standing customer reviews: supported two life insurers responses to the FCA's findings following their review of the treatment of long-standing customer, including product governance and oversight, gone-away tracing, pricing and charging models, and management information.
- Remediation and Redress: supporting a large intermediary business with the remediation and redress work involved in pensions transfers mis-selling.
- Quality of advice reviews: deep-dive reviews on the quality of advice and suitability of investments for two national advisory businesses, including client-file testing, evaluation of policies and procedures, and testing of their risk and control environment.

## About

**Caroline McCombe**  
Partner, Risk Consulting  
*Australia FI and Regulatory Specialist,*  
PwC Australia



Caroline is a risk and compliance Partner who combines consulting with financial services industry experience. Caroline has advised clients in relation to regulatory, risk and compliance reviews, including enforceable undertakings for insurers, major Australian banks and wealth managers.

Her areas of expertise have include managing regulatory change programs in **risk governance, conduct risk management and compliance**; leading **regulatory reviews for key Australian regulators including ASIC and APRA**; and designing and delivering a range of product risk reviews for financial institutions to identify, monitor and manage conduct and customer outcomes.

- Caroline has managed the Australian Prudential regulator's assessments in relation to governance, accountability and culture for the country's largest insurer and several Big 4 banks. These roles encompassed reviewing information provided to APRA, anticipating issues, and providing both independent insights and strategic advice on how to respond to the recommendations.
- Caroline has also led the Royal Commission advisory program for Big 4 Bank, including the provision of independent insights.
- Caroline has led a range of risk culture, controls and conduct framework reviews, including as part of regulatory action, for major banks, insurers and wealth managers.

**Trisha Gibbons**  
Director, Risk and Regulation  
*Ireland FI and Regulatory Specialist,*  
PwC Ireland



Trisha is a Director in our financial services risk & regulatory practice. Trisha has experience in advising clients in all aspects of **regulatory & risk management and has worked on a number of independent third party governance and risk reviews**. Over **20 years** relevant experience in insurance and banking regulation, 13 of which has been spent with PwC. She has a worked on many engagements involving the Central Bank of Ireland (CBI)

- Led the team in large retail non-life insurance company in the interpretation and implementation of the Consumer Protection Code and other consumer related rules and requirements, and the set up of the Compliance Function
- Led the regulatory team on a large independent third party review and subsequent remediation project for an Irish Reinsurance Company as required by the CBI.
- Regulatory and Governance Lead for Ireland & UK for the Insurance Portfolio Transfer which included responsibility for the design of the revised governance structure, the CBI engagement strategy, production of monthly updates to the CBI, documentation of the relevant governance and regulatory aspects of the Insurance Portfolio Transfer legal documentation.

**Amanda Cox**  
Principal, Insurance Regulatory and  
Conduct Risk Specialist  
*US FI and Regulatory Specialist,* PwC US



Amanda is a Principal in the US with over **15 years** of experience providing consumer regulatory advisory services to Fortune 1000 Financial Services companies. Amanda was also a **Bank Examiner at the Federal Reserve Bank of Chicago focusing on consumer compliance for two years**. Her regulatory compliance expertise has been focused on retail banking, credit card issuers and consumer finance. Amanda is also a Certified Regulatory Compliance Manager (CRCM) and holds an MBA from the University of Notre Dame.

- Led numerous fair lending and Unfair, Deceptive, or Abusive Acts and Practices (UDAAP) self assessments, internal audits, and program builds.
- Provided subject matter support to multiple sales practices self assessments and remediation efforts for large, complex financial institutions within the US and Canada covering focus areas such as employee and customer complaints, data analytics, training, culture, third parties, and controls (e.g. policies, procedures, account opening and closing protocols).
- Led the lending compliance portion of a core banking system implementation project, including analysis, design and testing phases covering all consumer loans and mortgage loan products, as well as overdraft lines of credit. Worked with operations, technology, BUs, legal, and compliance to satisfy federal and state regulatory compliance requirements.



## Our global experience

*Your PwC team has experience with comprehensive industry research, conducting benchmarking analysis and providing strategic recommendations*

# Case Studies - Canada (1 of 3)

## Creditor Insurance Strategy

### Background

A large Canadian bank insurer that recently experienced leadership change within their international and domestic insurance businesses was looking for growth opportunities within their respected business lines (Creditor, Traditional Life, P&C, Travel).

### Solution

- Conducted global market research and competitive analysis to determine the insurance businesses overall positioning within their respective markets.
- Worked with the bank's senior executive team to identify and vet potential opportunities to improve productivity and grow the business.
- Identified tactical growth initiatives and developed the go forward business models for each business line.
- Assessed current operating models to determine new capabilities that would be required to deliver on the strategic growth initiatives.
- Performed opportunity sizing to determine the prioritization of initiatives based on their overall financial impact.
- Aligned growth initiatives with the overall banking strategy to ensure overarching organizational alignment.
- Aligned key stakeholders within Canada and International regions on the overall strategic direction of the insurance businesses.
- Provided management with a prioritized list of tactical growth initiatives to deliver on their overall go forward insurance strategy.

## Creditor Insurance Product Development

### Background

For one of our clients with leading Automotive Finance market we provided a comprehensive market research and insights into the solution design, and overall validation to yield a blueprint for a differentiated Creditor Insurance offering for participating automotive dealers.

### Solution

- Conducted market research and assessed the market opportunity to develop a creditor insurance product for the auto finance dealer / OEM channel.
- Conducted interviews and surveys with dealers, OEM's and consumers (including dealership owners and F&I managers), from a cross-section across the country to obtain actionable insights for use when developing the product solution.
- Performed opportunity sizing to determine the overall feasibility of a new creditor insurance product.
- Provided the client with go forward model and product solution based on market research, interview findings and identified processes and internal systems requirements to implement the new product.
- PwC's recommendations allowed our client to receive funding to implement the new creditor insurance product through direct channels.

# Case Studies - Canada (2 of 3)

## Mortgage Broker Compensation Strategy

### Background

One of Canada's top 5 banks was looking to explore opportunities to improve the distribution performance of third party mortgage broker creditor insurance.

### Solution

- Assessed how the bank currently pays mortgage creditor insurance commissions to independent third party mortgage brokers, specifically as it relates to commission amounts, referral payments, policy lapses & chargebacks.
- Identified competing models within the Canadian FI space for firms utilizing third party channels including oversight, supervision and compensation models.
- Conducted interviews with key stakeholders, mortgage brokers and brokerage principles across the country to obtain actionable insights for consideration when redeveloping the compensation structure and sales process.
- Advised on the design of a new third party mortgage creditor insurance compensation strategy and sales model to improve the overall profitability of the channel while promoting qualify sales actions.
- Developed a financial model to demonstrate how the proposed changes to compensation and processes may impact overall profitability.

## Creditor Distribution Strategy

### Background

In Creditor - as retail lending products move to digital origination, embedding creditor will become a required capability for digital cross sell opportunities. However achieving penetration rates previously achieved in assisted channels poses both a challenge and opportunity for the digital channel

For a large bank in Canada, PwC provided the major trends & leading global perspectives in digital insurance distribution & client experience, including business models, and the future state of client journey across multiple channels?

### Solution

- Conducted a Global market scan of creditor insurance showing differences within regions due to various levels of regulation and client needs.
- Mapped out the Client Journey: Awareness, Application, Underwriting, Fulfillment, Claims, and Cancellation/Retention for all product types (Mortgages, PLC, Loans, Credit Cards) to understand client pain points and opportunities for improvement.

# Case Studies - Canada (3 of 3)

## Creditor Insurance Technology Architecture Design

### Background

One of our clients was looking for assistance to improve their customers' experience at origination and servicing of Creditor insurance, through changes to delivery model (e.g., technology, processes)

### Solution

- Completed a capabilities assessment to determine internal and net new capabilities that would be required to enable the banks future state for their creditor insurance business.
- Vendors were contacted and assessed to provide a view of available off the shelf product options that would provide the net new capabilities identified.
- The team worked closely with Business and IT areas to ensure identified solutions fit based on existing bank systems, in flight projects and architectural options.

## Federal Credit Union Sales Practices Review including creditor insurance

### Background

One of our clients was looking to gain assurance that sales practices risk was being adequately managed across the organization. In particular, in the context of increasingly regulatory scrutiny from FCAC and with the introduction of Bill C-86.

### Solution

- Developed an audit scope and approach with the Internal Audit team on sales practices.
- Designed Board and Executive interview questions on sales practices linked to key audit criteria.
- Led senior management interviews on sales culture
- Reviewed key documentation and policies and procedures on sales culture.
- Issued an Internal Audit report to the Board on sales culture with a series of recommendations to improve the organization's sales culture in line with regulatory expectations.
- Provided value-add advice to the audit and management teams on conduct risk and sales practices leading industry practices
- Creditor insurance - identified a number of risks and issues from key management information (high cancellation rates and flawed third party clawback mechanisms). Issued recommendations to address these issues.

# Case Studies - Global (1 of 4)

## Retail Bank Payment Protection Insurance (PPI) Customer Complaints Remediation Review (UK)

### Background

One of the UK's leading challenger banks was looking for PwC's to provide advice on the approach to customer remediation following the landmark Plevin v.s Paragon Financial Services Limited Supreme Court Case.

### Solution

- Completed assessment of all customers making a complaint against the bank under Plevin, for eligibility of payout.
- The team worked closely with the bank's product and marketing and communications teams to manage communications to customers including accepted claims and claims that were rejected.
- Provided project management support in addition to regulatory expertise to support the bank to meet key deadlines for customer remediating bank systems, in flight projects and architectural options.

## Review of Fair Treatment of Long-Standing Life Insurance Customers (UK)

### Background

PwC supported two life insurers respond to the Financial Conduct Authority (FCA) findings following their review of the treatment of longstanding life insurance customers.

### Solution

- PwC supported both organizations to impact assess several key areas discussed as part of the FCA's review, including product governance and oversight, gone-away tracing, pricing and charging models and management information.
- Worked with the business teams and the compliance team to craft a response that would deliver pragmatic business outcomes as well as good customer outcomes.
- Leveraged PwC thought leaders and intimate industry knowledge to bring in insights to the response that the client would not be able to have otherwise been able to provide.



# Case Studies - Global (2 of 4)

## Retail Bank Customer Outcomes MI Development Including General Insurance Products (UK)

### Background

One of our clients was looking to develop key customer outcomes MI for reporting to the Conduct Risk Committee and Board.

### Solution

- Completed an assessment of current state, identifying key gaps and areas that needed be developed further.
- Worked with front line business teams and data teams to identify data sources, including key dependencies on third parties for data access.
- Reviewed third party contracts with legal team for required enhancements on customer outcomes MI.
- Provided expert input into what the key suite of KRIs should be
- Facilitated a check and challenge process between 1st line and 2nd line teams to agree on final KRIs.

## Review of Conduct Risk Management Frameworks (Various UK FIs)

### Background

A number of our clients had been developing their approach to conduct risk management in line with regulatory expectations. PwC provided specialist advice, and project management support to help various FS clients enhance their approach to managing conduct risk.

### Solution

- Conduct risk MI development.
- Product conduct risk reviews (proactive review and customer remediation).
- Board conduct risk appetite development.
- Embedding behavioral economics into product design and approval processes.
- Review of (risk) culture / Enterprise-culture assessments.

# Case Studies - Global (3 of 4)

## Several Retail Financial Institutions Compliance, Conduct and Customer Outcomes Projects (Australia)

### Background

The PwC Financial Services Risk and Regulation Practice supports a number of clients on engagements focused on customer fairness, risk, compliance and culture. Our work includes supporting financial institutions on creditor insurance reviews focused on customer fairness.

### Solution

- We have worked with several large FI's in relation to customer, conduct, risk and compliance and governance engagements, including working with Australia's largest retail bank.
- We have advised FI's on product risk assessments in relation to conduct and fair customer outcomes, including creditor insurance.
- We are also currently advising a number of financial institutions in relation to their customer remediation projects.

## Joint Project with Central Bank of Ireland (CBI) To Develop Their Consumer Protection Risk Assessment Model (Ireland)

### Background

We worked with the Central Bank of Ireland to develop the Consumer Protection Risk Assessment Model for the Consumer Protection Division, to assist them in their supervision of consumer risk management within regulated entities, including insurance companies.

### Solution

Development of an assessment tool for the Division, where the detailed framework and supporting manual included the following:

- Detailed Consumer Protection Risk Management Framework including test programs.
- Metrics to measure key performance and risk indicators.
- Key risk standards and benchmarks for assessment purposes by CBI
- Tools to assess culture surrounding consumer protection.
- Assessment & scoring methodology for individual regulated entities.
- Developed and implemented Consumer Protection Risk Assessment tool and supporting framework and manual.
- The CBI gained a greater understanding of the drivers of consumer risk throughout the entire relationship with a customer.

# Case Studies - Global (4 of 4)

## Insurance Company Governance, Risk Management and Capital Management Review (Ireland)

### Background

Following the identification of a range of issues related to processes supporting solvency and capital management requirements, we reviewed the adequacy of the operational risk, governance and risk management policies and procedures.

### Solution

- Detailed review of the relevant processes and controls to establish the adequacy of the design of their design and operation.
- Reviewed organisational and operational structures to assess alignment with regulators requirements and good practice. This included consideration of the appropriateness of the risk operating model, the governance of risk management components and activities and the adequacy of skills and resource of the functions.
- Provided targeted recommendations for the improvements in governance and risk management including an implementation plan.
- In a subsequent phase, we implemented the recommended changes in relation to governance, operational risk and risk management.
- Implementation of required changes to enhance compliance, governance and risk management, demonstrable to key stakeholders including the company's group, shareholders and regulators.

## Wells Fargo Review of Sales Practices Framework and related Operating Model (U.S.)

### Background

Following the identification of a number of systemic issues with its sales practices and interactions with customers, PwC reviewed the current state several sales practices risks.

### Solution

- Interviewed over 40 executive and branch team members.
- Identified risks against PwC's sales practices risk categories.
- Proposed changes to the current operating model across the three lines of defense (risk oversight, retail services, and branch responsibilities).
- Identified metrics, data sources, and systems that would need to be updated.
- Recommended enhancements to existing technologies and analytics methods.
- The client is forming a new central analytics team along with other changes to its operating model.

# Thank you



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