

CAFII RFP ON THE SPECIAL PROJECT ON CREDIT CARD BALANCE PROTECTION INSURANCE

RFP-RELATED QUESTIONS AND ANSWERS

In its RFP, CAFII noted the following:

*Clarification questions on this RFP can be sent directly to CAFII Co-Executive Director Keith Martin at keith.martin@cafii.com. All questions will be collected into one document and a consolidated document with all the answers will be sent to all organizations who indicate that they will be responding to this RFP. The identity of the organization posing a question will not be disclosed. The deadline for submitting clarification questions is **5:00 PM, Tuesday, 19 March, 2019**; and CAFII will distribute a consolidated response document by **Friday, 22 March, 2019**.*

Questions have now been received and the answers are contained below. However, there was a desire to clarify an element of the RFP. As such, we are also sharing with responding firms the following clarifying statement:

*In the RFP, we have asked for comparisons of the Canadian situation with other international jurisdictions, but we need to emphasize that this is only to inform our understanding of the risks (and opportunities) in the current Canadian regulatory and policy-making environment based on what has happened elsewhere. **We seek strategic options and recommendations based on the current and evolving Canadian regulatory and policy-making environment.** In particular, we seek to proactively respond to the current and potentially evolving view of Canadian domestic regulators (FCAC, CCIR, provincial regulators, and consumer advocacy groups), the current and evolving regulatory framework in Canada (Bill C-86, CCIR FTC Guidance, FSRA and its new powers, AMF's new regulations on alternate distribution, etc.) and how the regulators may apply the current and evolving regulatory framework for credit card balance protection insurance.*

Question 1:

Will (or can) business representation from the individual member companies be engaged throughout the process given that they've requested for industry and individual company strategic options (e.g., company specific product enhancements)?

Answer:

The scope of this project does not encompass individual company strategic options being implemented within individual companies. Individual companies may choose to engage the bidding firm, or another firm, to assist them in implementing strategic options at the company

level, but the individual company would need to fund that separately. Please see Page 10 of the RFP:

*Based on the research effort, we would expect the business consultancy firm **to develop possible enhancements on industry-level and individual company proprietary-level**. This output would allow CAFII and its Members to make decisions on enhancements that can be adopted at an industry-level or at an individual company proprietary-level.*

Industry-level CAFII funding will be for industry level implementations only; proprietary, individual company implementations, to the extent they require the involvement of a business consultancy firm, will be separately funded by the individual firms themselves with each individual firm ultimately responsible for its own proprietary level decision-making in relation to CCBPI.

The only individual company activity that is funded through CAFII through this RFP is a series of one-hour presentations within each individual member firm, to provide a summary of the results coming out of the project and the recommendations being offered, and to help in getting senior executive internal buy-in within our member institutions. Please see Page 12 of the RFP:

Proprietary Presentations

While CAFII will only be paying for industry level efforts, and individual Members will be paying individually for any work done in their own institutions at a proprietary level, there is one exception. As part of this RFP, CAFII is requesting that the business consultancy firm join the law firm for 12 one-hour, internal presentations within our Member institutions, to present the findings of this research effort and the strategy recommendations. The purpose of this is to have the external experts provide learnings to senior leaders within CAFII Member institutions, and to make the case for why the strategic enhancements should be implemented.

With respect to business representation from individual member companies, our members have considerable expertise in the product line this project is about, and can be subject matter experts. The Consultancy Firm would have access to our members to gain knowledge, share ideas, and get feedback on possible options.

Question 2:

Will CAFII members (specific individuals) be available to provide their individual company data and offer clarification (where necessary), to support the benchmarking exercise? Can data requests and interviews be done to support this benchmarking exercise, or is a survey expected?

Answer:

Yes, individual company data can and would be expected to be provided so long as any data collected is aggregated and anonymous in accordance with appropriate competition law protocols. Individual company data must be strictly protected and maintained confidentially.

Question 3:

What format is CAFII expecting the Fact Pack and Value Proposition deliverables – in PowerPoint or Word?

Answer:

We would like to use this for the education of regulators and policy-makers on how our members' products work. We defer to the bidding firms to advise us on the best format to achieve this objective.

Question 4:

How detailed is the Business Modeling deliverable expected to be? Are detailed financial considerations expected? How detailed do you expect the operational analysis to be at a minimum?

Regarding the business modelling, what level of detail would be required for the generic model? How much adjustment to each or categories of industry participants is expected?

Answer:

We would expect a detailed business model that includes financial modeling that would be capable of being used to determine levers that could shift the profitability of a product. So, by way of illustrative example, please see Page 10 of the RFP:

For illustrative purposes only, at an industry level, such a model could suggest that to increase the loss ratio of the product, the premium could decline, the claims payout rate could increase, the limitations and exceptions could be modified, etc.

We would not expect any customization of the generic business models for individual companies. If an individual company desires support of a business consultancy firm to review or implement the business model internally, that would need to be separately funded by that company and is not within the scope of this project.

Question 5:

Will the 12 one-hour sessions to present findings to Members be expected within the 8-week timeframe, or following the completion of the 8 weeks?

Answer:

The 12 one-hour sessions will occur following the completion of the project, so after the 8 weeks timeframe.

Question 6:

Will CAFII select a single consultancy for all scope items stipulated in the RFP?

Answer:

Yes, with the possible exception of the benchmarking component alone. We have isolated that component and asked Actuarial firms that specialize in benchmarking to bid on that component alone. The winning firm will either have a mandate to do everything requested in the RFP; or to do everything but for the benchmarking component. For this reason, in the RFP, bidding firms are asked to call out the cost of the benchmarking component alone.

Question 7:

With the selection decision announced 'post-April 4', is it still fair to assume that the engagement will start at some time in April?

Answer:

Yes, we are anxious to start this project and our objective is, depending on our response to the RFP submissions, to in principle engage a firm to proceed as soon as possible after 1 April, 2019.

Question 8:

What are CAFII criteria for success of this effort?

Answer:

Ultimately, success would be achieved if the project produced implementation of industry and company-level (proprietary) enhancements to the product that would shift the perception of this product among regulators, policy-makers, and consumer advocates, within a vigorously competitive environment. Individual companies will of course make their own independent decisions about what enhancements they would each implement, acting at all times in compliance with competition laws.

Question 9:

Who are the CAFII Associates mentioned in the RFP?

Answer:

CAFII has a level of membership called “Associates” that mostly offer networking opportunities at our receptions throughout the year. For \$4800 a year, Associates are invited to three networking receptions following our Board meetings, and one Annual Members Luncheon. Our current Associates are:

RSM Canada
Willis Towers Watson
KPMG MSLP
Munich Reinsurance Company Canada Branch (Life)
Optima Communications
RGA Life Reinsurance Company of Canada
DGA Careers Inc.
AXA Assistance Canada
Torys LLP

Question 10:

How do you intend to use the name of the consulting firm retained to support this effort?

Answer:

The report that is submitted will be submitted to Stikeman Elliott, which will then share it with us as legal advice. If we choose to share components of the output of the project, any findings, or any actions coming out of this project with regulators and policy-makers, or publicly, we would consider noting that our efforts were supported by the expert input of the winning business consultancy firm and law firm.

Question 11:

What level of engagement can we expect from stakeholders (CAFII staff, CAFII member staff, law firm)? Who will be the executive sponsor for this work?

Answer:

There will be significant engagement from stakeholders. CAFII staff (Keith Martin and Brendan Wycks) will be fully engaged, as will be the law firm. CAFII members are funding this project and are committed to it, and will be available as subject matter experts. Individual member engagement however must be coordinated through CAFII and the law firm, to ensure that a competition law lens is part of any discussions with individual members.

CAFI is the executive sponsor for this work, under the direction of the CAFI 13-member Board of Directors.

Question 12:

If we are not selected to do the benchmarking phase, will the outputs be provided to us as they could inform potential business strategy options.

Answer:

Yes, and the firm doing the benchmarking would be asked to provide that prior to the 8-week completion of the project, so that the data could be used in the development of business strategy options.
