

Agenda Item 4(b)(ii)
September 19/17 EOC Meeting
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**Analysis of Alberta Life Insurance Council's July 2017 Approved Definitions of Credit-Related Insurance
Distributed Under A Restricted Certificate of Authority;
Versus LIC's December 2016 Approved Definitions and
CLHIA's "Industry feedback on December 2016 Creditor's Group Insurance Definitions"**

(See Appendix A for July 2017 LIC-Approved Definitions of Creditors' disability insurance; Creditors' Critical Illness Insurance; Creditors' life insurance; and Creditors' loss of employment insurance)

Definition of Creditors' disability insurance: the July 2017 approved definition of this type of credit-related insurance is noticeably changed from the LIC's December 2016 approved definition. The newly approved definition appears to address CLHIA/CAFII's concerns re language that had the potential to confuse consumers, while also blending in nicely previous AIC language which was not of concern to the industry.

Definition of Creditors' critical illness insurance: CAFII and CLHIA were happy with the December 2016 approved definition of this type of credit-related insurance; and did not raise any concerns about it. The July 2017 approved definition has been altered very slightly from the December 2016 approved version. However, the change is of a housekeeping nature only and not material. The change is simply that the final sentence has been made a sentence unto itself, rather than being a final element of the previous sentence. CAFII should be happy with and reassured by the approved definition.

Definition of Creditors' life insurance: the July 2017 approved definition of this type of credit-related insurance is noticeably changed from the LIC's December 2016 approved definition. The newly approved definition appears to address CLHIA/CAFII's concerns re language that had the potential to confuse consumers, while also blending in nicely previous AIC language which was not of concern to the industry.

Definition of Creditors' loss of employment insurance: the July 2017 approved definition of this type of credit-related insurance is noticeably changed from the LIC's December 2016 approved definition. The newly approved definition appears to address CLHIA/CAFII's concerns re language that had the potential to confuse consumers, while also blending in nicely previous AIC language which was not of concern to the industry.



July 14, 2017

Mr. Brendan Wycks
Co-Executive Director
Canadian Association of Financial Institutions in Insurance
802-21 St. Clair Avenue East
Toronto, ON M4T 1L9

Dear Mr. Wycks:

I am writing to follow up on our previous discussions and communications regarding credit related insurance distributed under a restricted certificate of authority.

The Life Insurance Council (LIC) appreciates the assistance you have provided in reviewing proposed definitions and sharing your feedback and recommendations.

The LIC has approved the following definitions for publication on the Alberta Insurance Council website:

Creditors' disability insurance: This is group insurance under which an insurer undertakes to pay all or part of a loan if a debtor becomes disabled. The insurance proceeds are paid to the creditor to pay down or pay off the debt. The amount of the insurance usually corresponds to the amount of the payments that fall due during the period of disability;

Creditors' Critical Illness Insurance: This is a group insurance policy under which an insurer undertakes to pay off credit balances or debts of a person, in whole or in part, if the insured individual is diagnosed with a covered illness or medical condition. The insurance proceeds are paid to creditor to pay down or pay off the debt;

Creditors' life insurance: This is a group insurance policy under which an insurer undertakes to pay off, in whole or in part, credit balances or debts of a person. The insurance proceeds are paid to the creditor; and the amount of the insurance is the amount of the loan outstanding from time to time, subject to any limits in the policy; and

Creditors' loss of employment insurance: This is a group insurance policy under which an insurer undertakes to pay off, in whole or in part, credit balances or debts of a person if the insured individual becomes unemployed. The insurance proceeds are paid to the creditor to pay down or pay off the debt.

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Thank you again for your assistance throughout this process. Please let me know if you have any questions or concerns.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Joanne L. Abram', is written over the typed name and title.

Joanne L. Abram (Mrs.)
Chief Executive Officer
Alberta Insurance Council

JA/cm