

KEY MESSAGES FOR CAFII FOR USE WITH MEDIA & INSURANCE REGULATORS AND POLICY-MAKERS
WITH RESPECT TO
FINANCIAL CONSUMER AGENCY OF CANADA'S DOMESTIC BANK RETAIL SALES PRACTICES REVIEW
DRAFT 3 – MARCH 24/18

For reactive use with media:

1. We are pleased that the FCAC found no evidence of widespread mis-selling of products and services among Canada's six largest banks, and that it does not put forward any significant evidence, examples, or statistics to support a different conclusion.
2. Furthermore, we are pleased that the FCAC acknowledges that consumers carry out millions of transactions every day without incident, and that banks and their employees generally strive to comply with market conduct conditions.
3. While the report does say there is some risk that mis-selling could take place in certain circumstances, we are pleased that it also acknowledges that the industry has controls in place to monitor, identify and mitigate these risks. Furthermore, the report acknowledges that the industry is in the process of enhancing its oversight and management of sales practices to further mitigate this risk.

For use with insurance regulators and policy-makers:

4. We are not aware of any evidence, examples, or statistics to support a hypothesis that there is widespread mis-selling of creditor insurance by bank employees. In fact, even the recent FCAC report was careful to use the words "may" and "some" consistently, in describing those limited circumstances in which there might be a risk of mis-selling by employees.
5. While we acknowledge there is always room for improvement in the procedures and sales personnel training which CAFII members use with respect to offering insurance products to consumers, our own research indicates that Canadians believe creditor insurance is a convenient, accessible and affordable product. In addition, Canadians have a high level of customer satisfaction with creditor insurance according to several sources including the Ombudsman for Banking Services and Investments (OBSI), and the Ombudsman for Health and Life Insurance (OHLI). In fact, creditor insurance did not even make the OBSI list of the top five banking products and issues for 2017, and represented a very small proportion of complaints received by the OLHI in 2017.
6. There are a handful of criticisms about creditor insurance that are speculative in nature, lack any substantive proof, and are at odds with marketplace realities. For example:
 - It has been pointed out that banks are not required to ask consumers to reconfirm their consent for acquisition of creditor insurance coverage after the initial 30-day free look period. Making that a requirement would deviate from industry norms which apply to all types of insurance -- including individual term life, critical illness, and disability insurance -- and it would create an unlevel playing field for comparable products that compete with each other in a vibrant marketplace.

- Some people have suggested that because some bank employees have targets for the sale of creditor insurance products, they may push a specific product in order to avoid a reduction in their variable compensation. However, there is actually very little incentive for that to occur among CAFII member sales personnel because the vast majority of their compensation is salary-based and only a small portion is incentive-based.
- Some people believe that some front-line bank staff may not adequately understand creditor insurance, the exclusions to the coverage, or the claims adjudication process. However, in practical reality, any risk of mis-selling is minimal given the in-depth training that CAFII member banks provide to their creditor insurance sales personnel, and the follow-up testing of their knowledge that takes place on a regular basis.
- Some people believe that creditor insurance should be described within the industry as a “sold” product rather than a “bought” product, implying that this is different from comparable types of insurance. However, the reality is that nearly all types of life and health insurance, unlike mandatory insurance such as automobile insurance, are “sold” products. All types of life and health insurance coverage requires significant marketing and educational efforts with consumers, because most consumers are uninformed about how such optional insurance can protect them and their loved ones and provide peace of mind; and creditor insurance is no different in that regard.