

CONFIDENTIAL TO CAFII BOARD MEMBERS; NOT FOR WIDER DISTRIBUTION**Background**

Credit Card Balance Protection Insurance (CCBPI) has been identified by some regulators, including the FCAC, as a “problematic” product. There are signals that Canadian regulatory authorities may focus more attention on this product. We have also seen some media focus on this product, for example the 9 November, 2018 CBC Marketplace story on CCBPI.

It is important for the industry to be prepared for such developments, to be able to articulate and provide evidence of the value of this product, and potentially to develop enhancements to the product to strengthen the industry’s case that it is listening and responding to concerns from regulators and consumer groups. There would be value to presenting positive information about the product to the public and stakeholders.

CAFII is the industry Association most directly focused on CCBPI and it can play a leadership role in promoting the interests of the industry around this product.

International Issues

There have been significant criticisms of CCBPI in the UK, the US, and most recently in Australia, where there is a Royal Commission Report whose CCBPI findings are expected to be published in February 2019. There is a risk that some of these criticisms and reports could be picked up by Canadian regulators and have a negative spill-over affect. There is also an opportunity to learn from developments in these jurisdictions, including understanding where there are differences in the Canadian market from other markets; and where there are similarities that may expose the Canadian industry to challenges.

Possible Activities and Output

There have been discussions at the CAFII Board level about investing additional resources in a CCBPI project that would involve a series of activities to help both the Association and individual CAFII members get ahead of this issue and be well-prepared to make the case for CCBPI. Options for funding the activities include a special-purpose investments from CAFII members.

Because there are a series of separate but interconnected issues, this Board Briefing Document will attempt to identify the options; the implications of different approaches; and, where possible, the costs associated with different choices.

Engage a Competition Lawyer

Because part of the CCBPI discussions which CAFII members may engage in includes the value proposition to consumers of the product and potential enhancements to it, and because we must remain fully compliant with the Competition Act, we should retain the services of an expert competition lawyer who can advise us of the areas of permissible discussion and those which must be avoided. Initially, we could provide background on the types of activities we seek to engage in, to get general advice. However, if we ultimately decide to pursue discussions with each other in areas of potential sensitivity from a competition law perspective, it would be advisable that we do so with the involvement of a competition lawyer so as to ensure, and be able to document, that no inappropriate discussions inadvertently take place.

There are many ways we could engage a competition lawyer, and that is one of the decisions the CAFII Board will need to make. We could engage a lawyer on a retainer; or have the firm bill us for time; or scope out a project lasting a certain amount of time. When there is agreement on how best to engage a competition lawyer, it is suggested that CAFII Management ask for proposals from the three legal firms we have recently engaged on insurance law and regulatory matters—Fasken, Stikeman Elliott, and Torys.

Proposal: After the CAFII Board decides on the level of initial investment / engagement needed from a competition lawyer, CAFII Management will ask for proposals and costs from Fasken, Stikeman Elliott, and Torys.

Understand Similarities and Differences Between Canada and Other Markets; and Value Proposition of CAFII Members' CCBPI

Before developing a GR/PR campaign (if we ultimately decide to do so), there may be a benefit to a research program that develops our understanding of the marketplace in Canada and how it compares internationally. Among the questions that a research program might be able to address are:

- What features of CCBPI most concerned regulators in Australia, the UK, and the US?
- How are those features different, or similar, in the Canadian marketplace?
- What is the value proposition of the product in Canada?
- What are the major criticisms levied at the product in Canada by regulators, media, and consumer groups?
- How does the product differ among different CAFII members? This could be a table showing, based on public information, how each product differs in terms of price, exclusions, limitations, eligibility, claims approach (what is paid out if a claim is made) etc.
- What features (such as the regulatory environment, controls, compliance, training, adherence to Fair Treatment of Customers) of the Canadian marketplace are different from the environment in other jurisdictions?
- What is the loss ratio in other jurisdictions? What indications are there in Australia, the UK, and the US of what regulators and consumer groups consider a minimum acceptable loss ratio?

There are also many different ways this research could be conducted. A legal firm could produce this research, as could a consultancy firm.

The intention is to consider a GR/PR campaign when we have reviewed the research and have the information necessary to turn it into outputs, such that a GR/PR firm could use the research for that purpose; but such a firm could also be a candidate for an end-to-end engagement, starting with conducting the research.

Examples of potential firms that could be engaged in this effort are listed below in Table One.

Table One
Potential Firms that could Produce CAFII CCBPI Research

<u>Legal Firms</u>	<u>PR/GR Firms</u>	<u>Consultancy / Accounting Firms</u>
Torys	Hill + Knowlton Strategies Canada	KPMG
Fasken	Fleishman Hilliard Public Relations	McKinsey & Company
Stikeman Elliott	Ipsos	E&Y
		PWC
		Deloitte Consulting
		Boston Consulting Group
		Bain

Board Decision: Which type of firm does the Board wish to engage for the research project?

Proposal: After a decision is made on which type of firm should be engaged, CAFII Management will produce a Request for Information (RFI) about the scope of the project and broad project cost ranges, and timelines.

Invite Expert Speaker From Australia to Share Learnings

Helen Troup, General Manager of Comminsure at Commonwealth Bank of Australia, provided 5 hours of testimony to the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* in September 2018. CAFII Board Member Zack Fuerstenberg has had a lengthy conversation with her, and Zack feels Ms. Troup could provide excellent insights and learnings to CAFII members. Ms. Troup has offered to travel to Toronto to speak to CAFII members sometime in January 2019.

Proposal: Arrange and pay for Helen Troup, General Manager of Comminsure at Commonwealth Bank of Australia, to travel to Toronto to speak to and share CCBPI insights with CAFII members in January 2019.
Cost: \$15K. **Source of funding:** CAFII budget.

Possible Reforms and Enhancements to the CCBPI Product

One area for potential exploration is what CCBPI reforms would be most impactful and would allow us to strengthen our message by demonstrating that the industry has enhanced the value proposition even more. (This would need to be reviewed in conjunction with a competition lawyer; some items identified might be for proprietary consideration alone, others like an industry training program or industry guidelines, might be enacted at a CAFII level.)

GR/PR Campaign

When CAFII members have the information about what are the risks and opportunities around CCBPI in Canada, a GR/PR firm could be engaged on how to use the research to develop a series of outputs which could include the following:

- What can we point to in the Canadian experience that demonstrates the positives today of the CCBPI product, especially in relation to other jurisdictions?
- Development of key messages.
- Development of a government relations / public relations campaign (materials, speeches, key decisionmaker meetings, possible advertising and media campaign etc.)

- Development of messages based on any reforms or enhancements to the CCBPI product.

While a GR/PR program might be the ultimate output after a series of intermediary activities such as a research program, there could be a proposal to a limited number of GR/PR firms to address our Board members on how such a campaign might work, where it has worked elsewhere, how it would be structured etc.

Proposal: Board agreement for CAFII Management to put together a proposal which would be sent to GR/PR firms asking them to address our Board on how they would structure a CCBPI GR/PR campaign.

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Materials for Consultation

Matt Comyn— CEO of Commonwealth Bank (Helen Troup’s boss)— Testimony to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – September 2018 **
Relevant section is from 3H55M to 5H25M

<https://www.youtube.com/watch?v=67defRV4wdY&t=6766s>

Links to the exhibits that are cited in the testimony given by Matt Comyn (over 2 days). This includes emails on related issues written by Matt Comyn, and internal bank documents, all of which have been obtained by the Royal Commission and posted for public review.

Day 60 – Nov 19, 2018 - <https://financialservices.royalcommission.gov.au/public-hearings/Pages/hearings/2018/Public-hearing-19-November-2018.aspx>

Day 61 – Nov 20, 2018 - <https://financialservices.royalcommission.gov.au/public-hearings/Pages/hearings/2018/public-hearing-20-november-2018.aspx>

Helen Troup – Colonial Mutual Life Assurance – Testimony to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – September 2018
<https://www.youtube.com/watch?v=HyY-vf62474>

Australian Securities and Investments Commission October 2011 Report 256 *Consumer credit insurance: A review of sales practices by authorised deposit-taking institutions:*
[file:///C:/Users/Keith/Desktop/CAFII/Research%20&%20Thought%20Leadership/Research%20Papers/re p256-issued-19-October-2011.pdf](file:///C:/Users/Keith/Desktop/CAFII/Research%20&%20Thought%20Leadership/Research%20Papers/re%20p256-issued-19-October-2011.pdf)