

**Proposal to CAFII Board of Directors on
Credit Protection Insurance Benchmarking Report; and
Related Request For Proposal To Actuarial Firms
10 July 2019**

Background

For a number of years, the Canadian Bankers Association (CBA) has been producing a quarterly benchmarking report on credit protection insurance. The report has been focused on penetration rates for new business and for the existing portfolio, as well as penetration rates by channel. In the past, this quarterly report also captured premium levels, but that part of the analysis was recently discontinued.

On 19 May 2019, the CBA communicated to the eight member bank participants that it would discontinue producing the report altogether after the release of one final quarterly report.

At the 4 June, 2019 CAFII Board meeting, the Board asked the Association's Co-Executive Directors to explore the possibility of taking over the CBA quarterly report. Brendan Wycks and Keith Martin met with the CBA's Aaron Meyers and Alex Ciaparra on 20 June, 2019 to discuss the logistics of a transfer.

Issues

One of the issues to be considered is what is the desired/optimal scope of a periodic/ongoing credit protection insurance benchmarking report under CAFII's own auspices and control. Because the cost of having a third-party actuarial firm conduct the quarterly report will be part of the consideration as to whether CAFII should simply replicate the current CBA report, or instead take advantage of CAFII's assuming control to expand it, the recommendation is that the actuarial firms bidding on the RFP provide costing for three scenarios:

Scenario 1: Replicate the CBA quarterly as it currently exists.

Scenario 2: Add some / all of the additional benchmarking information that was being considered as part of the Credit Card Balance Protection Insurance Special Project.

Scenario 3: Add additional information based on the recommendations in the RFP response from the bidding firms.

Both actuarial firms that we will issue the RFP to (Towers Watson and RSM Canada, both of whom are CAFII Associates), will be asked to cost Scenario 1 as a requirement, and to cost Scenario 2 and Scenario 3 as add-ons.

CAFII management is aware that there was some sensitivity to the information that was initially proposed to be collected in the benchmarking component of the CCBPI Special Project. However, this quarterly credit protection insurance benchmarking report is being considered in a different context, and with more than just CCBPI information being collected. As such, the original data that was considered in the CCBPI Special Project benchmarking component has been included for possible inclusion in this RFP, recognizing that the decision may be to not include some or all of the additional data proposed for collection.

Next Steps

CAFII Board members will be asked to indicate whether they support the approach being proposed. If yes, CAFII Board members will be asked to comment on the RFP.

After comments are received, an NDA will be sent to RSM Canada and to Towers Watson; after receiving a signed copy back, the RFP will be sent to those two firms. A date and time will be set up for presentations to CAFII Board members or surrogates, following which there can be a discussion and decision.

If Board members indicate that they have concerns with the proposed approach or feel that more discussion is needed, an alternative approach is to set up a Special Purpose teleconference call with Board members. That will be determined based on the responses received from Board members.