

2023 DWR MARKET PROFILE FOR CAFII

Prepared by the Alternative Insurance Distribution
Practices Direction

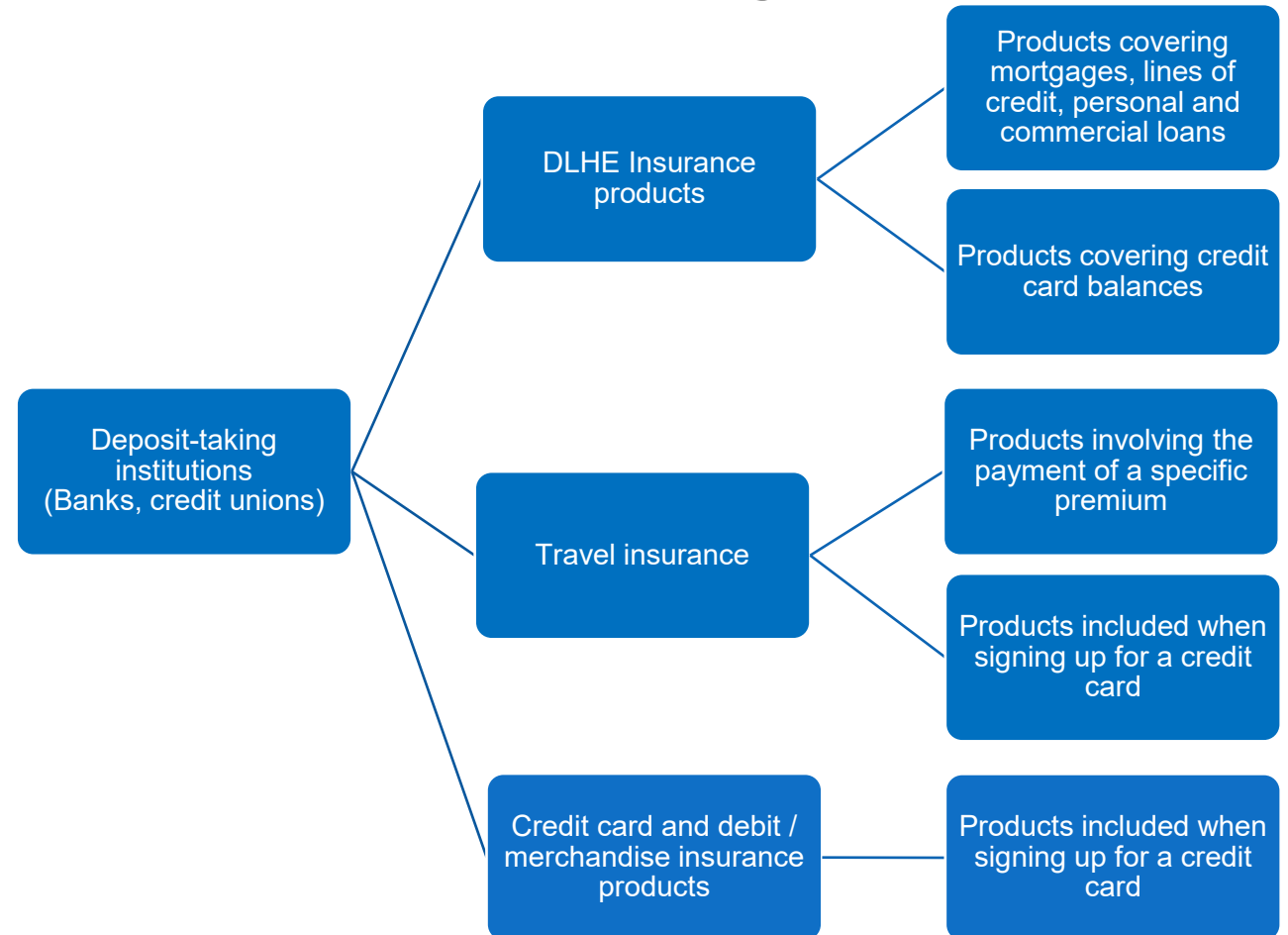
Octobre 2024

Distribution without representative – an exceptional regime

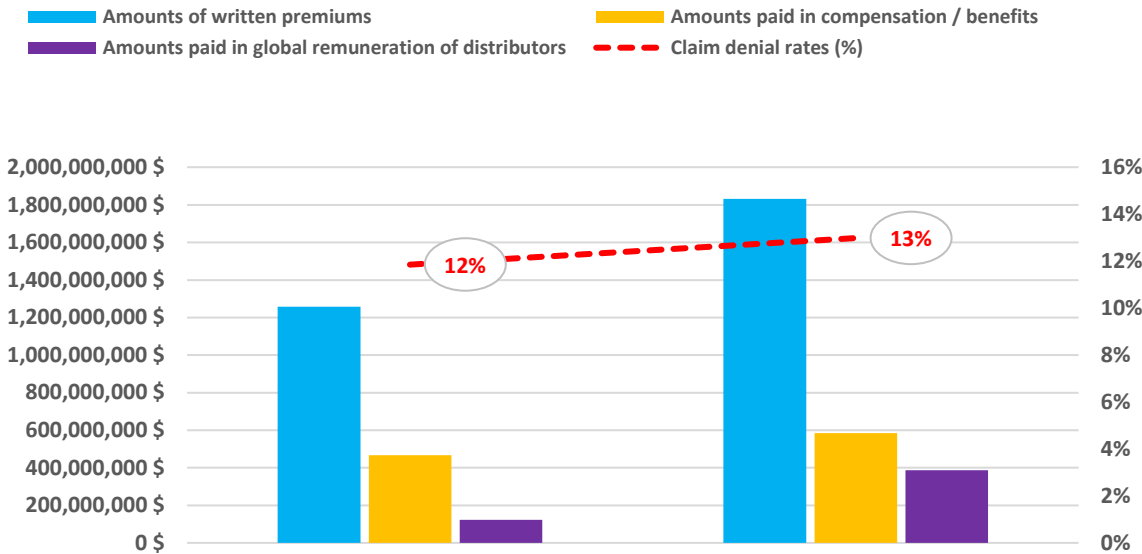
The [*Act respecting the distribution of financial products and services*](#) (The Act) allows certain insurance products to be offered by distributors rather than certified representatives.

Among the products offered by deposit-taking institutions (banks, credit unions), we find the following:

- Insurance on a debtor's life, health and loss of employment to cover either a home loan or a credit card balance;
- A travel insurance policy requiring payment of a premium and offered by deposit-taking institution;
- A travel insurance included when enrolling to a credit card;
- An insurance coverage for purchased goods or an extended warranty included when enrolling to a credit card.

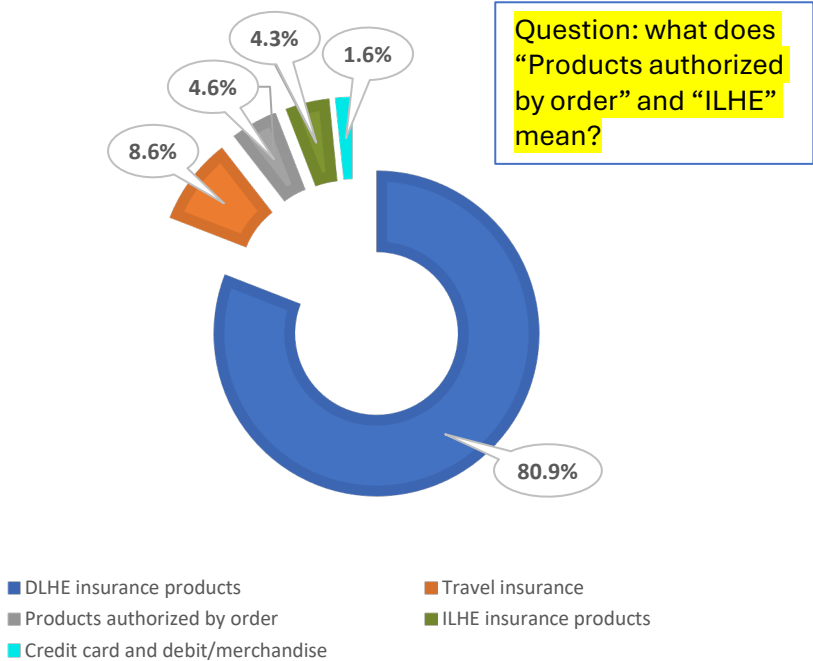


Volumetry for all DWR products in 2023



	CAFII members	Overall market
Number of active insurers	15	42
Number of products offered	467	767
Number of claims processed	122 688	170 445
Global remuneration rate of distributors (including administrators)%	10 %	21 %

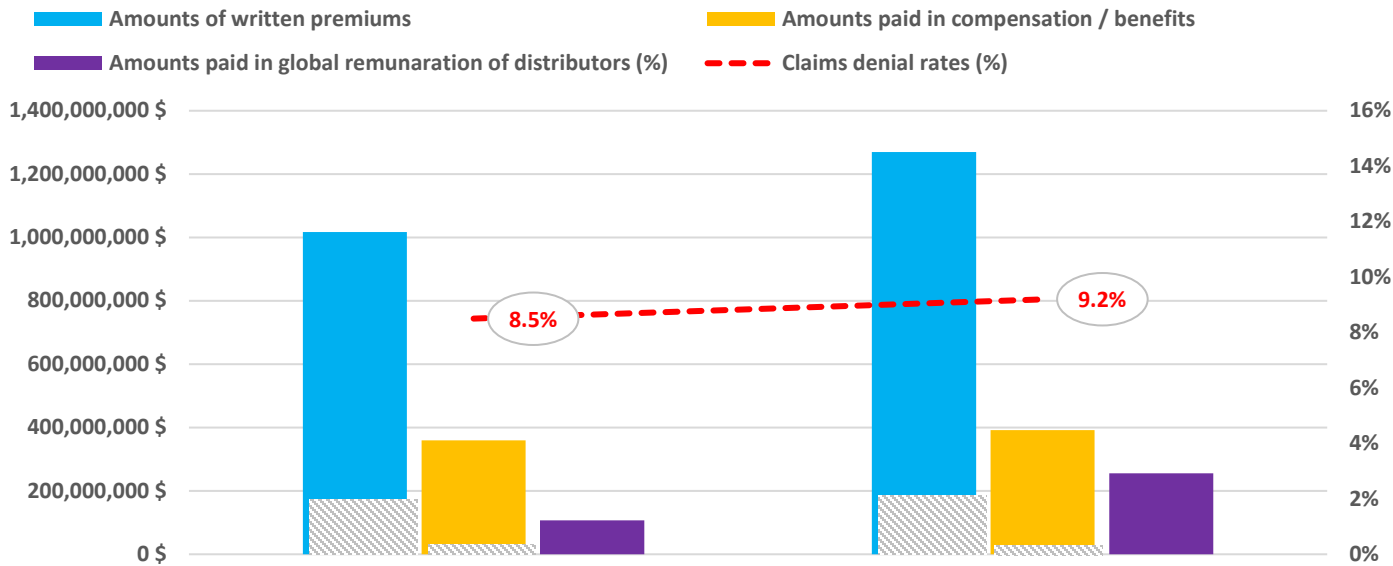
CAFII member generate 69% of DWR written premium volume, according to this breakdown by product type:



Question: what is global remuneration rate? Do they mean average remuneration rate?

Keith Martin (KM) Answer: As I understood it, this is the total amount (not average) of money paid in remuneration to distributors.

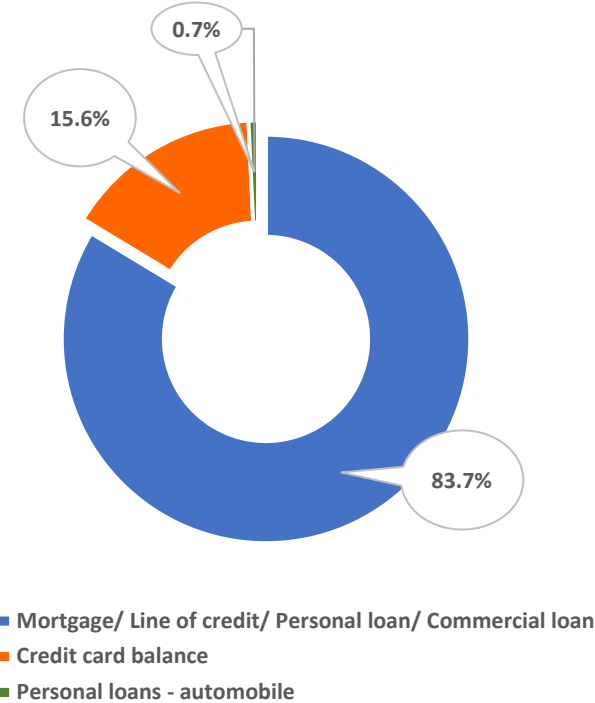
Overall DLHE insurance products offered in 2023



	CAIFII members	Overall DLHE market
Number of active insurers	10	19
Number of products offered during the year	109	163
Number of claims processed	48 631	56 463
Approximate average indemnities paid	8 084 \$	7 650 \$
Global remuneration rate of distributors (including administrators)	10%	20 %

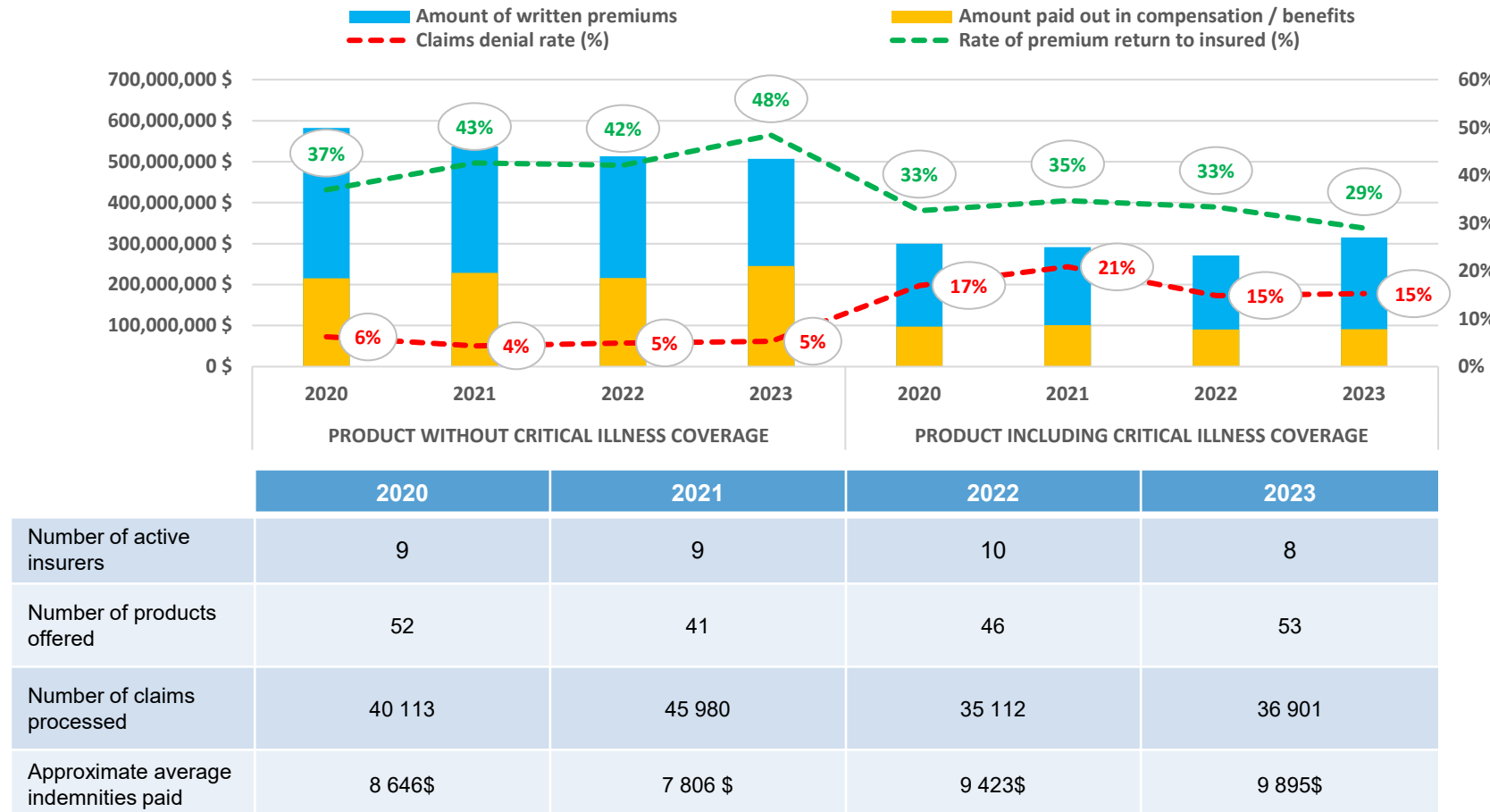
 The hatched areas represent the volume related to DLHE products covering credit card balances.

Breakdown of product types offered by CAIFII members (%)¹



1. The chart above shows the breakdown by sub-category of the 80.9% DLHE written premium volume held by CAIFII member insurers..

Results and added value for “Mortgage/Mortgage Line of Credit/Personal Loan/Commercial Loan” products - CAFII members



Question: do you know if the products listed here are just products sold via deposit taking institutions or if they include products sold via auto dealers as well?

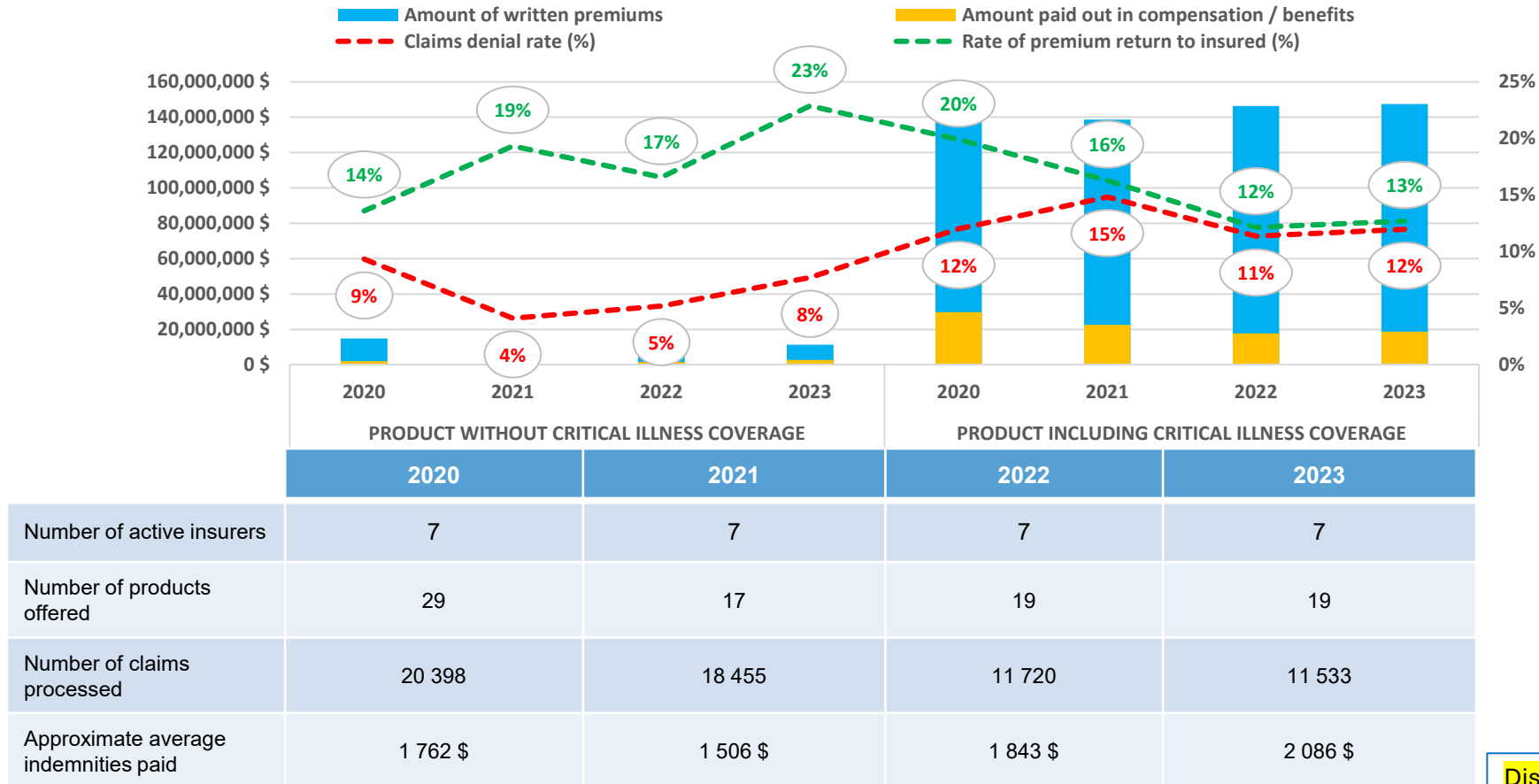
KM Answer: My impression was that these are products offered by CAFII distributors so no auto insurance. But you might need to confirm with someone on Mario's team.

Discussion: how are members planning on dealing with this slide?

The majority of products in this sub-category are offered as pre-selected protection combinations

*The chart above excludes all products offered through vehicle dealers and shows only products subject to an annual premium.

Results and added value for “Credit card balance” products - CAFII members

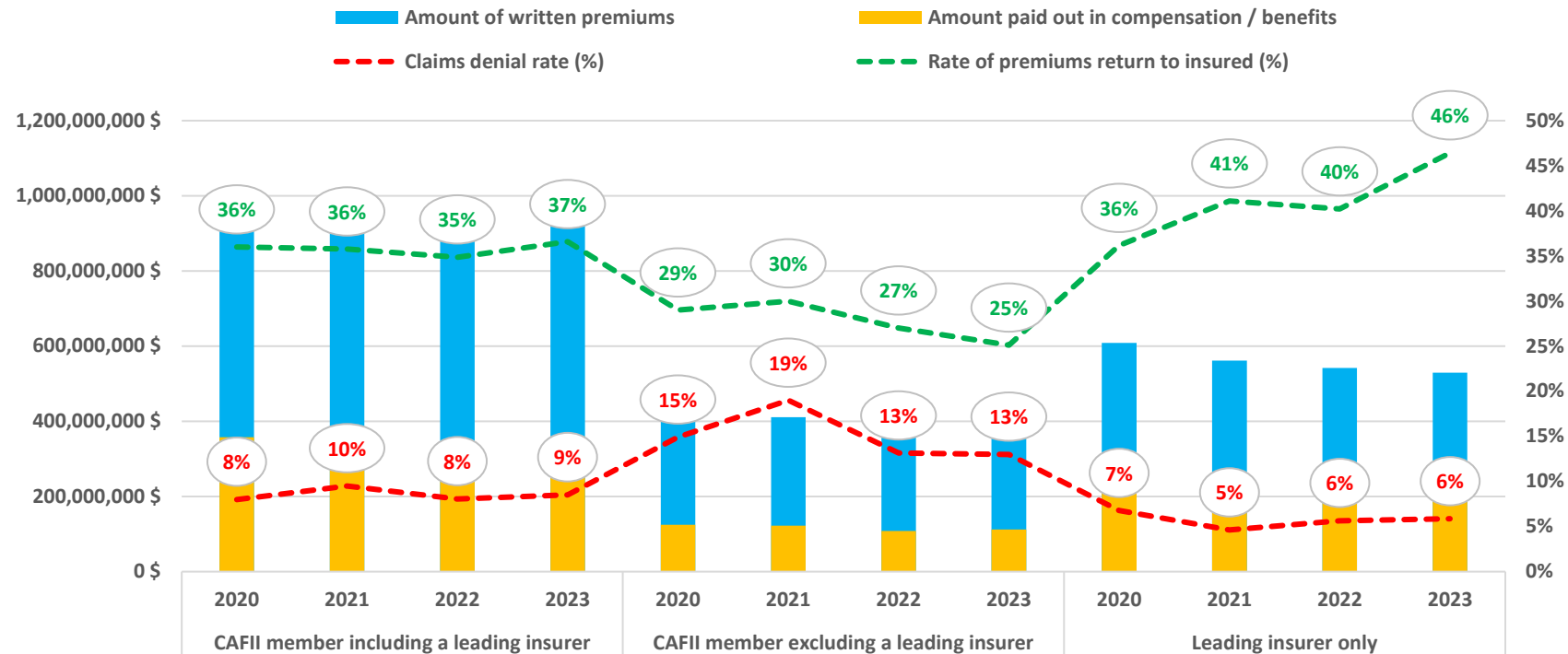


The majority of products in this sub-category are offered as an indissociable package of protection.

Discussion: how are members planning on dealing with this slide?

*The chart above excludes all products offered through vehicle dealers and shows only products subject to an annual premium.

Results and added value for CAFII members including or excluding a leading insurer*



Question: I don't understand this slide. By any chance are you able to explain what the AMF was trying to explain here?

KM Answer: Mario said that one CAFII member has a much better claims denial rate (lower) and return of premium to customers (higher) than other members.

So including that member in the overall numbers skews the results. So Mario has also run the numbers with that "leading insurer" excluded, to get more accurate results of the industry overall.

Note the footnote—excludes auto dealers.

*The chart above excludes all products offered through vehicle dealers and shows only products subject to an annual premium.

Complaints and reports

Since 2020, among the complaints and reports received at the Authority and related to DLHE products offered through DWR, by deposit-taking institutions, the 3 main reasons for complaints are as follows:

- Non-disclosure of the nature or scope of cover, eligibility criteria, insurability or exclusions;
- Refusal or limitation of indemnity (including pre-existing clause and misrepresentation);
- Insurance imposed without the consumer's knowledge.

Next steps for DLHE product monitoring

CAFI member will soon be receiving correspondence regarding the following items:

- **Added value for DLHE products:**

Given the vast range of products offered, and the uneven eligibility and scope of coverage, insurers will shortly be receiving a communication concerning the notion of added value products. As this notion is at the heart of the Authority's concerns, insurers will be asked to give special attention to the rate of return of premium to insured.

- **End of age-related protection on credit card balances:**

Since certain protections included in products covering credit card balances end when a certain age is reached, insurers will have to provide information to their insured to inform them when coverages ends.

- **High claim denial rates and implementation of an indicator to monitor denial rates:**

For CAFI member, we found that 50% were using a denial rate indicator. The Authority will ask all concerned insurers to implement a monitoring indicator in this matter.

- **Products offering protection to non-debtor insured:**

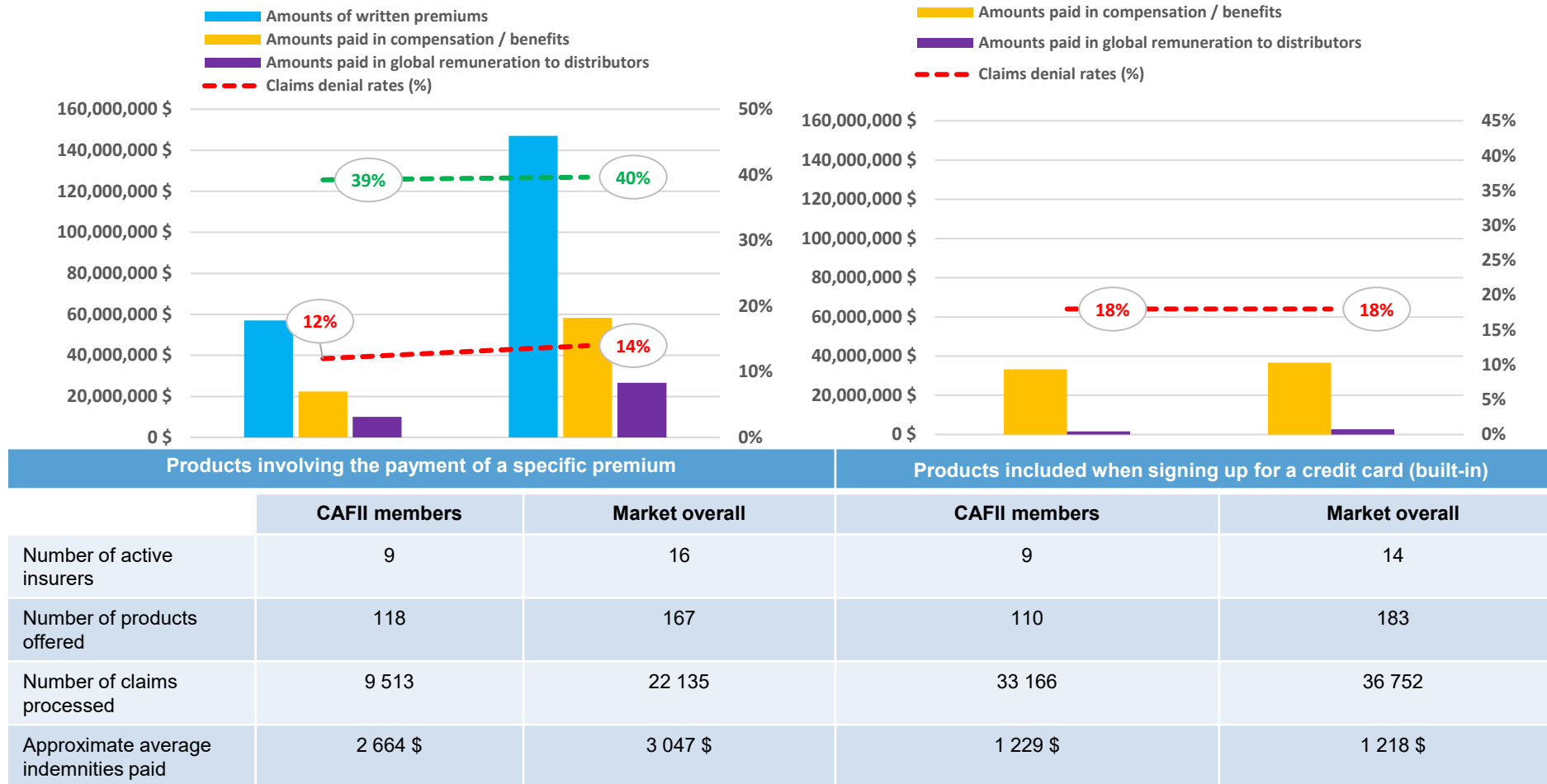
For products covering mortgages/mortgage lines/line of credit/personal loans/commercial loans, coverage will terminate through attrition.

For products covering credit card balances, a 3-year extension will be granted in order to terminate these products.

All concerned insurers will be invited to provide an action plan on this subject and to discuss it with the Authority. They must, however, commit to meeting the deadline.

Have members received correspondence from the AMF on these matters? Discussion item: what is in the letter, how are you planning on responding?

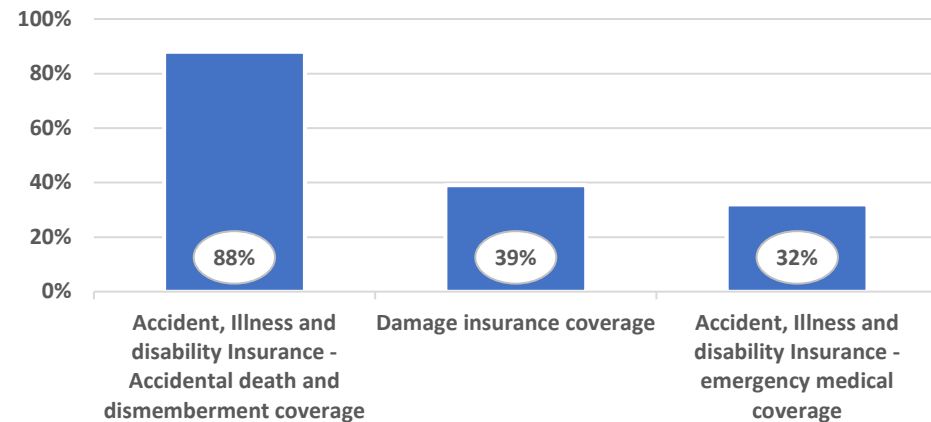
Travel insurance products offered in 2023



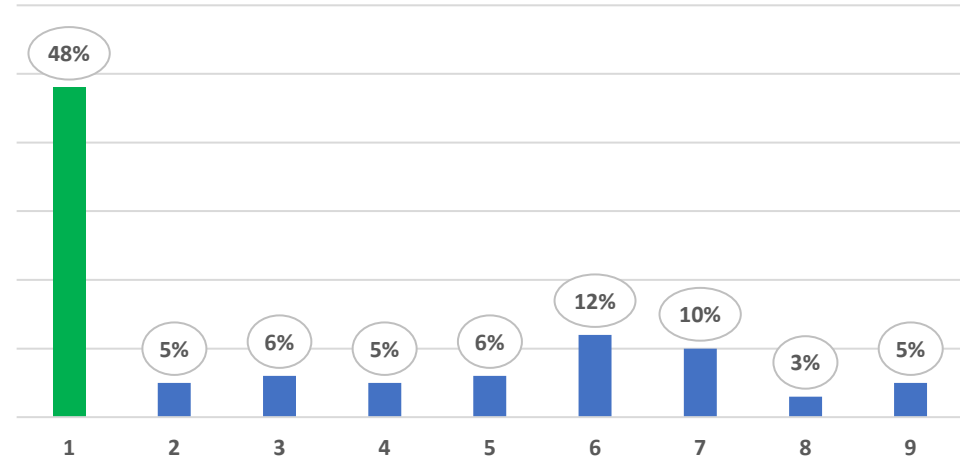
Since no specific premium is charged for products included when signing up for a credit card (Built-in), we are unable to provide a volumetry for this data, or for the % of premium returned to insured.

Products included when signing up for a credit card offered in 2022

Proportion of travel insurance coverage on credit cards



Number of protection by credit card



Facts about products included when signing up for a credit card (overall market):

- The products offered provide between 1 and 9 coverages; however, 48% of the products offered provide only one coverage, i.e. accidental death and dismemberment;
- Only 32% of products offered include emergency insurance coverage.