



Agenda Item 5(a)

November 26, 2013 EOC Meeting

MEMORANDUM

Date: November 25, 2013

From: DMC Committee On Customer Value Proposition of Creditor's Group Insurance Comparative Project

To: Executive Operations Committee

Subject: Recommendation on Customer Value Proposition of Creditor's Group Insurance Comparative Project

Recommendation

That the EOC approve the Committee's recommendation that it be recommended to the Board of Directors that CAFII accept Collins Barrow's proposal to carry out this project for the Association at a cost of up to \$30,000; and that CAFII keep Avalon Actuarial "in reserve," as a fallback/contingency firm for this project, until after kick-off meeting with Collins Barrow.

Background and Rationale for Recommendation

- We went out to four actuarial firms regarding their interest in the project and for comparison quotes (Eckler, Towers Watson, PwC and Collins Barrow)
- Eckler declined due to conflict of interest
- We provided the three other firms with a briefing document and held follow-up calls with each to provide uniform information
- Towers Watson, PwC and Collins Barrow made proposals
- We held follow-up calls with all three to clarify questions that we had
- We went back to Avalon Actuarial to ask them to sharpen their pencil and provide a status update on access to individual insurance comparative data

Summary of Proposals

PwC

- Proposal is pro-forma/formulaic in nature
- Expressed reservations about *quid pro quo* – proposal included a go/no go decision at an early stage re PwC's ability to access individual insurance comparative data
- Did not take extra step to evaluate if they could get the data in advance
- Did not exude confidence (more high level)
- Price \$70k

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Towers Watson

- Prepared to do industry survey on individual side – expected to be carried out on a *quid pro quo* basis – confident in their approach
- Higher price based on learning curve for creditor insurance – perhaps also more extensive analysis overall that we really don't need, thereby driving the price up
- We were confident they could do a good job, would be thoughtful and incisive but price too high
- \$85k - \$120k

Collins Barrow

- Extensive knowledge, experience and data on-hand about both creditor and individual insurance (life, disability, critical illness)
- Confident about availability of data from internal sources
- Probed them on their low price; and their feeling was that because they have the knowledge, expertise and internal data, they can carry out the project very efficiently and the price therefore fits
- But also got the impression they would think out of the box (this was integrated into their proposal and our discussion)
- Full confidence in their flat/capped pricing
- Would be willing to present to a regulator audience as well
- Get a sense of breadth of knowledge and expertise
- \$25k
- Although Collins Barrow confirmed this price, it may be that the qualitative aspect of the work is underpriced. Therefore, if they requested an additional \$5k when completing the project, we would think it fair (very quick process, we realize we were getting ballpark figures)

Avalon

- Initially slow to take project seriously (sense of entitlement)
- Were surprised we went out to market and want to address all issues to keep the business
- Still uncertainty about accessing individual comparative data (e.g. recently suggested that a CAFII member could make the Munich Re study available if they have it)
- Expecting to receive a revised proposal from Avalon by 12 Noon on Monday, November 25 (not received by 3:00 p.m.) – will follow up when received