

## Recommendation to CAFII Board of Directors

**Date:** February 14, 2014  
**To:** CAFII Board of Directors  
**From:** EOC  
**Subject:** Customer Value Proposition of Creditor's Group Insurance for Mortgages Initiative

### **Supplier Recommendation**

Towers Watson

### **Rationale for Recommending Towers Watson**

1. Towers Watson provides the best value for money among the companies that quoted:
  - a. Their proposal is a fixed fee of \$50,000 (inclusive of tax). Out of pocket expenses are additional but expect to be minimal if any. This capped amount was negotiated after several conversations and reflects a discount from their regular pricing.
  - b. Initially the Towers Watson quote was the highest because they had built in \$40k - \$60k for in-depth financial analysis of all of the creditor insurance programs; This analysis was not requested and has since been removed from the quote.
  - c. They are the only bidder whose proposal is to source data from a survey of individual insurers. Their proposal to which we have agreed includes a quid pro quo to provide the individual insurers with the aggregate individual insurance survey results. Towers agreed with our preference that disclosure of purpose of survey and who had commissioned is not required.
  - d. If Towers Watson is successful at obtaining insurer agreement to provide individual insurance data, there will be more depth to the information as well as long term potential to repeat the survey.
  - e. Should Towers Watson not be able source all of the insurance application and claims approval data, there will be no alteration in the cost, as they will try to obtain the required data from internal and public sources.
2. The sub-committee has the most comfort with Towers Watson because they have been the most inquisitive and thoughtful about CAFII needs and completely transparent throughout our discussions.

### **Other Candidates**

1. Initially we recommended Collins Barrow but on further examination it became clear that Collins Barrow does not have access to the individual insurance application and claims data more than any other candidate and had not given much thought to obtaining the data.
2. We are not recommending Avalon because there is no certainty that they will be able to source the individual insurance applications and claims data and obtain permission for its use and publication.

## Recommendation to CAFII Board of Directors

### **Other Considerations**

1. Knowing that Avalon will be disappointed in our decision -- possibly assuming that this was a continuity project for their firm -- we need to manage communication of our decision to Avalon thoughtfully.
2. We are not constrained legally in sharing documentation from previous iterations of this study with a new supplier as we have satisfied ourselves that Avalon does not hold intellectual property rights.

Recommendation to CAFII Board of Directors

**Background**

Measure	Avalon	Towers Watson	PWC	Collins Barrow
Quote (excludes GST)	\$40k	\$45k	\$70	\$25
Quote capped unless scope changes	yes	yes	yes	yes
Knowledge and experience	yes	yes	yes	yes
Sub-committee overall comfort rank	#2	#1	#4	#3
Proposal to obtain individual insurance application and claims data	Ask for Munich Re for approval to publish from Munich Re 2012 survey data	Survey individual insurers; leverage existing insurer relationships	Directly from insurers by leveraging internal and CAFII contacts	Directly from insurers by leveraging internal and CAFII contacts
Recommend Quid Pro Quo with insurers	na	yes	yes	na
Sub-committee confidence that individual insurance application and claims data can be obtained	25%	65%	10%	10%
Depth of individual insurance application and claims data if obtained	1 variable	1-6 variables	Unknown	Did not guarantee any level of granularity
Proposal includes one presentation to CAFII members and non-members as deemed appropriate by CAFII	yes	yes	yes	yes