

October 31, 2016

Ms. Joanne Abram
Chief Executive Officer
Alberta Insurance Council
10104 – 103 Avenue
Suite 600, Bell Tower
Edmonton, Alberta T5J 0H8

Re: Proposed Definition of *Creditor Group Critical Illness Insurance* For Restricted Licensing

Dear Ms. Abram:

Thank you for your letter to CAFII of October 11, 2016 which communicated the Life Insurance Council's recent decision to specify, subject to its acceptance of an appropriate definition, that creditor group critical illness insurance coverage can be sold in Alberta under a Restricted Certificate of Authority for *Credit-Related Insurance*, in addition to creditor group life insurance, disability insurance, and loss of employment insurance.

CAFII commends the LIC for reaching that prudent decision. It supports consumer choice through competitive product availability and ensures that CAFII members will continue to be in a position to offer creditors' group insurance to Albertans.

It is our understanding that the LIC's intent now is to issue a definition as written guidance which will clarify the products that constitute *Credit-Related Insurance*, as authorized to be sold under a Restricted Certificate of Authority. In response to the related request made in your letter, our proposed definition of creditor group critical illness insurance to be adopted for restricted licensing is as follows:

Creditor's Critical Illness Insurance means a group insurance policy that will pay off all or part of the credit balance or debt of an insured person in the event that the insured person is diagnosed with a covered illness or medical condition.

We strongly recommend that the definition to be adopted should be at a general, high level, so as to support industry innovation and new offerings and enhancements for consumers without requiring the Council to have to update its regulatory guidance at frequent intervals.

CAFII also recommends that in addition to issuing a definition of creditor group critical illness insurance as written guidance, the LIC may want to consider providing further clarity around the products that constitute *Credit-Related Insurance* by making a revision to the October 2012 Order of The Life Insurance Council and the General Insurance Council (the "Order") which specifies the classes or types of insurance for the purposes of Section 454 of the Act.

We therefore refer you to our previous correspondence of July 22, 2016 and, in particular, Appendix "A" to that letter which provides a mark-up of how the Council could achieve additional clarity within an amended Order.

With two in five Canadians expected to develop cancer during their lifetimes and 63% expected to survive five or more years¹, and with more than 350,000 Canadians hospitalized each year for heart disease or stroke and an estimated 1.6 million people currently living with the effects of those conditions², it is vitally important that Albertans who seek and value coverage for these conditions continue to have access to a full range of Critical Illness benefits. The benefits offered by CAFII members provide choice and accessibility to Albertans – who otherwise may lack this important protection – and are designed to be simple, affordable and convenient, providing an alternative to the more complex types of Critical Illness Insurance offered in the marketplace.

The typical critical illness insurance product within creditor's group insurance covers a limited number of illnesses, with the three most common being cancer, heart attack, and stroke. In contrast, the majority of individual critical illness insurance products cover more than 20 illnesses. Yet, according to Munich Re data quoted in a recent Towers Watson report, cancer, heart attack, and stroke account for 86% of all critical illness insurance claims paid in Canada³. These factors make creditor critical illness insurance a more easily understood product that provides the breadth of coverage required by most Canadians.

Thank you again for giving CAFII the opportunity to propose a definition of creditor group critical illness insurance to be adopted for restricted licensing, and to share related feedback. Should you require further information or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Eleanore Fang,
Board Secretary and Chair, Executive Operations Committee
Canadian Association of Financial Institutions in Insurance

¹ Canadian Cancer Statistics 2015: Canadian Cancer Society

² Heart and Stroke Foundation of Canada

³ Towers Watson September 2015 Report: *Comparison of the Customer Value Proposition of Creditor's Group Insurance on Mortgages with Individual Insurance* (using 2013 data)