

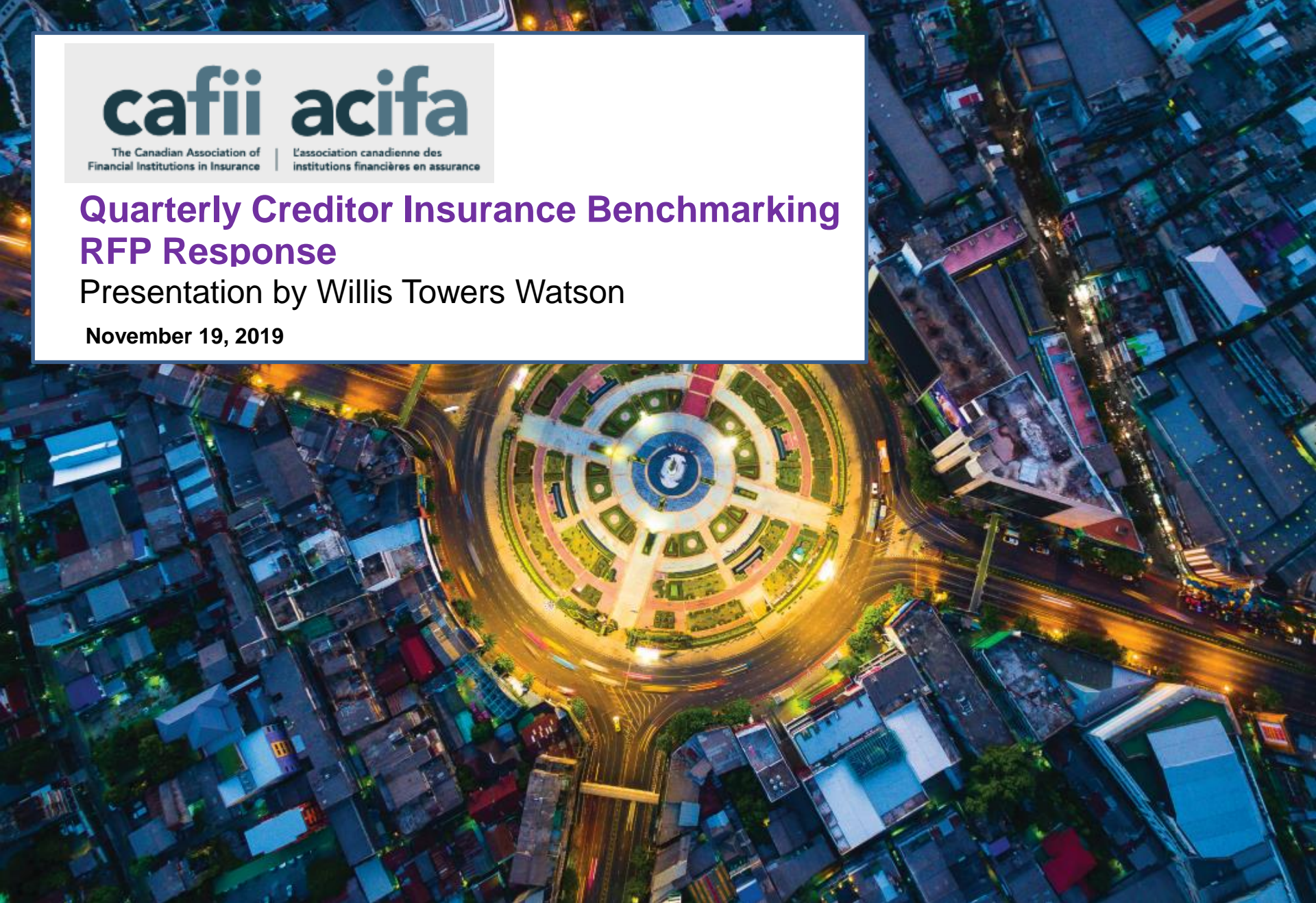


The Canadian Association of
Financial Institutions in Insurance | L'association canadienne des
institutions financières en assurance

Quarterly Creditor Insurance Benchmarking RFP Response

Presentation by Willis Towers Watson

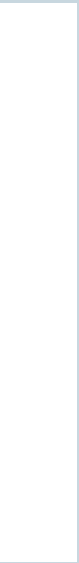
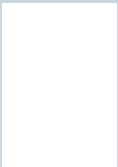
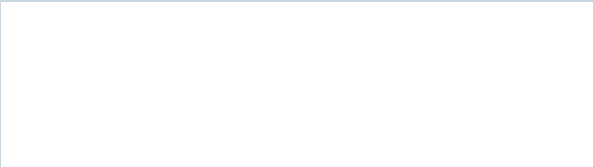
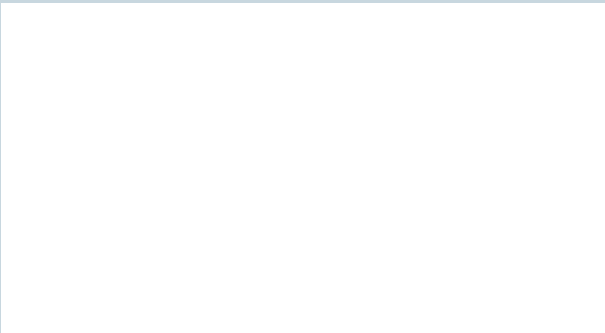
November 19, 2019



Agenda

- Introduce Key Support Team Members
- Capabilities and Qualifications of Willis Towers Watson (WTW)
 - Why Choose WTW?
 - WTW Affinity Experience
 - Experience with Creditor Insurance
 - Experience in Managing Surveys and Benchmarking Studies
- Proposed Approach / Methodology
- Scenario Considerations
- Anticipated Timelines and Fees
- Questions from CAFII and Review Next Steps

Key Support Team Members



Key Support Team Members



Mike Arlitt (Assistant Vice President, Toronto) – Project Manager

- 19 years as an actuarial consultant, primarily to affinity insurance providers
- Creditor Insurance Experience: RFP development / management, strategy development, actuarial valuations
- Coordination and generation of all CAFII requirements and work deliverables
- Regular status updates to CAFII at regular frequencies (as desired)



Christine Panet-Raymond (EVP, Canada Affinity Leader, Montreal) – Executive Sponsor

- 25 years of experience, and leader of Affinity team
- Creditor Insurance Experience: RFP development / management, strategy development, survey leadership
- Provision of key input into survey construction and process
- Final deliverable management and execution support

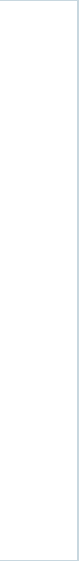
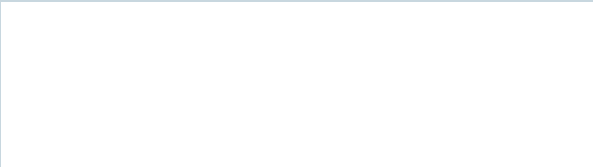
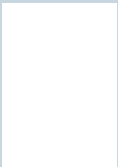
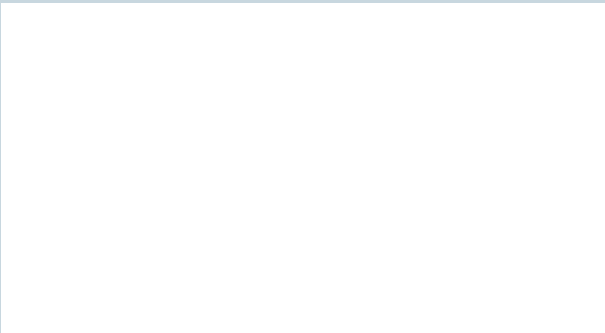


Pascal Bino (Senior Consultant, Montreal) – Survey Management

- 20+ years of experience, and leader of survey and research team
- Creditor Insurance Experience: Market survey management for creditor insurance, CCBPI and credit card surveys
- Translation of CAFII requirements into member survey
- Collection and compilation of member responses, assembling report outputs

Supported by additional Affinity team members in Toronto and Montreal.
No outsourcing outside of WTW

Support Capabilities of WTW



Support Capabilities of Willis Towers Watson

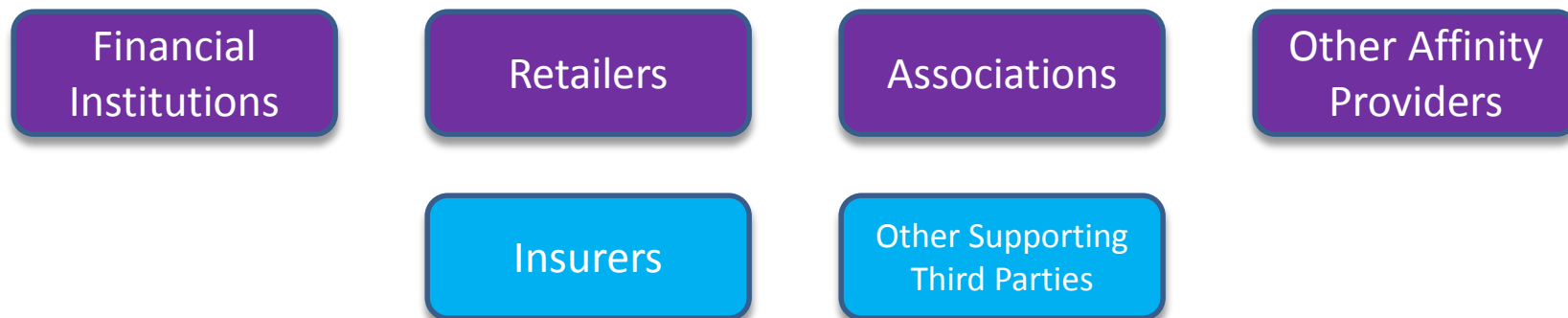
Why Choose WTW?

- ✓ Experience in the market and with the players involved
- ✓ Significant historical and current experience in working with CAFII members in Canada
- ✓ Dedicated survey team with a depth of experience in managing aspects of data collection, respondent engagement, and efficient tools and platforms to support data collection, analysis and reporting
- ✓ Subject matter expertise in creditor insurance portfolios with demonstrated thoughts on value-added metrics and report formats (through this RFP response) to increase overall value to CAFII and its members
- ✓ Flexibility to adapt and modify survey over time based on member feedback

Support Capabilities of Willis Towers Watson

WTW Affinity

- 25+ yrs of experience in Canada, including working relationships with CAFII members:



- Affinity group comprised of professionals in Toronto & Montreal with diverse skillsets: Actuarial & analytics, strategy development, program management, marketing, and research and benchmarking
- Support to Canadian FI's across a variety of lines of business, including:
 - Creditor insurance
 - Credit cards, including embedded credit card insurance
 - Travel insurance
 - Home & auto insurance
 - Life & health insurance
 - Accident & sickness insurance
 - Loyalty points and rewards

Support Capabilities of Willis Towers Watson

WTW Affinity (Cont'd)

- Part of WTW's global Affinity group, with strong presence and shared learnings with teams in the UK, Europe, Australia and Latin America
- Allows our Canadian Affinity group access to knowledge, expertise and global trends and developments related to:
 - Products (such as creditor insurance), including coverage, distribution, underwriting, and pricing
 - New market entrants and exits
 - Business model transformations
 - Regulatory developments
- We impart shared learnings gathered from a global standpoint to our clients in Canada (within parameters of confidentiality and as deemed relevant)

Support Capabilities of Willis Towers Watson

Experience with Creditor Insurance

Quarterly Creditor Insurance Survey

WTW has managed a quarterly creditor insurance survey (mortgages, loans, lines of credit and credit cards) for the industry for 25+ years, whose participants include:

- Financial institutions, including the big Canadian banks
- Credit unions
- Other lenders

The survey provides key information to participants regarding:

- Insurance documentation (e.g. certificates and distribution guides)
- Product competitive charts (e.g. eligibility conditions, product features, benefits, limits, exclusions, etc.)
- Detailed premium rate comparative charts, including the basis of calculation
- Documentation on health questions, application forms and other aspects of product underwriting
- Aspects that have changed since the prior survey

Support Capabilities of Willis Towers Watson

Experience with Creditor Insurance (Cont'd)

Credit Card Balance Protection Insurance Survey (CCBPI)

WTW has managed the collection and compilation of an annual CCBPI survey for the industry for 15+ years in conjunction with a partner insurer. Participants include:

- Financial institutions, including the “big five” Canadian banks
- Retailers
- Credit unions
- Monoline providers (i.e. credit cards only)

Survey focuses primarily on aspects of acquisition and retention, but also includes metrics on financial performance

In addition to results for the year completed, we also analyze trends over a longer time horizon (typically up to 5 years)

Support Capabilities of Willis Towers Watson

Experience with Creditor Insurance (Cont'd)

Other Relevant Creditor Insurance Experience

Our Canadian Affinity team has experience with all of the following:

- Constructing and managing Creditor Insurance RFP's on behalf of our clients
- Support with transitions of Creditor Insurance blocks across insurers
- Annual reserve reviews supporting audits of Creditor Insurance captive insurers for credit card balance programs
- Consulting support towards marketing and acquisition activities of Creditor Insurance

Note: In other geographies outside of Canada, WTW provides broking support to place Creditor insurance

Support Capabilities of Willis Towers Watson

Experience in Managing Surveys

Dedicated Market Survey Group

Maintenance of regular surveys and conducting market research supporting a variety of lines of business in Canada:

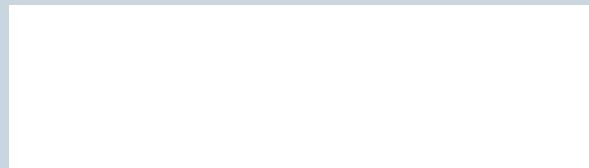
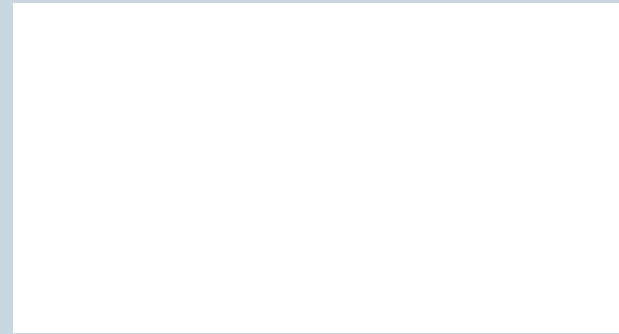
- Creditor Insurance
- Credit Cards
- Travel insurance
- Pet Insurance

Additionally, we support surveys for Travel Insurance and Pet Insurance in the U.S. and work with our colleagues supporting regional and global surveys.

Key elements of surveys:

- ✓ Timely data and information collection, follow-up and compilation
- ✓ Preservation of confidential elements, unless otherwise agreed-upon amongst all participants
- ✓ Trending analysis, where relevant
- ✓ Reporting and/or presentations based on key requirements of partner and/or participants

Proposed Approach / Methodology for CAFII Creditor Survey



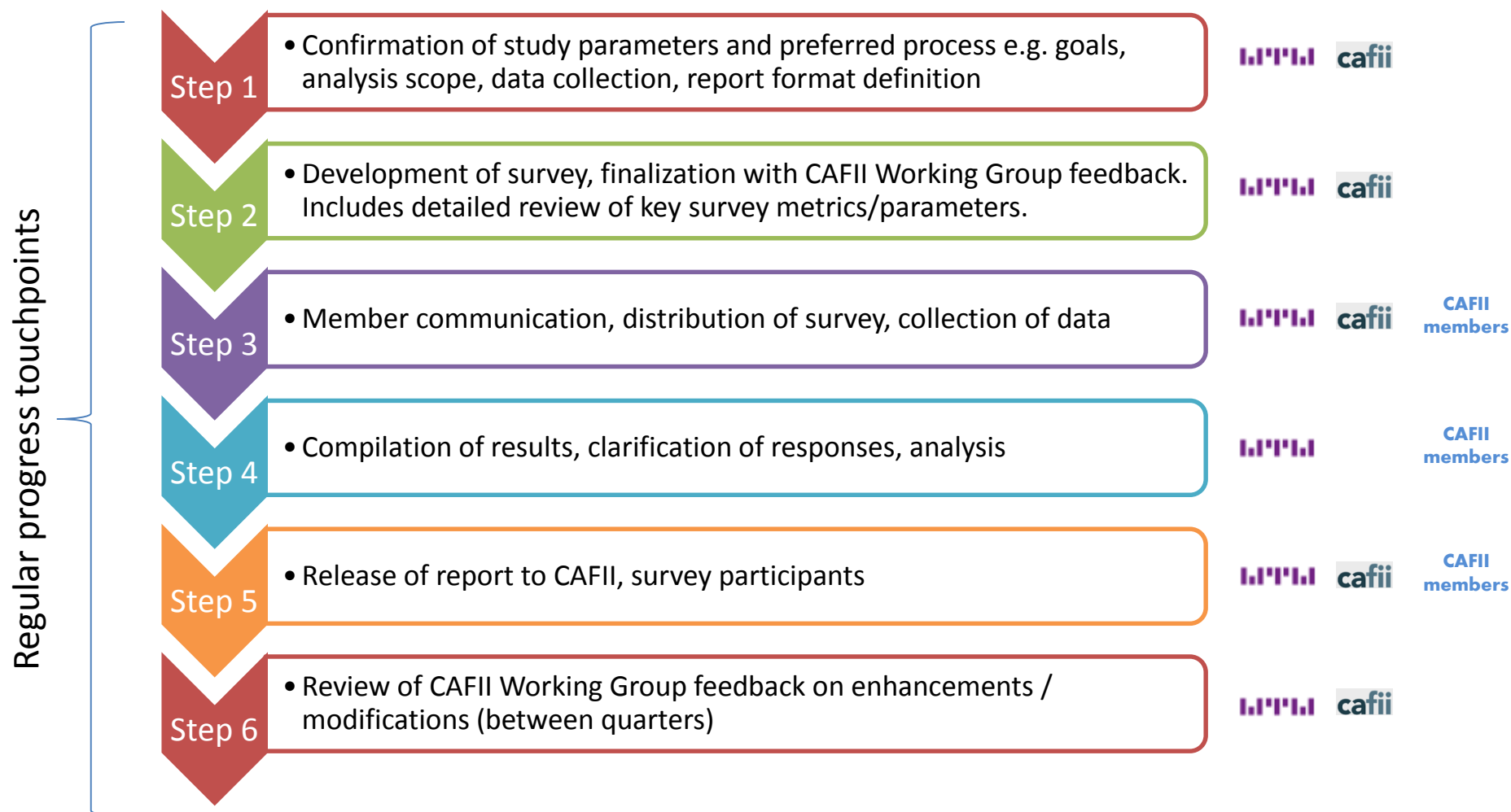
Proposed Approach / Methodology

Key Principles

- ✓ Ensure survey is structured to properly capture CAFII's preferred objectives, scope and deliverables.
- ✓ Ensure metrics collected are meaningful to members, data can be collected easily and consistently, and analysis / transparency does not compromise member confidentiality
- ✓ Proceed according to CAFII's preferred manner of member communication
- ✓ Provide a streamlined experience with enhanced tools for member data collection, results dissemination and survey access
- ✓ Provide an opportunity for ongoing flexibility / modification to ensure incorporation of member feedback as respects new formats, added metrics, etc.

Proposed Approach / Methodology

Anticipated Parties Involved



Note: WTW will lead all elements (subject to CAFII's preference)

Proposed Approach / Methodology

Key Questions and Details Supporting Each Step

■ **Step 1: Reaffirm Key Aspects of the Project**

- What does CAFII and its members wish to achieve (e.g. focus on understanding consumer satisfaction)?
- Learnings and enhancements desired from the prior CBA studies?
- Define metrics of focus with CAFII's feedback (Scenarios 1, 2, 3)
 - Consistency of metrics to be collected/presented, nuances amongst member datasets/availability that may affect feasibility and/or drive differences in results
 - Ensuring metrics reported on do not compromise confidentiality
- What is the desired format for dissemination of results e.g.:
 - Continuity with past CBA report?
 - What is the desired depth of result dissemination for expanded scenarios and metrics under consideration e.g. potential to overwhelm participants?
 - What enhancements would the group like to consider e.g. graphical exhibits, personalized results, weighted averages, etc.?
 - How do members wish to receive the survey and results e.g. preferred forms of transmission and required security protocols?
- What are the key timelines (e.g. availability of participant data, desired report output)?
- Does CAFII wish to complete “catch-up” periods from 2019? Should the catch-up period reports be consistent with the CBA reports, or the newly agreed-upon format?

Proposed Approach / Methodology

Key Questions and Details Supporting Each Step (Cont'd)

■ **Step 2: Survey Development:**

- WTW to propose initial survey to CAFII Working Group
- Review and adjustment to survey format based on Working Group feedback and presentation to Working Group for final approval


■ **Step 3: Survey Distribution & Collection:**

- Defining CAFII's preferred involvement with member communication E.g. Initial member solicitation, member follow-ups, etc.
- How was this handled in the past with the CBA?
- What is the preferred process moving forward?
- Development of NDA's binding parties as necessary (e.g. CAFII, members, WTW)
- Use of online platforms for survey delivery, data collection, and subsequent transmission of results (please see next slide for sample)

Proposed Approach / Methodology

Key Questions and Details Supporting Each Step (Cont'd)

Sample Online Portal:

Willis Towers Watson 

SECTION 3 - INSURED ACCOUNTS

	2016	2017
Number of Insured card accounts as of January 1	<input type="text"/>	<input type="text"/>
Number of new Insurance acquisitions during the year	<input type="text"/>	<input type="text"/>
Number of cancellations during the year (Insurance cancelled, card account closed, etc.)	<input type="text"/>	<input type="text"/>
Number of Insured card accounts as of December 31	<input type="text"/>	<input type="text"/>

Please indicate the number of cancellations that were due to the cancellation of the balance insurance product only (without closing the card account) as opposed to closing the card account.

	2016	2017
Cancel the insurance	<input type="text"/>	<input type="text"/>
Card account closed	<input type="text"/>	<input type="text"/>

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- ✓ Ensures a consistent and traceable means for input and submission
- ✓ Allows user to review entries from prior periods (for consistency)
- ✓ In use for other surveys already subscribed to by many CAFII members
- ✓ WTW can manage construction, communication, collection and report dissemination (as desired by CAFII)

Proposed Approach / Methodology

Key Questions Supporting Each Step (Cont'd)

■ **Step 4: Compilation and Analysis:**

- Does CAFII wish to directly support ensuring timely member completion and submission of key data and information (e.g. reminders)?
- Does the CAFII Working Group wish to receive (aggregate) results of the report for review prior to dissemination of individualized results to members?

■ **Step 5: Report Delivery:**

- Report will include the following elements at a minimum, subject to CAFII Working Group feedback and results of steps 1 to 4:
 1. Reporting at an aggregate level across all participants, including use of weighted averages
 2. Anonymized results for each participant (e.g. Participant A, Participant B, etc.)
 3. *Transparency of a participant's individual results

*Note: CAFII version of the report would only include elements 1 and 2 to preserve confidentiality

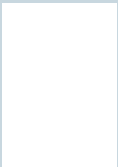
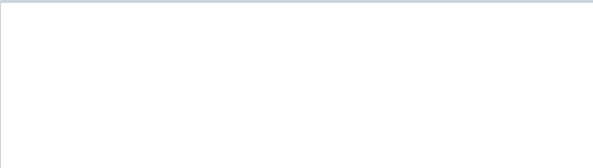
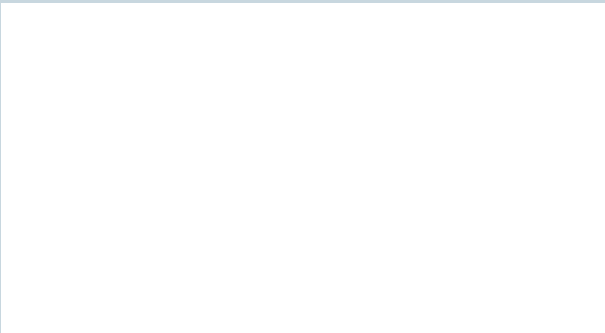
- All report elements would be contingent upon Steps 1 to 4, including feasibility of collection, and ability to report in prescribed formats without compromising member confidentiality.

Proposed Approach / Methodology

Key Questions Supporting Each Step (Cont'd)

- **Step 6: Working Group Feedback and Enhancements:**
 - Should CAFII elect for enhancements beyond replication of the CBA report, WTW would intend to solicit the Working Group for any feedback on the survey from members (between quarters)
 - To the extent feasible and agreeable to the CAFII Working Group, modifications and enhancements may be made on an ongoing basis

Scenario Considerations



Scenario Considerations

Three Scenarios were presented for consideration as follows:

1. Replication of the CBA Report
2. Expanded Metrics Proposed by CAFII
3. An Open-Ended Invite for Additional Metrics from Respondents

Each of scenarios 2 and 3 were intended to build on scenario 1 on an incremental basis.

Scenario 1 Considerations (Replication of CBA Report)

- Focus is on a single metric of penetration, where penetration was generally defined as:
$$\text{Penetration} = \frac{\text{Number of credit products where an insurance product was sold with it}}{\text{Number of credit products sold}}$$
- The CBA report appeared to provide leeway in the questionnaire towards varying definitions of penetration → WTW recommendation to define & standardize penetration metric(s) as much as possible
- Output format based on aggregate results only → CAFII desired enhancements to include personalized results and weighted averages

Additional enhancement considerations: Graphical representations of data, use of other aggregate statistics (e.g. percentiles, medians, etc.), subject to sample size and ability to maintain confidentiality.

Scenario Considerations (Cont'd)

Scenario 2 Considerations (CAFI Suggested Expansion of Metrics Collected):

Scenario 2 asks for consideration of the following additional elements for incorporation into the study →

Key considerations include:

- **Maintenance of member confidentiality:** Certain metrics presented in an anonymized format have potential to compromise member confidentiality (e.g. premiums, policies, employees)
→ Consider means of redefining metrics (e.g. claims / complaints per 1,000 policies, etc.)
- **Segmentation and impact on member confidentiality:** e.g. when splitting by region, by loan instrument, creditor insurance product type, etc.
→ Need to examine each metric in reference to segmented splits and number of relevant participants

Benchmarking Component	Metric
Total in-force policies	#
Total premium (overall and per policy)	\$
Total claims made	#
Total claims paid	\$
Percentage claims paid	%
Applications approved	%
Applications denied	%
Total employees	#
Complaints made	#
Cancellation of the product within XX months	#
Complaints escalated to ombudsperson	#

Some confidentiality issues may be alleviated with larger sample sets as survey expands

Scenario Considerations (Cont'd)

Scenario 3 Considerations (WTW Suggested Expansion of Metrics):

Elements proposed for consideration by WTW in its RFP response:

- Demographic-based statistics of customer satisfaction (e.g. age, gender, household income, single/joint status, etc.)
- Top reasons for customer cancellations (e.g. price, product deficiencies, overlapping coverage, loan paid off, coverage not needed, etc.)
- Top reasons for claims denials (e.g. coverage exclusions, not actively working, pre-existing conditions, etc.)
- Top reasons for customer complaints (e.g. lack of product understanding, price, claims processing time, etc.)
- Retention rates (e.g. proportion remaining after 60/90 d, 1 yr, 2 yrs, etc.) split by those with and without historical claims
- Customer journey time by transaction type and distribution channel (e.g. time to quote, time to bind, etc.)

Scenario Considerations (Cont'd)

Scenario 3 Considerations (Cont'd):

Other elements for consideration (not mentioned in RFP response):

- Claims processing lag times
- Proportion of creditor insurance applications processed online vs. offline
- Proportion of claims submitted online vs. offline
- Demographic statistics related to claimants (e.g. frequency by age band, geography, etc.)
- Average number of creditor insurance products engaged with by customer

Key considerations for all additional data elements:

- CAFII member appetite to report on such metrics
- Ability to collect data consistently, and define and track categories of response consistently across members
- Feasibility to report on metrics without compromising confidentiality at all levels:
 - Anonymized results
 - Aggregate statistics, such as weighted averages
 - Segmented results, in reference to both anonymized and aggregate reporting

Scenario 3 elements are suggested only → Flexibility to adjust as needed

Scenario Considerations (Cont'd)

Common Considerations Across Scenarios:

- ✓ CAFII's desire to collect and report on the key metrics
- ✓ Ability to define metrics consistently and collect data consistently across members
- ✓ Level of segmentation required / desired
- ✓ Incorporation of 2019 Catch-up Periods, pending CAFII's choice of scenario:
 - Net new format for 2020 with 2019 Catch-ups replicating CBA report; OR
 - Retroactive application of new format starting from 2019
- ✓ Desired report format, including:
 - Use of anonymized results
 - Personalization of results for responding competitor
 - Aggregate reporting, including use of weighted averages (and potentially other aggregate statistics)
 - New formats of output such as graphical representations

Scenario Considerations (Cont'd)

Managing Data Consistency and Reporting Issues

CAFII has noted considerable differences amongst members as respects:

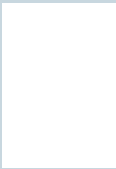
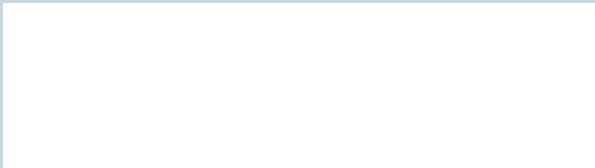
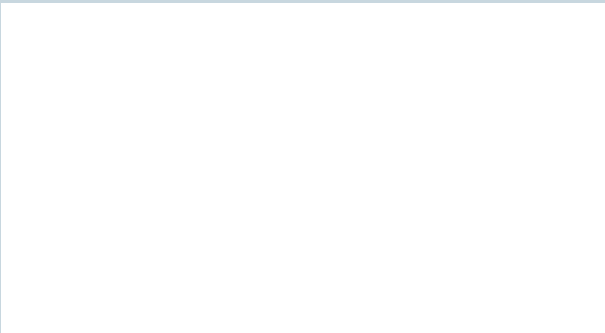
- Definitions of data
- Differing legacy systems
- Differing underwriting rules

WTW firmly believes that many of the issues associated with consistency of data collection and reporting lies with:

1. Clearly defined criteria for reporting on individual metrics which should be enhanced with the new Working Group
2. Validating with each participant the feasibility of reporting on such metrics under Working Group accepted definitions, and determining what to do under less than 100% participation
3. Clear articulation of the data necessary for fulfilment through the survey.

Note that this is different than the current approach that seeks penetration statistics, and separately collects qualifiers that allows each institution to define the metric

Anticipated Timelines and Fees



Anticipated Timelines

	Scenario 1	Scenario 2	Scenario 3
Step 1: Project definition (scope and availability of data points, communication process, survey output format, etc.)	Weeks 1 - 2	Weeks 1 - 4	Weeks 1 – 5
Step 2a: Craft benchmarking survey and submit to CAFII for review	Weeks 2 – 3	Weeks 4 – 5	Weeks 5 – 8
Step 2b: CAFII feedback to survey and updates; distribution to membership	Week 4	Weeks 6 - 7	Weeks 9 – 10
Step 3: Member completion of survey	Weeks 5 – 6	Weeks 8 – 10	Weeks 11 – 14
Step 4: Compilation of results by WTW and analysis	Weeks 7 – 8	Weeks 11 – 13	Weeks 15 – 18
Step 5: Report Distributed to Participants	Week 9	Week 14	Week 19

Key Notes:

- Timelines are approximate and subject to further discussion/refinement with CAFII
- Timeline for steps 1 and 2 may be significantly cut down for second and subsequent surveys
- Feedback loop in Step 6 (related to Scenarios 2 & 3) not explicitly shown above – intended to occur mid-cycle, between surveys, as needed and desired by CAFII

Proposed Fees

Aggregate Fee Option (NEW)

Scenario	Initial Development Cost (Incremental)	Quarterly Fee (Incremental)
1	\$25,000 + Applicable Taxes	\$10,000 + Applicable Taxes
2	*\$10,000 + Applicable Taxes	*\$3,500 + Applicable Taxes
3	*\$10,000 + Applicable Taxes	*\$3,500 + Applicable Taxes

**Note: Best estimates provided for Scenarios 2 & 3, but require further refinement to define desired scope of metrics and subdivisions.*

- ✓ Initial development cost includes first study in 2020, as well as 2019 catch-up periods
- ✓ Addition of aggregate statistics included in above scenarios at no additional cost
- ✓ Costs of Scenarios 2 & 3 build upon Scenario 1 Base cost
- ✓ No minimum term required
- ✓ Structure can accommodate up to ten survey participants
- ✓ Costs to be reviewed once every two years

Proposed Fees (Cont'd)

Invoicing:

- ***Initial Development Fees:*** Sent following the distribution of the first survey delivered
- ***Ongoing Quarterly Fees:*** Sent following the distribution of each subsequent survey

Note: We are flexible and can work around CAFII's preferences for invoicing.

Additional Costs:

Additional costs would be related to significant changes in report format (e.g. expansion to include graphical outputs in addition to current formats) or material deviation from scope articulated to date.

If incremental work requirements are identified that stray outside of the scope requested by CAFII, WTW will identify to CAFII and propose associated incremental costs for review/approval.

Next Steps & Questions

