

CAFII: PAST, PRESENT AND FUTURE

**Making Insurance Simple and Accessible for Canadians
Rendre l'assurance simple et accessible pour les Canadiens**

ABOUT CAFII: Who We Are

- Non-profit industry Association dedicated to development of an open and flexible insurance marketplace.
- Established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels.

ABOUT CAFII: Who We Are

- Members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of FIs, and digital channels.
- Members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. Creditor's group insurance and travel insurance are product lines of primary focus for CAFII as members' common ground.

ABOUT CAFII: Who We Are

- Full members are insurance arms of Canada's major FIs – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.
- CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

ABOUT CAFII: Brief History

- Represents companies at intersection of bank/credit union and insurance industries.
- Celebrating 20th Anniversary this year.
- 20 years ago, financial institutions in insurance didn't have a voice for their unique concerns in marketplace. A group of concerned leaders from Canada's banks with insurance operations created CAFII to focus on bank-insurance issues.

ABOUT CAFII: Brief History

- Two decades on, CAFII has made significant inroads into changing and advancing the way insurance is made available to Canadians. Members use technology and electronic communications to make insurance simple, readily accessible, and affordable for consumers.
- In relatively short history, CAFII has steered our industry segment through new insurance legislation in almost every province and two federal Bank Act reviews.

ABOUT CAFII: Brief History

- Federally, we've adapted to implementation of privacy legislation, new telemarketing rules, and establishment of national do-not-call list; and, more recently, anti-spam legislation.
- CAFII has been involved in development and refinement of Codes of Conduct with Canadian Life and Health Insurance Association, Canadian Bankers Association, and Joint Forum of Financial Market Regulators.

ABOUT CAFII: Brief History

- CAFII had input into proposed Ontario Securities Commission and Financial Services Commission of Ontario merger which did not happen; regulatory combination in Quebec - the AMF- which did go through; and, most recently, review of the mandates of FSCO, Deposit Insurance Corporation of Ontario, and FST which has given rise to creation, currently in-development, of new, integrated financial services regulator to be called Financial Services Regulatory Authority of Ontario.

ABOUT CAFII: Future Outlook

- CAFII believes future of life and health insurance industry will be marked by continued innovation and increase in consumer demand for electronic commerce and other alternate forms of distribution. Consumers continue to demand greater access to sales through digital channels which will play an increasingly important role in meeting needs of Canadians.



ABOUT CAFII: Future Outlook

- Millennials' high expectations for technology-based services, convenience, transparency, speed, regular engagement, and a personalized experience that reflects their needs are defining how products and services are delivered. Their preferences and expectations are a particular challenge and opportunity for the insurance industry.



ABOUT CAFII: Fair Treatment of Consumers

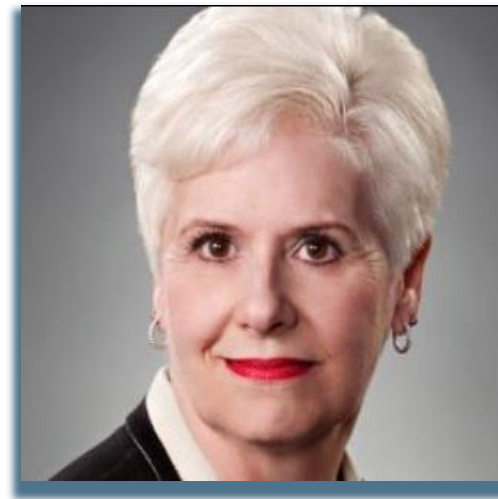
- CAFII shares regulators' objective of ensuring consumers are well-protected while they also have ability to purchase products through their channel of choice. In insurance industry context, it's important to note that part of overall objective of FTC is to ensure insurers can provide support and meet consumers' expectations throughout user experience.

Future Outlook: Regulations That Embrace Electronic Commerce

- CAFII believes regulatory structures should foster a harmonized, flexible, and open marketplace where consumers are able to choose how and where to purchase coverage. Regulation should embrace role of all insurance channels in meeting insurance needs of consumers. In that connection, it's important that regulatory frameworks help to foster and support ongoing growth and development of technology-enabled, alternate distribution channels.

CAFII Strategic Focus

- CAFII's predominant strategic focus and priority is relationship-building and communications with insurance regulators and policy-makers.



ABOUT CAFII: Our Strategic Focus

- CAFII has been an active and effective participant in representing its members' interests in scores of insurance policy and regulatory consultations over the past 20 years.



Directory of CAFII Submissions To l'Autorité des marchés financiers (AMF); Ministère des Finances du Québec; Financial Services Commission of Ontario (FSCO); Ontario Ministry of Finance; and Canadian Council of Insurance Regulators (CCIR), May 2012 to May 2017 (24 submissions in five years)

Date	Regulator/Policy-Maker Audience	Subject/Focus of Submission
May 18, 2012	CCIR	Pre-Consultation Submission on Electronic Commerce in Insurance Products
May 24, 2012	AMF	AMF Consultation Paper on Internet Insurance Offerings in Québec
May 30, 2012	FSCO	Draft 2012 FSCO Statement of Priorities
June 29, 2012	CCIR	CCIR Position Paper: The Managing General Agencies (MGAs) Distribution Channel in the Life Insurance Industry
May 31, 2013	FSCO	Draft 2013 FSCO Statement of Priorities
July 26, 2013	CCIR	CCIR Position Paper: Electronic Commerce in Insurance Products
September 30, 2013	FSCO	Modernizing Disciplinary Hearings for Insurance Agents and Adjusters in Ontario: A Proposal for Consultation
February 21, 2014	CCIR	Input For CCIR Strategic Plan, 2014-2017
April 9, 2014	FSCO	Summary of CAFII Feedback on Interim Report from Life Insurance Product Suitability Review
May 30, 2014	FSCO	Draft 2014 FSCO Statement of Priorities
September 30, 2014	AMF	Consultation on Distribution Guide Template
May 19, 2015	Ontario Ministry of Finance, Insurance Policy Branch	Consultation on Parts V and VII, Ontario Insurance Act Consultation
June 5, 2015	Ontario Ministry of Finance, Financial Institutions Policy Branch	Consultation Paper of Expert Panel Charged With Reviewing Future Mandates of FSCO, Financial Services Tribunal (FST), and Deposit Insurance Corporation of Ontario (DICO)
June 5, 2015	FSCO	Draft 2015 FSCO Statement of Priorities
September 30, 2015	Ministère des Finances du Québec	Rapport sur l'application de la Loi sur la distribution de produits et services financiers / Report on the Application of the Act respecting the distribution of financial products and services (in French and English)
October 22, 2015	Ontario Ministry of Finance, Financial Institutions Policy Branch	CAFII Follow-up Letter To Expert Panel On FSCO/DICO/FST Reviews Informal liaison dialogue, as part of CAFII stakeholder meeting with CCIR Travel Insurance Working Group (TIWG), between CAFII representatives and AMF staff executive Louise Gauthier, Senior Director, Distribution and Self-Regulatory Organizations.
December 4, 2015	CCIR	CCIR Annual Statement on Market Conduct, Draft 1
December 11, 2015	Ontario Ministry of Finance, Financial Institutions Policy Branch	Preliminary Position Paper of Expert Panel Charged With Reviewing Future Mandates of FSCO, Financial Services Tribunal (FST), and Deposit Insurance Corporation of Ontario (DICO)
May 31, 2016	FSCO	Draft 2016 FSCO Statement of Priorities

CAFII's Value-Added Industry Research

- CAFII adds value to consultative relationships and ongoing dialogue with regulators and policy-makers through research, i.e. commissioning and sharing results of independent, third party research on important insurance-related topics. In many cases, we have repeated research on a periodic basis so that it has become an even more valuable “tracking study.”

Examples of Recent CAFII Research, Working Group Output, and Strategic Initiatives

- Towers Watson independent actuarial study
- Working group output: Two-part response to concerns raised in media and by CCIR re travel health insurance
- Current Initiative: Website modernization
- Current Initiative: Strategic Plan development

1. Towers Watson Independent Actuarial Study

Project Purpose

- Provide independent, data-based evidence that creditor insurance products, processes and distribution channels are serving Canadian borrowers well
- Update the previous version of the study and expand it from life and disability insurance to include critical illness insurance

1. Towers Watson Independent Actuarial Study

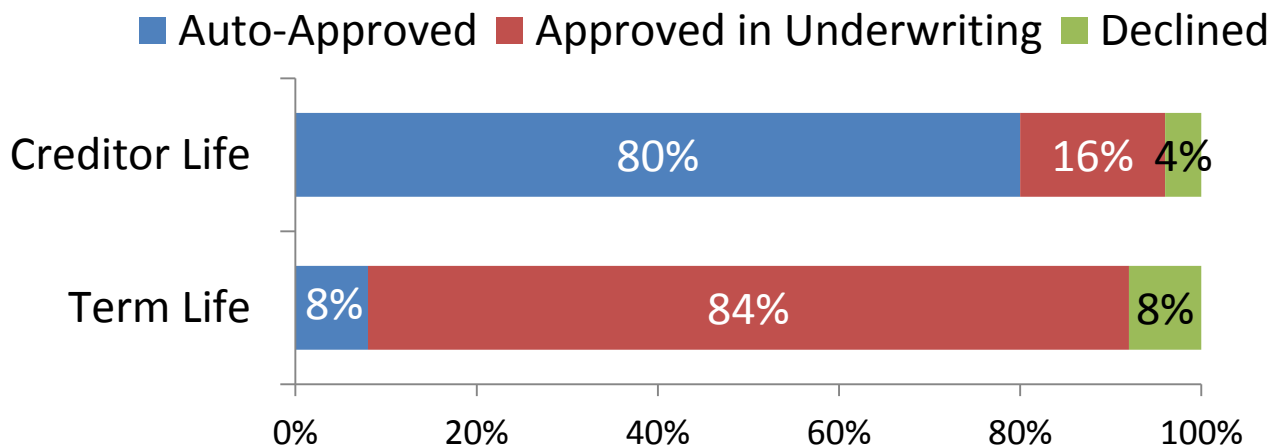
Methodology

- Survey seven CAFII members about creditor insurance on mortgages: Bank of Montreal, CIBC, Desjardins Financial Security, National Bank, RBC, Scotiabank and TD Bank
- Survey individual life insurers
- Compare creditor's group insurance with individual insurance across the following dimensions:
 - Application approval rates
 - Claims approval rates
 - Pricing, affordability
 - Other key variables, e.g. access to coverage, societal benefits

Creditor's Group Insurance provides convenience and ease of access for Canadian households

A recent Towers Watson independent actuarial industry study¹ showed that applications for creditor's group insurance on mortgages are likely to be auto-approved and don't have to go through the more complex and time-consuming underwriting process:

Industry Application Approval Rates for Mortgage Life and Term Life Insurance

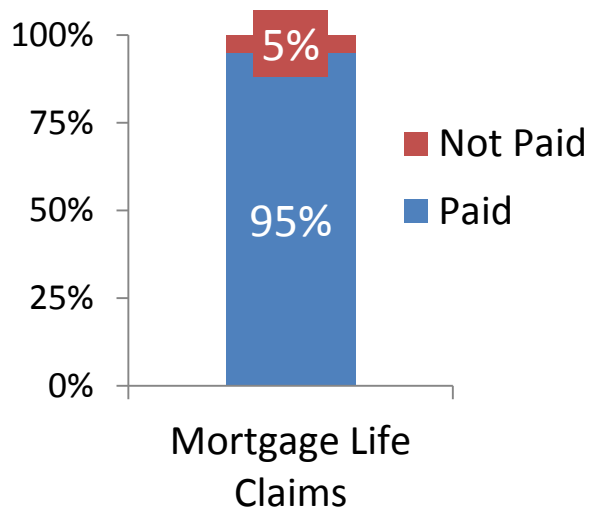


¹Source: Towers Watson September 2015 Report:
Comparison of the Customer Value Proposition of Creditor's Group Insurance on Mortgages with Individual Insurance (using 2013 data)

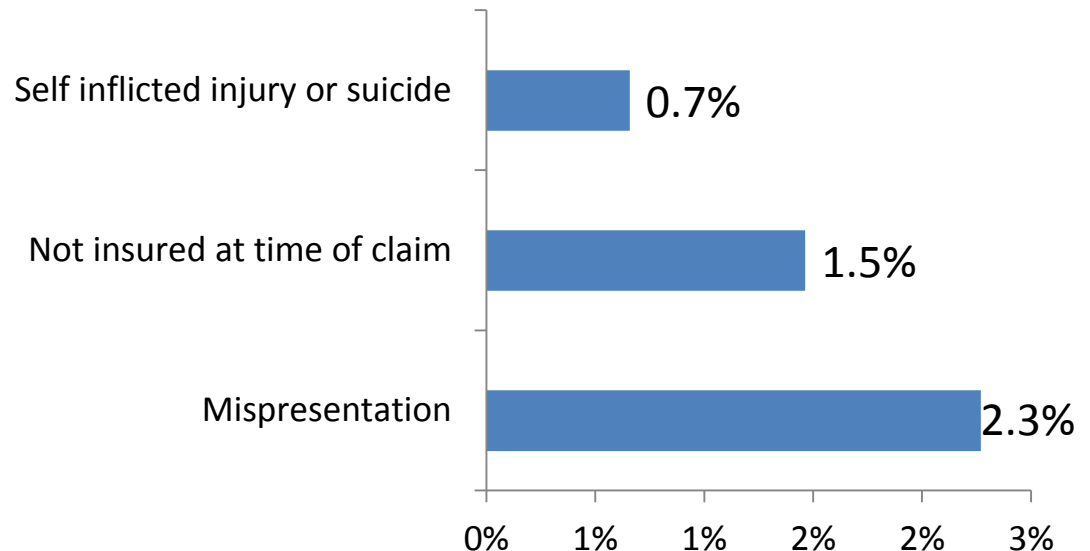
Nearly all Creditor's Group Insurance claims are paid as submitted

The Towers Watson study also found that a high rate (95%) of creditor's group mortgage life insurance claims are paid and that no claims were denied due to pre-existing conditions

Industry Mortgage Life Insurance Claims



Industry Incidence of Claims Reasons Why Not Paid



2. Current Initiative: Two-Part Response To Concerns Raised in Media And By CCIR Re Travel Health Insurance

- CAFII commissioned independent quantitative consumer research by Pollara Strategic Insights
- CAFII's Travel Medical Experts Working Group undertook a three-part policy wording initiative

CAFII-Pollara Travel Medical Insurance Consumer Research¹

In response to concerns raised in the media about travel medical insurance, CCIR asked the industry to review the issue. As part of that review, CAFII commissioned Pollara Strategic Insights to conduct consumer research to quantitatively assess the following:

- The general public's perceptions of the travel medical insurance sector and the level of consumer confidence in travel medical insurance
- Experiences and satisfaction levels with the travel medical insurance purchase process among recent buyers (past 12 months)
- Experiences and satisfaction levels with the travel medical insurance claims submission process and outcomes among recent claimants (past 12 months)

¹Source: CAFII-Pollara Travel Medical Insurance Study – September 2015

Highlights from recent travel medical insurance consumer research¹:

- Canadians have confidence in the travel medical insurance industry
 - 80% are confident they would receive the needed assistance...
 - Rising to 90% for buyers and 93% for claimants
- Satisfaction levels are virtually identical by channel – phone, online & mobile, in-person
- Satisfaction with the purchase experience is very high - 94%
- Overall satisfaction with the claims experience, from initial contact to final outcome is also high - 92%
- Most importantly, **99% of processed claims were paid**: 75% fully, 24% partially (1% denied)

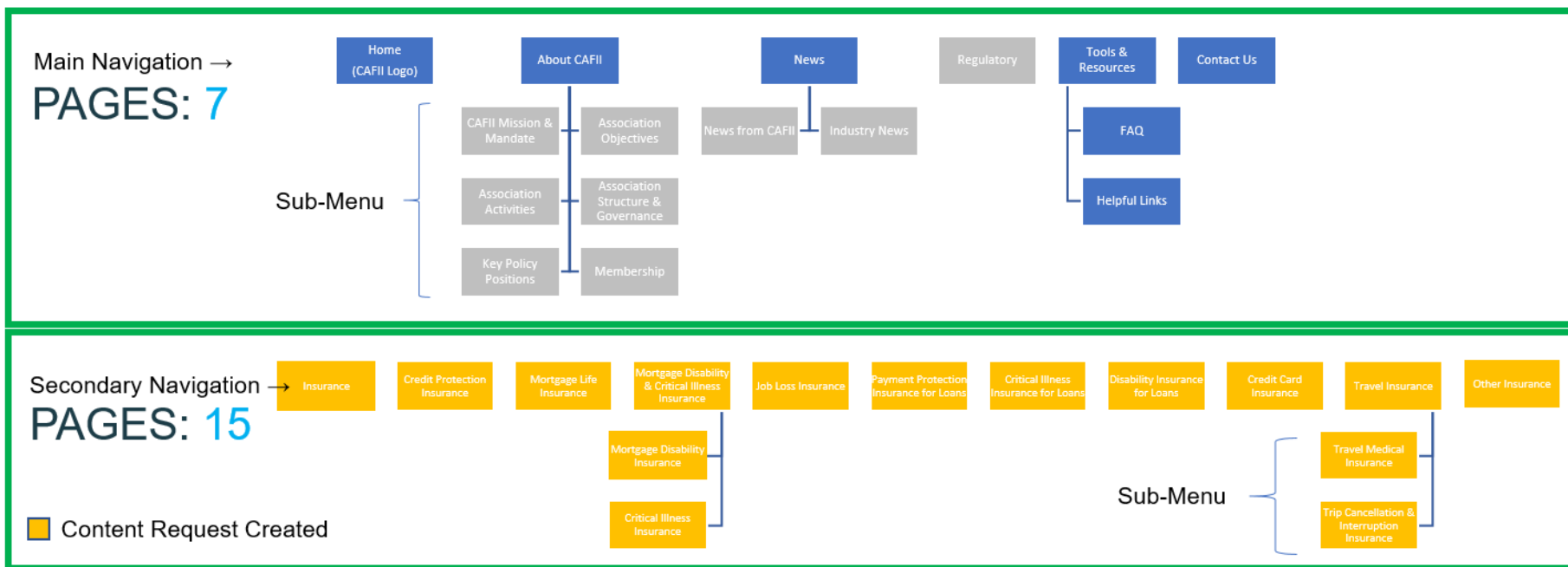
¹Source: CAFII-Pollara Travel Medical Insurance Study – September 2015 .

2. Current Initiative: CAFII Travel Medical Experts Working Group Three-Part Policy Wording Initiative

- Led by CAFII EOC Member Sue Manson from CIBC Insurance, this subcommittee of travel health insurance experts from several CAFII members has produced
 - Proposed Language for Limitations and Exclusions;
 - Proposed Language for Defined Terms; and
 - Proposed Policy Layout,and handed off polished recommendations documents to CLHIA Travel Insurance Committee for inclusion in pan-industry reforms.

3. Current Initiative: CAFII Website Modernization

Build a revamped website that is consumer/media-focused, easy to navigate, and visually pleasing



4. Current Initiative: CAFII Strategic Plan Development

- Who Are We?
- Where Are We?
- Where Do We Want to Go?
- How Do We Get There?

Q & A / Dialogue With CISRO Members

- Conversation Starter: CAFII makes an open offer and stands ready to collaborate with CISRO on harmonization initiatives and other issues of multi-jurisdictional interest

Conclusion

Thank you for this presentation, dialogue,
and relationship-building opportunity