

The background of the entire slide is a photograph of a person sitting on a dark metal park bench. The person is wearing a dark jacket and a light-colored backpack. They are holding a large, bright orange umbrella that is open. The scene is outdoors, with trees and foliage visible in the background, suggesting a park or a wooded area. The overall tone is somewhat muted, with the orange of the umbrella providing a strong contrast.

cafii acifa

The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

Credit Protection Insurance Offered By CAFII Members

Making insurance simple and accessible for Canadians

Rendre l'assurance simple et accessible pour les Canadiens



Credit Protection Insurance Overview

Credit Protection Insurance (CPI)



In the case of:

Death

Disability

Critical illness

Job loss

CPI will help to:

Pay off debt

Make payments

Postpone payments

Simple, accessible and affordable



87%

87% of Canadians with CPI on their mortgages and Home Equity Lines of Credit (HELOCs) say it is a convenient way to protect themselves and/or their families against major financial setbacks arising from death, disability, critical illness, or job loss.*



70% of Canadians with CPI say CPI is an affordable insurance option*



83% of Canadians with CPI coverage said it is an effective way to protect themselves and their families from unexpected life occurrences.*

*Source: Results taken from a national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018.

Coast-to-coast access

Financial institutions

BMO



fii ifa

Insurers

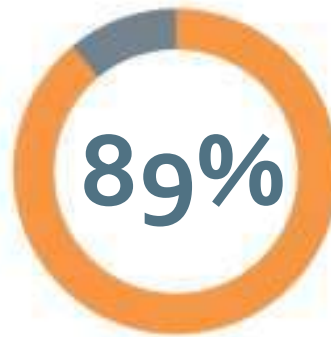


cumis



Paid claims and peace of mind

An independent Pollara study found that 92% of Canadians who had purchased CPI said that the coverage gave them “peace of mind” that their family would be protected in the event of a death or disability.



89% of survivors/next-of-kin who made a CPI life insurance claim reported that it was paid*



80% of Canadians with CPI report satisfaction with their claims experience*

*Source: Results taken from a national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018.



Sobering statistics

Inadequate coverage

Half of the Canadian population
is neither prepared nor protected

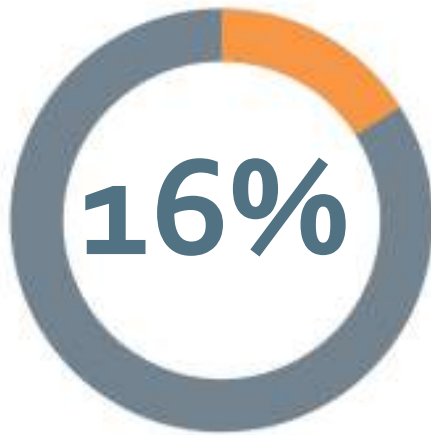


50% In 2019, half of Canadians
don't own life insurance coverage*

*Source: Figure taken from Canadian Life Insurance Ownership Study — 2019 Person-Level Report

Inadequate coverage

Significant gaps even among those who own life insurance



Only 16% have a life insurance policy that could cover their remaining mortgage payments in the case of death*



59

In 2016-2017 calendar year, the average age of life insurance claimants was only 59 years old*

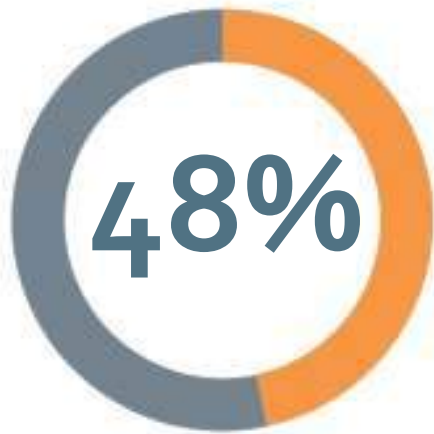
"You hear about that "what if" scenario all the time, then a "what if" is sitting in the chair across from you crying into her hands."

– Kevin S., Financial Advisor

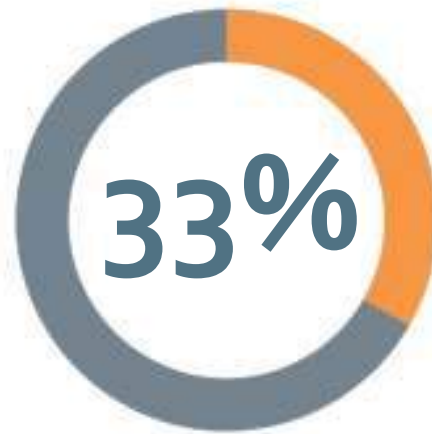
*Source: Edward Jones Study shows many Canadians vulnerable to a personal financial crisis, March 2017

Inadequate coverage

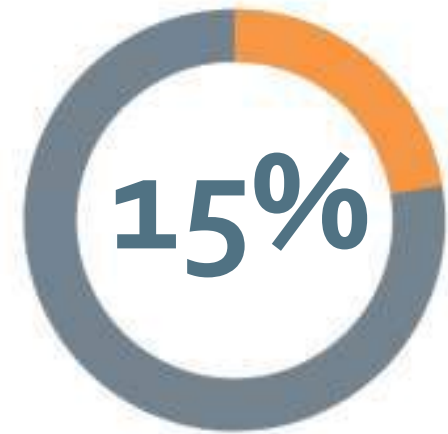
Job loss, disability and critical illness not accounted for



48% of Canadians do not believe they have enough money to cover unexpected, or even expected, expenses should a serious illness prohibit them from working



33% of working Canadians will experience a period of disability lasting longer than 90 days during their working lives



Only 15% of Canadians feel “very prepared” financially if they become too sick to work

*Sources: Edward Jones - Study shows many Canadians vulnerable to a personal financial crisis, March 2017; A Guide to Disability Insurance, Jan 2018. <http://clhia.uberflip.com/i/199350-a-guide-to-disability-insurance/3>; Edward Jones via Leger online panel of 1564 Canadians in Oct 2016

Inadequate coverage

Coverage gaps disproportionately affect lower and middle-income families



<50%

Just less than half of husbands earning less than \$35,000 own any life insurance*

.....

*Source: Figure taken from Canadian Life Insurance Ownership Study — 2019 Household Trends Report

Rising debt levels

At the same time, Canadians are more indebted than ever

In 2019 average
consumer had over
\$70,000 in debt

26% say they don't make
enough to cover bills &
debt payments at the end
of each month

50% say they're within
\$200 of not being able to
cover their monthly bills

Owe almost **\$1.72** for every
dollar of disposable income

Average non-mortgage
debt is over **\$31,000**

Canadians have over **\$100bn**
in outstanding credit card
balances

Last year **375** Canadians
per day went insolvent

*Sources: <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>; <https://www.canada.ca/en/public-health/services/publications/diseases-conditions/report-heart-disease-Canada-2018.html#s3-1>; http://www.ontariostrokenetwork.ca/wp-content/uploads/2013/07/Final_Fact_Sheet_Stroke_Stats_3.pdf

Uncertain times

Critical illness, disability or job loss a reality many Canadians will face

1 in 2 Canadians will develop cancer in their lifetime

Over **50,000** strokes in Canada every year or 1 stroke every **10** minutes

Strokes **leading cause of adult disability** in Canada

Canadians spend a total of **three million days** in hospital because of strokes every year

In November 2019 alone, the Canadian economy lost over **70,000** jobs

Canadian unemployment rates are projected to steadily rise over the next 5 years reaching **6.5%** in 2024

*Sources: <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>; <https://www.canada.ca/en/public-health/services/publications/diseases-conditions/report-heart-disease-Canada-2018.html#s3-1>; http://www.ontariostrokenetwork.ca/wp-content/uploads/2013/07/Final_Fact_Sheet_Stroke_Stats_3.pdf





Closing the gap

Having the “what if?” conversation

If it isn't offered, most people won't seek it out



90%

90% of Canadians have never been offered critical illness insurance*

Having the insurance conversation opens a difficult – but critical – dialogue to help people understand their risks – and what's available to them

*Source: Insurance and Investment Journal, Life insurance: Canadians rarely solicited but consider the product important – Munich Re commissioned IPSOS survey March 2016

Meet Marie

\$300,000
mortgage
remaining

20-year
amortization

Primary
income
earner



Owns life
insurance through
her employer

2 kids, one in
daycare one in
school

Debts have a way of adding up

Takes out \$50,000
HELOC for home
renovations

Leases a car
for new job
opportunity



Puts new furnace
on credit card

What if something happens?

Cannot afford
daycare, affecting
employability

Credit rating
plummets

No coverage for
job loss, disability
or critical illness

Family's lifestyle
dramatically
altered



Can't
afford car

Experiences
depression

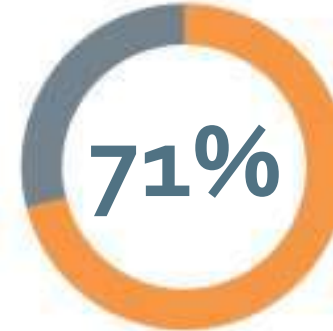
Life insurance
insufficient to cover
mortgage

Loses family
home

What if she had the conversation?



Marie's not alone



71% said that without CPI, they do not know how they and/or their family would be able to cope, should an unexpected life occurrence negatively impact them financially – for example, not being able to work and earn a regular income.

*Source: Results taken from a national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018.



Sales practices built on the fair
treatment of customers

Coverage is optional

Multiple accountabilities and product features reinforce optional nature of coverage

Bank client service representatives are **trained to communicate that CPI is optional, in keeping with** CBA Code of Conduct for Authorized Insurance Products

Coverage can be **cancelled at any time**

Customers have an initial **period of 10 to 30 days**, within which they may cancel coverage and receive a full premium refund

Tied selling is strictly prohibited in legislation for banks



Accurate information

Comprehensive and recurring training to ensure consumers receive accurate and reliable information

Staff adheres to scripts and protocols:

- ✓ Carefully developed
- ✓ Contain proper disclosure
- ✓ Calls are routinely recorded and monitored

CAFII member FIs educate those offering CPI through:

- ✓ Individual coaching
- ✓ Formal CPI training programs
- ✓ Team huddles

Post sale reviews ensure customers understand and can give expressed consent

Clear documentation

Disclosure prioritizes informed purchase decisions



Certificates of insurance

- ✓ Eligibility conditions
- ✓ Features and benefits
- ✓ Limitations
- ✓ Exclusions

Clear & simple processes for making a claim

- ✓ How to submit a claim
- ✓ Insurer's name and contact information
- ✓ Premium charges
- ✓ Statement that the coverage is optional and voluntary
- ✓ Review period within which coverage may be cancelled for a full premium refund

Rigorous complaint process

Significant back-end work to ensure
fair front-end sales practices

Escalated consumer complaints are tracked and resolved through the independent Ombudsman for Banking Services and Investment (OBSI); ADR Chambers Banking Ombuds Office, or the Ombuds Service for Life and Health Insurance (OLHI); and the AMF, as appropriate.

CPI insurers track and report complaints to the **new national database** rooted in the CCIR Annual Statement on Market Conduct

CPI insurers **monitor spikes of cancellations** at 30, 60, 90 days

There have been so few complaints to regulators about CPI products that the number is statistically insignificant.

Consumer satisfaction a priority

Making sure consumers understand their coverage

At the time of signing up
for their CPI coverage:

90%

90% of insureds said they understood “very well” or understood somewhat their credit protection insurance terms.

74%

74% of insureds said they were satisfied with the information provided to them to make an informed purchase decision.

77%

77% of insureds reported satisfaction with the product explanations provided to them

*Source: Results taken from a national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018.

PLACEHOLDER SLIDE

Placeholder slide for statistical data on the industry and insurance premiums that is being developed right now DATA TO COME



Strict industry guidelines
and robust regulation

Self-regulated

Governed by strict industry guidelines through mandatory participation



Insurance companies are **required to adhere to CLHIA Industry Guidelines** for CPI product design and distribution, in particular, *G7 Creditor's Group Insurance* and *G9, Direct Marketing*.

Insurers and DTIs are **required by law to have extensive complaint tracking systems** in place to identify and resolve emerging issues. Details on how to file a complaint are included in **disclosure documents**.

CBA Code of Conduct for Authorized Insurance Activities outlines the minimum standards of the bank representatives who promote authorized insurance products across Canada

Provincially regulated

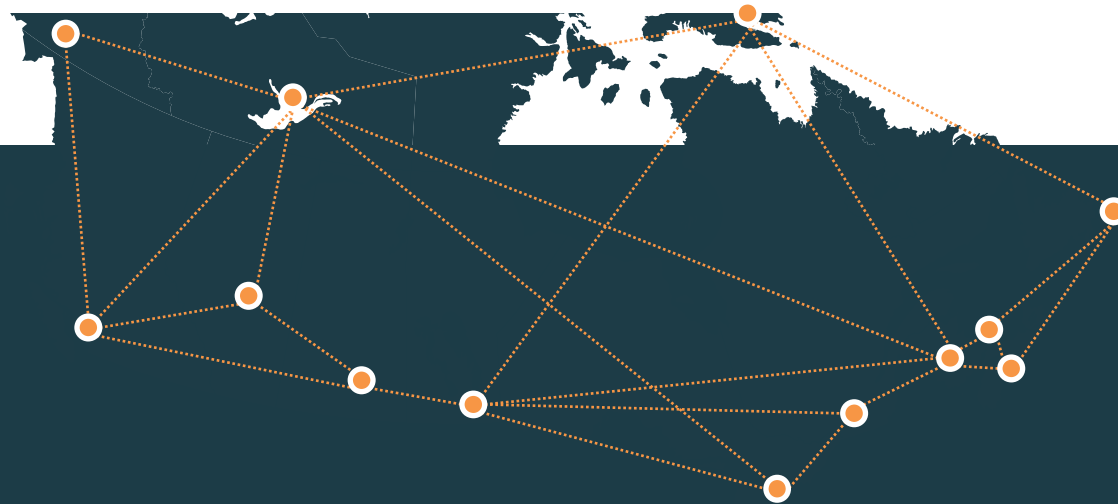
Fair treatment of customers integral to provincial regulators



CCIR / CISRO Fair Treatment
of Customers Guideline a top priority

Robust provincial regulation network

Established conduit for communication among member jurisdictions



Federal oversight

Working in dialogue to ensure fair treatment of consumers

Financial Consumer Agency of Canada (FCAC)

Monitors and enforces compliance with federal consumer protection measures

Prescribed federal legislation and regulations

The Bank Act and the related Insurance Business (Banks and Bank Holding Companies) Regulations control key market conduct issues such as tied selling and privacy





Looking forward

Questions

Keeping the conversation going





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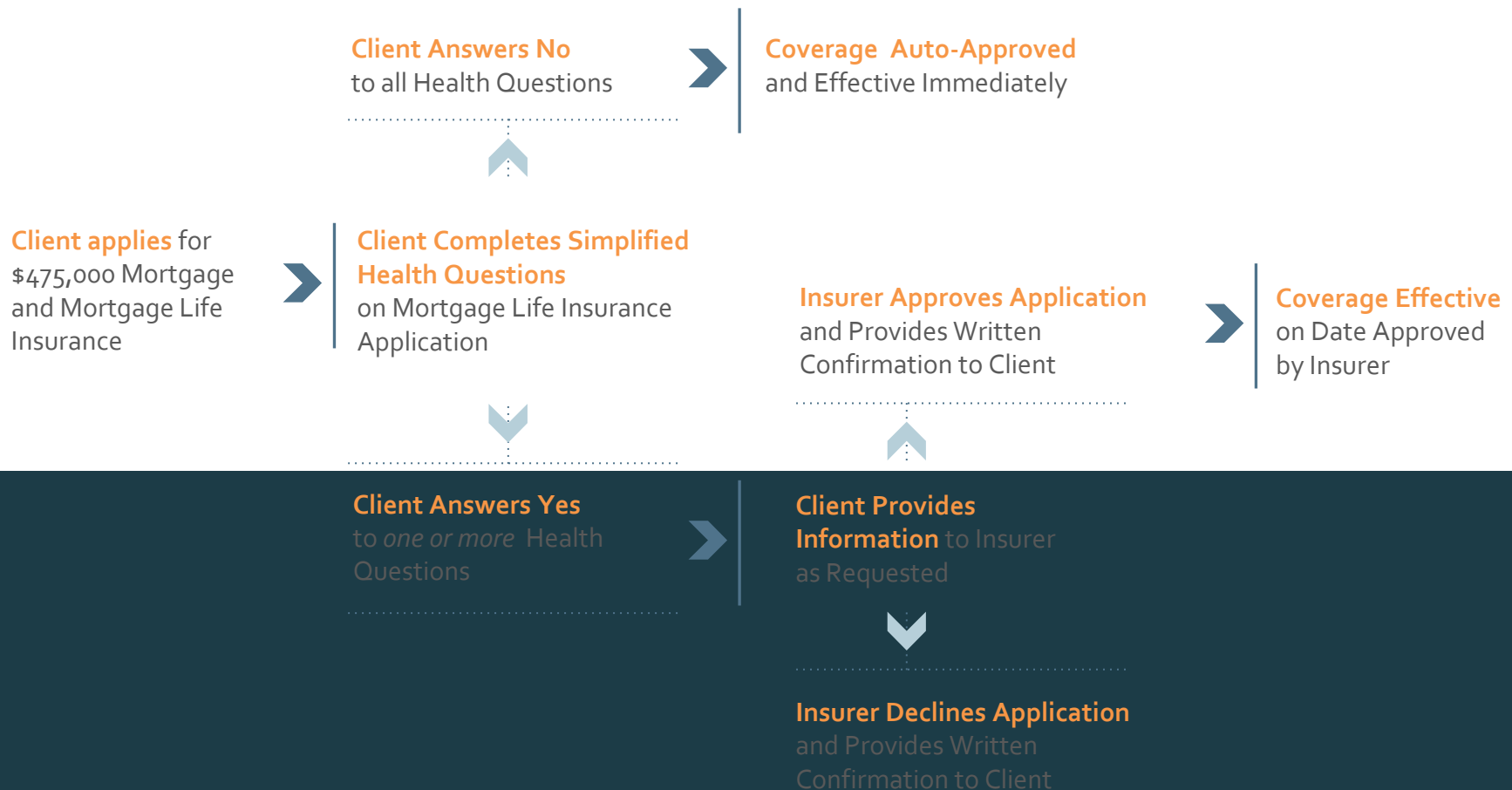
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Association canadienne des
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Appendix

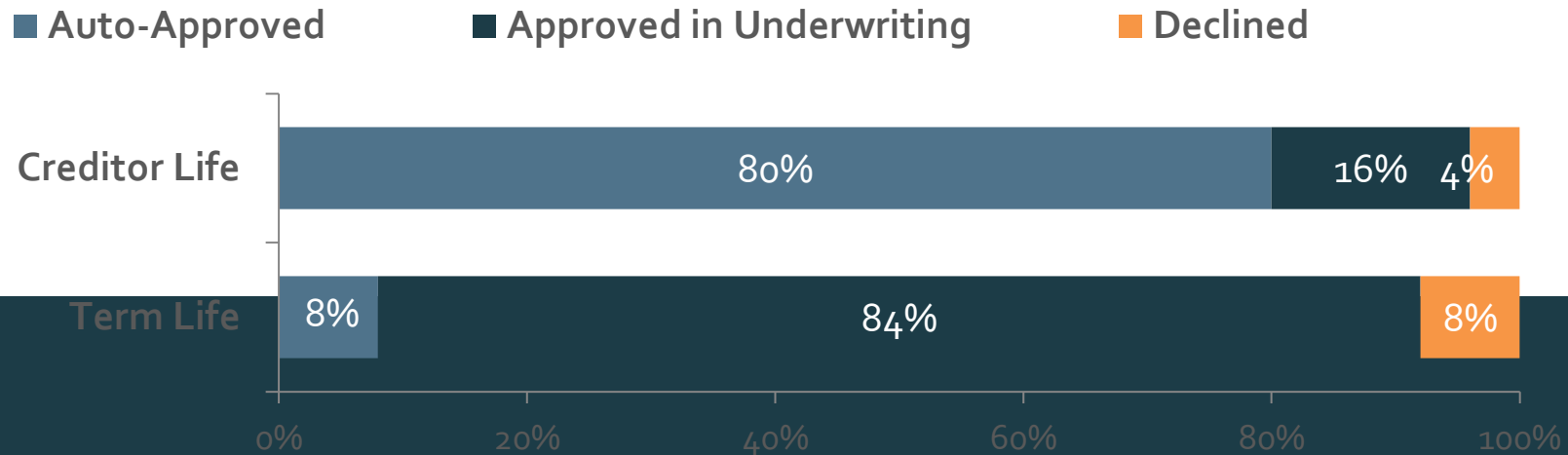


Simple application process



Easy approval process

Industry Application Approval Rates for Mortgage Life and Term Life Insurance*



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

Accessible to more people

Insurance Application

Credit Protection Insurance

Pre-existing Condition

6-24 months prior to application

Not covered for
Pre-existing Condition
Other claims covered

0-12 Months

Covered for all claims
Including Pre-existing
Conditions

Month 12+

Individual Insurance

Up to 5 years prior to application

Flexible underwriting

Small amounts

Guaranteed issue with a pre-existing condition provision

Specific medical conditions

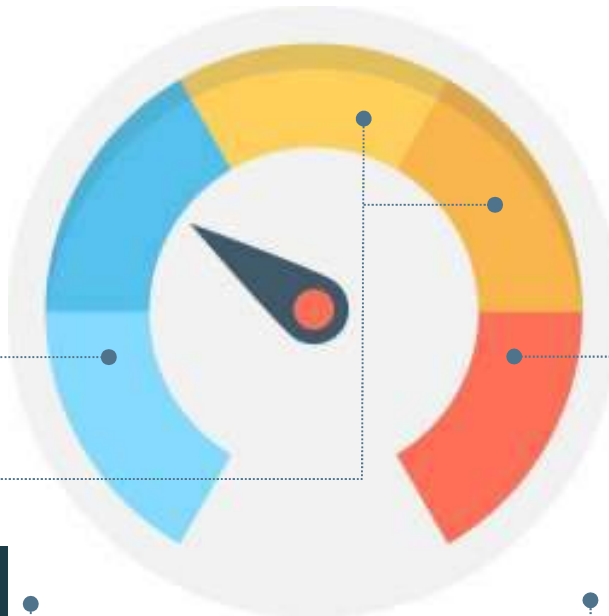
Tele-underwriting or longer questionnaire

Medical testing

Coverage approved or declined

Higher amounts

Simplified health questions



Broad ranges of risk

Accepted at standard rates

Extent of underwriting required is generally based on amount of coverage sought

Affordable option

Often less costly than other forms of insurance*

Individual Disability Insurance

Credit protection disability insurance is less expensive than Class 2A (i.e. clerical employees) individual disability insurance for all ages, amounts and genders

Individual Critical Illness Insurance

Credit protection critical illness insurance is less expensive than individual critical illness insurance for all ages, amounts and genders.**

Credit Protection Life Insurance

Credit protection life insurance is less expensive than Term 20 life insurance for more than half (55%) of the customer profiles covered in the study.

*Source: *Towers Watson September 2015 Report: Comparison of the Customer Value Proposition of Creditor's Group Insurance with Individual Insurance (using 2013 data)
** While critical illness credit protection covers the three most common type of illnesses for which benefits are paid (cancer, heart attack and stroke), its total coverage is not as broad as individual coverage. According to the Munich Re Individual Life Insurance Survey based on individual policy claims in Canada until the end of 2009, cancer, heart attack and stroke are the most common types of illnesses for which benefits are paid for Individual Critical Illness policies. These three illnesses account for 86% of paid claims.

Appropriate adjudication

Post-claims underwriting (PCU) **not practiced**



Insurers have **statutory right to deny a claim** due to material misrepresentation within a two-year contestability period, which is not unique to CPI products.

As do their counterpart underwriters of other types of insurance, insurers of CAFII member-distributed CGI adjudicate all claims **in accordance with the contract provisions set out in the certificate of insurance given to the consumer**, e.g. benefits will not be paid for death due to suicide within the first two years of coverage