

Agenda Item 5(n)

February 25/20 EOC Teleconference Meeting

CAFII opinion piece for the Canadian Business Quarterly

Title: Making insurance simple, accessible, and affordable for Canadians

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace in Canada. CAFII members – which include the insurance arms of Canada's major financial institutions and the country's major life and health insurance companies -- believe that consumers are best served when they have easy access to insurance, meaningful choice in coverage options, and competitive pricing. Consumers benefit from having access to a wide array of insurance coverage options and sales channels in Canada, but many are not familiar with them or how they work. That's why CAFII conducts consumer research and has its own consumer-friendly [website](#) - so that our Association can better understand the insurance needs and preferences of Canadians, share straightforward information about the various insurance options that our members offer, and help educate consumers about the choices available to them.

We believe that better-informed consumers are more aware of the full range of insurance products and services available to them, and can better understand how to match coverage options to their personal circumstances.

CAFII members offer a variety of insurance products including travel, life, health, property and casualty, and credit protection insurance (CPI). They provide these products through client contact centres, consumer-friendly websites and apps, direct mail, agents and brokers, and travel agents.

CPI, also known as creditor's group insurance, is used to pay off a mortgage or loan balance or to make/postpone debt payments on the insured's behalf in the event of death, disability, job loss or critical illness. It can be obtained for a variety of debt obligations, including mortgages, consumer loans, lines of credit and credit cards.

This type of insurance has multiple benefits. For example:

First, if an insured person is unable to make debt repayments due to reasons such as death, disability, critical illness or job loss, CPI ensures that the debt is paid out to the maximum limit of the policy (in the case of death and critical illness) or that the loan payment is made or postponed on their behalf (in the case of disability or job loss). This will ensure the loan remains in good standing and will help protect the insured person's credit rating.

Second, the group policy structure of CPI allows more Canadians to be insured at economical standard rates, and almost all applicants are accepted.

Third, CPI is easy to obtain. With well-trained and supervised salaried staff at banks and credit unions, Canadians have coast-to-coast access to simple, optional insurance coverage on a 24/7 basis through more than 8,000 branches, telephone contact centres, and online.

Fourth, CPI is offered in exactly the amount of debt being taken on; and, as an optional benefit offered alongside a loan or mortgage product, it is inherently timely and convenient.

And fifth, CPI provides some forms of protection that are not readily available elsewhere, such as job loss insurance.

CPI coverage is typically secured through the financial institution providing the consumer's mortgage, loan or credit card.

According to independent [research](#) conducted by Pollara Strategic Insights in late 2018, the experience of Canadians with CPI on their mortgages and home equity lines of credit (HELOCs) is positive, with 87% saying 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.

Furthermore, 71% said that without CPI, they do not know how they and/or their family would be able to manage should an unexpected life occurrence negatively impact them financially – for example, not being able to work and earn a regular income. And 70% said CPI is an affordable insurance option. Canadians with CPI coverage also expressed confidence in the CPI claims process, and indicated that their expectations for claims payouts were being met or exceeded. For example, 89% of survivors/next-of-kin who made a CPI life insurance claim reported that it was paid. (The 89% level of CPI life insurance claims payouts reported by the survivors/next-of-kin of CPI insureds in the survey is close to the level found in aggregated self-reported data from CAFII members, which shows that 94% of CPI life insurance claims were paid in the 2018 fiscal year.)

Travel insurance is designed to protect consumers and their families from a variety of unexpected expenses related to travel outside of their home province. It is usually available in two varieties: travel medical insurance; and trip cancellation/interruption and baggage loss insurance.

Travel medical insurance covers emergency medical care expenses should someone suddenly and unexpectedly get sick, or if they have an accident while outside of Canada. Provincial health plans cover only a fraction of any health care expenses incurred outside of Canada (Ontario now covers almost nothing), and they limit coverage when travelling to another province. Should a covered person get sick or injured during his or her trip, travel medical insurance may cover all or most of their medical expenses up to a pre-determined limit.

This coverage can help protect consumers against the high cost of health care in the event of a medical emergency when travelling internationally.

For example, medical expenses, including medical evacuation, can be much higher in other countries than they are in Canada where Canadians are likely covered by their provincial health care plan. For example, according to the U.S. Centers for Medicare & Medical Services, fixing a broken leg can cost up to \$7,500; the average cost of a three-day hospital stay is approximately \$30,000; and comprehensive cancer care can cost hundreds of thousands of dollars in the United States – much, much higher than the amount a provincial health plan covers for medical expenses incurred outside Canada. In addition, the cost of emergency medical evacuation from a foreign country can be \$25,000 or more. Most people would face financial ruin if required to pay medical bills of that magnitude.

Trip cancellation insurance will reimburse consumers for the amount of pre-paid, non-refundable travel expenses (e.g. airline, cruise, train, hotel, etc.) that they have insured, should they cancel their trip before departure for an unforeseen covered reason. These reasons include the unexpected illness or injury of the insured and/or a traveling companion that deems them unfit to travel, by order of a licensed physician; the hospitalization or death of a family member; circumstances beyond one's control that results in the cancellation of the public transportation they have paid for to get to their destination; unforeseen natural disasters at home or the destination; and/or a legal obligation, such as being called for jury duty or to appear as a witness in court.

Trip interruption insurance is similar to cancellation coverage, but covers Canadians while they are on a trip for a list of covered reasons. For example, if a covered reason requires an insured person to return home, trip interruption insurance will reimburse them for the lost portion of their trip, as well as any additional expenses for a last-minute flight home.

According to independent [research](#) by Pollara conducted in early 2018, the experience of Canadians who have purchased travel medical insurance is very positive, with more than 8 in 10 satisfied with the coverage and the value it provides. Furthermore, 98% of people who had made travel medical insurance claims within the previous year said they were fully or partially paid, with only 2% of claims being denied. In addition, 91% of claimants said they were satisfied with their claim experience from initial contact to final outcome.

The survey results also revealed that Canadians believe that they have a reasonable understanding of the terms and limitations of their travel medical insurance, their amount of coverage, and who to contact in the event of an emergency. For example, at the time of purchasing their travel medical insurance, buyers said they were satisfied that they knew the policy terms, with 89% saying their knowledge was at least reasonable.

The Pollara research reports on travel medical insurance and credit protection insurance are available on the CAFII [website](#). The website also contains videos, real-life examples, explanations and FAQs about more than a dozen types of insurance including mortgage default insurance and life insurance, as well as a wide range of CPI products including mortgage life insurance, mortgage disability insurance, critical illness insurance, job loss insurance, and payment protection insurance.

While we are pleased with CAFII's progress to date in helping our members make insurance more simple, accessible, and affordable for Canadians, we know there is still more work to be done. So as we move forward towards our Association's 25th anniversary in 2022, we will continue to advocate for an open and flexible insurance marketplace in Canada, and provide consumers with the information they need to make informed choices.

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