



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)

Optional insurance for specific debts, including:



Mortgages



Line of credit
(secured/unsecured)



Credit cards



Loans

Credit Protection Insurance (CPI)

Protects consumers' debt obligations against a variety of risks

In the case of:

Death

Disability

Critical illness

Job loss

CPI can help to:

Pay off debt

Make payments

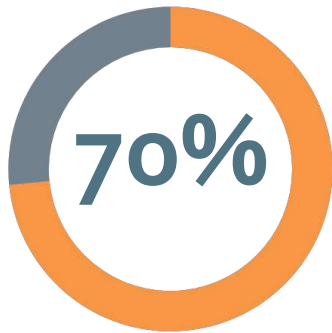
Postpone payments

Simple, accessible and affordable

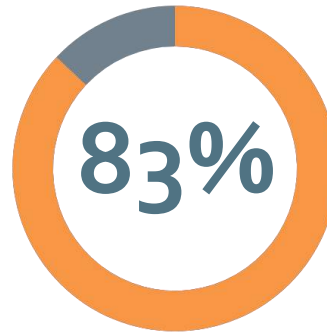


87%

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.*



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

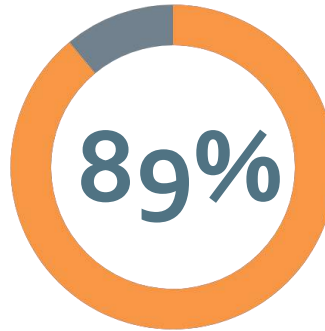


83% of Canadians with CPI coverage say it is an effective way to protect themselves and their families.*

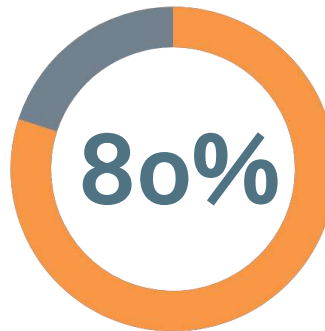
*Source: CAFII commissioned national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018 by Pollara Strategic Insights.

Paid claims and peace of mind

An independent Pollara study found that 92% of Canadians who had purchased Creditor Protection Insurance 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: CAFII commissioned 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 by Pollara Strategic Insights.

Coast-to-coast access

Financial institutions



Insurers





Sobering statistics

Inadequate coverage

Half of the Canadian population is neither prepared nor protected



50%

In 2019, half of Canadians
did not own life insurance coverage*

*Source: LIMRA Canadian Life Insurance Ownership Study — 2019 Person-Level Report.

Inadequate coverage

Coverage gaps disproportionately affect lower and middle-income families



49%

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

.....

45%

Even fewer wives earning less than \$35,000 own any life insurance*

.....

*Source: LIMRA Canadian Life Insurance Ownership Study — 2019 Person-Level Report.

Rising debt levels

At the same time, Canadians are more indebted than ever

In 2019 average consumer had over **\$70,000** in debt¹

In 2016 the median mortgage debt was **\$180,000**⁴

Last year **375** Canadians **per day** went insolvent²

Average non-mortgage debt is over **\$31,000**⁵

48% say they're within **\$200** of not being able to cover their monthly bills³

Canadians have over **\$100bn** in outstanding credit card balances⁵

Sources:

¹Equifax Report <https://www.consumer.equifax.ca/about-equifax/press-releases/-/blogs/canadian-consumers-piled-on-their-winter-cred-2/>

²Financial Post <https://business.financialpost.com/personal-finance/debt/375-canadians-a-day-went-insolvent-last-year-the-most-since-the-financial-crisis>

³Ipsos Survey <https://www.ipsos.com/en-ca/news-polls/half-48-canadians-are-less-200-away-monthly-being-financially-insolvent>

⁴Statistics Canada <https://www150.statcan.gc.ca/n1/daily-quotidien/190808/dq190808a-eng.htm>

⁵TransUnion Industry Insights Report <https://www.transunion.ca/lp/lir>

Unforeseen life events happen

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

1 in 2 Canadians will develop cancer in their lifetime¹

Strokes **leading cause of adult disability** in Canada²

<50,000 strokes in Canada every year or 1 stroke every **10** minutes²

Every year, Canadians spend a total of **3 million days** in hospital because of strokes²

In November 2019 alone, the Canadian economy lost over **70,000** jobs³

Canadian unemployment rates are projected to steadily rise over the next 5 years, reaching **6.5%** in 2024⁴

Sources:

¹Canadian Cancer Society <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>

²Ontario Stroke Network http://www.ontariostrokenetwork.ca/wp-content/uploads/2013/07/Final_Fact_Sheet_Stroke_Stats_3.pdf

³Statistics Canada Labour Force Survey <https://www150.statcan.gc.ca/n1/daily-quotidien/191206/dq191206a-eng.htm?HPA=1>

⁴Statista <https://www.statista.com/statistics/263696/unemployment-rate-in-canada/>



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

37 years old,
married

2 kids, one in
daycare, one
in school

Primary
income
earner



~\$300,000
remaining on a
\$500,000
mortgage

20-year
amortization

Owns life
insurance through
her employer's
group benefits plan

Debts have a way of piling up

Takes out \$50,000
HELOC for home
renovations

Takes out an
unsecured loan for
private school



Puts new furnace
on credit card

What if something happens?

Cannot afford
daycare, affecting
employability

Misses
credit card
payments

Family's lifestyle
dramatically
altered

Loses family
home



No coverage for
job loss, disability
or critical illness

Credit rating
plummets

Experiences
depression

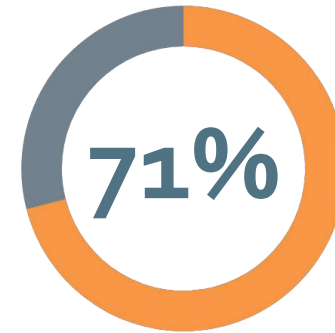
Group benefits life
insurance insufficient to
cover mortgage

What if she had the conversation?

Opening a dialogue at the point of sale



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.

*Source: CAFII commissioned 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 by Pollara Strategic Insights.



Sales practices built on 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 Activities

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 carefully developed scripts and protocols during the customer conversation to:

- ✓ Ensure that customers are provided full disclosure
- ✓ Ensure that the financial institution obtains express consent (verbal or written) from the customer

CAFII member FIs educate those offering CPI through:

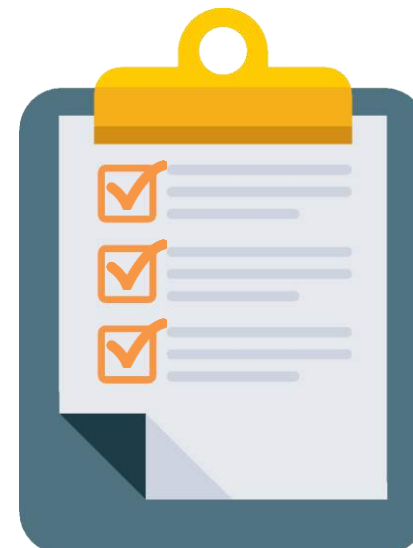
- ✓ Individual coaching
- ✓ Formal CPI training programs
- ✓ Team huddles

Prioritizing consumer protection

Oversight doesn't end once the consumer has enrolled in CPI coverage

Post sale practices are designed to ensure the fair treatment of customers:

- ✓ Calls are routinely recorded and monitored
- ✓ Post-sale reviews ensure customers understood and gave express consent
- ✓ Everything is passed through legal & compliance by both banks and insurance companies to ensure full compliance with legislation and regulation
- ✓ CPI insurers monitor spikes of cancellations at 30, 60, 90 days



Consumer-friendly documentation

Disclosure prioritizes informed purchase decisions

Certificates of insurance

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

Transparency

- ✓ Cost outlined in “plain language”
- ✓ Optionality reinforced

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

Straightforward complaint handling

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

Robust internal complaint handling process

- ✓ Complaints are handled with an emphasis on the **fair treatment of customers**
- ✓ CPI insurers track and report complaints to the new national database rooted in the **CCIR Annual Statement on Market Conduct**

We take Complaint Handling seriously and look forward to assessing in detail the February 2020 FCAC report on Complaint Handling to provide further guidance for industry improvements.

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: CAFII commissioned 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 by Pollara Strategic Insights.



Strict industry self-regulation and
robust provincial/federal regulation

Industry self-regulation

Mandatory participation in and compliance with industry guidelines and code of conduct



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*.

CBA Code of Conduct for Authorized Insurance Activities outlines obligations and best practice standards expected of bank representatives who offer Authorized Insurance Products

Robust provincial regulation network

Established conduit for communication among member jurisdictions



Provincially regulated

Fair treatment of customers integral to provincial regulators



CCIR / CISRO Fair Treatment
of Customers Guidance a top priority



Federal oversight

Robust legislative/regulatory framework, monitoring & oversight to ensure fair treatment and protection of consumers

Financial Consumer Agency of Canada (FCAC)

Monitors and enforces compliance with federal consumer protection measures

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 and dialogue going

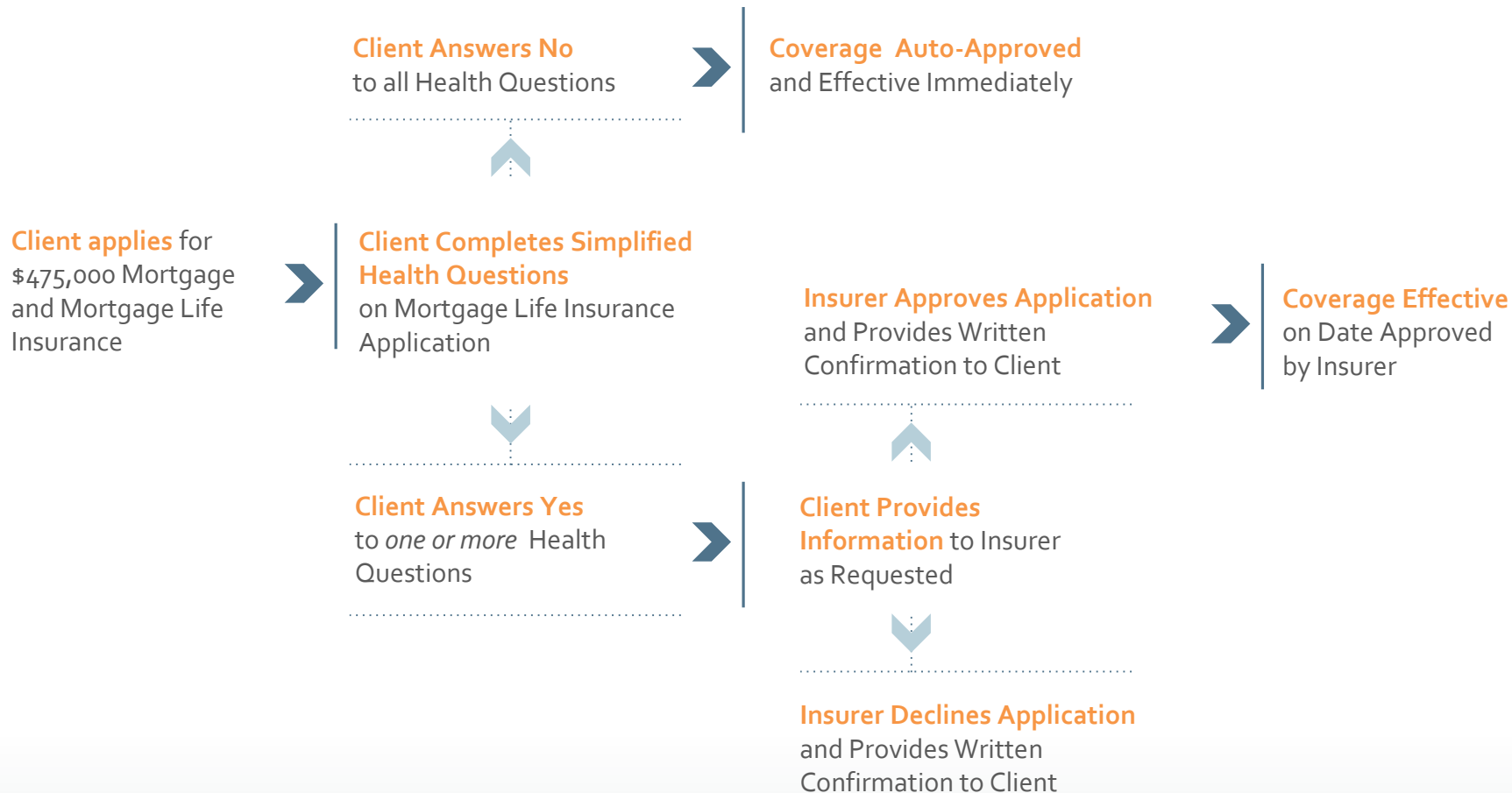


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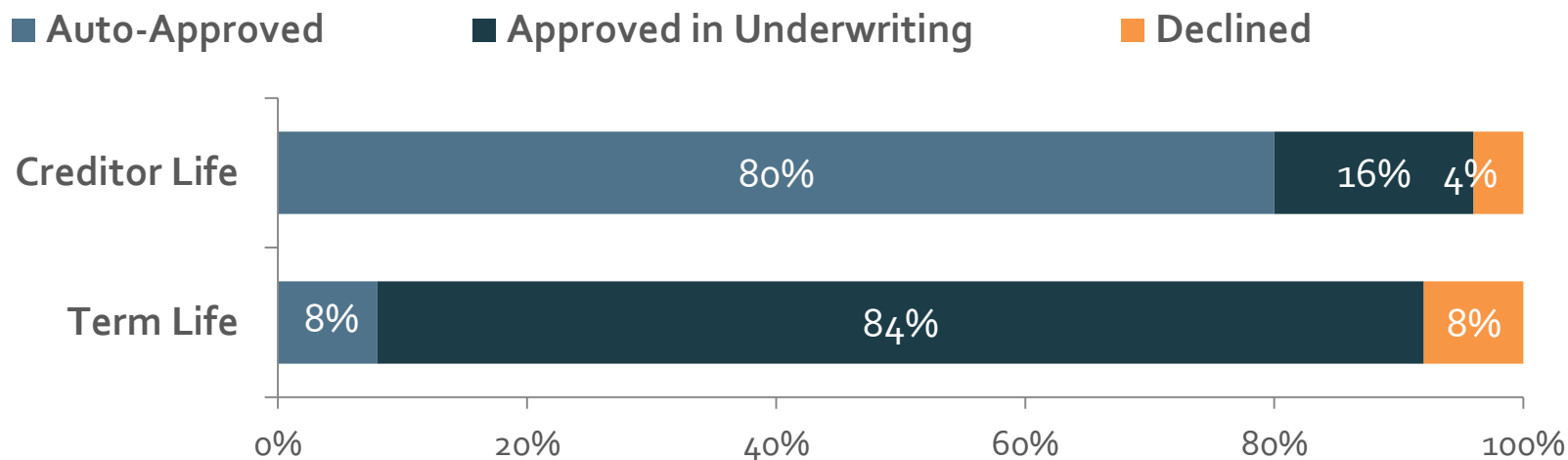
Appendix

Simple application process



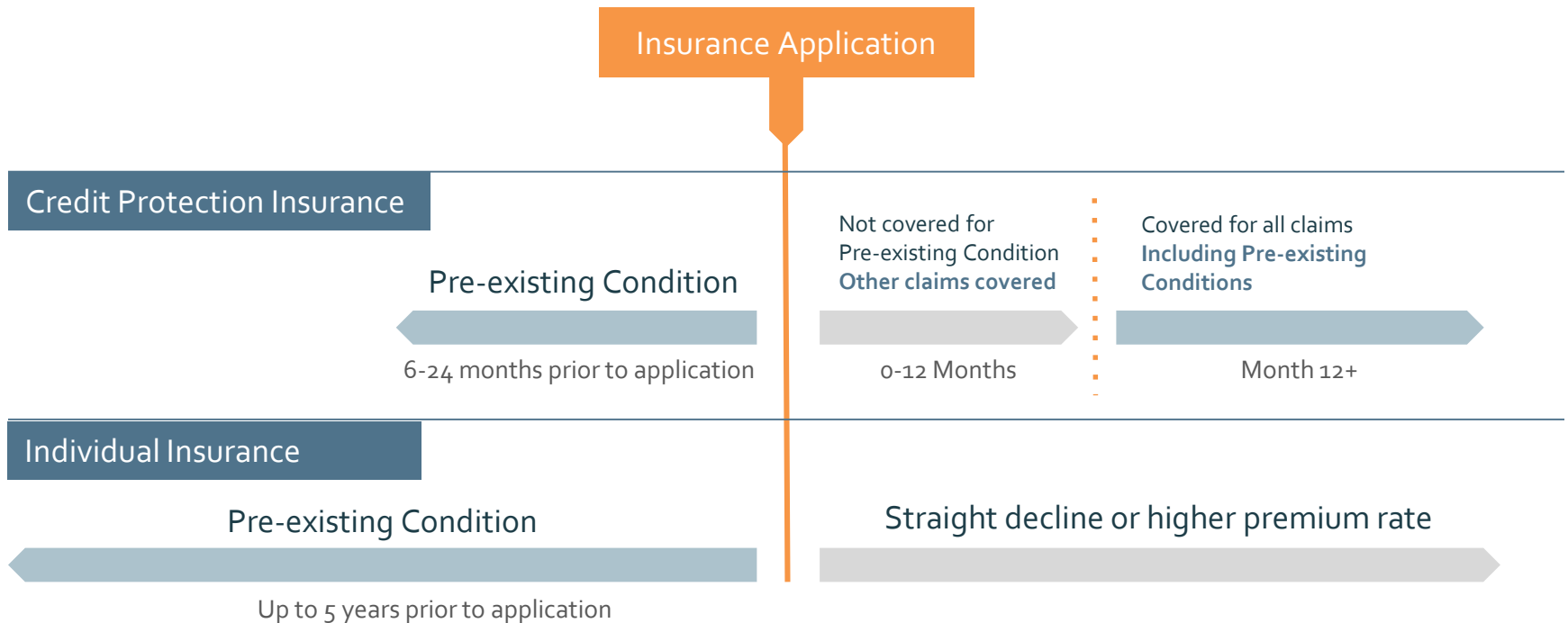
Easy approval process

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



Flexible underwriting

Small amounts

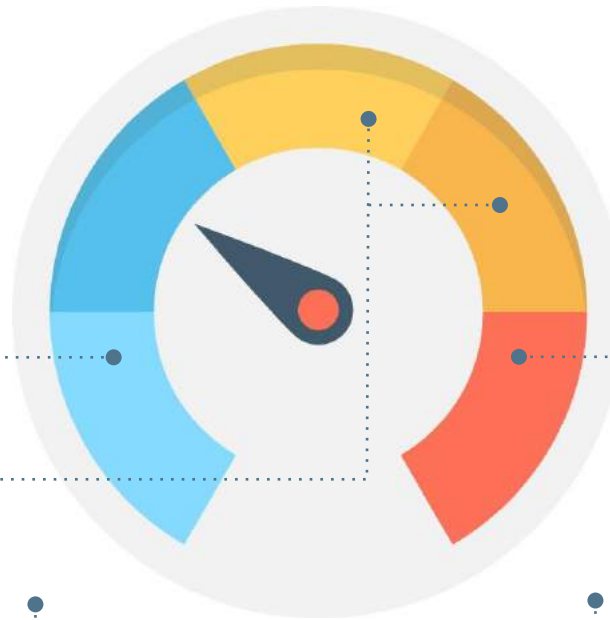
Guaranteed issue with a pre-existing condition provision

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

Can be 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

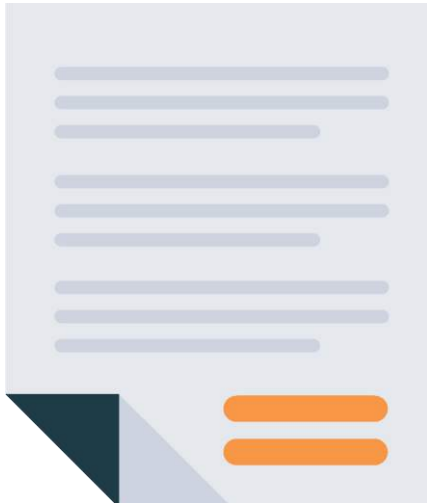
Our research indicates that credit protection life insurance is price-competitive with term 20 life insurance for more than half (55%) of the customer profiles covered in the study.*

*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.