<u>Letter to the Editor (V8 updated October 20)</u>

<u>Following are some proposed responses to negative media columns/articles, a collaborative effort between CAFII's Co-Executive Directors and Media Consultant David Moorcroft. Our Media Consultant has made the latest edit with the following objectives in mind:</u>

1. Meet the Globe and Mail's policy for letters to the editor, which states: The Globe and Mail welcomes letters on any subject but reserves the right to condense and edit them. Brevity counts. All letters should be less than 150 words, and must include the name, mailing address and daytime phone number of the writer.

2. Refrain from repeating the negative criticism, and where possible, use the letter as an opportunity to list the positive aspects of creditor insurance and the institutions that provide it.

3. Use simple language to make the arguments advanced in the letters more readable and understandable.

4. Where possible, use data and information to support the central message of the letter.

ISSUE 1: ***General Criticism of Creditors Insurance***

Re: headline of article (date): I'm writing in response to your story about creditor insurance published on (insert date). Your article failed to mention many of the positive aspects of creditor insurance sold by financial institutions across Canada for products such as mortgages, personal loans, lines of credit and credit cards.

For example, creditor insurance is available for a wide range of options, some of which such as job loss insurance may be hard to obtain elsewhere. It is also available in small coverage amounts, which is not always the case with other types of insurance such as individual term life, critical illness, or disability insurance. In fact, lower-income Canadians seeking moderate levels of insurance represent one of the most under-served segments in the overall insurance marketplace.

Further, all types of creditor insurance are provided under a group policy, which means more Canadians are accepted for coverage and they benefit from economical standard group rates. In fact, a 2015 independent actuarial study found that for several types of coverage, creditor insurance was less expensive than an identical amount of individual insurance, for many types of consumers. In addition, creditor insurance is the most accessible insurance in the country, with Canadians enjoying coast-to-coast access to it through more than 8,000 branches, telephone contact centres, and the internet.

Perhaps most important of all, the availability of creditor insurance through banks and credit unions across Canada provides consumers with one more option, which is good for competition.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 2: ***Customers Do Not Understand What They Purchased***

Re: headline of article (date): Thank you for pointing out the need for consumers to understand the type of coverage they are buying when they purchase insurance. We agree.

Members of the Canadian Association of Financial Institutions in Insurance (CAFII) take great pride in helping clients choose the coverage that best meets their needs. For example, our members employ highly trained, salaried personnel who are available to explain all the coverages and the exceptions to coverage. They encourage all policy purchasers to carefully read what they will be covered for, and the policy documents are written in clear, easy-to-understand language.

In addition, CAFII recently launched a new website that is designed to help consumers become more aware of the range of insurance options available in Canada and to understand more about them.

While it is always disappointing to hear about a consumer who didn't understand his or her coverage and had a claim denied, such situations are very uncommon. For example, according to a 2015 independent actuarial study, 95% of claims made under Mortgage Life Insurance policies are paid.

So while more work remains to be done to educate consumers about insurance, I believe we are heading in the right direction.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 3: ***Customers Pressured into Purchasing Product and Cannot Easily Cancel Coverage***

Re: headline of article (date): Financial institutions in Canada that sell creditor insurance adhere to a strict code of conduct that prohibits the use of pressure tactics to sell insurance.

In addition, coercive tied selling, which means making the obtaining of one product contingent upon the purchase of another, is against the law. Negative option marketing, which is automatically selling you something unless you proactively decline, is also illegal.

These practices are not permitted and are not used by our member financial institutions. Furthermore, our members' insurance advisors and agents are bound by their respective codes of conduct and/or license responsibilities, breaches of which could result in disciplinary action, monetary penalties, etc.

In addition, customers have a “free look” period (typically 30 days) during which they have insurance coverage but can cancel with a full refund of the premium paid. After the free look period is over, customers can cancel their coverage at any time and pay no further premiums.

Every week, employees at our member institutions sell creditor insurance to thousands of Canadians based on these principles, and their track record of high levels of customer satisfaction suggests it is largely working the way it should. It is unfortunate that your article implied otherwise.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 4: ***Premiums do not Decline over Term, while Mortgage Debt Does***

Re: headline of article (date): Your article failed to mention many of the positive features of mortgage life insurance, a form of creditor insurance offered by banks and credit unions across Canada.

For example, unlike with individual term life insurance where a customer’s premium will substantially increase whenever he or she has to renew the policy at an advanced age, the premium for mortgage life Insurance remains stable over the full duration of the mortgage with the customer’s financial institution. This provides customers with a predictable, constant and affordable premium throughout the entire life of the mortgage.

Furthermore, should a customer’s mortgage balance reach a level where they no longer feel the cost of having life insurance on it is worthwhile, they can always cancel the coverage without penalty and pay no further premiums.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 5: ***Insurance Claim Paid to Bank, not Customer***

Re: headline of article (date): Your article suggests that since the death benefit from mortgage life insurance – a form of creditor insurance offered by banks and credit unions across Canada--goes toward paying off a mortgage debt rather than to the surviving heirs, it mainly benefits the mortgage holder. Nothing could be further from the truth.

The reality is that for many Canadians, their home represents their most cherished asset, and their mortgage is their largest debt obligation. When people take out mortgage life insurance through their financial institution, it’s because they want that debt to be taken care of in the event of their untimely death, making it easier for their family to remain in the home. This ‘peace of mind’ is important during a difficult time, especially if the family has lost their primary income earner.

The bottom line is that mortgage life insurance provides Canadians with an additional means of providing financial security for their loved ones, and can complement other types of insurance coverage.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 6: ***Strict Underwriting Makes Product Hard to Get***

Re: headline of article (date): Contrary to what your article implied, creditor insurance – offered by banks and credit unions across the country-- is among the easiest, fastest, and most convenient insurance coverage for Canadians to obtain.

Most applicants for this type of coverage are insured immediately without the need for additional health questions or medical tests. Further, a 2015 independent actuarial study showed that 80% of mortgage life insurance applications in Canada are approved at the time of initial application.

As well, all types of creditor insurance are provided under a group policy, which means more Canadians are accepted for coverage and they benefit from economical standard group rates. In fact, the same 2015 independent actuarial study found that for several types of coverage, creditor insurance was less expensive than an identical amount of individual insurance, for many types of consumers. In addition, creditor insurance is the most accessible insurance in the country, with Canadians enjoying coast-to-coast access to it through more than 8,000 branches, telephone contact centres, and the internet.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 7: ***Product is Too Expensive***

Re: headline of article (date): Contrary to what your article suggested, creditor insurance offers good value and very competitive rates for Canadians.

In fact, a 2015 independent actuarial study found that for many types of coverage -- including disability, critical illness and life -- creditor insurance was less expensive than an identical amount of individual insurance, for many types of consumers.

For example, the study found that creditor insurance for critical illness was less expensive than individual critical illness insurance for all ages, amounts and genders. Furthermore, the study showed that creditor life insurance is less expensive than individual Term 10 life insurance (renewed once over 20 years) for almost all (94%) of the customer profiles covered in the study; and it's less expensive than Term 20 life insurance for more than half (55%) of the customer profiles covered in the study.

The bottom line is that creditor insurance is a fairly priced, competitive product and an important insurance option available to Canadians through banks and credit unions across the country.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 8: ***Difficult to Complain about Product***

Re: headline of article (date): Contrary to what your article suggested, financial institutions that sell creditor insurance take great pride in providing excellent customer service and have put in place robust procedures for receiving, investigating, responding to, and resolving consumer enquiries and complaints.

These procedures include clear information on how to make a complaint, what information to provide, and contact information for submitting a complaint. Furthermore, many of these institutions have a process in place for escalating unresolved complaints to their own Ombudsperson, and onwards to an industry Ombudservice should the situation warrant.

While there is always room for improvement, the demonstrable evidence shows that employees at the banks and credit unions across Canada that sell creditor insurance are working hard to ensure their customers are well-served.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance

ISSUE 9: ***Difficult to Complain about Travel Insurance Product***

Re: headline of article (date): Contrary to what your article suggested, financial institutions that sell travel insurance take great pride in providing excellent customer service and have put in place robust procedures for receiving, investigating, responding to, and resolving consumer enquiries and complaints.

These procedures include clear information on how to make a complaint, what information to provide, and contact information for submitting a complaint. Furthermore, many of these institutions have a process in place for escalating unresolved complaints to their own Ombudsperson, and onwards to an industry Ombudservice should the situation warrant. This process ensures a thorough and unbiased review of the consumer's concern.

In addition, research has shown that consumers of travel insurance give the industry high marks for customer satisfaction. For example, a study by Pollara Strategic Insights in 2015 that looked at the satisfaction levels of consumers who purchased travel medical insurance showed that 94% gave their purchase experience a very high rating.

While there is always room for improvement, the demonstrable evidence shows that employees at the banks and credit unions across Canada that sell travel insurance are working hard to ensure their customers are well-served.

Keith Martin
Co-Executive Director, Canadian Association of Financial Institutions in Insurance