

## **Background**

CAFII's 3-5 year strategic plan has identified research as a key component of the Association's effort to build on its successes and increase its profile. Viable research can increase the organization's credibility, allow it to provide evidence-based support for its key messages, and strengthen its case with regulators, policy-makers, influencers, and the media.

In the past, CAFII has invested in two major research efforts—a Pollara consumer satisfaction survey entitled the "Travel Medical Insurance Study," which has been conducted once thus far, with results released in September 2015; and a Towers Watson (previously Avalon Actuarial) study to compare the customer value proposition of Creditor's group insurance on mortgages with individual insurance products, including critical illness and disability insurance products, conducted several times over the years as a tracking study with the most recent results released in September 2015, entitled "Comparison of the Customer Value Proposition of Creditor's Group Insurance on Mortgages with Individual Insurance Products."

Going back a bit further, CAFII also commissioned Pollara Strategic Insights in 2010 to examine customer experience and satisfaction with creditor insurance. The study involved over 1,300 Canadians who had mortgage Creditor Insurance or a secured home equity line of credit insurance with a major bank, credit union or caisse populaire. This research helped CAFII better understand the satisfaction and purchase experience of Canadians. Highlights of the results were that creditor insurance delivered "peace of mind," there was confidence in the product, and clients reported a positive purchase experience. The results of this research were often quoted by CAFII in regulatory consultations and presentations to regulators, until the research was stale dated.

## **Analysis of Previous Research**

The Pollara consumer satisfaction survey was well-received and demonstrated the high level of service, support, and claims payout of providers offering travel medical insurance products across Canada. As a result, in 2017 CAFII decided to update this research in 2018, at a cost of \$35,000 which was part of the 2017 budget. The research will be released in the Spring of 2018. If the research results warrant publicizing them, a key difference with this version is that the results will include collateral that summarizes the key findings, to be shared on our website, and electronically and in hard copy form with regulators and policy-makers and other influencers; and will include a press release with the opportunity to share the key results with media, accompanied by a media strategy.

CAFII positioning of Creditor Insurance has always been as complementary to individual insurance and that we believe there is room in a customer's protection and risk concerns share of wallet for both.

While the Towers Watson study was an actuarial study, CAFII has been able to rely on it extensively to make the claim that creditor insurance is "convenience, accessible and affordable" for Canadians. It is this independent actuarial study that enables us to make this claim with quantitative statistics to back it up on all three aspects of the claim. The claim is made in reference to comparison between creditor insurance on mortgages (life, disability and critical illness) and individual life insurance (life, disability and critical illness) that was a key aspect of the study. The claim that creditor insurance (on mortgages) is convenient, accessible and affordable is quoted in varying amounts of detail in several presentations to regulators, in regulatory consultations and in multiple product documents launched on the CAFII

website as part of the website re-launch to the public, with approval from Towers Watson. While having to obtain approval from Towers Watson to use the data externally is an extra step that feels time consuming and cumbersome, it does provide a valuable check that the data is being quoted correctly. These were all benefits derived from this study and the approach taken to it.

However, because the Towers Watson study was an actuarial study and it was geared for internal use and benchmarking, it is less well suited for a public dissemination consistent with CAFII's new strategy to be more public-facing where appropriate. It is a dense and difficult-to-navigate study, and there was no intent in the 2015 version to try to render some of its findings in a publicly digestible form (other than sharing limited highlights of the findings with insurance regulators and policy-makers). Furthermore, it was subject to an agreement that it could not be used publicly without explicit permission from Towers Watson. As a result, there is very limited ability to use the findings in the study publicly, both because they have not been turned into useable stories, and because of the public restriction on the use of the data and analysis.

**Key Finding #1:** *The Towers Watson study should not be repeated in its current form—it must include a strategy to summarize the data in publicly useable fashion, and there should be no restriction on its use publicly.*

### **Options for Future Research**

While CAFII is committed to an ongoing research program, financial challenges resulted in the 2018 research budget not being increased over 2017. This, however, has the benefit of allowing CAFII to demonstrate the value of research and its impact, prior to increasing the budget allocated to it.

In reviewing the options for research, the Research & Education Committee brainstormed in January 2018 on possible projects, and the topics considered were then analyzed by CAFII's Co-Executive Directors, and by Media Consultant David Moorcroft, for their media/influencer, and regulatory, interest. That analysis is summarized in Table 1.

Some additional context is worthwhile here. During CAFII's visits tour to Western Canada insurance regulators and policy-makers in October, 2017, and during a CAFII visit to the Minister of Finance of Saskatchewan in June 2017, we noted that CAFII has no collateral on key elements of its members' businesses—for example, in a province we were visiting, we had no information on total premiums collected; aggregate claims paid out; total number of employees, etc. These statistics can be valuable as part of information-sharing with regulators and policy-makers, and for example are collected and shared by the Canadian Life and Health Insurance Association (CLHIA). (This type of research information is identified in Research #3.) It is also worth noting that until CAFII has developed research on its benefits and which support its key messages, there may be risk to drawing attention to our size, and so there may be a benefit to delaying such research until we have produced research-based evidence to back up our key messages.

The Towers Watson study, as per Recommendation #1, should not be repeated in its current form. There is a requirement for either an analyst or researcher to be hired to analyze the data and turn it into a series of stories that are fact-based, evidence-driven, and highly understandable and readable; or to have such an output of the research included in the research contract.

In the past, the Research Committee typically had 3 or 4 industry volunteers for each major research initiative, with one of the volunteers being the lead for the initiative. These volunteers would work with

the research firm to drive the study design, the survey questions and target audience and to dig into the research results to synthesize the major learnings and convert it into slides, sound bites or other outputs for us in a variety of communications with various target audiences. It was essential to have working groups comprised of CAFII members from industry who understood the product, pricing, underwriting, industry and target audiences. This approach will continue to be the foundation of CAFII's research efforts going forward. In addition, there will be closer collaboration going forward between the Research & Education Committee, and the Media Advocacy Committee, to ensure that from the beginning of a research effort we incorporate the media and public-facing elements that we will want to make part of the outputs from the research.

In discussion with various individuals involved in offering advice on CAFII's strategy, one suggestion was that an alternative to engaging Towers Watson, or another actuarial firm, as the organization producing the research to update the Towers Watson analysis, would be to hire a research firm that could do the analysis, but which would have the internal resources and expertise to also be able to provide excellent written summaries of the research as part of their effort. It is important to note, however, that a key requirement for the Towers Watson study was that it be a comparison of the value proposition of Creditor Insurance vs. individual insurance. It was this comparison that enabled CAFII to make the claims about creditor insurance convenience, accessibility and affordability. The participation of 13 individual insurers in this study was achievable because of the relationships Towers Watson had with the individual insurers that participated. Regardless of which approach is taken, it is recommended that the Towers Watson type research not be updated without this additional component incorporated into the research contract.

**Recommendation #1:** *A future Towers Watson type research effort (Research #1) needs to include turning the data results into readable, highly digestible storylines that could be shared with media/influencers and regulators/policy-makers.*

The Tower-Watson CGI information was identified by confidentially collecting information from members of CAFII (as well as from outside insurance firms offering term insurance). This internal collection of information would involve approvals from CAFII members, and would involve working with internal departments of CAFII members that would provide the required information. CAFII EOC members were accountable for delivery of the data such they worked with their internal departments to obtain the data. There may be minimal overlap in data collected for the two studies. It would be essential to keep the data separate to avoid confusion in what was being collected. However, the effort to gather statistical information (Research #3) might be more efficient, and less of a distraction for our members, if it was combined with the effort to update the Towers Watson research itself.

**Recommendation #2:** *We should explore whether an update to the Towers Watson type research (Research #1) should be combined with a statistical analysis of CAFII members (Research #3) for efficiency and cost-effectiveness reasons.*

**Table 1**  
**Possible Research Topics and their Interest to Media/Influencers; and Regulators/Policy Markers**

<b><u>Research #</u></b>	<b><u>Topic</u></b>	<b><u>Media / Influencer Interest</u></b>	<b><u>Regulatory / Policy Maker Interest</u></b>
1	Repeat of the Towers Watson Study (Update) (but with some adjustments to how the content is displayed, and with no restrictions on its public use)	High	High
2	A comparison of CGI and other competitive products along a series of dimensions: ease of signing up (medical tests required, questions, time to be signed up); cost; claims ratios. This is analysis by a specialist—the output would be a “white paper” type of research on the industry	High	High
3	A summary of CAFII member’s presence in each province, in the aggregate: Number of employees; Total premium written; Total claims payout; Taxes paid to the province	Low	High
4	A comparison of the regulatory structure of the Canadian insurance industry for the products offered by CAFII members, compared to other jurisdictions such as the United States, Great Britain, Australia, and Singapore	Low	High
5	A comparison of the “regulatory sandbox” approach in Canadian provinces as compared to other jurisdictions such as the United States, Great Britain, Australia, and Singapore	Low	High
6	A review of the economic costs to the Canadian economy from a lack of harmonized regulations and licensing regimes (for example, the need for a call centre to get multiple licenses and send calls only to the agents with a license from the province the caller is from)	Low	High
7	Comparison of the levels of life and other insurance coverages for Canadians in different wage brackets, broken out by term versus CGI, to show that lower and middle income Canadians are vastly underinsured and CGI addresses that gap. This same study could also look at this from an age perspective, to show the same issue for younger Canadians	High	High
8	Research on the potential impact of digitization, innovation, and technology change on insurance and the regulatory regime (this broad topic could be a series of more specific topics, and this could be a series of research items over time)	Medium	High
9	Review of some of the most innovative technology developments and how they could impact on the insurance industry	Low	High
10	Pollara-type consumer survey but not on travel medical insurance, rather on CGI products offered by CAFII members – level of satisfaction with sign up process, servicing, claims etc.	High	High
11	With the importance being placed on Treating Customers Fairly and enabling/empowering Canadians to make well informed decisions, we might consider research in the area of Financial Literacy. For example, what have other countries done to increase the financial literacy of their citizens and how could those learnings be applied in Canada to provide regulators with recommendations on how they could assist citizens to become better informed. FSCO talks about their efforts in the area of Fraud Prevention as being one of their past Financial Literacy achievements. What other types of initiatives could CAFII recommend based on primary (or even secondary) research?		

At this stage, it is worth noting that while these efforts could prove extremely valuable for CAFII, and could produce a rich stream of outputs that would be useable with media, influencers, regulators, and policy-makers, the Towers Watson research in its current limited form cost \$45,000 in 2014. In an August 9<sup>th</sup> 2017 email from Helene Pouliou, Director, Canadian Leader, Risk Consulting and Software, Towers Watson, she said “an update [of the study] would not be as costly or time consuming as the methodology has been established for the first survey.” To be conservative, we can estimate the cost of a renewed study, with the passage of time, to still cost \$45,000. If the recommendation to include a written output is supported, that would add at least \$10,000 to the effort. If the recommendation to incorporate a statistical analysis at the same time is supported, that would add up to \$25,000 to the effort. Therefore, this total effort would cost up to \$80,000—and possibly more—and therefore is not in consideration in 2018 for budgetary reasons.

***Recommendation #3:*** A combined research effort that includes a Towers Watson type analysis updated to be current; and which also includes a written component; and which combines these efforts with a statistical analysis of CAFII members (the “combined research effort”), should not be considered for the 2018 budget as it far surpasses the available 2018 budget.

However, this would be a viable and worthwhile initiative to explore going forward. Therefore, CAFII should begin to consider this as a potential investment for 2019.

***Recommendation #4:*** A combined research effort should be explored as a candidate for investment, at a cost of approximately \$85,000, for the 2019 CAFII budget.

If a combined research effort is considered, an RFP should be solicited given the size of the investment in question.

***Recommendation #5:*** A combined research effort, given the expense it would incur, should be put to an RFP with a variety of vendors.

If we move forward with Recommendation #4, considerable preparatory work can be done in 2018. There needs to be discussion about how data is gathered—for example, statistical analysis can be provided for the distribution side, the manufacturing side, or a combined view, and gathering this information may also require the involvement of CAFII members’ partners, who would need to be engaged in parts of this effort. CAFII EOC members or Research and Education Committee members would be accountable for coordinating with internal members or partners. An RFP could be developed and issued in 2018, so that the research firm could begin its efforts immediately in 2019 if the budget for this effort was approved. This however would result in 2017 data being collected such that the results are already 2 years old once the study is published. It would be best to plan to obtain 2018 data in early 2019.

***Recommendation #6:*** If Recommendation #4 is supported, staff and volunteer work on this initiative can begin in 2018.

Reviewing the remaining options for research, if the recommendations above are accepted and this combined research effort – an update to the Towers Watson research (Research #1) with a publicly useable written component, and a CAFII members’ statistical analysis (Research #3)—are not viewed to be candidates for investment in 2018, the one that stands out as both within budget, and most

impactful with media/influencers and regulators/policy makers, is Research #10—conducting a consumer satisfaction survey for creditor’s group insurance products. This would involve questions on satisfaction with enrollment, service, cancellation, complaints, and claims, and could include additional questions like “Do you feel you paid the right amount for this insurance?”; “Do you feel like you are getting good value for your money with this insurance” etc., which media consultant David Moorcroft feels would generate powerful results to share with media and influencers. The previously CAFII-Pollara study that examined customer experience and satisfaction with creditor insurance would be an excellent place to start in terms of the survey questions, the audience, the products examined, etc.

Additional benefits to this approach are that we could re-use many of the questions and effort from the Travel Medical survey; we could consider using the same firm (Pollara) and leverage our partnership and knowledge of them, but we would definitely still issue an RFP for this project, which would allow us to validate the cost, and potentially seek out a firm that could be who we use for the 2019 research efforts as well. The timelines for this effort would work well in the early Fall of 2018; and we would be able to have a substantial 2018 research output within our \$35,000 budget.

The previous Pollara research on

***Recommendation #7:*** CAFII's 2018 research investment should be a consumer survey of the satisfaction of consumers with CAFII members' CGI products (mortgage and loan life, disability, critical illness, and job loss insurance). We would issue an RFP for this research effort, with Pollara one of the firms we would ask to bid on the project. While it would be beneficial to be able to conduct research on a wide variety of coverages and credit products for which creditor insurance is offered, the budget may require that we focus our efforts on creditor insurance and credit products where aspects of purchase experience and consumer confidence issues are most fully played out, i.e. in products that are underwritten and are a more important risk concern for Canadians, such as products that offer protection for their home.

**Appendix A****Individuals and Committees Consulted in the Development of this Report, or Involved in the Approval of this Report**

<b>Individuals / Committees Consulted</b>	<b>Comment</b>
Diane Quigley	Chair of the Research and Education Committee—has approved this report
Research and Education Committee (see Appendix B)	All members have inputted into this report; responsible for expert advice and for forwarding the report to the Executive Operations Committee (EOC) for formal approval
Executive Operations Committee (EOC)	Will be responsible for formal approval of the report and for recommending it be forwarded to the Board of Directors
Craig McKendrick	Has advised on different research firms that CAFII could solicit
Charles Blaquiére	Chair of the Media Advocacy Committee—has reviewed report from perspective of supporting the media / influencer strategy
Media Advocacy Committee (Charles Blaquiére, Chair)	Have inputted into the media/influencer components of the report and will be asked to review the report, and engage in its implementation (if approved) to ensure media/influencer aspect is fully incorporated into our research outputs
Peter Thorn	Chair of the EOC; has reviewed the report prior to its being forwarded to the EOC
David Moorcroft	Media Consultant; has provided expert advice and input into the media elements of the research strategy
Keith Martin, Brendan Wycks	Co-Executive Directors of CAFII; provided staff support for the development of the report and the process for its approval and implementation
Board of Directors	Will modify the report as required; and will be responsible for determining whether to approve the report and its recommendations



**Appendix B**  
**Membership of the CAFII Research & Education Committee**

<b><u>Committee Members</u></b>	<b><u>Title</u></b>	<b><u>Institution</u></b>
Diane Quigley (Chair)	Director, Creditor Insurance Product & Pricing	CUMIS
Sue Manson	Planning Director, Strategy & Planning	CIBC
Noel Brackney	Manager, Regulatory Programs, Market Conduct & Policy	BMO
Craig McKendrick	Senior Consultant, Consumer & Market Research	CIBC
Laura Bedford	Senior Advisor, Insurance Compliance & Market Conduct	RBC
Rob Dobbins	Senior Director Compliance, Canada	Assurance
Aneta Murphy	Senior Manager, Policy and Training, Creditor Products and Operations	ScotiaLife
Scott Kirby	Manager – Life, Creditor and Travel, Government and Industry Relations	TD

**Appendix C****Media Consultant David Moorcroft's List of Issues and Topics that Media/Influencers Could be Interested In**

- What percentage of Canadian households have a strategy for dealing with a sudden loss or drop in income?
  - What percentage of Canadians are concerned they could not maintain their current standard of living if they lost their job or became too ill to work?
  - What percentage of Canadians feel their heirs could pay off their mortgage and remain in their home if they unexpectedly passed away?
  - What is the total mortgage indebtedness in Canada and what percentage of Canadians have insured their mortgage debt for life, disability and job loss?
  - What percentage of Canadians believe that having greater choice in where they can obtain insurance is a good thing?
  - What percentage of Canadians believe that having the option to buy creditor insurance at the time and place they purchase their mortgage or loan is a positive thing?
  - What percentage of Canadians believe that being able to purchase creditor insurance at standard economical group rates is a good thing?
  - Does mortgage life insurance help provide a valuable safety net for borrowers?
  - What is the average monthly premium for a mortgage life insurance policy in Canada for people aged 18 to XX? How does that compare to term life insurance?
  - What percentage of creditor insurance clients make claims and what percentage of them are approved? What percent was denied?
  - What is the most common reason to deny a claim?
  - What was the total amount of money paid out for all creditor insurance claims in the most recent year where the data is available?
-