

9 March, 2018

Mr. J. Scott Moore  
Deputy Superintendent, Financial Institutions  
Financial Institutions Regulation Branch, Government of Manitoba  
207-400 St. Mary Avenue  
Winnipeg MB R3C 4K5  
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**Re: Single Premium Creditors Group Insurance Policies**

Dear Mr. Moore:

The Canadian Association of Financial Institutions in Insurance (CAFII) appreciates the opportunity to provide Manitoba's Financial Institutions Regulation Branch with information about single premium creditors group insurance policies, in response to questions raised during CAFII's October 19/17 liaison meeting with the Insurance Council of Manitoba, which you attended, and an ensuing email exchange on this topic.

There is significant variance among CAFII members on the question of whether or not they offer single premium creditors group insurance policies; and the specifics of any product that is offered on a single premium basis also differ from member to member.

That said, however, there are a number of key distribution characteristics common to single premium policies that are offered by our members, including adherence to applicable regulations; adherence to CLHIA Guideline G7 on Creditors Group Insurance<sup>1</sup>; and a commitment to full consumer disclosure of the terms and conditions associated with this type of policy.

Single premium Insurance is a traditional form of creditor's group insurance, which is typically offered in connection with a new fixed term/amortized debt obligation of under 10 years duration, with repayment terms varying by lending institution.

With respect to the coverage, single premium creditors group insurance may be life insurance or critical illness insurance, which typically pays the entire insured amount (i.e. the outstanding loan balance) upon an approved claim. Alternatively, the coverage may be disability or loss of employment insurance, which typically pays the monthly loan obligation (selected at time of issue) upon an approved claim.

The full amount of the insurance premium is known at the time the associated debt is arranged, and the full amount of premium is considered to be paid all at once, at the time of issue (it may be paid in cash, or it may be added to the debt and financed): hence, the name "single premium" creditors group insurance.

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<sup>1</sup> All members of CAFII are also members of CLHIA with the exception of American Express Bank of Canada.

In your recent follow-up note to our Association, you referenced some consumer complaints related to refunds for single premium insurance coverage at the time the policy was cancelled. Since the full amount of premium is paid at issue, a debtor-initiated cancellation will result in a refund, the details and calculation of which are explained in the Certificate of Insurance.

All of the above features are factored into the pricing of the insurance coverage and, hence, the resulting single premium. While practices at each insurer will vary, all of the above information is clearly disclosed on the enrolment form and throughout the enrolment process, and it is summarized in an acknowledgement section that the debtor must sign.

Nearly all CAFII members are members of the CLHIA and – as distributors and/or underwriters of creditor’s group insurance including, in some cases, single premium creditor’s group coverage -- they adhere to the best practices outlined in *CLHIA Guideline G7, Creditor’s Group Insurance*. This means that at the point of sale, the amount and duration of the insurance must be clearly disclosed to the debtor in a distinct transaction. In addition, insurance features must be similarly disclosed during that transaction, including eligibility criteria, the voluntary nature of the product, the minimum “free look period”, the fact that the insurance is cancellable, the amount of the premium, and the impact of any refinancing of the debt on the insurance coverage.

In addition, under CLHIA G7, a Certificate of Insurance must be provided to the insured debtor with the insurer’s name and contact information; description of the insurance features; information about important exclusions, restrictions, and limitations; the voluntary nature of the product; when insurance coverage begins/ends; claims procedures; where benefit proceeds will be directed; and circumstances under which the debtor is eligible for a refund. This information may also be provided in a summarized, key features document.

Further, with reference to refunds, these must be made promptly; the amount must be related to the insurance premium; and the method to calculate the refund must be clearly disclosed in the Certificate of Insurance.

In addition, CAFII members are committed to training their employees and, in the case of member insurers, their distributors, so that they adhere to these principles. Under CLHIA G7, training must include information about all of the items listed above; and insurers are accountable for the training of lenders who distribute their products, and for ensuring that training activity is monitored. As well, the federally regulated financial institution members of CAFII must comply with the staff training and other commitments set out in the Canadian Bankers Association Code of Conduct for Authorized Insurance Activities.

To sum up, based on their adherence, as applicable, to CLHIA Guideline G7; the CBA Code of Conduct for Authorized Insurance Activities; and their commitment to the fair treatment of consumers, those CAFII members that do offer single premium policies are doing so in a manner that is appropriate, including full consumer disclosure of the features of this type of policy.

Thank you again for the dialogue which CAFII representatives had with you and ICM officials last Fall on this matter; and for this follow-up opportunity to share the key features of single premium creditor's group insurance policies with you, in writing. Should you require further information or wish to meet with representatives of our Association at any time, please contact Keith Martin, CAFII Co-Executive Director, at [keith.martin@cafii.com](mailto:keith.martin@cafii.com) or 647-460-7725.

Sincerely,



Peter Thorn  
Board Secretary and Chair, Executive Operations Committee

c.c. Barbara Palace Churchill, Executive Director, Insurance Council of Manitoba  
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### **About CAFII**

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. Our members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.