



INSURANCE ReVOLUTION



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REINSURANCE
CONFERENCE

Breakout Session #6

Simplifying Contracts



Rory Unsworth

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Swiss Re**



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Elizabeth Warren,
Professor of Law at
Harvard, 2009

“I teach Law at Harvard
Law School and I can’t
understand my credit
card contract. I just
can’t. It’s **not designed
to be read.**”



This is not (just) a presentation about Contract Simplification...

F.I.T. Contracting =



F.unctional ✓



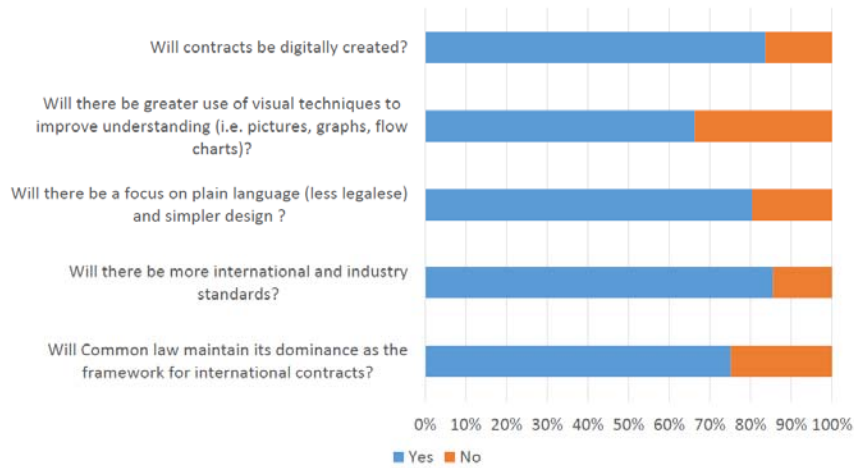
I.nclusive ✓



T.ransparent ✓

The Business Case

What aspects of contracting will change over the next few years?



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10 Pitfalls of current contracting and commercial practice

- Lack of clarity on scope and goals**
Result: Cause of claims/disputes
- Legal/contract team not involved early enough**
Result: Wrong form of contract & extended lead time
- Failure to engage stakeholders**
Result: Misaligned interests and future opposition
- Protracted negotiations**
Result: Competitive exposure & delayed revenues
- Negotiations focus on the wrong terms and risks**
Result: Loss of economic benefit; contract a weapon
- Contracts lack flexibility. Insufficient focus on governance**
Result: Performance management dominated by blame/fault
- Contracts difficult to use or understand**
Result: Users see contract as irrelevant to business needs
- Poor handover from deal team to implementation team**
Result: commitment & obligations missed & misunderstood
- Limited use of contract technology**
Result: Inefficiency and loss of quality in performance and analysis
- Poor post award processes and governance**
Result: Repetitive issues and errors causing value loss

Average value erosion 9.2%

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International Conference on Contract Simplification

[Conference Movie](#)

[Materials from the International Conference on Contract Simplification](#)

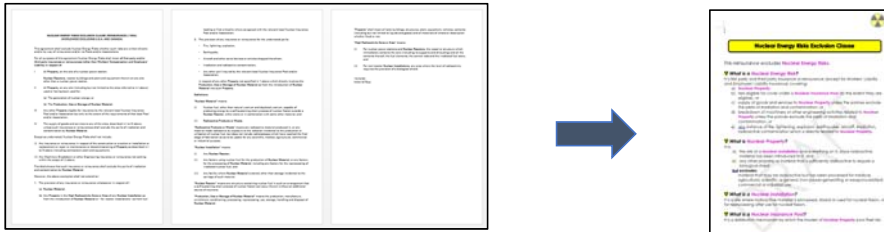


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Some Examples

1. Reduction of Text






2. Alternative Ways of Description



3. Take out repetition/human interaction – Parametric, Text Mining Tools, Smart Contracts



F.I.T. Contracting Manifesto: Let's get F.I.T.!

	Definition	Examples of un-F.I.T.ness: General	Examples of un-F.I.T.ness: Reinsurance
Functional 	Contract does what it is intended to do, in the best manner possible.	<ul style="list-style-type: none"> ✗ Difficult or impractical to enforce, navigate, apply or administer. ✗ Creates friction within the relationship or for one of the counterparties. ✗ Over-long. ✗ Relies on legal conventions that cannot easily be automated. 	Contracts which do not reassure ceding companies re data protection; overly strict confidentiality provisions. Over-lengthy reinsurance contracts.
Inclusive 	Contract gives all stakeholders access to in-scope goods, services or other contract benefit in a manner which (i) includes them and (ii) makes them feel included.	<ul style="list-style-type: none"> ✗ One-sided, or leaving one or more party not feeling included, empowered, or "vested" in the contract or the outcome. ✗ "Take-it-or-leave-it" (aka "accept-only"). ✗ Expressed in a "voice" which alienates one party. 	Contracts imposing penalties unrelated to counterparty losses. The "voice" of reinsurance contracts is archaic and over-formal.
Transparent 	Contract gives all stakeholders a clear understanding of the rights and obligations bestowed, and how to exercise and discharge them.	<ul style="list-style-type: none"> ✗ Language not plain and intelligible. ✗ Complex terms, fine print or "lawyer language". ✗ Actual intent or functioning is hidden. 	Reinsurance clauses are frequently intransparent to the casual reader for their length and complexity. Lack of illustrations, visualisations or examples

12 F.I.T. Factors (not in order of importance)

- length
- visualization
- voice
- navigability
- integration
- inclusivity
- beauty
- clarity (writing, layout)
- fairness
- jargon-free
- complete
- manageable (adaptation, taxonomy)

Frank Rodell,
Professor of Law at
Yale University, 1936

“There are two things
wrong with almost all
legal writing. One is its
style. The other is its
content.”





Jonathan Bondy

Senior Actuarial Associate
Manulife Financial



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Introduction

- Why does the Canadian travel insurance market need to change?
 - What does **simplifying contracts** have to do with this?
- How have insurers innovated in a market with changing needs?

Travel Insurance 101

- Pre-Departure Coverage
 - Trip Cancellation
 - Covers non-refundable portion of a cancelled trip
- Post-Departure Coverage
 - Emergency Medical
 - Trip Interruption
 - Baggage loss/damage
- Bundled coverages & varying coverage limits

Challenges in the Travel Market

Regulator pressure to simplify product offerings: Why?

- High visibility denied claims in the media
- Travel agents find traditional policies difficult to explain
 - At point of sale
 - When presented with a claim
- Travelers are purchasing travel insurance less frequently
 - “Crisis of confidence”

The Regulatory Perspective

Canadian Council of Insurance Regulators (CCIR)

- February 2015 News Release
 - Response to concerns from the public and from brokers
 - Created a Travel Insurance Working Group
- Working Group surveyed insurers in 2015
- Travel Insurance Issues Paper released in July 2016

CCIR Survey Results

- 2% average claim rate
- 93% average claim approval rate (7% denial rate)
- 0.5% of claims resulted in complaints

CCIR Travel Issues Paper

- No need for immediate regulatory action
- Several “Issues and Gaps” identified, including:
 - Product design & complexity
 - No standardized terminology or definitions
 - Perception of ‘post-claim’ underwriting
 - Length & complexity of documents
 - Multiple plans/options in a single document
 - Cross-referencing of sections and exclusions
 - Written in legal language
 - Claims management and complaints

Premium Protection Plan (PPP)



- Innovative All-Inclusive Product
 - Addresses regulatory concerns
 - Simplified contract
 - Generous product design
 - Priced competitively
- Customer-Centric
 - Designed with customer and agent experience in mind
 - Improved sales & claims processes

Number of Pages	
Premium Protection Plan	Comparable Policy
14	48
Number of Definitions	
19	43
Number of Limitations / Exclusions	
Emergency Medical Insurance	Emergency Medical Insurance
8	23
Trip Cancellation or Interruption	Trip Cancellation or Interruption
3	14

Looking Forward

- Annually review PPP experience
- Apply improved policy language and structure to other travel plans and distribution channels
- Expand eligibility criteria on PPP
- Expand PPP offering
 - E.g. Trip Cancellation or Non-Medical only
- Continue conversation with CCIR



Cathy Preston
VP, Individual Markets
RBC Life Insurance Company

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Simplifying the way we do Business: Client Expectations

Client Expectations

- Transparency
- Simplicity in how insurance solutions are presented
- Streamlined purchase experiences without impacting affordability or quality

Legal Obligations

- Policy Contracts are a binding agreement between the Policy Owner and Insurer
- Simplification of wording is further complicated by introduction of regulatory wording that must be used in contracts

Client Expectations and Legal Obligations can be at odds with one another. At RBC Insurance we have taken steps towards overcoming this barrier

Simplifying how we do Business: Our Products

RBC Insurance introduced new solutions that simplified the products and processes without impacting affordability for our consumers to help bridge the gap and meet their expectations:

The *RBC Simplified* Portfolio allows clients to purchase coverage in 6 easy steps through a streamlined application without impacting coverage affordability by capturing material risks through limited question set.

***RBC Simplified* Term Life Insurance:**

- ✓ Offers term insurance up to \$500,000 of coverage
- ✓ Terms between 10 and 40
- ✓ Renewable and Convertible

***RBC Simplified* Disability Insurance:**

- ✓ Offers up to \$1500 in monthly benefit
- ✓ 2 Year Benefit Period
- ✓ Guaranteed Renewable to age 65

***RBC Simplified* Travel Medical Questionnaire:**

- ✓ Increased the underwriting age to age 65, was previously age 60
- ✓ Reduced the number of questions to 7 questions for most clients (to a max of 13) down from 51
- ✓ Simplified language to improve understanding



Simplifying how we do Business: Our Contracts

Recognizing that contracts are legal documents, we have introduced a summary document outlining important contract features in layman's terms. This document doesn't form part of the contract and helps meet client needs without jeopardizing our legal obligations.

RBC Simplified Term Life Insurance

It's good to know you've made the right decision



Please note

- Paying your premiums on time will ensure your coverage remains active.
- Tax-Free: Your beneficiaries receive the death benefit tax-free*.
- Guaranteed: Your premiums will not increase and your benefits will not decrease for the entire term of the policy. Your coverage is guaranteed renewable up to age 80 – regardless of any changes in your health.
- This policy has limitations and exclusions. For example, we will not pay:
 - if death is the result of suicide within 2 years of buying or reinstating the policy.
 - if the policy is declared void due to a misrepresentation or fraud at the time of application.
- You can terminate your policy at any time by written request to us. (Please see section C5 of your policy for details of the policy's limitations and exclusions.)

Congratulations on choosing RBC SimplifiedSM Term Life Insurance. You can rest easy knowing your family will be financially protected should something unexpected happen to you. It's affordable coverage that helps ensure your loved ones could pay off outstanding debts, maintain their lifestyle, and take care of post-secondary educational expenses.

Your premiums and coverage amounts are guaranteed not to change for the entire term of the policy. Plus, the policy is renewable at the end of the term – or you can convert it to a permanent plan – without any medical exams, questions or tests.

If there's anything in your policy you don't understand, please call us at 1-800-461-1413 and we'll walk you through the terms and conditions.

Underwritten by RBC Life Insurance Company.
 *If the beneficiary is a legal heir or estate, listed under Section 17 if the benefit is payable to your estate, probate fees and other taxes may be applicable.
 The information contained here is for general information only. Please refer to your RBC Simplified Term Life Insurance policy for information on the exact benefits, limitations, exclusions and conditions that apply to your coverage.
 VPS334 43176 ©2/2012

RBC Insurance

Insurance TRAVELCARE
MEDICAL QUESTIONNAIRE

Please answer the Medical Questionnaire carefully and completely. If you are completing this on behalf of someone else, please make sure that you are fully aware of his or her medical history and current health. You must answer ALL questions correctly or there is no coverage for ANY condition.

First Name: _____ Last Name: _____
 Address: _____
 Date of Birth: _____ Telephone Number: _____

Part 1	No	Yes	Total Score
1. In the last 12 months, have you used or been prescribed oxygen?	<input type="checkbox"/>	<input type="checkbox"/>	NO – score 0 YES – score 40
If you answered "Yes" to Question 1, you qualify for Bronze Coverage and you have completed the Medical Questionnaire.			
2. In the last 12 months, have you received, or has your physician recommended, chemotherapy or radiation therapy for any cancer condition?	<input type="checkbox"/>	<input type="checkbox"/>	NO – score 0 YES – score 5
3. In the last 12 months, have you taken or been prescribed any medication on an ongoing basis for any lung/breathing condition?	<input type="checkbox"/>	<input type="checkbox"/>	NO – score 0 YES – score 5
4. In the last 12 months, have you taken or been prescribed any medication three (3) or more times for any type of lung/breathing condition?	<input type="checkbox"/>	<input type="checkbox"/>	NO – score 0 YES – score 5
5. Have you ever, in your lifetime, been diagnosed with a stroke or mini-stroke (TIA or transient ischemic attack)?	<input type="checkbox"/>	<input type="checkbox"/>	NO – score 0 YES – score 20
6. Have you ever, in your lifetime, been diagnosed with diabetes?	<input type="checkbox"/>	<input type="checkbox"/>	NO – score 0 YES – score 20
7. Have you ever, in your lifetime, been diagnosed with any heart condition?	<input type="checkbox"/>	<input type="checkbox"/>	NO – score 0 YES – score 20
<input type="checkbox"/> If you answered "Yes" to Question 7, please add up your Total Score and proceed to Part 2. <input type="checkbox"/> If you answered "No" to Question 7, you have completed the Medical Questionnaire. Please add up your Total Score.			
Total Score – _____			

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Questions??

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