

2018 Canada Required Training: Creditor Insurance

Course Transcript

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HSBC 

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Welcome to the 2018 Canada Business Required Training: Creditor Insurance

Page 1 – Welcome

This annual training refresher provides you an opportunity to apply and validate your understanding of HSBC's policies for Creditor Insurance.

You must complete this training to help HSBC meet its regulatory and compliance requirements.

This course takes about 15 minutes to complete.

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Creditor Insurance

Page 1

Buying insurance may be an emotional decision. That's why it is vital that you position Creditor Insurance early during the interview.

By positioning it early, you demonstrate that you care and also give your customers the opportunity to assess the value of Creditor Insurance.

Creditor Insurance can help provide protection and security when an unpredictable or tragic event occurs by reducing the outstanding debt or by paying the monthly loan payment.

When positioning Creditor Insurance, it is important that you discuss a customer's ability to manage their debt under various circumstances, which you would have uncovered during your conversation with the customer and by using the Creditor Insurance Coverage Analysis tool.

In this course, you will apply what you know about positioning Creditor Insurance through a scenario that spans across the life of a couple.

Image1: Group of people

Page 2 – Welcome

Welcome to the Creditor Insurance Annual Refresher.

To get the most out of this course, we recommend you read or refer to the Sun Life, Pavonia and LIICA Creditor Insurance NAPRs.

Let's see how much you remember through these scenarios.

Page 3 – Scenario introduction

Meet Effe and Ashley Akin, a software engineer and a kindergarten teacher.

They fell in love with a house and have come into your branch to speak with you about their mortgage options.

Here's what you know:

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- Effe is a software engineer with a salary of \$75,000 per year.
- Ashley is a kindergarten teacher with a salary of \$73,000 per year.
- The house they like is \$450,000 and in need of repairs.
- Effe and Ashley have a 10% down payment and mention that they can probably come up with another \$5,000 with the help from their parents.

Page 4 – Scenario 1: Creditor Insurance Coverage Analysis

Your conversation with Effe and Ashley is going well, but you need to understand more about their situation in order to analyze their creditor insurance needs.

The first step you need to complete to understand if Creditor Insurance is suitable for this customer.

Mortgage application. Not quite. The first step is to complete the Creditor Insurance Coverage Analysis. Did you know?

Depending on the repayment option of the mortgage, a Life only, or Life and Disability Insurance policy may be available. Disability Insurance is only available when life insurance is also purchased.

Take a moment to reflect. Is Creditor Insurance suitable for Effe and Ashley?

Creditor Insurance Coverage Analysis. That's correct! The first step in determining a customer's suitability for Creditor Insurance is completing a Creditor Insurance Coverage Analysis. This is a mandatory step that will help you explain the benefits of creditor protection and make it easier to have the discussion. It also provides the customer with information which helps them make an informed decision. A customer may refuse to complete the analysis with you. In this instance, you must sign the form showing that you have followed proper procedures by offering to complete the process with them. The signed copy must be kept in the customer file. What does a completed Creditor Insurance Coverage Analysis show? It shows the life insurance coverage they will have once the mortgage funds; and their monthly income if off work due to a disability. Sometimes there will be a surplus, and other times a shortfall – the customer can then decide if it's feasible to add creditor insurance to supplement other insurance they may already have. Who needs to sign a completed Creditor Insurance Coverage Analysis? Both you and your customer.

Remember, a Creditor Insurance Coverage Analysis is not required if the customer is not eligible for Creditor Insurance.

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Disclosures. Not quite. Disclosures are a regulatory requirement but not the first step to understand the coverage that is suitable for this customer.

When are disclosures provided?

Disclosures are provided before or at the time of applying for Creditor Insurance.

When a customer enrolls in Creditor Insurance, they enter into an agreement with Sun Life.

What's your role in this process?

You must provide the required documents and ensure they are fully completed (i.e. the health questions have been answered, when applicable; and the customer(s) have signed and dated the form(s)).

Remember, accurately completed documentation protects your customer and the Bank, while mitigating the risk of future legal actions.

Page 5 – Positioning insurance benefits

Results from the Creditor Insurance Coverage Analysis reveal that Effe and Ashley will not have sufficient insurance coverage once this mortgage funds. Using your knowledge of Creditor Insurance, think about which of the following benefits would help the customer make an informed decision on purchasing Creditor Insurance.

Creditor Insurance reduces or pays balance.

Creditor Life Insurance reduces or pays off the balance of an outstanding loan in the event of an insured person's death.

Disability Insurance pays monthly installments.

Creditor Disability Insurance will pay the monthly payment (maximums apply) in the event the insured person is unable to work because of an illness or injury.

Creditor Insurance is optional.

Creditor Insurance is optional and not a condition of approval of the loan. Customers may cancel their Creditor Insurance at any time. If a customer cancels their insurance within the first 30 days, they will receive a refund of premiums paid.

Maximum Life Insurance is \$750,000

The total maximum life insurance is \$750,000 for all Sun Life insured mortgages, lines of credit and demand loans combined. The maximum Sun Life disability benefit paid is \$4,000 per month per loan for a maximum of 24 months.

Maximum Monthly Disability Benefit is \$4,000

The maximum Sun Life disability benefit is \$4,000 per month payable for up to 24 months.

Mortgage Creditor Insurance may be purchased anytime

Mortgage Creditor Insurance may be purchased anytime with the option of Life only or Life and

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Disability Insurance.

Mortgage Insurance premium rates increase with age

Mortgage insurance premium rates remain the same for the life of the mortgage.

Power of Attorney is acceptable.

Power of Attorney is not acceptable for any insurance document.

Page 6 – Objection

Effe and Ashley understand the benefits of insurance but decide to decline at this time. This is not a failure on your part as you provided them valuable information about the protection that Creditor Insurance provides. Effe and Ashley thought about the benefits and made an informed decision. They let you know that they may consider the protection in the future.

Explain that a Waiver is required and that, in the event of a claim, they remain responsible for the payments.

As a required next step, you save the completed and signed Creditor Insurance Coverage Analysis and Insurance Waiver in the customer's file. Great work!

Page 7 – New house

It's been a few years since you've spoken to Effe and Ashley. Just today you were reviewing their file when you received a call from Effe. The couple is expecting a baby and would like to buy a new house.

Here's what you find out over-the-phone:

- The house is listed at \$750,000, mortgage applied for is \$550,000.
- Effe remembers the insurance conversation from last time.
- Employment is the same but their salaries have increased as a result of promotions.
- The house needs some renovations.

Page 8 – Purchase and offer

Today is a busy day for you. Effe and Ashley arrive near the close of business. You have the documentation ready for them.

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Given what you know about the customer's situation and their interest in Creditor Insurance, what do you need to do to ensure that you offer a solution that best meets their needs?

1. Complete Creditor Insurance Coverage Analysis. You need to complete a Creditor Insurance Coverage Analysis to determine if insurance is suitable. When positioning Creditor Insurance, it is important that you discuss a customer's ability to manage their debt under various circumstances, which you would have uncovered during your conversation with the customer and through using the Creditor Insurance Coverage Analysis tool. Do not forget! You and your customers must sign the completed form.

2. Explain the insurance offer. In this case, the Creditor Insurance Coverage Analysis reveals that Effe and Ashley will need protection. Explain the features and benefits of insurance. Let them know insurance is optional and benefits will be paid directly to HSBC. For a life claim, benefits reduce or pay out their mortgage; and for a disability claim, after the 60 day wait period, benefits pay the monthly payment for up to 24 months while the disabled person recovers. They should understand that exclusions may apply and how much each option will cost them. This information is essential to help customers make an informed decision. Once you've answered any additional questions they may have, you offer them Mortgage Insurance – Joint Life & Disability. The customers decide they want to purchase. You are pleased for them.

3. Explain underwriting. As the mortgage is \$550,000, the insurance application requires underwriting. Here's what you need to do to ensure a smooth underwriting process:

- Explain that Sun Life will phone them and conduct an underwriting interview that will take about 10 minutes. Sun Life will ask health questions and may require additional tests or medical information in order to evaluate the application. If the application is joint, both applicants will need to speak to Sun Life.
- Make sure the application is fully completed, dated and signed by each customer, including Section C: What type of insurance are you applying for; and Section F: Pre-Existing Exclusions, if required.
- Include only Sun Life coverage in Section C. Do not include amounts from other insurers.
- Submit the application in SFE which will send Sun Life the electronic record.
- Fax the Application to the Underwriting Department along with the Underwriting Fax Cover Sheet.

Note:

Sun Life requires the SFE systemic application record (which you have submitted) along with the Application for Insurance (which you have faxed), before they can begin underwriting.

4. Summarize Insurance (disclosures). All required documents print along with the Application. The Summary and Acknowledgement confirm which documents you must give to the customer when they sign. The Sales Checklist provides a summary of the information you must discuss (verbal disclosures) with your customer prior to or at the time of signing the

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documents. Disclosures include information that is necessary for customers to understand the features, benefits and risks associated with insurance and are essential to help customers make an informed decision.

Remember: Verbal disclosures are required, and tested, as part of the Sales Quality reviews.

Page 9 – Mortgage refinancing request

Today you receive a call from Ashley. It has been several years since you last connected and you're glad to hear from her. Ashley tells you that they need to refinance their mortgage and would like to maintain the existing premium rates. Sadly, she lets you know that Effe's health has taken an unexpected turn. You schedule an appointment for later this week.

Here are the details from your call:

- Effe and Ashley need to add \$50,000 to their mortgage to help pay expenses
- Effe's condition has taken an unexpected turn
- Their family has grown to two kids and a dog
- Employment is the same, although Effe is working a reduced schedule

Page 10 – What's the right solution?

You review their existing insurance coverage and explain the refinancing conditions to Effe and Ashley.

Now it's time to provide Effe and Ashley with the best information they need to keep their existing coverage.

Refinancing changes the terms and conditions. Refinancing a mortgage means that the terms and conditions and amount of the mortgage change.

Doing so cancels the existing insurance. Customers would need to apply for new insurance with the following impacts: customer health has changed, therefore they may no longer be eligible; higher rates may apply if customer is in new age band; contestability period will start again with new insurance. A new Creditor Insurance Coverage Analysis will be required.

Effe and Ashley do not like this option as they need the existing coverage.

What other options could you offer them that would enable them to keep their insurance?

Write your thoughts down. You may need to refer to them later.

Refinancing cancels insurance. When a mortgage is refinanced, the terms and conditions, and amount of the mortgage change.

In such a case, the insurance is cancelled and customers must apply for new insurance (new premium rates may apply).

A Creditor Insurance Coverage Analysis will be required.

Effe and Ashley do not like this option and feel that you lacked empathy when explaining the terms and conditions. Especially given Effe's health condition.

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Insurance provides security given Effe's change in health.

What other options could you offer them that would enable them to keep their insurance?

Write your thoughts down. You may need to refer to them later.

Adding another tier to the mortgage (only available for EPM). Refinancing a mortgage means that the terms and conditions and amount of the mortgage change.

Doing so cancels the existing insurance coverage.

To avoid this and potentially having a new insurance application declined, an option to consider is adding an additional tier to the mortgage. The customer keeps their existing mortgage and insurance.

You add another tier for \$50,000. Effe and Ashley elect to be uninsured and sign an insurance waiver.

Remember:

- Cancelling the existing insurance coverage and applying for new coverage during mortgage refinancing is not always the best option.

Effe and Ashley choose this option as they do not want to lose their existing coverage.

To close the meeting, you complete the required documentation and wish the customer a wonderful rest of their day.

Did you know?

Prior Coverage Recognition (PCR) is available for customers when they are declined for new insurance due to a change in health. This may be a good option for customers who are now uninsurable. The features of PCR are: only Life insurance is available, rate is based on current age band and ratio coverage will apply where only the balance of their original mortgage will be insured.

Page 11 - Disability claim

It's Tuesday. You arrive early to catch up on emails and notice that you have a voice mail. It's Ashley! Effe's condition has worsened. He will not be returning to work.

While their living expenses remain the same, the Akins now face additional and unexpected health expenses. Ashley needs to submit a disability claim on Effe's behalf.

You schedule a meeting for her to pick up the claim forms.

Learn more about making a disability claim.

1. There is a 60-day elimination period, meaning the period of time between the onset of the disability and the time the customer is eligible for benefits. The customer is responsible for making their payments and insurance premiums for the first 60 days until the benefits begin.

2. Benefits begin on the 61st day and are not retroactive.

3. Benefits equal their monthly payment to a maximum of \$4,000.

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4. Disability benefits are paid for a maximum of 24 months during the life of the mortgage.

Page 11 – Disability claim forms

Where can you find the Life Insurance Claim and Disability Insurance Claim forms?

1. In the Forms Canada SharePoint. That's correct. You can find the claim forms in the Direct Print Library or on the HSBC Creditor Insurance intranet site.

Remember to check which insurance company is providing the insurance. Each insurance company and type of insurance policy is represented by an insurance code in SFE and HUB. These codes are located in the Creditor Insurance NAPRs.

2. On the Sun Life and Pavonia websites. That's incorrect. The Sun Life and Pavonia websites do not have the HSBC claim forms. You can find the claim forms in the Direct Print Library or on the HSBC Creditor Insurance intranet site.

3. On hsbc.ca public website. That's incorrect. Hsbc.ca will provide information on Creditor Insurance protection but will not have claims forms available online. You can find the forms in the Direct Print Library or on the HSBC Creditor Insurance intranet site.

Next steps

You provide the forms to Ashley and advise her that she can return them to you and you will fax them to the insurer, or she can fax them directly. You also provide her with the fax number.

The insurer will reach out to the customer with the next steps in the process.

Page 11 – Life claim

You may be faced with a situation where the customer has passed away and the customer's estate is ready to make a life claim. Unfortunately, tragic situations like this one happen too often.

Which of the following are correct about life claims.

Benefits equal the balance of the mortgage(s) at the date of death. That's sometimes correct. If the original mortgage amount was \$750,000 or less the balance is paid. If the original loan amount was greater than \$750,000, the benefit is subject to ratio coverage. For example, original mortgage was \$1,000,000, the ratio is 75%, therefore 75% of the balance would be paid. The maximum benefit for Sun Life is \$750,000 which may include mortgages, Lines of Credit (LOC) and demand loans.

Forms are located on the hsbc.ca public website. You will find the Life Insurance Claim forms for Sun Life and Pavonia, in the Forms Canada SharePoint or on the Creditor Insurance site.

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Each insurance company is represented by a unique code. Each insurance company and type of insurance policy is represented by an insurance code in SFE and HUB. These codes can be found on the HSBC Creditor Insurance intranet site under job aids and in the insurance NAPRs.

All life claims are subject to investigation. It depends how long the insurance has been in effect. If a life claim is made within 24 months of the application date, the insurer will conduct a detailed medical investigation, which can take several months.

Page 12 –Conclusion

Congratulations! You have successfully completed the Creditor Insurance Annual Refresher. If you feel that you need more information on Creditor Insurance, please visit:

Creditor Insurance Intranet Site, link to the website:

http://netconnect.ca.hsbc/creditor_insurance

Creditor Insurance Resources, link to the website:

http://netconnect.ca.hsbc/creditor_insurance/sales_resources

Sun Life NAPR, link to the website:

https://napr.us.hsbc/rbwm_ca/CVM/Insurance_Products/insurance_retail_sun_life.html?locale=en_CA

Pavonia NAPR, link to the website:

https://napr.us.hsbc/rbwm_ca/CVM/Insurance_Products/insurance_retail_household.html?locale=en_CA

LIICA NAPR, link to the website:

https://napr.us.hsbc/rbwm_ca/CVM/Insurance_Products/insurance_retail_life_investors.html?locale=en_CA

Regulations, link to the PDF document:

https://www.cba.ca/Assets/CBA/Documents/Files/Article%20Category/PDF/vol_20090000_authorizedinsuranceactivities_en.pdf

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Remember:

Introduce protection early in the conversation. Let them know that Creditor Insurance contributes to peace of mind and security now, and in the event of an approved life claim, will reduce the outstanding debt and, for disability, will pay the monthly loan payment.

When you introduce Creditor Insurance, you place your customer first!.

END OF LEARNING MODULE

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