# INSURANCE Journal

$10 Vol. 27 No. 04 June 2023

FINANCIAL RESULTS

# Greater challenges faced by some insurers in 2022

Vol. 27 No. 04 June 2023

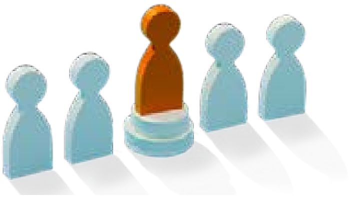



T. Marshall Sadd

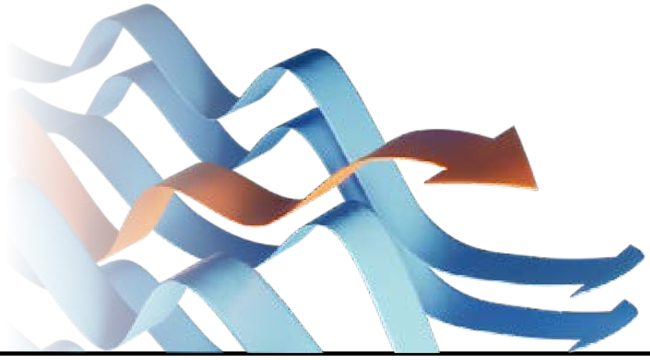



Jim Ruta









# INSURANCE Journal

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## Something to think about...

> In the insurance industry, labour shortage has long been a daily reality. The industry is capable of being agile, innovative and adaptable. During the pandemic, it fared very well compared to other industries.

— Catherine Rioux

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## In this issue...

## The C-Suite
INTERVIEW

# Building the great Canadian brokerage

Blistering pace of acquisitions sets new records for firm with its sights now set on organic growth.

BY KATE MCCAFFERY

On the morning of **Navacord Corp.**'s annual founder's circle meeting of 65 leaders, convened to help the firm set priorities for 2024, Navacord's executive chairman, **T. Marshall Sadd** sat down with the *Insurance Journal* to discuss the firm's most recent record-breaking year. More than $100-million in acquired revenue was added to the company's books in 2022, after it completed 19 acquisitions during the year. This brings the total number of firms acquired since Navacord formed in October 2014, to more than 80.

Six months into the first half of its fiscal year when Sadd spoke with the *Insurance Journal*, he says that figure is now above $120-million, following the most recently announced acquisition of **RWAM Insurance Administrators Inc.**, and **Programmed Insurance Brokers Inc.**, from **Home Hardware Trust**.

All told, the company today employs roughly 2,600 people across all acquired entities. The firm's corporate head office employs 35 people. It's corporate development team charged with acquisitions is made up of just four people plus four lawyers, the executive chairman himself and the firm's president and CEO, **Shawn DeSantis**.

Currently approaching $700-million in annual revenues, Sadd says the firm has a clear view to $1-billion, but adds "we're going to need the best talent in the industry to get us there." He adds that talent today too, wants more than just salary and bonuses. "They want to participate in the growth of the business." Having key players as shareholders is also part of the firm's succession strategies, as well.

Navacord today is reporting that it has more than $3-billion in annual premiums, a number Sadd says is something of a moving target. "It's always growing but it would be north of $3-billion now, for sure." Broken down, he says the business is roughly $2-billion in property and casualty (P&C) premiums, with another $1-billion being generated by benefits and retirement.

"We see ourselves getting to $5-billion in the next four to five years," he adds.

Navacord was initially a partnership formed nine years ago between **Lloyd Sadd Insurance Brokers Ltd.** and **Jones DesLauriers Insurance**. It was created because both founders felt they needed to be part of something larger to compete going forward.

Regional firms at the time, he says, were being somewhat squeezed by international and multinational brokers. The firms knew they needed to invest in modernizing the business – digitalization was coming – scale was becoming more important than ever before with the insurance companies themselves, and the investment in talent, attraction and development was getting ever more difficult as a regional broker.

"Talent wanted to go to more of a national play than to a local regional broker," Sadd recalls. "We came together in 2014 because we wanted to create a new Canadian story. At the time we looked around the marketplace; there were really just American players, **HUB** and **Gallagher**, **Marsh** and **Aon**. There really wasn't a strong Canadian story or alternative. Insurance companies were in the distribution space as well. That didn't really offer any value to entrepreneurial, growth-focused brokers." Those interested in the ability to grow and be a shareholder weren't faced with many options at the time, he adds. "So we created the Navacord model."

The decentralized model, he continues, allows operators to run their businesses with autonomy at the front end of the business, while technology, human resources strategy, talent development and attraction, marketing and communications and finance are centralized at the back end by Navacord.

When firms are purchased by Navacord – the firm often and as a rule describes the transactions as partnerships, although they do dispense with such terminology on some occasions – Navacord buys 100 per cent of the business, with vendors rolling equity into Navacord to become a new shareholder partner. In an ongoing fashion, the firm also has key contributor programs which allow business leaders who meet targets to earn equity in the company. There is also a program for risk advisors, the company's production employees, to earn equity in relation to their revenue generation efforts.

As for why the firm generally doesn't refer to transactions as acquisitions, Sadd says this is simply because it's not the firm's culture. "If people want to sell their business and go to Florida, we point them in a different direction. If you want to partner with a bigger organization for all the reasons it makes sense to be part of a larger organization (these include scale, talent development infrastructure, capital and exclusive products and facilities), and you want to continue to build, then we want you as a partner," he says. "We don't run brokerages. We support the growth journeys of our broker partners."

In working with potential acquisition targets, he says the company's first conversation with them is about

T. Marshall Sadd

where they, the selling business owner, want to be on day two of the completed acquisition. Only if the business owner is interested in growing their business, do the firms then get into valuation and equity discussions.

Among the completed deals, a few are "tucked into" larger brands, but for the most part the company keeps each firm's own entity and branding once it is acquired, as its targets are often those with a lot of goodwill built up in the communities and industries they serve.

As for what the firms yield once they are acquired, Sadd says exponential growth is not unheard of. "We would typically like to see 10 to 15 per cent, year-over-year, we call it same store sales or organic growth. If you're doing more than that, that's exceptional; we've had those experiences," he says. "It creates opportunities for people to move up within the organization. It creates opportunities for people to be shareholders in the organization. It creates opportunities for us to invest in new talent attraction in the business. All those good things come with growth. It just creates more and more opportunities."

In bidding for companies, he agrees that not every deal ends in a successful acquisition. "We would not be the highest bidder because we're looking for people that want to continue to keep working in the business," he says. Among the would-be targets available for acquisition in the industry, he says there are fewer core brokers, those with more than $20-million in revenues, than there have been in the past. There are still a large number of smaller independents.

Today and going forward, he says the firm is continuing to look at acquisitions – in strategic sectors (it likes benefits, retirement and wealth businesses), in certain geographic pockets (it has its sights on Atlantic Canada, Quebec and Manitoba), and possibly in specialty lines, as well – but adds that organic growth is also now a priority.

"We're four per cent of the property casualty market share right now and we have a very clear path to eight per cent," he says. "That's going to be a lot of organic growth, just taking market share one client at a time."

MENTAL HEALTH AT WORK

# Employees want solutions

In a working world shaken by labour shortages and alarming mental health data, insurers are enhancing their range of solutions for group clients. They're also seizing the opportunity to lead by example by transforming their own main workplaces.

TEXTS BY ALAIN THÉRIAULT

# Companies need to enhance their mental health support

Several avenues are emerging to help employers tackle the mental health crisis that's shaking workplaces amid labour shortages.

TEXT BY ALAIN THÉRIAULT

What's concerning your employees? What's causing them stress? **Mercer Marsh Benefits** conducted a survey of employees based on these questions. The actuarial consulting giant was surprised when it crossed the two.

**Julie Duchesne**, partner and health business leader at **Mercer Canada**, provided details of the Canadian component of the survey *Health on Demand 2023* by Mercer Marsh Benefits. Both globally and in Canada, Mercer discovered a significant gap between employees' expectations and what employers say they offer in the way of mental health benefits and support (see *Health and well-being: A gap between workers and employers*, published May 15, 2023, on the *Insurance Portal*). The survey has more than 17,000 participants worldwide, with over 1,000 participants located in Canada.

While gaps have narrowed between employees' expectations and what their employer offers in terms of overall compensation, new needs have created others, Duchesne notes. "We were surprised to see that 44 per cent of employees would like to have access to genetic tests. Two years ago, employees didn't even have this in mind." She notes that very few employers offer them: Among the results of *Health on Demand*, only 18 per cent of employees say they have access to this kind of test.

Gen Z employees show the most interest in these tests, Duchesne says. "Employees of this generation are in preventive mode. They don't wait to get sick." Gen Z includes people born between 1997 and 2010.

Mental health problems reportedly affect this generation more. She recalls that 63 per cent of Gen Z employees say they are stressed in their daily lives. In comparison, 49 per cent of all respondents expressed the same feeling. "If we quickly support people of this generation, it can make a big difference," Duchesne insists. Waiting for them to be further along in the crisis management stage can cause things to spiral out of control, she adds.

Support in mental health and digital therapies will be key, according to Duchesne. "We see a great demand from employees who want to find solutions themselves and have faster access. We see a great need for alternatives in mental health. We are constantly asked by employers how many organizations offer telemedicine," she reveals.

Companies have adjusted too, with 47 per cent of employers offering telemedicine and 55 per cent of employees wanting this solution. "If we had done the test before the pandemic, we wouldn't be here," she adds. "Only a few organizations offered telemedicine."

Duchesne believes that digital solutions can help many overcome the stigma surrounding mental health issues. "Anything done online is less stressful for many employees. It also helps them manage their time. We even see telemedicine services in veterinary medicine," she adds, saying that employees are generally happy with the digital offerings.

**TELUS Health** meanwhile offers, among other things, telemedicine services and digital mental health solutions. There are many risk factors remaining in mental health, believes **Marilyn Grand'Maison**, director of research at TELUS Health, which provides digital solutions in the workplace.

Julie Duchesne

Grand'Maison draws this observation from the results of the TELUS Mental Health Index, a survey of 3,000 workers published each month since April 2020. The index was previously published by **LifeWorks**, a company acquired by TELUS in June 2022. "We suggest a global approach to all the pillars of well-being. There is mental well-being, physical well-being, financial well-being. Each element will have an impact on the others," she summarizes.

The April 2023 Index included a special report on physical well-being. The index reveals that 86 per cent of workers believe there is a link between physical activity and good mental health. However, these workers claim that lack of motivation, energy, time or money is a barrier to practising regular physical activity.

### Show the support

Duchesne insists on the need to offer visible support. "It makes a big difference," she says. The support also needs to be personalized. According to Duchesne, the increased degree of support personalization in group plans does not challenge the principle of risk sharing on a group basis. "You need to see personalized solutions on a complementary basis. The group basis

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remains. We're going one step further, which is prevention and not just the reimbursement of drugs," she says.

A plan is in place to support employees, Duchesne continues. "The employee needs solutions to take care of their health, solutions that connect with them," she says. "If I sleep well and you send me a solution to sleep better, I will probably delete the email." Conversely, she says when employees sleep poorly, they may not always remember that they have a solution at their disposal.

Marie-Chantal Côté

She believes that digital solutions enable timely reaching out to the employee in accordance with their needs, "rather than sporadically with an April 2nd email about better sleep solutions." Duchesne urges plans to offer solutions that allow better understanding of employees' needs and help them navigate to find what meets their situation.

Sleep is a sensitive point in the workplace, according to the *Wellness Report* recently published by **Manulife Financial**. The report's findings reveal that the impact of health on productivity is increasing year-over-year. This observation is based on data collected over three years. In 2022, 48 workdays were lost per employee due to health-related absences and presenteeism. For the top three organizations surveyed, the loss is limited to 39 days.

The data reveals that 27 per cent of people are getting less than the recommended seven hours of sleep. However, this result represents an improvement when compared to 29 per cent in 2021 and 34 per cent in 2020. The proportion of poor sleepers in 2022 is 21 per cent among the top three organizations in the study. "The number one factor affecting employees' sleep is work-related stress," the report states.

Marilyn Grand'Maison

Manulife explains that they selected the top three organizations based on the scores they obtained for work culture, work environment and the measures they have implemented to promote well-being. "Their combined results give a good indication of where the healthiest organizations stand," the Manulife report reads.

For example, 62 per cent responded that the senior management of their organization considers the health and well-being of employees as important as the success of the company. Among the top three organizations, the proportion of those who expressed this opinion increases to 79 per cent.

Amid a labour shortage, Duchesne meanwhile considers it even more important for the group benefits plan to support employees individually and in the way they need it. According to her, the Gen Z self-service mode is a good example of new expectations. "Young people try to find everything on their own. They will go on TikTok and on YouTube. When given the tools, they are committed to finding solutions," she emphasizes.

Duchesne says she has the ear of companies when it comes to managing what she calls "people risk." "We talk a lot about risk management. We strongly believe in well-being solutions to attract and retain employees. Since the pandemic, we have not only caught the attention of HR professionals but also organizational leaders. They have realized that a company's health depends on the health of its employees," she says.

## Sound mind in a sound body

TELUS Health has also responded to these needs. In this regard, Grand'Maison mentions the launch of a platform called Total Mental Health on May 15, 2023. It allows employees to access an unlimited number of mental health counselling sessions. It also offers internet-based cognitive behavioural therapy (iCBT) programs led by therapists, digital tools, assessments, as well as regular follow-up and feedback service.

The platform is offered as part of group plans. Grand'Maison maintains that this solution is different from traditional employee assistance programs (EAPs). "The EAP is traditionally counselling for acute problems, with a limited duration of about five to six sessions, which works for these specific and short-term needs," she explains.

"For several years now, we've been seeing an increased need for long-term support. This stems from the increase in the number of mental health problems and their complexity," she says. "We're responding to this need."

Grand'Maison believes that the new platform effectively supports the employee in more complex situations and prevents disabilities by offering resilience tools. She emphasizes the role of care navigators in this platform. These are health professionals who accompany employees in their journey to remove barriers to accessing care, she specifies.

These navigators can also help participants select tools and resources, obtain references for external resources and perform certain tasks such as filling out claim forms. "It may seem like small things, but when someone is in crisis and seeking help, these things can really be barriers," Grand'Maison believes.

**Sun Life** offers a similar solution in partnership with provider **Dialogue**. It's a stress management and wellness program, according to **Marie-Chantal Côté**, Sun Life's senior vice-president, group benefits. "It's a good complement to the telemedicine program we have with Dialogue – Lumino Health Virtual Care," she indicates.

The program offered by Sun Life allows participants to access mental health resources and specialists under conditions similar to those of TELUS Health. "The

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program is not based on a predetermined number of sessions. It is based on the number of sessions necessary to have optimal treatment according to the person's specific condition," explains Côté.

She also suggests employers increase the annual coverage amounts for mental health care, which also allows for the extension of an employee assistance program. She says this is in alignment with Canadian Psychological Association (CPA) recommendations. "We recommend a maximum annual coverage of around $3,500 to $4,000, which gives about 15 to 20 sessions," she says.

According to Côté, such caps also allow better access to other services. "Paramedical coverage in psychology is greatly appreciated, as some participants have a psychologist or therapist with whom they already have a relationship. They often use their paramedical coverage to see them. We also recommend an amount sufficient for 15 to 20 sessions."

Côté believes that the employer has three major roles to play: Having the right products and the right coverage, raising employee awareness and eliminating prejudices. "We know that there is still stigma. The more we remove it, the more people will be able to know what is available and talk to each other about what they know about a product. They will feel more psychologically safe at work," she thinks.

## Detect and reduce risks

Grand'Maison points out that TELUS Health also offers training to managers to better detect the warning signs of mental health problems among employees. "Keep an eye out for changes in employee behaviour during more stressful periods, whether due to personal or professional stress factors, with perhaps an increase in tensions and conflicts," she says.

Grand'Maison also advises managers to stay aware of workloads and team dynamics. An employee dealing with too high, or a highly variable, workload should attract particular attention, she believes. "The goal is not to interpret the employee's situation, but to mention a concern or observation in a respectful and non-judgemental way. Then it's simply a matter of guiding them to a resource," she explains.

Sun Life sought a solution to mental health issues that its group insurance participants are experiencing. "Every year, millions of Canadians miss work due to mental health problems. Among those under 44 years old, more than half of disability claims are related to mental health disorders," says Côté. The data comes from Sun Life's report, *Designed for Health*, published in December 2022. It is based on the analysis of disability benefits claims made by more than one and a half million participants in the first two quarters of 2022.

In the wake of this mental health crisis, amplified by the COVID-19 pandemic, the insurer launched a digital mental health coaching project in 2021. "The tool targets customers at risk of developing a mental health problem. It then recommends a self-assessment. Then a coach guides them to the appropriate resources and support before their symptoms worsen," emphasizes Côté.

## Enhancing mental health outcomes

The digital coach has allowed for the accumulation of strong data evidence. Early intervention enabled by the digital coach has been able to reduce the duration of short-term disabilities due to mental health, and thus prevent these problems from leading to long-term disability, according to Côté. "We have observed that 50 per cent fewer claims have escalated to long-term disability. We focused on plan participants whose primary health condition was related to mental health," she says.

As for the short-term disability of participants, it has been reduced by an average of 2.8 weeks. "The return to work happened five weeks earlier after a short-term disability leave due to a mental health problem," adds Côté.

Among other results, 90 per cent of participants reassessed between May 2021 and December 2022 saw positive effects on their mental health after using this coaching service. "There is a reduction of anxiety symptoms, sleep disorders and depression in users of the mental health coach," she says.

The data on symptom mitigation prepared by Côté for the *Insurance Journal* reveals the extent of the benefits reported by plan participants. The mental health coach facilitated a decrease in generalized anxiety symptoms in 73 per cent of plan participants, alleviated sleep disorder symptoms in 69 per cent of cases and improved depression symptoms in 68 per cent of cases.


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# No 100 per cent return-to-office envisioned for the industry

The P&C insurance industry has quickly shifted towards telecommuting. Several surveys suggest that going back is impossible.

TEXT BY ALAIN THÉRIAULT

During the 2023 P&C Day, which took place in Montreal on April 13, two speakers demonstrated that the world of work has changed forever in a session titled "Post-pandemic work: The rules of the game have changed! How to adapt?"

Employee turnover has reached an unprecedented pace since the beginning of the pandemic. **Antoine Mindjimba**, partner, people advisory services at **EY Canada**, cited results from EY's research titled *Work Reimagined*. The April 2022 research surveyed over 17,000 employees and 1,575 employers in 22 countries. According to the EY research findings, 60 per cent of people who left their jobs in the past two years were those who had been with the company for two years or less.

Antoine Mindjimba

Hybrid work is becoming necessary. EY's data reveals that 76 per cent of employees want to return to the office. However, this return will need to be flexible, as 80 per cent of employees want to work remotely at least two days per week. "If employees do not have this flexibility, leaving their organization will be one of the possibilities they can consider. Employees want flexibility to be part of their benefits," observed Mindjimba.

He highlighted a striking finding from the research that will make the industry think: According to EY's research report, 41 per cent of employees in the insurance sector say they are likely to leave their jobs in the next 12 months. Additionally, over half of them want to work remotely for at least three days each week.

## Exclusive survey

**Catherine Rioux**, president of the human resources firm **Rioux Consultants RH**, unveiled the results of a survey on post-pandemic work. The study, organized by the *Insurance Journal Publishing Group* in collaboration with Rioux Consultants RH, identified several trends observed in the insurance industry regarding the return to the office and remote work.

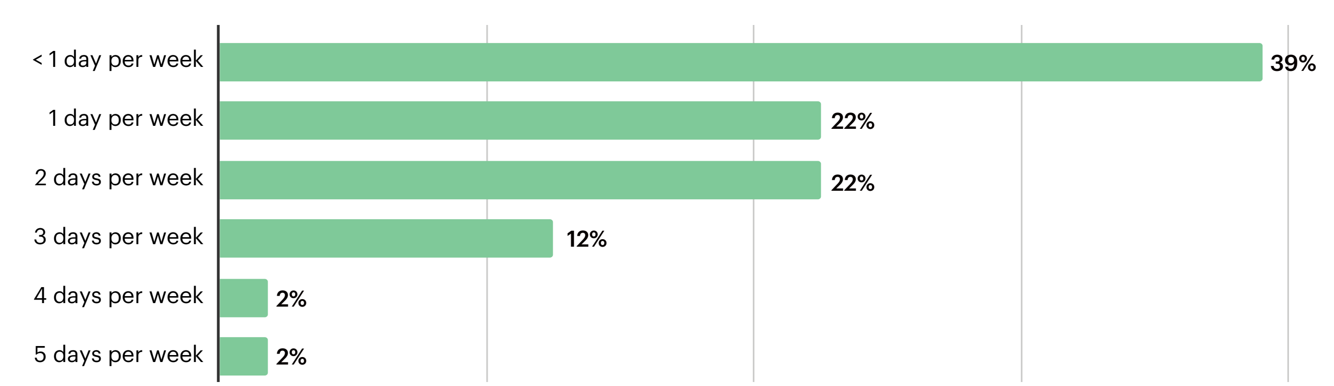
Among the participants in this survey conducted in the property and casualty insurance industry, 58 per cent were insurance brokers and 29 per cent were insurers. Nearly three-quarters (74 per cent) were companies with fewer than 250 employees, 12 per cent had between 250 and 999 employees, and 14 per cent had 1,000 or more employees.

The results reveal that the P&C insurance industry quickly shifted towards telecommuting at the beginning of the COVID-19 pandemic, despite starting from a distant position. "Three years ago, I had many clients who asked me, 'How can I get my employees to work from home? They don't want to!' In the insurance industry, we're social creatures," says Rioux.

Then the pandemic came "and we realized that people had developed a taste for working from home," she continues. According to the survey results, telecommuting has become a regular habit and management practice for 91 per cent of brokers and insurers.

According to other findings, returning to a five-day workweek may not be realistic. The research further states that 83 per cent of organizations only require employees to be present in the office two days a week or less. Broken down, 39 per cent require employee presence in the office less than one day per week, 22 per cent ask for one day per week and 22 require

### AVERAGE NUMBER OF IN-PERSON DAYS REQUIRED PER WEEK FOR EMPLOYEES




Source: Survey by Insurance Journal Publishing Group, in collaboration with Rioux Consultants RH, March 2023 attendance at the office two days per week. “Bringing everyone back to the office 100 per cent (of the time), like before the pandemic, is not possible because the pre-pandemic era no longer exists,” emphasizes Rioux.

“We anticipate that the number of hybrid workdays will increase. According to the survey, 61 per cent of employers require at least one day per week in the office. The more rigid we are, demanding a certain number of days in the office, the more we see a trend towards difficulty in being an attractive employer and retaining our employees,” says Rioux.

### Adaptability

Employees are also benefiting greatly from their employers’ support for remote work, with 53 per cent of organizations stating that they offer a structured program that manages the allocation or reimbursement of teleworking equipment. Additionally, 41 per cent provide support based on the requests they receive.

The extent of telecommuting is leading organizations to reduce their office spaces too; 41 per cent of them have already done so and 26 per cent plan to do so. Moreover, open workspaces are popular. Of the organizations surveyed, 43 per cent have combined them with closed offices, while 32 per cent primarily offer open workspaces. It’s worth noting that nine per cent say they no longer have offices.

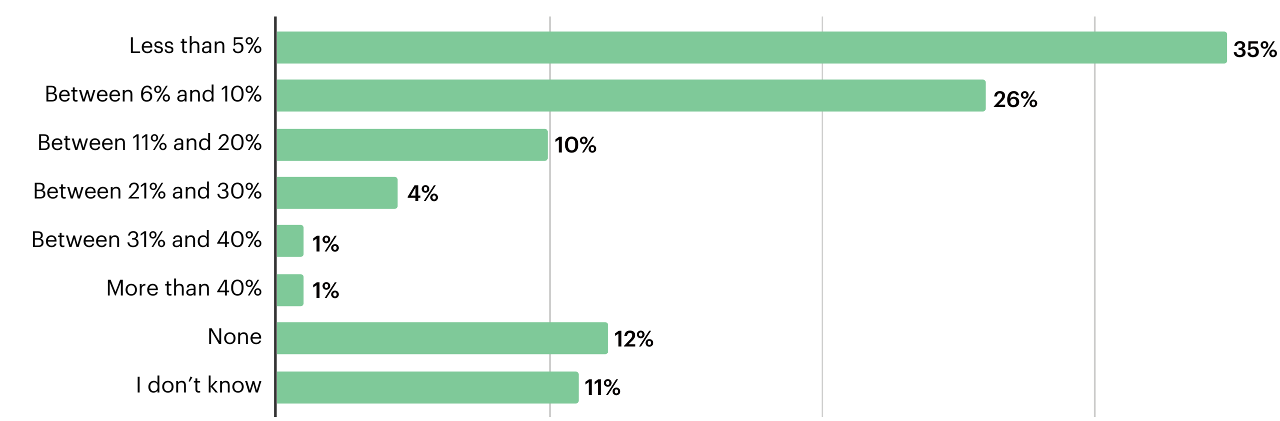
Catherine Rioux

The P&C insurance industry does not appear to have suffered greatly from a labour shortage. The proportion of employees hired in the last year does not exceed 10 per cent in the majority of surveyed organizations. It is less than five per cent in 22 per cent of organizations and ranges from six to 10 per cent in 35 per cent of organizations.

Among participating organizations, 22 per cent have no vacant positions and 38 per cent have less than five per cent of their positions unfilled. Furthermore, 58 per cent take no more than three months to fill a position.

“In the insurance industry, labour shortage has long been a daily reality. The industry is capable of being agile, innovative and adaptable. During the pandemic, it fared very well compared to other industries,” comments Rioux.

## PERCENTAGE OF EMPLOYEES WHO DEPARTED FROM THEIR JOB IN THE LAST YEAR




Source: Survey by Insurance Journal Publishing Group, in collaboration with Rioux Consultants RH, March 2023

## MAGAZINE SUPPLEMENTS

- **Priority on women's health** For **PRO** Level members
- **Maintaining employee engagement through flexibility** For **PRO** Level members

These articles will be available in the following weeks on insurance-portal.ca

# Insurers revitalizing their offices to attract and retain employees

Leading insurers are readily reimagining their workspaces, creating environments that are both playful and productive.

TEXT BY ALAIN THÉRIAULT

Since the beginning of the pandemic, insurers have had the dual burden of helping their clients navigate the mental health crisis during a labour shortage, while also doing the same for their employees.

Some insurers have chosen to make their premises more inviting. The new decor includes comfortable armchairs, greenery, billiards, ping-pong and other games added to collaborative spaces. Soundproof booths are also appearing here and there.

Several insurers have undertaken these transformations, especially since the COVID-19 pandemic. Among them, **iA Financial Group** organized a guided tour of its "new" headquarters on May 6, 2023. The building was erected in 1951 in Quebec City on a 293,000-square-foot site located between Parliament Hill and Sainte-Foy. Many of its premises today are unrecognizable. The *Insurance Journal* was there, along with members of iA's management team and other personalities including the mayor of Quebec City.

Insurers are making these efforts to encourage employees to return to the office, to attract new employees and retain them. The legacy of the pandemic is helping a lot. "We are doing well in the face of the labour shortage because we can now hire from anywhere," says **Denis Ricard**, president and CEO of iA Financial Group, in an interview in the festive new cafeteria where employees were having breakfast with their spouses and children.

The CEO of iA refers to his motto for a post-pandemic return to work: Work from anywhere. "Many positions previously required people to move to Quebec. Our senior vice-president of human resources, **Stéphanie Butt Thibodeau**, works from Ottawa. Before the pandemic, I would have required her to move to Quebec," confides Ricard.

According to the profile published on iA's website, Butt Thibodeau was able to join the organization without having to leave Ottawa, where she has lived for about 30 years.

Sun Life also advocates for the possibility of working

Sun Life offices in Waterloo featuring collaborative spaces and open areas equipped for hybrid work and intentional connections.

PHOTO: SUN LIFE

from anywhere. The insurer announced in April 2023 that it had invested $21-million in renovations to its Waterloo offices in Ontario. This is a test. The renovation of a pilot floor of 75,000 square feet is the latest in a series of projects carried out in their offices. The project is dedicated to supporting hybrid work.

The insurer, emphasizing collaboration and well-being, highlights that its test spaces are digital-focused and designed to foster "intentional connections." Collaboration zones, quiet spaces, libraries, soundproof booths and meeting areas are equipped with technologies to support hybrid work. Sun Life has also planned reflection and relaxation rooms, as well as several "village" areas designed for socialization.

Denis Ricard

"Traditional offices were explicitly designed for individual work that requires concentration. Since collaboration is the main reason for coming to the office, our investment in this new space in Waterloo will allow us to create more unifying moments while supporting clients," said **Jacques Goulet**, president of **Sun Life Canada**, during the announcement.

According to him, this collaboration now occurs regardless of geographical location, type of company, position held or age of the employee. "During the pandemic and still today, productivity, engagement and innovation levels have remained high at Sun Life. Our employees enjoy choosing the days they work from home and they want to be able to establish meaningful connections at the office more easily," explains Goulet.

Sun Life's data has also revealed that employees do not want to go to the office only to find themselves in video conferences all day.

Jacques Goulet

### Labour shortage and the quest for meaning

On the other hand, thanks to the new flexibility in hiring personnel from various locations, Ricard says he has recruited many remote employees who primarily work from home in regions such as Bas-Saint-Laurent. "The opposite can also be true. Competitors can hire some of our employees, even if these employees do not work at the Quebec office. The way of recruiting has changed," he says.

The CEO of iA states that he is less affected by the labour shortage than before the pandemic, despite "an unemployment rate of less than two per cent in Quebec." The technology sector was previously a significant source of the shortage, he acknowledges. But not anymore. "Many companies have laid off technology professionals. Shopify announced on Thursday (May 4, 2023) that it was laying off 20 per cent of its workforce. It was the second time," he said, mentioning Shopify's layoff of 10 per cent of its workforce in July 2022.

➜

Éric Trudel

However, iA is currently experiencing a lot of turnover in customer-facing positions. “It is not easy to hire people in contact centres. It is an industry with a high turnover rate,” Ricard notes. He says he relies on iA’s attractiveness and reputation to mitigate the problem. The CEO of iA and other executives will provide more insights in the magazine supplement, *The labour shortage: Both a challenge and opportunity for insurers.*

In an interview with the *Insurance Journal*, **Éric Trudel**, executive vice-president and leader of group insurance at **Beneva**, also discussed the difficulty of recruiting employees who need to interact with clients. According to him, this problem is less pronounced in specialized sectors that require a university education. “Our challenge lies more in the area of customer service employees. It is in the case of call centres where we observe the highest number of vacant positions,” he says.

Present at the interview with the *Insurance Journal*, **Brigitte Marcoux**, director of practice excellence, health and wellness expertise at Beneva, mentioned that she commissioned a study from the **Relief Research Chair in Mental Health** to understand this phenomenon. Beneva invested $1-million in the chair created in 2021 by **Laval University**. Marcoux says the ongoing research will assess the meaning of work. “The research will measure the meaning of work that we need to provide to entry-level and customer service personnel,” she explains.

Marcoux notes that people in this sector tend not to stay because they often use these positions as an entry point or stepping stone to another position or promotion. “This leads to turnover, either through departures or internal transfers. We want to scientifically document the profiles of people who find meaning in this type of work. We want to understand what needs to be done to retain them,” she explains.

The research will begin in September 2023, and data collection will take place over a period of three years. During this period, the insurer will receive annual results to present, adds Marcoux. Beneva has also revealed the results of other research work from the chair, including issues of underutilization of mental health assistance programs due to lack of awareness (for more information, see the magazine supplement, *Underutilized Assistance Programs*).

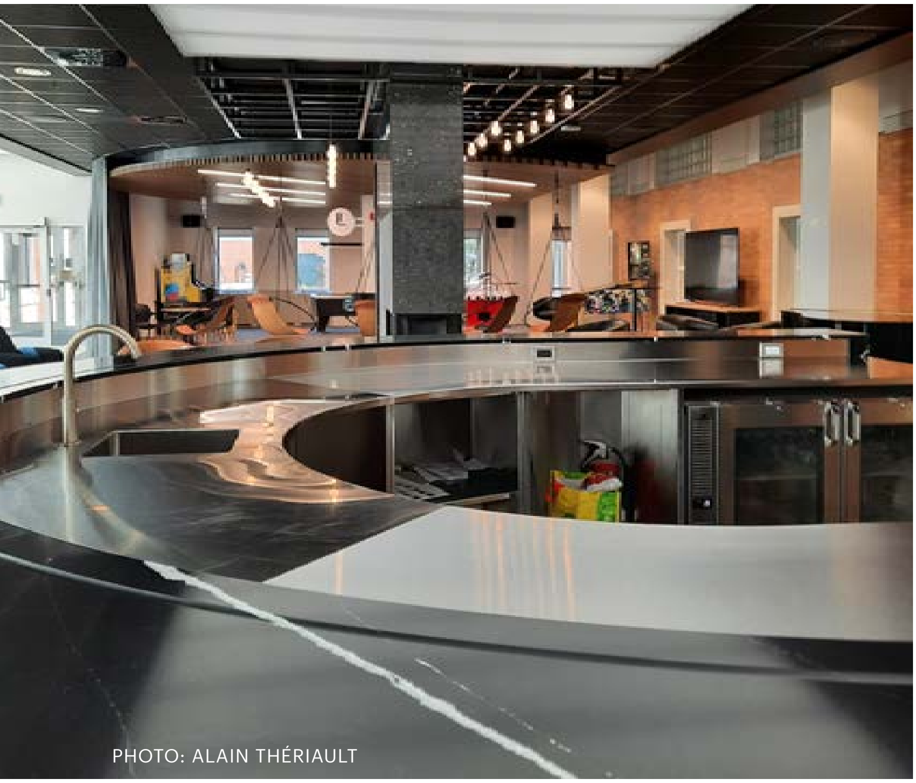
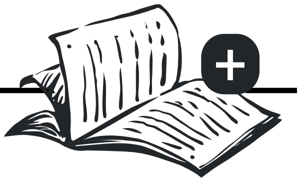


PHOTO: ALAIN THÉRIAULT

The new bar and lounge area in the offices of iA Financial Group in Quebec City.

Brigitte Marcoux



## MAGAZINE SUPPLEMENTS

- **The labour shortage: Both a challenge and opportunity for insurers** For **PRO** Level members
- **Underutilized Assistance Programs** For **PRO** Level members

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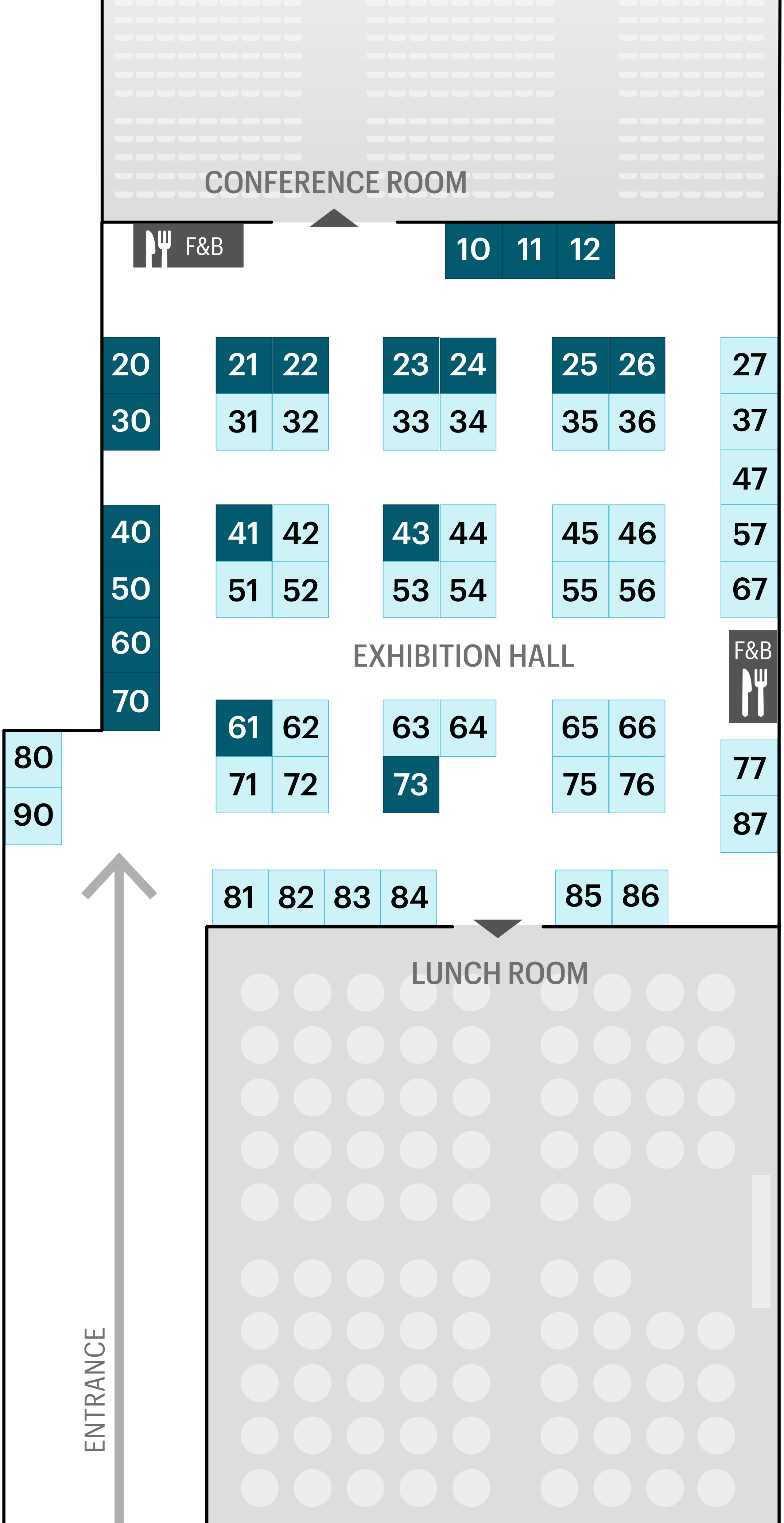


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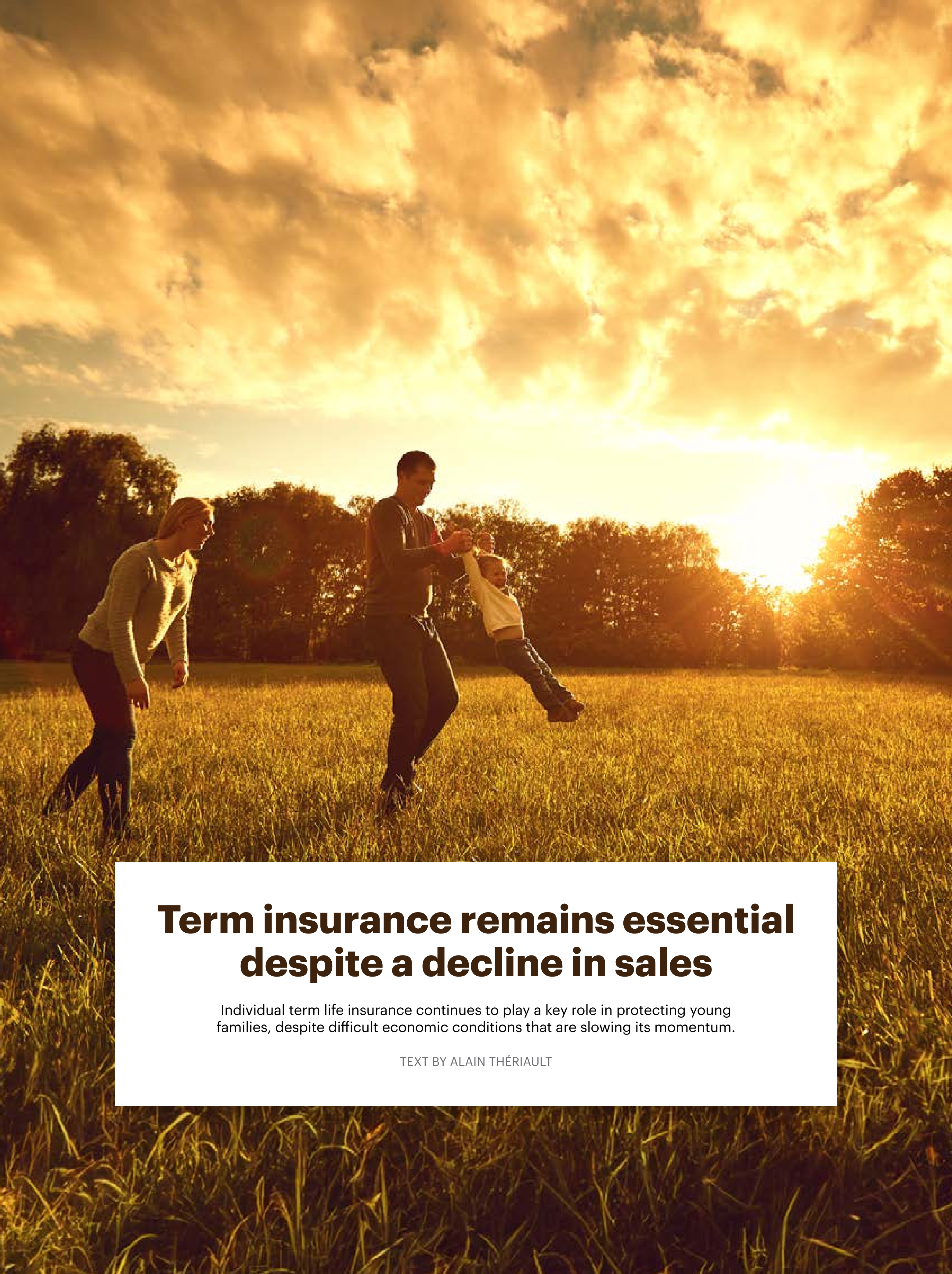


# Term insurance remains essential despite a decline in sales

Individual term life insurance continues to play a key role in protecting young families, despite difficult economic conditions that are slowing its momentum.

TEXT BY ALAIN THÉRIAULT

In its June 2022 edition, the *Insurance Journal* reported that term insurance was benefitting from economic conditions. It seems that this is no longer the case as headwinds have caused sales to decline. Universal life and whole life insurance have also slowed in their momentum.

According to **LIMRA**'s *Canadian Individual Life Insurance Sales Survey* for the fourth quarter and full-year 2022, term insurance sales fell 8 per cent in 2022 compared to 2021, in terms of annualized premiums. Premiums for term insurance amounted to $391.3-million in 2022, compared to $1.179-billion for whole life insurance and $279.8-million for universal life insurance.

Sales of term insurance fell by 19 per cent according to the number of policies. The number of term policies stood at 316,733 in 2022, compared to 180,937 for whole life and 117,553 for universal life.

**Matthew Rubino**, LIMRA research analyst, notes that annualized premiums for individual life insurance in 2022 were slightly higher than in 2021 across all products (growth of less than half of 1 per cent). "A combination of flat whole life insurance sales and a term decline offset an increase in universal life (UL)," says Rubino.

He adds that only seven of the 16 insurers surveyed by LIMRA reported premium increases for 2022. "Half of participants reported premium growth in UL products, with growth based solely in non-level COI [cost of insurance] products." Most of these products qualify as annually renewable universal life insurance, which is the type of cost insurance with the lowest price.

The economic conditions that have prevailed since 2022 are not unrelated to the decline in term insurance sales. "Our theory is that this is caused by the economic environment: inflation and the impact of rising mortgage rates are reducing households' disposable income. This is especially true for young households, who are the main buyers of term insurance," says **Alexis Gerbeau**, head of **Manulife Quebec** and head of finance, group insurance, for the Canadian division of **Manulife**.

Gerbeau had been head of finance, individual insurance, since 2018 before recently moving to his current position in group insurance. He says he is putting on his Manulife Quebec hat when granting this interview on individual term life insurance. Trained as an actuary, Gerbeau started his career in 2001 at **Standard Life**. He held the position of chief actuary and retained this position when Manulife acquired Standard Life in 2015.

**Mark Arruda**, assistant vice-president, insurance product management, at **Sun Life**, reports that the industry in general is observing a decline in term insurance sales in terms of premiums. "Many companies have reviewed their rates in 2022 to reduce the cost of term insurance, as customers preferred shorter-term contracts like the 10-year term (T10)," he says.

Arruda also notes a slowdown in the number of policies. "We have observed a decrease in the number of contracts, regardless of the duration, which suggests that the economic context influences purchasing decisions. All these combined factors explain the decline in premiums collected across the industry," he says.

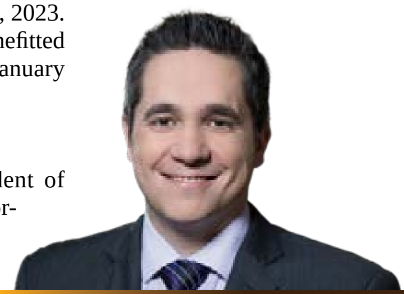
Matthew Rubino

At the time of writing, the inflation rate for May 2023 was not yet known. However, according to data from the **Bank of Canada**, the inflation rate as measured by the Consumer Price Index (CPI) was 4.4 per cent in April, slightly higher than the 4.3 per cent recorded in March. This rate remains far from the peak of 8.1 per cent recorded in June 2022.

Alexis Gerbeau

The inflation rate measured according to the CPI reflects the increase in prices of a basket of goods and services in a given month, compared to the same month of the previous year. This basket provides an overview, while consumers continue to feel the bite of inflation through specific spending items, such as high rents, building materials, energy and food prices.

High interest rates also fuel pressure by driving up the monthly repayments of variable-rate mortgages for many Canadians. The Bank of Canada had paused the rise of its key interest rate for a while, which had been at 4.50 per cent since January 2023, before increasing its key rate to 4.75 per cent on June 7, 2023. This offers little comfort to borrowers who benefitted from a key interest rate of 0.25 per cent in January 2022.

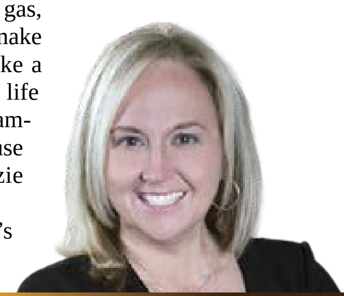


Mark Arruda

## Affordable and flexible

**Chantal Mackenzie**, regional vice-president of sales for Southern Alberta, Northwest Territories and Yukon at **Canada Protection Plan**, believes that its affordable price is one of the key features of term insurance. She also thinks that this quality makes it a product sought after by women.

"Especially in today's economy, everyone is feeling the pressure of higher prices for food, gas, etc. Women working full-time or part-time only make $0.89 for every dollar men make. It can feel like a double-whammy for women. Critical items like life insurance and the future financial protection for families are now on the table as a luxury item, because they depend on disposable income," Mackenzie says.



Chantal Mackenzie

She cites data from a LIMRA study on women's situation with insurance. "According to a 2022 LIMRA report, only 58 per cent of Canadian women have life insurance, compared to 69 per cent of men," says Mackenzie.

She adds that according to this report, the amount of insurance that women have is 25 per cent less than that of men. Moreover, 37 per cent of women

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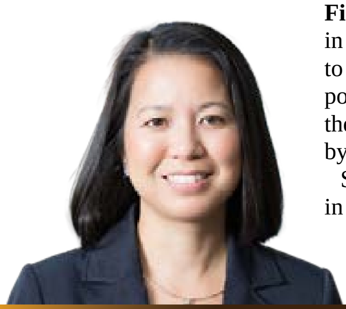
Kim Girard



Katrina Lee-Kwen

feel a high degree of stress about household finances, compared to 26 per cent of men.

You can read our full interview with Mackenzie on this topic in the magazine supplement *Term insurance: Women's choice*, soon to be published on the *Insurance Portal*.

To explain the higher number of term insurance policies sold compared to permanent products (316,733 term policies versus 180,937 whole life and 117,553 universal life in 2022), Arruda says that term life insurance "is generally more affordable when compared to other types of life insurance, such as whole life or universal life insurance."

Arruda adds that term insurance sales account for about 12 per cent of Sun Life's total life insurance sales in Canada (in terms of premiums), and about 63 per cent of the total number of policies sold in 2022.

According to **Kim Girard**, senior director, individual insurance, savings and retirement products, at **iA Financial Group**, the number of policies purchased in 2022 is convincing, despite the decline compared to 2021. "When we look at the LIMRA data (sales report), the term product remains the product that meets the most widespread needs and is the most purchased by Canadians," says Girard.

She maintains that iA Financial Group is a leader in the term insurance market. "We are the company that insures the most Canadians in individual insurance, particularly in term life insurance. The term product represented 40 per cent of our coverages sold in 2022, and 20 per cent of our new premiums."

Across the industry, however, Girard observes that the term insurance market is not growing strongly. "In 2022, premium sales saw a slight decrease. In 2023, we observe slight growth to date."

She believes more needs to be sold. "Studies show that a growing proportion of Canadians are underinsured. It is up to us as an industry to reach these Canadians, help them properly assess their insurance needs and offer them the protection they need. There is therefore still a lot of growth potential in the term product market," says Girard.

## Customized protection

Girard touts the flexibility of term insurance, which she also considers an option that allows for lower-cost insurance. "It may be suitable, for example, to cover loans taken out by a client. We could consider a mortgage, a line of credit, or even a car loan. Term insurance can also be used as income replacement to cover family needs that are greater during the period when children are financially dependent," she says.

In terms of flexibility, Girard points out that iA offers term insurance with terms ranging between 10 and 40 years. "The advisor can help determine the product that will best meet the client's needs. Beyond the desired term, it is necessary to determine whether the need is stable or decreasing. Other parameters such as the client's health condition could also impact the type of product to prioritize," she recommends.

Speaking of flexibility, **Canada Life** launched term insurance offering terms from five to 50 years in 2021, notes **Katrina Lee-Kwen**, senior vice-president, non-par insurance solutions and individual customer digital strategy. Lee-Kwen sees this as an opportunity to meet a range of needs, such as covering a mortgage, temporary protection to cover children's education expenses until they graduate or covering a company's expenses until the owner's retirement.

Lee-Kwen points out that, traditionally, 10-year and 20-year terms have been the most often offered in the industry. "They are still the most popular choices, but we have seen a lot of people starting to buy other term durations now. They are really looking for that customization and flexibility," she explains. She also says she is starting to see a broader range of durations in advisors' business.

Lee-Kwen echoes Girard's comments on the affordable aspect of the product, which she considers crucial in the current climate. "In an economic environment where there's uncertainty around inflation and other things like that, term insurance is a very affordable option for clients."

She also highlights the flexibility of the product, which allows the client to "lock-in its insurability today" by purchasing term insurance. "Then they can ask about the possibility to convert to either a longer-term product or permanent coverage at a future date." (See *Term insurance: A guaranteed springboard to permanent coverage* on page 28).

## MAGAZINE SUPPLEMENT

- **Term insurance: Women's choice** For **PRO** Level members

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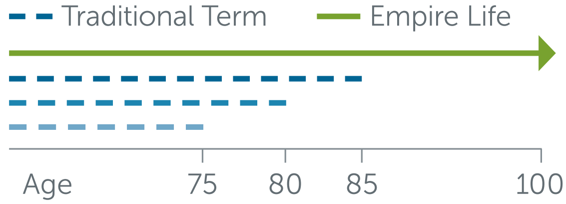


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| | | | |
|---|---|---|---|
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# Term insurance: A guaranteed springboard to permanent coverage

The right to convert without having to provide health evidence makes term insurance a powerful tool for clients' financial planning.

TEXT BY ALAIN THÉRIAULT

The option to convert term insurance into permanent insurance is a crucial feature of the product. Advisors should pay particular attention to the range of permanent products that conversion provides access to, according to industry experts.

**Katrina Lee-Kwen**, senior vice-president, non-par insurance solutions and individual customer digital strategy, at **Canada Life**, emphasizes that clients can extend the term of their term policy along the way. "You can convert to a longer term. If you buy a T10 [10-year term] product to start with, you could actually convert it to longer-term coverage within the first seven years of your policy duration. We also have the ability to convert to permanent insurance that can be either our whole life PAR product or universal life product."

According to **Kim Girard**, senior director, individual insurance, savings and retirement products, at **iA Financial Group**, it is worth noting that term insurance products generally allow partial or total conversion of the term coverage amount into permanent life insurance, without additional medical proof. "This provides flexibility to adapt to the clients' budget. They can obtain more affordable insurance prior to acquiring permanent life insurance," she says.

Denis Blackburn

**Mark Arruda**, assistant vice-president, insurance product management, at **Sun Life**, believes that every advisor should consider a set of factors before recommending a term life insurance product. Checking whether the contract considered provides conversion options is one of them. "This allows the contract holder to convert their term contract into a permanent one, without a medical exam. This option can be interesting if the client's circumstances change and they need coverage for a longer period," Arruda explains.

One of **Manulife**'s strengths in the term insurance market lies in the quality of its conversion options, "both in universal life insurance and in participating whole life insurance," says **Alexis Gerbeau**, head of **Manulife Quebec**. He reveals data showing that 20 per cent of clients who have taken out term insurance will eventually convert it into permanent life insurance.

Manulife's universal life insurance product is particularly popular among term insurance policyholders. Analysis of their new business data indicates that 30 per cent of conversions are directed towards universal life insurance policies. "The proportion of conversion from term to whole life insurance is around 7 to 10 per cent. The reason we observe, in relative terms, more conversion towards universal life is that this product is the most affordable permanent life insurance option," explains Gerbeau.

He adds that the current gap could narrow. He says that Manulife left the participating whole life insurance market several years ago, and only returned in 2018. "We currently see an increase in the number of conversions to participating products," Gerbeau says.

## Important conversion for entrepreneurs

**Denis Blackburn**, president, Quebec region, for MGA **Financial Horizons**, highlights situations in which term insurance must be convertible. "The presence of a conversion option is extremely important, especially on the business side. We see a lot of conversions in the businesspeople niche. The beauty of the convertible product is that it covers the future insurability of the entrepreneur. Financial resources may not be there today, for example, in a start-up that may have more liquidity when it has grown," Blackburn explains.

He adds that not all insurers are equal in their offerings of conversion options. "Some convertible term insurances offer a choice of conversion products more interesting than others."

Some insurers only offer the option to convert their limited-term term insurance into 100-year term insurance (T100), according to the insurance products intelligence centre *InsuranceINTEL*, a sister entity of the *Insurance Journal*. In fact, T100 is a permanent life insurance policy without cash value and without participation. At the other extreme, some insurers open the choice to participating whole life insurance, universal life insurance and T100.

The maximum age at which an insured can avail themselves of their conversion right also varies from one insurance company to another. Some impose a limit at 65 years, while others extend the limit up to 75 years. The most common age limit fluctuates between 70 and 71 years.

Moreover, all insurers in the Canadian market offer convertible term insurance, reveals an overview by *InsuranceINTEL*. A peculiarity: Sun Life offers a convertible term product called *SunTerm* (also available in 10-, 20-, 30-year or other durations). It offers another product that is not convertible, *Sun Life Go Term Life Insurance* (also available in 10- or 20-year durations).

## PRODUCT LINE GROWTH 2012-2022

| | Premium | | | Policy | | |
|---|---|---|---|---|---|---|
| | UL | WL | Term | UL | WL | Term |
| 2012 | -14% | 25% | 8% | -14% | 7% | 14% |
| 2013 | -17% | 14% | 4% | -17% | 7% | 1% |
| 2014 | 2% | 10% | -5% | -3% | -5% | -12% |
| 2015 | 8% | 13% | 7% | 4% | 4% | 4% |
| 2016 | 37% | 53% | + | 5% | 20% | + |
| 2017 | -30% | -20% | 2% | -21% | -8% | + |
| 2018 | -15% | -10% | -4% | -5% | -5% | -5% |
| 2019 | -8% | 16% | 3% | -8% | 2% | 1% |
| 2020 | -10% | -4% | 6% | -3% | -1% | 5% |
| 2021 | 29% | 35% | 1% | 22% | -3% | -6% |
| 2022 | 9% | 2% | -8% | 6% | -4% | -19% |

+ Less than ½ of -1 percent
Source: LIMRA, Canadian Individual Life Insurance Survey, 2023
Table: Insurance Journal

Blackburn points out that, in terms of sales at Financial Horizons, the conversion trend is shifting towards participating whole life insurance. "In terms of conversions, I find that [clients] are moving much more towards participating life insurance products than towards universal life. About 15 years ago, we talked much more about universal life insurance," he says.

### Major cases

To support advisors with entrepreneur clients, Blackburn recently recruited **Marie Pier Thivierge** as Financial Horizons' advanced markets specialist. An expert in taxation and wealth management, Thivierge previously worked at **National Bank Financial**, as the head of practice, estate planning.

"She can help advisors with major cases in advanced markets," Blackburn says. Advanced markets refer to cases that require complex financial and tax planning, including estate planning for entrepreneurs.

"In advanced markets, if the need for insurance is extremely high, we often start by establishing a solid base in term insurance. Eventually, the product can be converted to cover other needs of entrepreneurs or affluent clients," Blackburn adds.

Among these needs, term insurance can advantageously support an agreement between shareholders intended to buy back the company's shares in the event of the death of one of them.

"We must not forget young families, in a context where inflation and interest rates are very high. When meeting a young family who is doing their financial planning in case of death, term insurance is a very interesting choice. These families often have high ➜

mortgages, debts. Term products will be much more affordable for these starting clients," Blackburn says.

To recommend a type of term life insurance contract to this clientele, advisors should take into account the coverage amount and the contract duration, believes Sun Life's Arruda.

In terms of the coverage amount, he thinks it's important to evaluate the financial needs of the beneficiaries. "To determine the appropriate coverage amount, you have to look at debts to pay, income replacement, the cost of education and future financial goals," he says.

As for the contract duration, he believes it's essential to evaluate the period and the specific circumstances for which the client needs coverage. "For example, if they have young children, the duration could cover the number of years where the children will be dependents or the number of years left to repay the mortgage loan," Arruda advises.

### Added value for the advisor

Regardless of the client type, term insurance holds good value for the advisor, as it requires follow-up with clients, notes Blackburn. "In the case of buying and selling personal insurance blocks of business, one of the first things the buyer will ask is the percentage of term insurance that the seller has in their client portfolio," he says.

The reason? "The buyer wants to know what the potential for future revenue is. If, for example, 30 per cent of the business block is composed of term insurance, the buyer will consider that they are able to make their acquisition profitable much faster, because of future business opportunities (transformation, renewal of the term policy). If the portfolio only contains permanent insurance, the potential is smaller," explains Blackburn. ◼

### BEHAVIOURAL TERM INSURANCE WITH *VITALITY*

**Manulife** claims to have another ace up its sleeve in term insurance. "We are the only ones in behavioural insurance with the *Vitality* program," says **Alexis Gerbeau**, head of **Manulife Quebec**. Manulife is the exclusive partner of **Vitality**, a South African company specializing in this type of program.

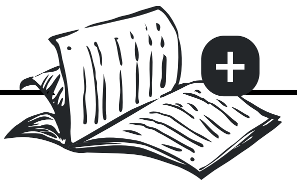
The *Vitality* program has been added to all Manulife insurance policies this year, says Gerbeau. "Until recently, only our term insurance had this element. Last year, we started offering it on universal insurance, and this year on participating insurance."

Behavioural insurance aims to encourage the insured to adopt healthy lifestyles in exchange for rewards, says Gerbeau. "The concept plays on the good old principle that sometimes you need to receive immediate gratification to adopt lifestyles that are favourable to better long-term health," he explains.

Insureds who adopt a healthy lifestyle can accumulate points. These points allow them to climb levels, which will save them money on their insurance premiums. The ultimate level is tagged Platinum. "The program allows the insured to have a reduction in their insurance premiums of up to 15 per cent," says Gerbeau. Regardless of the state of health declared during risk selection, insureds who adopt good habits can accumulate points.

Gerbeau claims that the *Vitality* program helps to reduce the policy cancellation rate. He reveals data from a Manulife survey in which 55 per cent of advisors believe that *Vitality* helps with client retention, and thus fewer insurance policy cancellations. The same proportion of advisors believe that *Vitality* contributes to creating business opportunities (i.e., cross-sales), notes Gerbeau.

The positive impact that healthy habits have on mortality rates allows Manulife to pass savings on to the insured. "The price of term insurance is highly correlated with the mortality rate, unlike universal life insurance, which is more sensitive to interest rates. The fact that people who reach the Platinum level see their premium savings go from 10 per cent to 15 per cent gives a good idea of the magnitude by which the mortality rate decreases," says Gerbeau.



### MAGAZINE SUPPLEMENT

- **Term insurance: A product more complex than it appears** For **PRO** Level members

This article will be available in the following weeks on insurance-portal.ca

FINANCIAL RESULTS

# Greater challenges faced by some insurers in 2022

Similar to 2021, there was a noticeable disparity in the financial results reported by the major insurance companies dominating the Canadian market in 2022. Profits were maintained across the industry in life insurance, while several property and casualty insurers struggled compared to the previous year.

In the tables and charts that follow, the *Insurance Journal* showcases the reported financial results of insurers, as well as other data to measure their performance.

TEXTS BY ALAIN CASTONGUAY | DATA COMPILATION BY IAN BOLDUC

LIFE INSURANCE

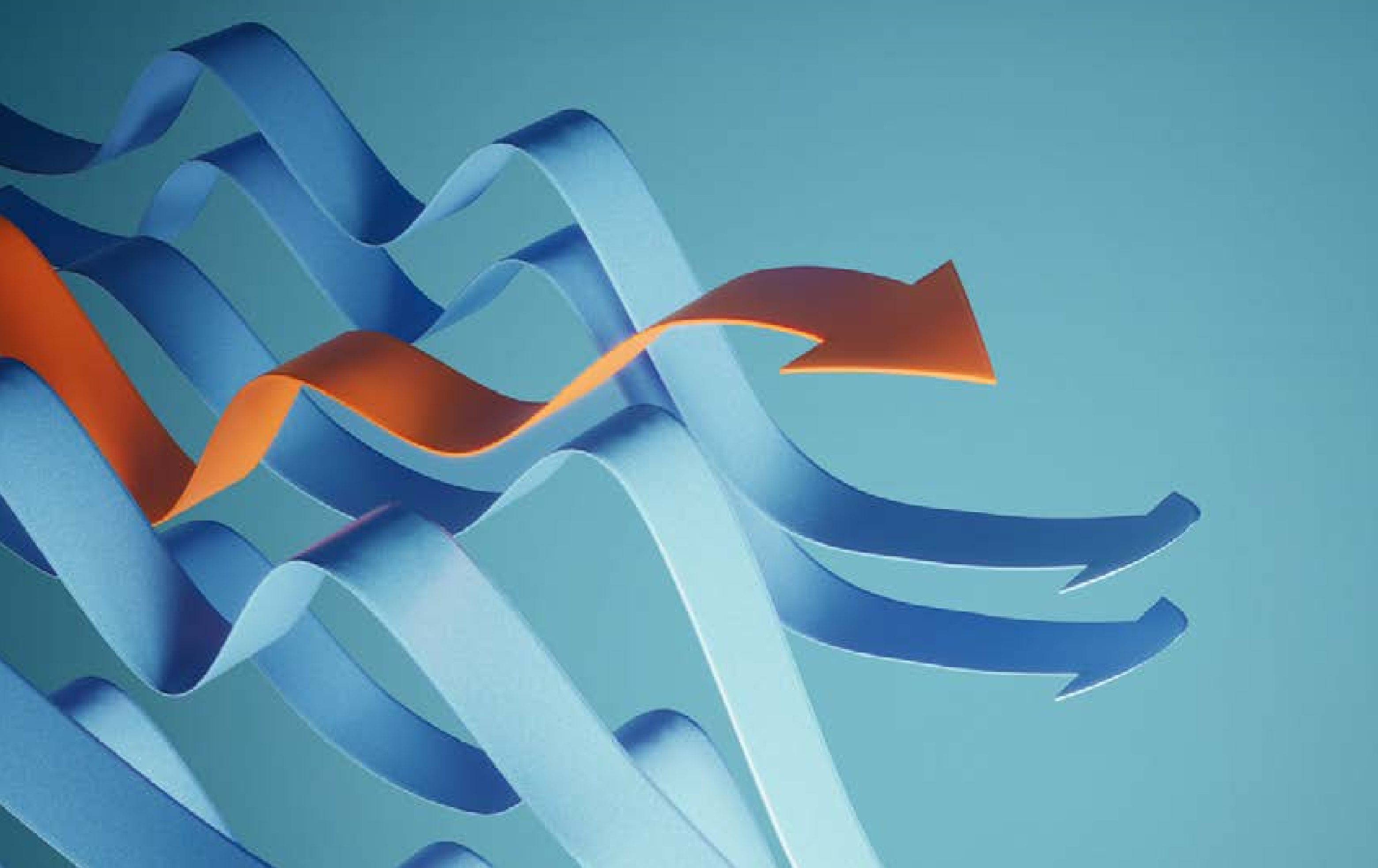
**Manulife still leading the pack**

Pages 33 to 34

P&C INSURANCE

**Lloyd's outperforms competitors**

Pages 36 to 40



## MANULIFE STILL LEADING THE PACK

In this report, the *Insurance Journal* presents the top 10 most profitable life insurers of 2022, based on the net income declared by each company for their activities in the Canadian market.

As shown in the table below and the chart on page 34, **Manulife** once again outperformed its peers, with a compound annual growth rate (CAGR, see note under the table) of 26 per cent in net income over five years – more than double the 12.3 per cent CAGR obtained by the industry as a whole during the same period.

Since 2017, when the entire industry reported net income of $9.7-billion, the combined net income of life insurance companies in Canada has consistently exceeded the $10-billion mark.

The industry's net income reached $17.3-billion in 2022, compared to $17-billion in 2021, representing an increase of 2.2 per cent.

The three largest players in the Canadian life insurance industry stood out. Manulife reported the highest net income in 2022 at $7.3-billion, a decrease of 0.9 per cent compared to its industry-leading net income of $7.4-billion in 2021. **Sun Life** reported net income of $3.2-billion (down 21 per cent from 2021) and **Canada Life** reported net income of $3-billion (up 4.4 per cent), while no other company reached the billion-dollar mark.

In sixth place, **RBC Insurance** achieved the highest growth rate year-over-year, with net income almost doubling to reach $435-million in 2022 (up 91.7 per cent). At $240-million, **BMO Financial Group** ranked seventh, with the second-highest growth rate in net income in 2022 of 50.1 per cent year-over-year. **Desjardins Insurance** had the third-highest year-over-year growth rate, at 30.5 per cent.

Another noteworthy performer was **Foresters Financial**. Although the company ranked eighth in 2022, it had declared losses for three of the previous four years. Its five-year CAGR, at 41.9 per cent, was the highest of the top 10 companies of 2022.

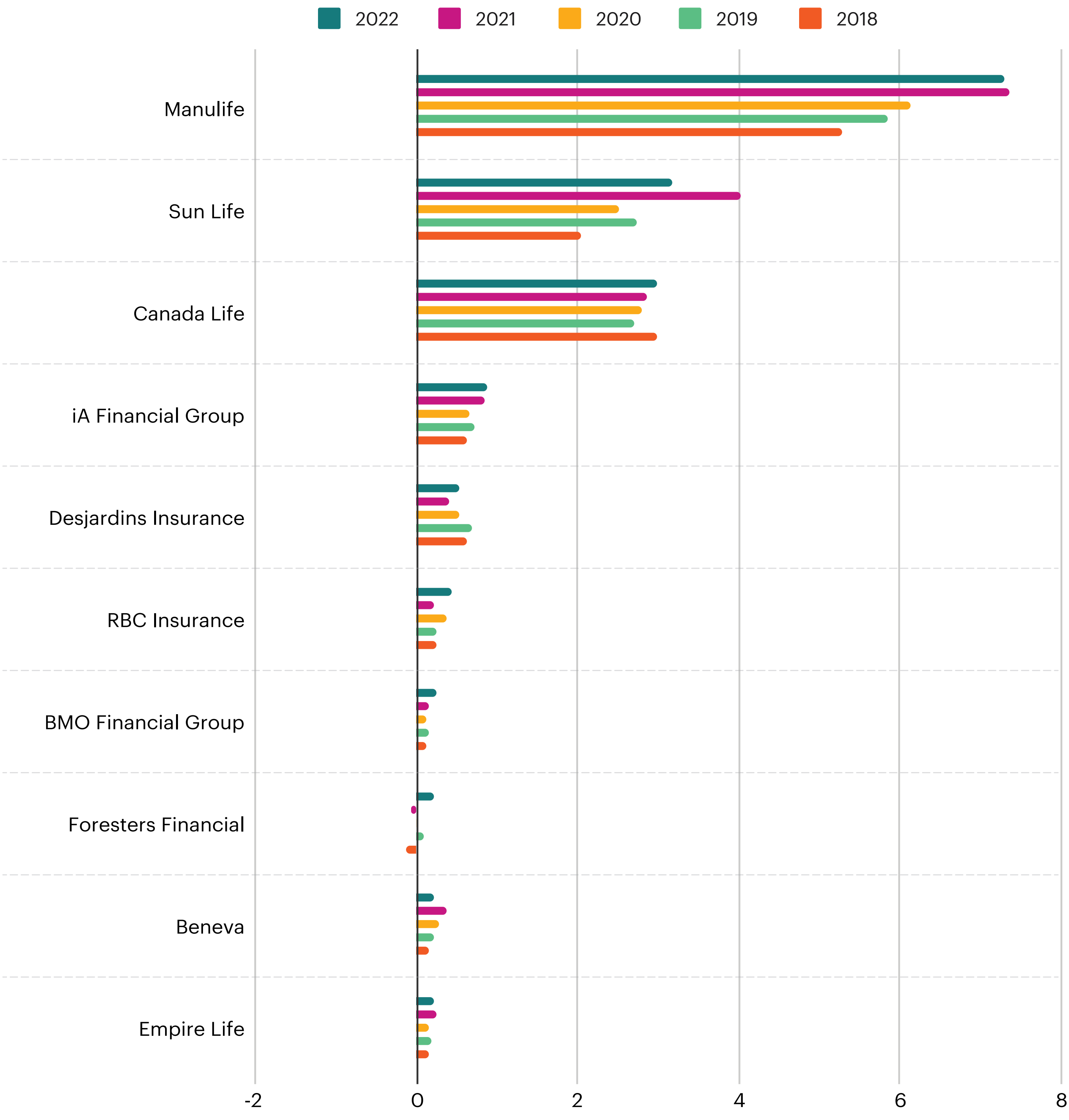
## COMPOUND ANNUAL GROWTH RATE (CAGR) IN NET INCOME FOR THE TOP 10 LIFE AND HEALTH INSURERS IN 2022

| | One-year growth rate (2021–2022) | Two-year CAGR (2020–2022) | Three-year CAGR (2019–2022) | Four-year CAGR (2018–2022) | Five-year CAGR (2017–2022) |
|---|---|---|---|---|---|
| Manulife | −0.91% | 9.16% | 7.72% | 8.35% | 25.99% |
| Sun Life | −21.04% | 12.71% | 5.45% | 11.86% | 7.29% |
| Canada Life | 4.42% | 3.31% | 3.64% | 0.09% | 3.92% |
| iA Financial Group | 5.20% | 15.85% | 7.54% | 8.76% | 10.78% |
| Desjardins Insurance | 30.47% | 1.69% | −7.77% | −3.65% | −2.66% |
| RBC Insurance | 91.74% | 6.69% | 19.26% | 15.40% | 21.55% |
| BMO Financial Group | 50.06% | 39.84% | 13.43% | 15.45% | 0.29% |
| Foresters Financial | n/a | n/a | 33.09% | n/a | 41.85% |
| Beneva | −41.65% | −12.50% | 0.60% | 7.30% | 6.23% |
| Empire Life | −14.94% | 17.11% | 3.77% | 8.52% | 2.95% |
| **INDUSTRY (65 companies)** | **2.18%** | **12.33%** | **6.44%** | **7.94%** | **12.34%** |

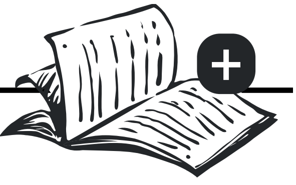
The top 10 companies are ranked based on 2022 net income. The compound annual growth rate (CAGR) cannot be calculated when a company has experienced a loss during a year, in which case "n/a" (not available) is indicated. CAGR "is the mean annual growth rate of an investment over a specified period of time longer than one year. It represents one of the most accurate ways to calculate and determine returns for individual assets, investment portfolios, and anything that can rise or fall in value over time," Investopedia explains. Some companies in the table are groups; detailed results of subsidiaries can be found on the *Insurance Portal*.

Source: MSA Research | Compilation: Insurance Journal

### TOP 10 LIFE AND HEALTH INSURANCE COMPANIES RANKED BY 2022 NET INCOME




The top 10 are ranked by 2022 net income. B: billion dollars.
Source: MSA Research | Compilation: Insurance Journal



## MAGAZINE SUPPLEMENT

- **Life insurance: Financial results of 65 insurers in Canada in 2022** **EXECUTIVE** members

This article will be available in the following weeks on insurance-portal.ca

## LLOYD'S OUTPERFORMS COMPETITORS

In the table below and the chart on page 38, you'll find the top 10 property and casualty insurers in Canada with the highest net income as of December 31, 2022.

The industry experienced a significant change, as two companies surpassed their competitors in terms of net income. **Chubb** and **Travelers** occupied the eighth and ninth places in 2022, bumping **Allstate** (seventh in 2021) and **Aviva** (eighth in 2021) out of the top 10.

**Lloyd's Underwriters** surpassed **Intact Financial Corporation** to claim the top spot in 2022, moving up from its previous third-place position in 2021. Lloyd's experienced the most significant increase in profitability, with a net income of $1.7-billion in 2022, an increase of nearly 57% year-over-year.

Only two other companies experienced net income growth of more than 10 per cent year-over-year: **Canada Guaranty Mortgage Insurance Company** (27.6 per cent) and **Sagen Mortgage Insurance Company Canada** (12.9 per cent), two insurers firmly established in the very niche mortgage insurance market.

The P&C insurance industry had a more difficult year in 2022, with a net income of around $8.3-billion, representing a decrease of nearly 18 per cent from the $10.1-billion recorded in 2021.

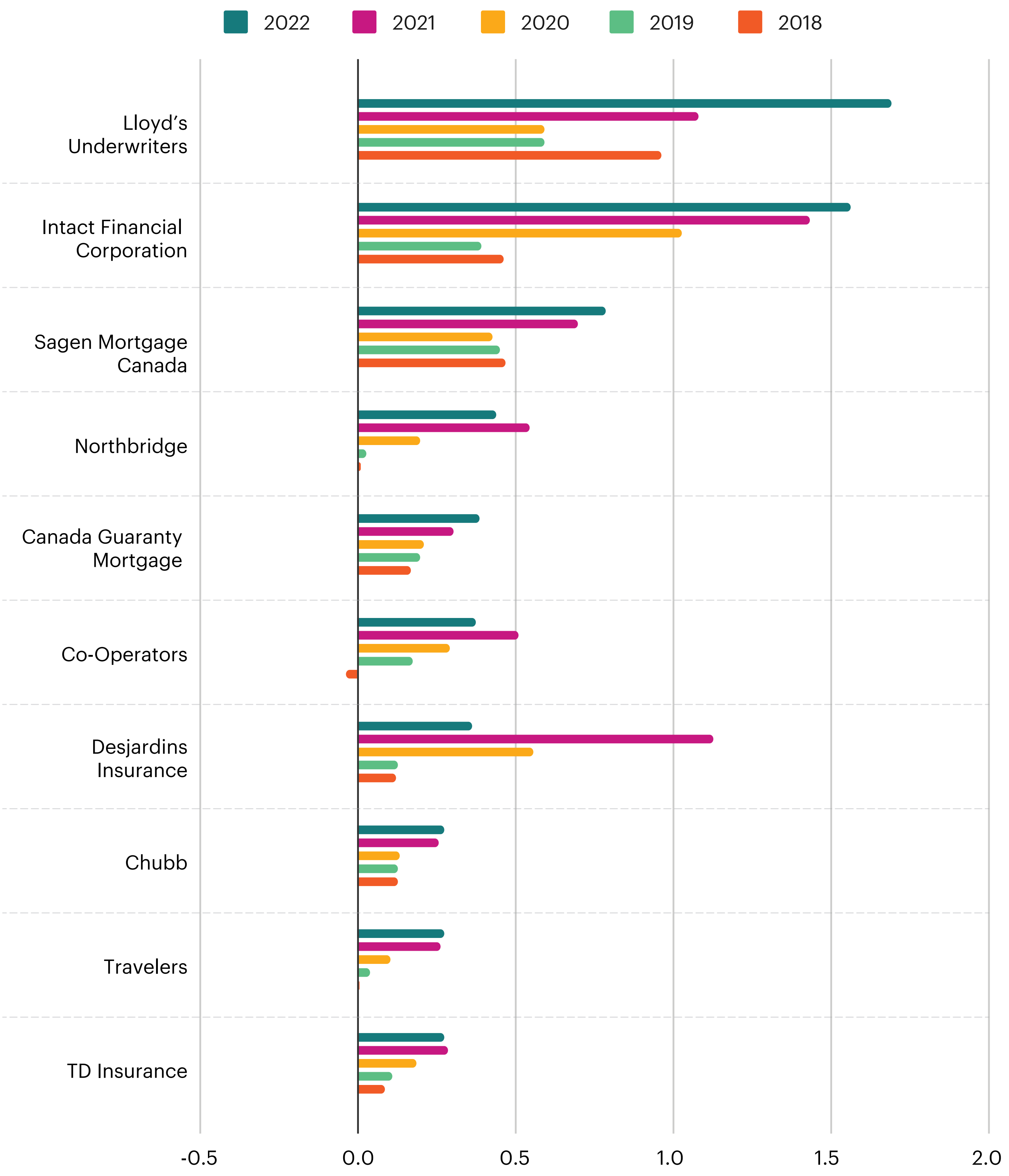
It's worth noting that 2020 and 2021 were unusual due to the extraordinary circumstances surrounding the COVID-19 pandemic. The frequency of claims was lower, particularly in auto insurance, as policyholders were using their vehicles less. Furthermore, many policyholders were spending more time confined to their homes, which reduced the severity of claims.

## COMPOUND ANNUAL GROWTH RATE (CAGR) IN NET INCOME FOR THE TOP 10 PROPERTY AND CASUALTY INSURERS IN 2022

| | One-year growth rate (2021–2022) | Two-year CAGR (2020–2022) | Three-year CAGR (2019–2022) | Four-year CAGR (2018–2022) | Five-year CAGR (2017–2022) |
|---|---|---|---|---|---|
| Lloyd's Underwriters | 56.67% | 69.26% | 41.80% | 15.21% | 36.56% |
| Intact Financial Corporation | 9.27% | 23.45% | 58.70% | 35.45% | 26.35% |
| Sagen Mortgage Insurance Company Canada | 12.87% | 35.21% | 20.27% | 13.79% | 7.30% |
| Northbridge | −19.35% | 48.52% | 147.32% | 147.47% | 18.87% |
| Canada Guaranty Mortgage Insurance Company | 27.57% | 35.12% | 25.03% | 23.50% | 23.71% |
| Co-Operators | −26.68% | 13.74% | 29.25% | n/a | 22.76% |
| Desjardins Insurance | −67.97% | −19.71% | 42.06% | 30.55% | 24.74% |
| Chubb | 7.13% | 44.47% | 28.98% | 21.42% | 23.13% |
| Travelers | 4.99% | 60.58% | 89.94% | 197.21% | 16.13% |
| TD Insurance | −4.89% | 21.89% | 36.33% | 34.22% | 19.02% |
| **INDUSTRY (170 companies)** | **−17.79%** | **13.90%** | **27.42%** | **29.49%** | **16.57%** |

The top 10 companies are ranked based on 2022 net income.
The compound annual growth rate cannot be calculated when a company has experienced a loss during a year, in which case "n/a" (not available) is indicated.
CAGR is defined in the table on page 33. Some companies in the table are groups; detailed results of subsidiaries can be found on the *Insurance Portal*.
Source: MSA Research | Compilation: Insurance Journal

**TOP 10 PROPERTY AND CASUALTY INSURANCE COMPANIES RANKED BY 2022 NET INCOME**




The top 10 are ranked by 2022 net income. B: billion dollars. Source: MSA Research | Compilation: Insurance Journal

## TECHNICAL RESULTS: LLOYD'S AND INTACT LEAD THE WAY

The efficiency of property and casualty insurers can also be measured by their technical results, or the operating profits derived solely from their insurance activities.

The table below and the chart on page 40 show the top 10 property and casualty insurers in terms of their 2022 technical results, which are obtained by subtracting claim costs, management costs and product distribution costs from insurers' premium revenues.

**Lloyd's Underwriters** remained in the lead and demonstrated growth of 48.1 per cent from the previous year.

The highest annual growth rate was achieved by **Northbridge**, at 76.5 per cent. **Definity Financial Corporation** also showed significant growth in its technical result in 2022, at 47.6 per cent, as did **TD Insurance** (36.3 per cent), and to a lesser extent, **Canada Guaranty Mortgage Insurance Company** (17.1 per cent) and **Intact Financial Corporation** (8.9 per cent).

The four other companies in the top 10 experienced a decrease in their technical results in 2022 compared to 2021. Marking a shift in the rankings, Definity and Northbridge were among the top 10 insurers for 2022, while they did not make the list in 2021. **Conversely**, **Chubb** and **Allstate** were among the top 10 in 2021 but not in 2022.

For the entire industry, technical results reached $9.1-billion in 2022, representing a decrease of 9.1 per cent compared to the $10-billion reported a year earlier.

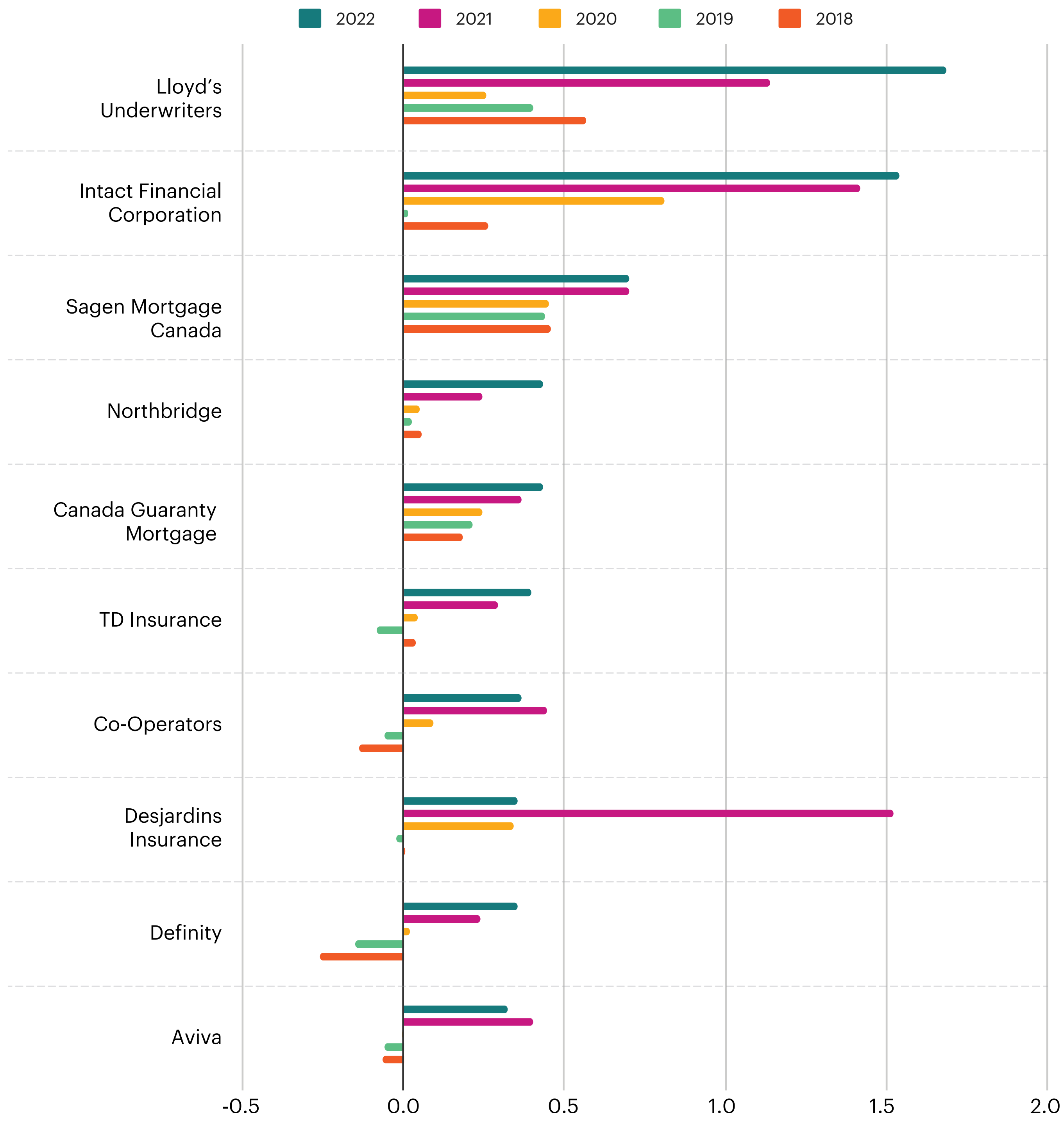
On a five-year basis, the compound annual growth rate (CAGR) of technical results was 45.6 per cent for the entire industry.

## COMPOUND ANNUAL GROWTH RATE (CAGR) IN TECHNICAL RESULTS FOR THE TOP 10 PROPERTY AND CASUALTY INSURERS IN 2022

| | One-year growth rate (2021–2022) | Two-year CAGR (2020–2022) | Three-year CAGR (2019–2022) | Four-year CAGR (2018–2022) | Five-year CAGR (2017–2022) |
|---|---|---|---|---|---|
| Lloyd's Underwriters | 48.13% | 157.29% | 61.32% | 31.43% | 31.74% |
| Intact Financial Corporation | 8.90% | 37.96% | 361.81% | 55.39% | 53.52% |
| Sagen Mortgage Insurance Company Canada | −0.44% | 24.04% | 16.69% | 11.19% | 7.48% |
| Northbridge | 76.48% | 197.66% | 146.57% | 64.36% | 64.02% |
| Canada Guaranty Mortgage Insurance Company | 17.13% | 33.45% | 26.38% | 24.12% | 23.50% |
| TD Insurance | 36.27% | 193.85% | n/a | 82.09% | 55.11% |
| Co-Operators | −18.66% | 99.88% | n/a | n/a | n/a |
| Desjardins Insurance | −76.64% | 1.68% | n/a | 195.76% | 10.42% |
| Definity | 47.60% | 297.43% | n/a | n/a | n/a |
| Aviva | −18.66% | n/a | n/a | n/a | n/a |
| **INDUSTRY (170 companies)** | **−9.12%** | **63.69%** | **113.90%** | **99.38%** | **45.57%** |

The top 10 companies are ranked based on 2022 technical results. The compound annual growth rate cannot be calculated when a company has experienced a loss during a year, in which case "n/a" (not available) is indicated. CAGR is defined in the table on page 33. Some companies in the table are groups; detailed results of subsidiaries can be found on the *Insurance Portal*.
Source: MSA Research | Compilation: Insurance Journal

## TOP 10 PROPERTY AND CASUALTY INSURANCE COMPANIES RANKED BY 2022 TECHNICAL RESULT




The top 10 are ranked by 2022 technical result. B: billion dollars. Source: MSA Research | Compilation: Insurance Journal

### MAGAZINE SUPPLEMENT

- **Property and casualty insurance: Financial results of 170 insurers in Canada in 2022** **EXECUTIVE** members

This article will be available in the following weeks on insurance-portal.ca

# All these past issues of the *Insurance Journal* are available on the *Insurance Portal*!













INSURANCE Journal

An Insurance Journal Publishing Group product

by JIM RUTA

# Make Prospecting Easier with Concept Silos™

## Question: How can I find prospects interested in my specialty so I can be more enthusiastic and helpful, and they are more likely to act?

There are a few problems with the holistic approach recommended for financial planning approach today. You point out the most obvious – that unless you are working in your specialty, you won't be as compelling and effective as you could be.

And while financial planning tells you that engaging your new client in writing is the first step when taking on a new client, unless you entice them to engage, you won't get a chance to do any financial planning work at all. My observation is that holistic planning is not a very compelling enticement to engage with most advisors. This is not about the real value of a holistic approach, but about perceived value and that's what matters at the beginning of a relationship.

A holistic approach also casts a wide net meaning that rather than have unlimited prospects as you'd hope, you get a confusing array of various expectations, cultural differences, financial wants, and occupational backgrounds. That plays to the "jack-of-all-trades and master-of-none" definition of average.

The holistic approach also doesn't showcase you at your best so you can attract the best prospects for your expertise and experience. You may miss the best business for you and the best clients for your style. It is counterproductive that way.

Finally, it's a slower approach to a client result because of the time it takes to bring a case to a conclusion. Many advisors would rather have a professional and compliant approach that created a relationship built on a series of solutions.

You need a better prospecting strategy like what I call "Concept Silo Prospecting." A Concept Silo™ is a complete sales strategy that focuses on one great idea that applies to one specific marketplace. Here's how it works:

Start with a concept that inspires you and that appeals to the kind of people you want in your clientele. For instance, if you want to work with pre and early retirees, you might choose "Paying Legacy Taxes at a Discount to Maximize your Estate". Legacy taxes are those taxes that must be paid before your assets become your legacy to those you love.

As you know, some couples want to leave their RRSP/RRIF to their children when they die. The "legacy tax" is the 50% that will have to be paid in income taxes when the last of them dies. Paying that income tax on the terminal return with the seriously discounted dollars of a "joint last to die policy" means your legacy to your family can stay intact. With the right life insurance plan, you can even build up an additional cash reserve if you need it in retirement. Double Duty Dollars as we used to say.

Prospects for this concept are obvious. The Mass Affluent and above group who, if research proves accurate, won't even spend all their retirement savings are ideal. There are neighbourhoods of people like this. Direct mail and seminars could work. Social media and advertising can attract them. Prospecting among your clientele or working with a colleague who isn't interested could too. When you know the type of person you want as a prospect, your "who," you can easily discover what, where, when, why, and how. Clarity of focus attracts results.

The Concept Silo™ approach is simple: "Prospect, we are doing a lot of work with our clients these days to help them leave their RRSPs or RRIFs to their families without them being cut in half by the Legacy Tax. It's not for everyone but I'd love to get your opinion on it to see if it makes sense. When in the next 2 or 3 weeks could you carve out 30 minutes for me to show it to you and get your thoughts?"

The wise ones among you can see that this approach could easily be modified to a "Keep your Family Cottage in the Family without having to sell it to a mortgage company to pay the Legacy Tax" approach. Or "Keeping Your Unwanted Silent Partner out of your Investment Real Estate. The idea is to fill a silo of similar people who could buy the concept.

Whatever your concept, you still need a Concept Specific Factfinder that not only gets the information you need to deal with the concept, but also will get the rest of the financial situation too. That means you can easily decide then if the Concept that enticed them is their biggest problem or if they have bigger fish to fry. Then you make the professional pivot to do first things first. You're compliant.

Concept Silo™ is easier because the people you want are easier to find and approach because you are being specific to your passion. Go be amazing!

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**For more information on the tools to use to build your brand, check out Advisorcraft.com.**

**Jim Ruta's mission is simple – to preserve, promote and propel the financial advisor business. A former insurance advisor and executive manager of a 250-advisor agency, Jim is a highly regarded coach, author, podcaster and keynote speaker. He has spoken four times at the MDRT Annual Meeting including the Main Platform. Jim Ruta is an Executive Coach and Keynote speaker specializing in life insurance advisors and leaders. He works with top advisors around the world and re-energizes audiences with his deep insight and passion.**

**Discover more at www.jimruta.com.**
**If you have a question for Jim, you may send an email to jim@jimruta.com**