INSURANCE Journal

$10 Vol. 29 No. 01 December 2024

RETIREMENT INCOME

Many retirees are worried about outliving their savings

PROPERTY AND CASUALTY INSURANCE
Does Summer 2024 foretell a new threat to insurers?

MARKET SHARES
A complicated transition to IFRS 17

LIFE AND HEALTH INSURANCE
How to cold call a business owner

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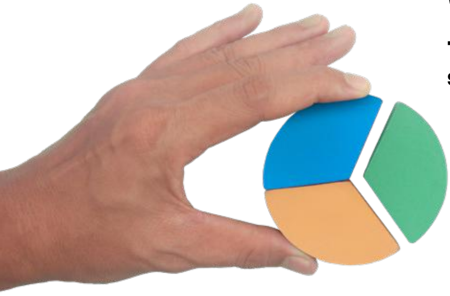
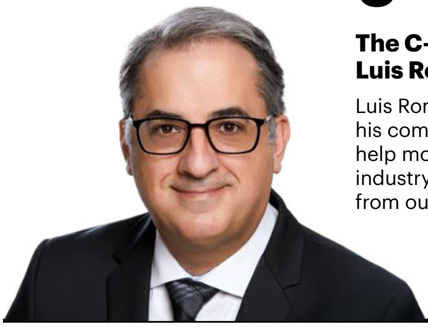
Vol. 29 No. 01 December 2024

Life Insurance

Society



Entrepreneurship



INSURANCE Journal

Vol. 29 No. 01 — December 2024

THE INSURANCE JOURNAL PUBLISHING GROUP: AN EXPANSIVE RANGE OF PRODUCTS TO SERVE YOUR NEEDS!

Created in 1992, the Insurance Journal Publishing Group now counts ten products in three formats: magazines, industry events and Web information services.

Insurance Journal and ***Journal de l'assurance*** publish in-depth articles to enable insurance industry professionals to stay on top of industry developments. This knowledge will assist our readers with their goal of helping Canadians get the insurance coverage they need to protect their families, their wealth and their dreams. Our magazines are available by subscription across Canada.

The ***Répertoire des fournisseurs en assurance de dommages*** provides an excellent overview of the products and services offered by professionals in restoration and non-standard risks in the P&C industry.

Digital services

As part of our digital transformation, our company has created the ***Insurance Portal***, a one-stop shop that will eventually bring together all of our information services and products. It has customization and keyword search functions. It will also host the services of other organizations and companies interested in offering their products to financial services industry professionals. A true insurance business centre, the Portal is a powerful tool for helping industry professionals grow their businesses.

Available online, ***InsuranceINTEL*** is a market intelligence centre for the life and health insurance industry in Canada. The database is constantly updated and provides the features of more than 470 insurance and investment products through easy to analyze comparative tables.

Users can also access 3,000 marketing documents, as well as 350 insurance applications. Various levels of membership are available for insurance companies, banks, MGAs and advisors to enable them to stay on the forefront of new industry developments. ***RADAR*** monitors the trends and changes in the life & health insurance industry in Canada: product launches, changes in premium rates, modifications to commission schedules, technological developments and marketing campaigns.

Our annual events

The ***Group Conference*** is a niche event promoting group health insurance.

On Tuesday, February 27, 2025
at the Palais des congrès de Montréal
Details on: portail-assurance.ca/cc

P&C Day held annually attracts some 1,000 participants, 20 speakers and 70 exhibitors and sponsors.

On Wednesday, April 2, 2025
at the Palais des congrès de Montréal
Details on: portail-assurance.ca/jad

The ***Canada Sales Congress*** focuses on sales and business development. It brings together approximately 1,000 participants, 20 speakers and about 40 exhibitors and sponsors.

On Thursday, October 2, 2025,
at Delta Hotels by Marriott Toronto Airport & Conference Centre
Details on: insurance-portal.ca/csc

Each year, ***Life Insurance Convention*** brings together around 1,000 participants & over 30 speakers and 65 exhibitors.

On Tuesday, November 18, 2025
at the Palais des congrès de Montréal
Details on: portail-assurance.ca/cap

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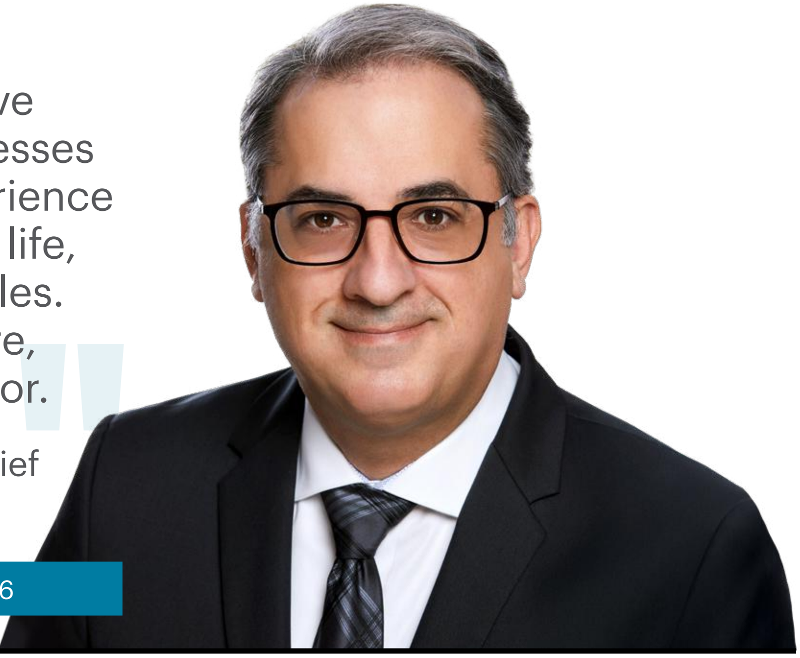
Something to think about...

Insurance companies have realized that digitizing processes improves the customer experience and simplifies the advisor's life, which boosts insurance sales. They have innovated more, especially in the P&C sector.

– Luis Romero, founder and chief executive officer of Equisoft

Page 6



In this issue...

Closing the gap of 100,000 life insurance policies a year: it's possible!

To get there, we need to educate the public, simplify products and automate business processes, says Luis Romero, founder and chief executive officer of Equisoft.

BY ALAIN THÉRIAULT

As a supplier of software solutions to insurers, managing general agents and advisors, **Equisoft** believes the company is in a position to help modernize an industry whose efficiency suffers from outdated IT systems.

The individual life insurance sector is particularly hard hit. **Luis Romero**, founder and chief executive officer (CEO) of Equisoft, took a critical look at the state of the industry's digital shift in Canada. According to him, insurers who have succeeded in transforming their old systems to modern technologies are the exception in Canada. Others seem to be staying stuck with their legacy systems.

Equisoft's CEO puts forward one hypothesis for the life and health insurance industry's technology lag: it's allergic to risk. According to him, selling life insurers a digital solution can easily take 12 to 36 months. Romero says he's glad he founded Equisoft 30 years ago. "An insurtech start-up targeting life insurers has to be resilient and have funds," he says. "It's not just about selling the technology, but also about developing it."

Outdated systems are hampering the efficiency of life insurers' distribution networks, which is doing nothing to offset Canada's policy deficit. According to the article Individual Life Insurance: A Worrisome Future, published on the *Insurance Portal* on January 10, 2024 and written by **Serge Therrien**, President and Publisher of **Insurance Journal Publishing Group**, this deficit represents 100,000 fewer sales annually since 2010.

At 667,752, the number of life insurance policies sold in 2023 is a far cry from the 733,940 sold in 2010, according to exclusive data prepared by **LIMRA** for the July 2024 issue of the *Insurance Journal* (see *Underinsured Canadians: Can term insurance fill the gap*, pages 10-19).

Meanwhile, the article Recovering 100,000 lost life insurance policies each year: Beware of magical thinking, published on October 17 on the *Insurance Portal*, summarizes, without naming the individuals, solutions put forward by 30 leaders. **The Insurance Journal Publishing Group** invited these leaders to explore the future of life insurance distribution during

MORE THAN 20,000 ADVISORS CONNECTED TO AT LEAST ONE EQUISOFT SOFTWARE APPLICATION

The software it offers enables Equisoft to reach more than 20,000 advisors, according to a presentation document. Luis Romero, chief executive officer of Equisoft, shared details of the document with the Insurance Journal. Through gateways called application programming interfaces, these advisors can use more than one solution.

The following table shows the importance of traffic for each of them.

In 2025, Equisoft plans to set up an advisory board made up of users of its systems. It also plans to launch a chat agent using artificial intelligence.

Solution	Description	Number of advisors	Users
Equisoft/connect	Customer relationship management software	More than 12,000	Insurance carriers, financial advisors and their assistants, distributors, and brokers
LifeGuide	Multi-carrier quotation tool	More than 7,000	Insurance carriers, financial advisors and their assistants, distributors, and brokers
Equisoft/plan	Financial planning	More than 5,000	Insurance carriers, financial advisors and their assistants, distributors, and brokers
Equisoft/analyze	Fund comparison, portfolio optimizer and fact sheets	More than 5,000	Asset managers and wholesalers, financial advisors and their assistants, distributors, and brokers

Table: Insurance Journal | Source: *Elevate: Product updates on distribution and wealth solutions*, presentation by Bruno Leduc, AVP, Advisor & Wealth, Equisoft (2024).

> Life insurance is still sold, and the majority of business volume will continue to be primarily sold, with a few exceptions.
>
> — Luis Romero

a closed-door working session held in Montreal on September 5. Their desire for anonymity speaks volumes about the sensitivity of this issue in the industry.

Education and COVID-19

Luis Romero agrees that technology alone cannot solve everything. The old adage persists in the distribution network: "Life insurance is still sold, and the majority of business volume will continue to be primarily sold, with a few exceptions." In his view, selling more policies starts with educating the public.

An unfortunate event, the COVID-19 pandemic, did more to raise public awareness of the need for life insurance than any marketing campaign: "The deaths reported daily by the media raised people's awareness of insurance. The majority of our customers had a marked increase in sales the year after COVID-19. One Canadian insurer told us it had doubled its sales that year," says Romero.

If COVID-19 had the effect of sparking people's decision to buy life insurance, it also led advisors to use digital tools to sell it. "Until COVID-19 came along, no advisor would have thought of selling insurance through *Teams*. It's become acceptable to meet people by videoconference. It's added efficiency: I can meet eight people in a day rather than two," says Romero.

Simplify

Luis Romero believes that insurers would benefit from selling simpler life insurance products. One of Equisoft's customers, a major US insurer with a high level of life insurance sales, is also active in property-casualty insurance. This customer's cross-selling efforts focus on simple products, reports Romero.

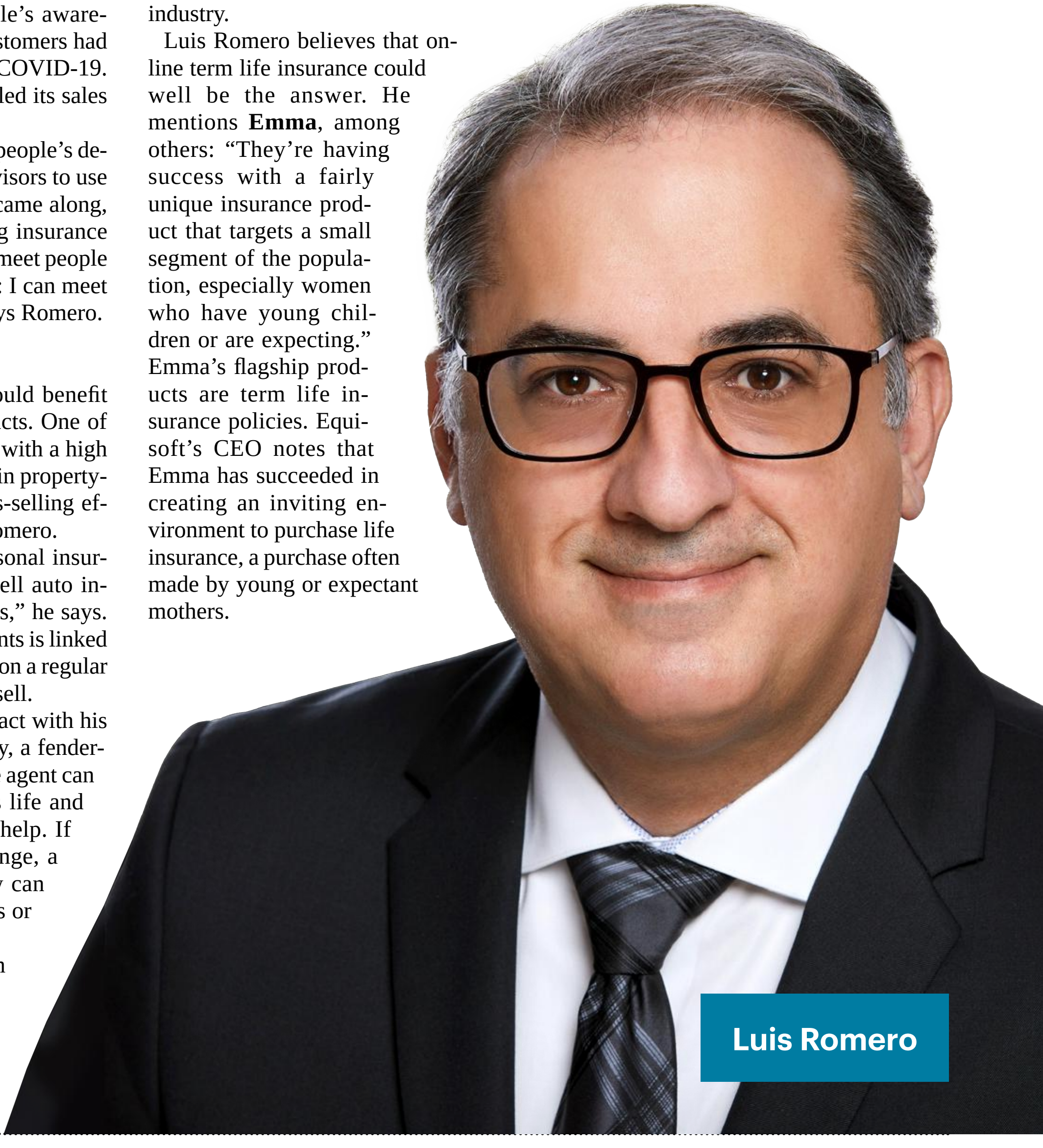
"Since offering simple products in personal insurance, through captive agents who also sell auto insurance, this client has catapulted its sales," he says. According to him, the success of these agents is linked to the fact that they talk to their customers on a regular basis, giving them more opportunities to sell.

"In auto insurance, the insured has contact with his insurer at the annual renewal of his policy, a fender-bender, a broken windshield... The captive agent can know what's going on in the customer's life and stay on the lookout for opportunities to help. If you don't know that he's had a life change, a child, a divorce or a career change, how can you offer him the right life, critical illness or disability insurance product?"

Aware that it doesn't pay to sell term insurance, Luis Romero notes that all advisors "want to sell big policies, complicated products that pay better and give better commissions." We need to think about compensation: to motivate older advisors to sell simpler products; to enable younger ones to establish themselves in the profession.

"Otherwise, advisors will only focus on one part of the population, which is rather terrible," he says. This is a situation which, in his view, has a negative effect on the retention of recruits in the profession. He believes that advisors at the end of their career won't sell because they've become accustomed to a certain lifestyle, and new advisors will tire of it because they can't make a living from it. They'll try their luck in the high-net-worth market or leave the industry.

Luis Romero believes that online term life insurance could well be the answer. He mentions **Emma**, among others: "They're having success with a fairly unique insurance product that targets a small segment of the population, especially women who have young children or are expecting." Emma's flagship products are term life insurance policies. Equisoft's CEO notes that Emma has succeeded in creating an inviting environment to purchase life insurance, a purchase often made by young or expectant mothers.



Luis Romero

The young insurtech's Internet presence has served it well. Romero cites a **Statistics Canada** study showing that more than half of young Canadians aged 18 to 34 turn first to friends or the Internet when seeking insurance advice. In March 2023, an analysis of the data collected on its site enabled Emma to affirm that 72% of Emma life insurance policies purchased to date have been bought by women (read the article *Emma finds that women dominate life insurance buying decisions* published on *the Insurance Portal* on April 13, 2023).

In addition, a study entitled *Canadians and Their Money: Key Findings from the 2019 Canadian Financial Capability Survey*, by Statistics Canada, reported on data for insurance, retirement planning, taxes, debt management and finances in general. It revealed that, in these areas, Canadians aged 18 to 34 are most likely to seek advice from friends, family members (59%), or through Internet searches (51%). "To go get them, you have to be able to talk to them. Advisors need to become more tech-savvy," says Romero.

Automation sells

What has helped life and health insurance sales a lot has been to simplify insurance underwriting and automate the sales process, Romero believes. "One insurer digitized the entire process from back-office system to application and projection (illustration)," he relates, using the example of a large U.S. multi-line insurer.

In this example, the advisor validates the need with the customer. Health questions are collected over the phone by an agent and sent to the insurer. If the application is accepted, the customer pays the first premium by credit card and the policy is issued. At the same time, the insurer transfers the commission to the advisor's account.

Automation reduces friction and enhances the customer's experience, as well as that of the advisor, says Luis Romero. "Before, it took 30 days from the kitchen table to the payment of commission to the advisor. Now, everything is done in 30 minutes.

In his opinion, these technological advances will boost sales: 100,000 more policies a year? Romero would like this for the industry... and for Equisoft. "The public will benefit. Complex insurance products will continue to be sold, but simpler products will be purchased." An insurer able to automate even "a little bit" of operations in high-volume business will benefit immediately, he concludes.

Working in slow motion

Romero believes that Canadian insurers have the means to reduce the friction that persists throughout the distribution chain, from customer to policy issue. For their part, distributors tend not to offer tools, as advisor loyalty is lacking.

Finally, advisors are reluctant to untie the purse strings. "Unless they are career agents, the majority of

PORTRAIT OF CANADA'S 129,776 ADVISORS

A combined total is not given for the following data since many advisors hold more than one license, for example, in mutual funds and life insurance.

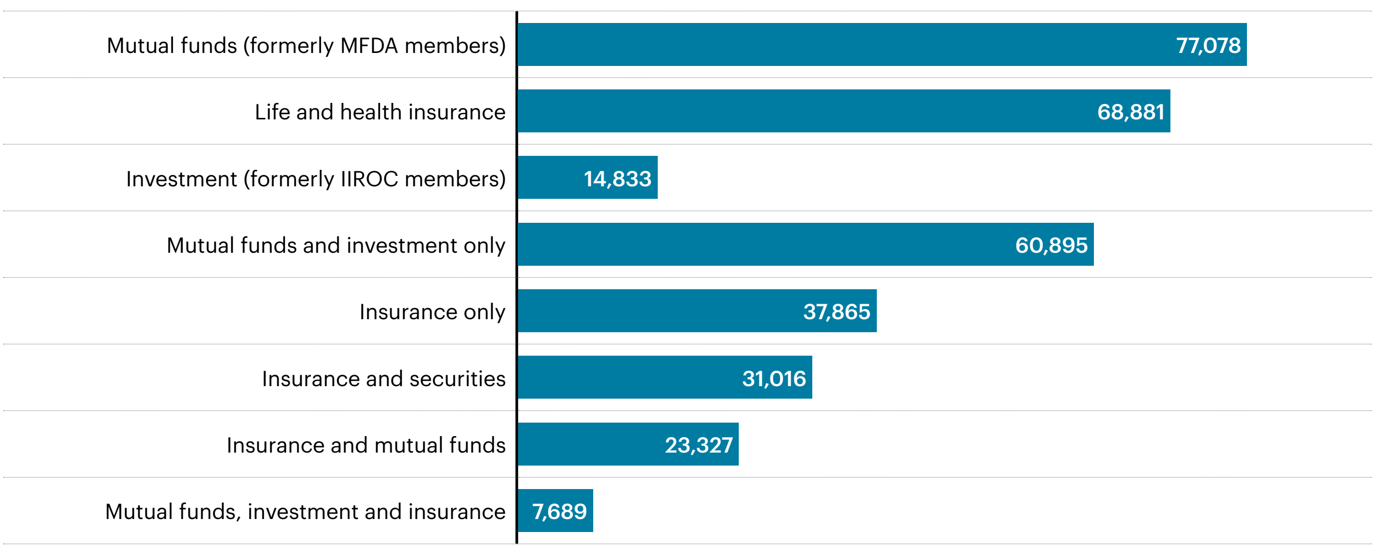


Chart: Insurance Journal | Source: 2022 MFDA Client research report and Elevate: Product updates on distribution and wealth solutions, presentation by Bruno Leduc, Assistant Vice-President, Advisors and Wealth Management, Equisoft (2024).

advisors are independent and self-employed. They'll deal with the agency that offers the best service at the lowest cost, and they'll sell the most competitive product that's easiest to sell, because there's less friction with the customer and they get paid faster," Romero says.

Fierce competition in the U.S. has pushed insurers to innovate even further in this area. "When you have 600 competitors, you have to offer the best product with the least friction for the customer and the advisor. Insurance companies have realized that digitizing processes improves the customer experience and simplifies the advisor's life, which boosts insurance sales. They have innovated more, especially in the P&C sector," he observes.

"Things are moving more slowly in life insurance. Technology penetration is difficult there." According to Romero, advances are more timid in Canada in life and health insurance because insurers are slowed down by their legacy systems. "Some insurers have policies that have been in force for decades, products that they often no longer sell. It's cumbersome!"

He says he sees insurer interfaces that look modern, but are anchored to old technology platforms using, for example, Common Business-Oriented Language (COBOL), a programming language first released in 1960, "which ends up costing a lot of money and hindering innovation."

He notes that a majority of Canadian life and health insurers are still using older life and health policy administration systems, such as **XSOLCORP**'s (formerly SOLCORP) Ingenium and Capsil, which have been available since the 1980s.

When an insurer launches a new product, it has to integrate it with the old platform. The volume of business the insurer believes it can generate "must be worth modifying the old code, which also limits product innovation," deplores Romero.

Time for a migration

In 2016, Equisoft acquired a company that specializes in data migration for the implementation of a new system, such as a back-office system. The technology firm wanted to help reduce time and costs, and make these factors more predictable. Romero explains that the aim is to implement a flexible platform to better develop and host products, and to create interfaces to other systems. Luis Romero is referring to application programming interfaces (APIs).

Romero cites the example of **UV Insurance**. Equisoft was mandated to modernize its technological ecosystem back in 2017. At the time, the small mutual insurance company based in Drummondville, Quebec was starting from almost scratch. It has since implemented Oracle Insurance Policy Administration (OIPA), replacing its previous individual personal insurance policy management system. Equisoft holds a distribution license for this Oracle product.

"That's why UV Insurance was then able to quickly implement a system in which all products are now issued on a digital platform, often on the same day," he adds.

Life and health insurers with such a back-office system will be able to accelerate product development, contends Luis Romero. However, he concedes that before they can do so, they will have to assume a significant cost and risk.

He is seeing more demand from US insurers, who are under pressure to act, and in the Caribbean (Equisoft has offices in Jamaica, and Trinidad and Tobago). In addition to these two regions, Equisoft is also active in the UK, Latin America and Australia.

In his opinion, there is more innovation in general insurance in Canada. This is also the case elsewhere, due to the nature of business in this sector. Romero explains that the insurer can back a new system with the old one. Migration will be limited to policies renewing within the year. New policies will be issued in the new system. This is not the case for life and health insurance. Romero gives the example of universal life insurance: "You have to transfer all the transactions that have occurred in the last 30 years, to the nearest cent!"

He bears witness to innovation elsewhere in the world. "We're seeing a lot of innovation in payments. He cites the example of a South African bank that has done it on the cell phone, offering simple insurance products to its middle-class customers who use its low-cost banking service, for a few extra dollars a month.

When will we see an end-to-end transaction system for life and health insurance in Canada, like the one that exists for mutual fund brokers? The **Fundserv** system makes it possible to carry out a mutual fund transaction on the same day.

Things are moving slowly, but in the right direction," says Romero. He stresses the importance of the work carried out by **Canadian Life Insurance Electronic data interchange Standards** (**CLIEDIS**) in standardized data exchange. CLIEDIS is building part of the solution, says Romero, by getting insurers, one by one, to adopt standards that will enable the seamless exchange of data from one end to the other. According to the information available on his site, only 9 of the 17 insurers listed offer a CLIEDIS-approved data flow, which is crucial to the end-to-end project: that of in-force business. Fourteen players out of 17 have had their in-force data stream approved, another key component in the overall picture.

Meanwhile, Equisoft is expanding its network of connections in Equisoft/Connect, its customer relationship management software. "We are connected to all the insurers, but not yet to all the managing general agencies, nor to all the advisors," Romero concedes (see box *More than 20,000 advisors connected to at least one Equisoft software application*). He does, however, reveal that he operates some 90 gateways that "pull data" to enable users to see their client's entire product portfolio.

NATURAL DISASTERS

Does Summer 2024 foretell a new threat to insurers?

In less than a month, in Canada in 2024, the bill for severe weather events exceeded $7 billion, resulting in more than 228,000 claims. Does this catastrophic summer herald a new threat to insurers?

ARTICLES BY: ALAIN CASTONGUAY AND DENIS METHOT

Summer 2024 was a bellwether for global warming

As 2024 comes to an end, we already know that it will be the most expensive year in history for Canadian insurers.

BY ALAIN CASTONGUAY

Every year, the **Insurance Bureau of Canada** (IBC) publishes its list of the severe weather and natural disasters of the year. Between 2001 and 2010, the average annual bill for this type of event was $700 million. Since then, insured damage costs related to these disasters have exceeded $1 billion a year several times, before finally topping $2 billion in 2016 with the Fort McMurray fires.

In 2022 and 2023, the annual bill for these events exceeded $3 billion. This makes the summer of 2024 particularly exceptional. In 2024, in a single month, the bill for severe weather events exceeded $7 billion. On Sept. 4, IBC reported that these losses had resulted in more than 228,000 claims.

Stretched to the limit

Insurers' logistical resources were stretched to the limit during this period in an attempt to meet the demands of claimants. For Storm Debby alone in early August, IBC reported over 70,000 claims.

Is this catastrophic summer a harbinger of things to come for the country when it comes to climate change? To find out, the *Insurance Journal* interviewed four university researchers interested in climate change, extreme events and their impact on the insurance industry.

Worrying signs

"I would have liked to answer differently, but the answer is yes," said **Philippe Gachon**, professor in the Geography Department at the **Université du Québec à Montréal** (UQAM). A specialist in hydroclimatology, he is executive director of the *Réseau intersectoriel sur les inondations du Québec* (RIISQ).

Since the floods of 2017 that prompted the creation of RIISQ, there have been other major floods in Quebec in 2019, 2020 and 2023. As a result, the August 9, 2024 event triggered by the passage of Storm Debby is indicative of a trend: while fluvial flooding and coastal submersion were the focus of researchers' attention, the risk of pluvial flooding resulting from torrential rains in summer is becoming just as worrying.

"We're in the process of completing our analysis of this storm, which was exceptional. We had record precipitation, not just in 24 hours. In some cases, hourly precipitation exceeded the values we had noted in certain areas of southern Quebec," added Gachon.

Torrential rains in the most urbanized and densely populated regions of Ontario and southern Quebec have become more frequent, notes Gachon. At the same time, the drought that hit the northern part of Canada in 2023 caused forest fires on a massive scale. The effect of these fires on air quality was felt last year.

The drought continued in the Nord-du-Québec and Côte-Nord regions. In early October 2024, **Hydro-Québec** revealed the very low levels of the reservoirs that supply its hydroelectric power stations. In Gaspé and elsewhere on the Gaspé Peninsula, several municipalities had to impose restrictions on the use of drinking water because of the dry summer.

"So, there are these contrasts between particularly wet areas and flooding in the south, while drought and fires threaten the north," explained Gachon. Several

➜

PHILIPPE GACHON

FOUR MAJOR CLIMATE EVENTS

- **July 16, 2024** Major flooding in the Greater Toronto Area. Insured damage is estimated at $940 million. A second flood, on August 17, particularly intense in Mississauga, adds another $100 million to the bill;
- **August 6, 2024** A severe convective thunderstorm causes hailstorms in Alberta, with the Calgary area particularly hard hit. Insured damage: $2.8 billion;
- **August 7, 2024** An intense fire razes 34,000 hectares in Jasper National Park, burning a third of the municipality. Insured damage: $880 million;
- **August 9, 2024** The remnants of Hurricane Debby combined with a low pressure system to produce major convective thunderstorms. Extremely heavy precipitation caused flooding throughout the Montreal metropolitan area. Insured damage: over $2.5 billion.

FRÉDÉRIC FABRY

MICHAEL BOURDEAU-BRIEN

MATHIEU BOUDREAULT

temperature records were broken in Nunavik and Nord-du-Québec. There were even days when it was warmer in Kuujjuaq, on Ungava Bay, than in Montreal, according to the UQAM professor.

Gachon also mentions Storm Beryl, which became a major hurricane (category 4 on the Saffir-Simpson scale) as early as June 30, which is unusually early in the Atlantic basin, and which finished its course on July 12 after dumping a lot of rain in Quebec.

He also notes the rarity of Hurricane Debby (category 1), which covered an enormous distance from the West Indies to the North Atlantic. "It's exceptional for a cyclone of this type to move so far north very early in the season and in such a way as to generate so much precipitation," he says.

"All these events are on an ever-increasing scale, as we can see around the world, and are synonymous with what's to come, which may be happening more quickly than we had anticipated, once again because global warming is accelerating, particularly in the Atlantic," Gachon pointed out.

Rarity and forecasting

Frédéric Fabry, Professor of Atmospheric and Oceanic Sciences at **McGill University**, points out that, by definition, climatic extremes are rare. "Trying to predict what the trend will be for rare events is always difficult.

Nevertheless, scientists expect the frequency of these events to increase with heat. "More heat means more evaporation, which dries out some areas and creates more precipitation elsewhere," he says.

Certainly, drought played a factor in the exceptional wildfire season Canada experienced in 2023, but fire suppression methods also played their part. "We've spent the last few decades fighting fires effectively. In doing so, we've made our forests older and more fragile to the next fire," says Fabry. It was therefore plausible that with the addition of climate change, fires would increase in size.

Warming also disrupts atmospheric currents. In Canada, atmospheric circulation carries air masses from west to east. In recent years, this trajectory has been transformed, and now includes more meanders. "Essentially, the jet stream is becoming more undulating. This makes long sequences of a certain weather pattern more likely," explains Professor Fabry.

In the past, dry and rainy sequences changed more often. We saw this again this summer in the Rockies, where the drought once again lasted several weeks, once again provoking major forest fires. In 2023, while the boreal forest burned, southern Quebec received copious rainfall and agricultural production was disrupted.

"The way our society works, everything is optimized for the climate we have," he added. Weather jolts are becoming more of a disruptive factor. "In Quebec and Canada, our houses are built to withstand the cold. There are still relatively few homes equipped with air conditioning," he says. "We're in the process of understanding that if the climate changes, we have to adapt."

The broken promise

In addition to the more recent list of major disasters, other catastrophes have left their mark on minds (and insurers) over the past three years. In 2021, there was the summer heatwave, drought and fires in British Columbia, followed by major flooding in November.

On May 21, 2022, a derecho affected the entire St. Lawrence Valley, from Toronto to eastern Quebec. Early the following autumn, tropical storm Fiona completed its course, devastating the Atlantic provinces and the Magdalen Islands.

In April 2023, a severe ice storm caused major power outages in southern Quebec. In May 2023, flooding in Baie-Saint-Paul, in the Charlevoix region, was at the heart of a very wet summer in most of the St. Lawrence Valley. In addition, several million hectares of forest were razed by fire as a result of the drought that affected the entire boreal forest, from Labrador to the Pacific coast.

Does this new threat to insurers – a major event that triggers several thousand claims at the same time – prevent them from fulfilling their promise to policyholders to return them to pre-loss condition?

According to **Michael Bourdeau-Brien**, Professor of Finance at **Université Laval**'s Faculty of Business Administration, the financial impact of a natural disaster is much harder to model. "In the event of a loss at an industrial facility, the insurer can diversify the risk into a multitude of plants that are under insurance contract. By definition, catastrophic damage affects a very large number of policyholders simultaneously," he says.

In addition to the financial challenge arising from such a loss, mobilizing resources to respond to policyholders certainly represents "an organizational challenge". Catastrophic risk is different from traditional personal property insurance products. "It's not for nothing that flood risk is covered by a separate endorsement, which is not available to everyone," explains Bourdeau-Brien.

Faced with an increase in this type of event, the insurer has to raise capital from other investors, who impose higher requirements in terms of financial return. "Beyond a certain threshold, it's the reinsurer who has to deal with the loss... As far as I know, there isn't enough reinsurance on offer to meet the needs of all insurers in North America," he explained.

He gives the example of France and England, where the state helps maintain insurance programs offered by private insurers through "state reinsurance, which costs much less than private reinsurance." In his view, provincial governments need to review general financial compensation programs, funded jointly with the federal government, to take better account of the impact of catastrophic risks.

The promised creation of a national flood insurance program is a step in the same direction. Flood insurance is not available in high-risk areas, so public assistance is needed. “There are already public funds being given to disaster victims, and we have to ask ourselves questions. Can we give money again and again to the same people who would be affected? In Quebec, after the 2019 floods, the government imposed a ceiling,” recalls Bourdeau-Brien.

In some cases, it’s better to relocate disaster victims elsewhere. Following the Baie-Saint-Paul flood, the limits on compensation amounts were not always sufficient to cover all the costs incurred by disaster victims. The government may yet change its mind. “It’s costly politically, but socially too, for society not to help others,” he said.

More capital in reserve

According to Michael Bourdeau-Brien, insurers will necessarily have to adjust their capitalization requirements to take into account the impact of catastrophic losses, by reserving more funds for this purpose. “This will necessarily lead to higher premiums. Homeowners need to be aware that insurers don’t raise premiums because they want to put more money in their pockets,” he says.

Although insurance comes with the promise of returning the covered property to its pre-loss condition, Bourdeau-Brien points out that compensation cannot enrich the insured. “On the other hand, there are more and more coverages offering improved reconstruction.”

The use of basements has changed significantly in recent decades, and water damage comes with an ever-increasing bill. For homeowners whose buildings are located in low- or moderate-risk zones, the need to change behavior will eventually become apparent. If they do nothing to mitigate their risk, access to adequate coverage will become limited.

“In Quebec, many people are unaware of the impact of flooding. If they haven’t suffered a disaster in 10 years, it doesn’t worry them,” said Bourdeau-Brien. Yet recent literature shows that the consequence of a flood goes beyond material damage. “When a household suffers a flood, there are psychological impacts, but also on family life, social life and so on.”

“I believe that insurance has a good chance of being viable in the future despite climate change. I’m convinced that insurers are very innovative entities that are capable of adapting, of improving their coverage offerings, but they won’t be able to do it alone,” he underlined.

Far from the critical threshold

A professor in the mathematics department at UQAM, **Mathieu Boudreault** does not believe that the profitability of Canadian insurers is threatened by recent major catastrophes. Admittedly, insurers have limited resources at their disposal when they have to handle a huge volume of claims in a very short space of time, as was the case during the summer of 2024.

“Still, this remains a relatively exceptional situation. The tens of thousands of claims that went to insurers would have been easier to handle if the four events had taken place over a longer period,” he says.

Boudreault cites the study *How Big is Too Big? The Tipping Point for Systemic Failure,* published by the **Property and Casualty Insurance Compensation Corporation** (PACICC), which attempted to estimate the systemic risk for Canadian insurers.

The assessment was based on a catastrophic loss such as a major earthquake in the Rockies that would devastate Vancouver. Above a critical threshold of $35 billion in insurable losses for a single event, PACICC estimated that the Canadian industry was threatened by insolvency. “For the four major disasters we’re talking about in 2024, we’re nowhere near that amount,” said Boudreault.

He recalls that before the fires that ravaged Fort McMurray in 2016, actuarial models for forest fires didn’t really exist in Canada, due to a lack of experience in the area. Since then, insurers have been able to develop these models thanks to the expertise of international consultants who are familiar with this risk.

It’s much the same for flood risk, whose prevalence and importance have become more evident since the losses in Calgary and Toronto in 2013, and in Quebec in 2017. To

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> The insurer may well try to anticipate future risk on the basis of the recurrence and higher intensity of climatic hazards, but there is a limit to what it can include in a model.
>
> — Mathieu Boudreault

establish a premium for this particular risk, actuaries need to assess all the components of a risk. The actuarial assessment of risk is based on claims history data.

"The insurer may well try to anticipate future risk on the basis of the recurrence and higher intensity of climatic hazards, but there is a limit to what it can include in a model," says Professor Boudreault. "There's climate hazard, vulnerability and exposure. These are the three elements we need to work on. If one of the elements is missing, the equation is not a winning one," he points out.

He adds that the national flood insurance program, on which the federal government has been working since 2022, does not cover pluvial flooding, but only flooding caused by river overflow or coastal submersion.

As far as pluvial flooding is concerned, "the discussion will also have to take place, because as we can see in densely populated urban areas, it's the biggest risk", says Boudreault. Governments can't let down citizens who see their property values plummet because of the risk of flooding, he insists.

Mitigation methods

Philippe Gachon points out that other countries elsewhere in the world are confronted with fluvial and pluvial flooding and manage to cope better than North America. In Singapore, rains of 300 millimetres (mm) in one day are not uncommon. Vegetated ditches are everywhere, and on sloping land, vegetation is retained to absorb the water.

He himself lives near the Richelieu River in the Montérégie region. In 2011, the river was out of its depth for several weeks. "In my municipality, we forced everyone to have vegetated ditches. It may not be adaptable everywhere in every context, but it's something you can do very quickly," he says. In this respect, Gachon gives the example of rue Papineau, north of boulevard Métropolitain in Montreal, where such ditches have been installed.

"In Quebec, we prefer to put asphalt everywhere," he says. In municipalities where the demand for housing is pressing, neighborhoods are still being built close to waterways where "there's not a tree, not a piece of grass, everything is asphalt. This needs to be completely overhauled," says Gachon.

Gutters should also be moved away from foundations, and the new buildings with flat roofs should not be built. "When 200 mm of rain falls in a day, a flat roof becomes a swimming pool," says Gachon. In cities, during a torrential downpour, cement sidewalks direct water into parking lots and basements.

He also suggests we stop cutting grass too short, and preserve as many fields, meadows and wetlands as possible where they still exist, to soak up excess water from rainfall.

Most power outages on the power distribution network are caused by branches and trees blowing down on the wires. "One of the most important recommendations of the Nicolet Commission on the 1998 ice storm was to bury power lines. For budgetary reasons or a lack of political courage, it hasn't been done," he says.

Infrastructure is not enough to absorb torrential rains, and we need to take steps to limit the damage. Otherwise, "the climate system is winning, because change is happening faster than our capacity to adapt."

Municipalities are on the front line, joining forces to lobby higher levels of government. "They need help, and fast. The longer we wait to put in place new resilient infrastructures, the more it's going to cost us, because all this is accelerating," adds Philippe Gachon.

Improving prevention systems can help cities mitigate damage. In Storm Debby's case, the storm hit on a Friday, and the rainfall intensity increased until late afternoon. "In many cities, the public works department closes at noon that day," he recalls. Municipalities that took the warnings, that were issued 24 hours in advance, seriously were able to prepare to limit the effect of the flooding.

Human factors

"Integrated flood risk management aims to go beyond the impact of the climatic hazard, because if we're concerned with frequency and intensity, we also include exposure and vulnerability," explains Professor Bourdeau-Brien. According to a study he consulted, the disaster victim or municipality has a direct influence on 7 of the 10 main vulnerability factors.

"Very concrete things will have to be done to ensure that insurance remains an affordable and efficient recovery tool. Because if nothing changes and we continue to rebuild identically and use basements in the same way as before, and the disaster victim continues to say: 'I don't have to worry about it, I'm insured', we're not going to move in the right direction," he adds.

In the event of a major loss affecting several thousand people in the same locality, "people have to expect that there will be a processing delay." According to Bourdeau-Brien, if we can simplify the problem of shared responsibility through a one-stop shop, where insurers and government authorities work together, we can settle claims more quickly.

In England, **Flood Re** has set up a mutual for at-risk properties, managed by insurers. In the event of water damage, the policyholder claims compensation from his insurer. "A posteriori, the insurer can come to an agreement with the other parties involved to obtain some compensation if there is a part of the compensation expenses that were not its responsibility," he explains.

According to Professor Bourdeau-Brien, not all municipalities share the same level of flood risk preparedness.

Should real estate development be reviewed to make infrastructures more resilient to flood risk? He believes that municipalities are best placed to manage the demands of real estate developers and their populations. "Generally speaking, every town sets its property taxes so as to raise enough revenue to pay its expenses," he says.

The professor adds, however, that, in addition to spending on human resources to manage civil security problems in the event of a disaster, the municipality does not have a financial incentive that pushes it to reduce the risk of flooding. The tax system will have to be reviewed by the provincial government if we want to push the municipality to be more preventive in the management of its infrastructure.

Unlike fire risk, the effect of which the insurer can spread across its entire portfolio, flood risk is more difficult to diversify. "In areas with a high risk of flooding, insurance will never be an affordable product," emphasizes Michael Bourdeau-Brien. People who cannot get insurance must deal with the risk or resign themselves to living elsewhere.

In an existing and inhabited neighborhood, but now considered a risk area, the government must intervene to help people in the event of a disaster, if insurance does not adequately protect them. "A policy with a low sub-limit for flood risk, and with a large excess amount, means that a loss can be entirely payable by the insured," he concludes.

The first to raise the alarm

Frédéric Fabry emphasizes that large international insurers were the first to send warnings on the impact of climate change, particularly regarding extreme events. Several of his former students also work for insurers.

In the case of Storm Debby, the McGill professor notes that the forecasting models were somewhat foiled by the extent of the precipitation. "We expected a little less. What happened was beyond what we expected. I watched the forecasts evolve. We knew it was going to be a big downpour, but to completely explode the statistics like that, no."

Professor Fabry notes that 220mm fell in Lavaltrie, in Lanaudière, which is truly exceptional. "In a single day, these figures are so impressive that we don't really know how to consider them."

He adds that there was a confluence of phenomena which caused there to be a lot of humidity. "There was the perfect mix of tropical systems, which brought humidity, and systems from our latitudes which brought precipitation. The two got together and we had this exceptional event. I don't know if it's something that will become more common," says Fabry.

He nevertheless believes that the accuracy of weather forecasts is improving, which is good news for alerting populations and minimizing damage. "It remains to be seen how to better use this. Cities are thinking about how to change their infrastructure to deal with these kinds of events because there is a lot of infrastructure that needs to be renewed periodically. Storm sewers are one of them," he says.

Of Hurricanes Helene and Milton, which hit Florida's west coast, the signature of climate change is more obvious, he says. "For a storm to become a hurricane, the ocean temperature must be 26°C." This temperature is generally reached at the end of June and remains until October.

At the end of September, the ocean temperature in the Gulf of Mexico is normally 28°C or 29°C, not 31°C as was the case for Helene. "To see storms that grow so quickly, and which go from category 1 to category 5 in 24 hours, has only happened in the last few years. This is clearly associated with ocean warming, which itself results from climate change," adds Fabry.

"Hurricane data in the United States has been compiled for a long time, but the speed with which Storm Milton gained strength was truly exceptional."

In the case of Hurricane Helene, the novel element was rather the fact that it remained stationary for almost two days in the Appalachians. Normally, the hurricane advances very slowly in tropical regions, then picks up speed as it moves inland towards the north. That wasn't the case this time. The torrential rains exploded historical records, notes Frédéric Fabry.

Storm Debby and the impact on insurers: "The equivalent of four months of work in a few days"

"In extraordinary situations, extraordinary processes must be used."

BY DENIS MÉTHOT

KAREEN GAUDREAULT

ISABELLE GINGRAS

The dates of August 9 and 10, 2024 will remain engraved in the memories of tens of thousands of Quebecers. That night, the "remnants" of Hurricane Debby coming from the United States brought torrential rains to several regions of the province. In certain sectors, municipalities are submerged under nearly 200mm of water, causing enormous material damage to residences. The day after its passage, stunned people took the full measure of the unprecedented destruction the storm caused.

According to the most recent assessment by **Catastrophe Indices and Quantification**, Storm Debby will have caused more than $2.7 billion in damage in less than 36 hours, making it the most costly natural disaster in the history of Quebec to date. As of Oct. 1, the Quebec's Ministry of Public Security had received 9,304 requests from people whose homes had been damaged, particularly basements.

Storm Debby was not just a catastrophe for many homeowners. It also caused another kind of storm in the offices of property and casualty insurers who were overwhelmed by calls and requests for claims in the 72 hours that followed.

Two insurers agreed to tell us, during phone interviews, what measures they had to take internally to deal with the flood of claims from their affected policyholders: **Desjardins Insurance** through its vice-president of claims, **Kareen Gaudreault**, and **Beneva**, through its vice-president of claims, **Isabelle Gingras**. Another insurer, **Aviva**, provided written information.

A tidal wave named Debby

Kareen Gaudreault and Isabelle Gingras will always remember the tidal wave caused by Storm Debby.

"It represented four months of our usual work in a few days," recalls Gaudreault. Not long before, we were dealing with a major hail storm in Alberta which kept us busy. It was a hot summer!"

The story is similar for Isabelle Gingras. "During the weekend when Debby struck, we received, in approximately two days, the equivalent of four months of claims and 60% more calls than normal."

The two leaders say they were surprised by its scale and the extent of the damage it left behind.

"Whenever weather events like these are announced, we prepare internally," says the Beneva VP. We are increasing the capacity of our phone lines. But the storm hit very hard and we had to quickly put people into action to be able to meet the demand."

"When it happens, crisis and adrenaline mode kicks in," describes her counterpart at Desjardins. I saw all the teams mobilize. We worked long hours to make sure we were there to respond (to clients). The mobilization was incredible."

Internal reactions

Kareen Gaudreault estimates that Storm Debby resulted in 10 to 15 times more calls and interactions than normal. The insurer quickly turned to its employees on call and also called on people from other departments at Desjardins to cope. "In extraordinary situations, extraordinary processes must be used. That's what we did."

Two months after the storm, she is very satisfied with their response. "We made proactive calls to understand the extent of our customers' damages and be able to resolve their claim according to their situation. Some decided to do the work themselves, so we provided them with the funds. Others had to call on our contractors because the damage was more significant. Our goal was to understand our customers, to adapt and to give them their autonomy to be able to resolve their situation according to their needs."

"Our usual teams were not enough," Isabelle Gingras also experienced. "The first thing we did was to reorganize all of the work of our internal teams. Then, we worked to review and adapt our regular processes in order to be able to respond to customers and process claims more quickly. And we sought support from people from other business lines within our organization. Our employees answered the call."

She praises the reaction of Quebec's financial markets regulator, the **Autorité des marchés financiers** (AMF), which reacted very quickly to allow non-certified people to process claims of up to $30,000 by telephone until November 11, which gave insurers better agility in managing the crisis.

"This enabled us to maximize our uncertified personnel who came to help us and to keep our certified employees for larger cases," explains the Beneva representative. Many cases were resolved over the phone. Policyholders received visits from building experts. The processes varied depending on the scale of the damage."

Gingras says she has not observed any issues with cleaning companies. "In times like these, those with whom we do business on a regular basis will mobilize people from other regions. Sometimes, we will grant them certain incentives to help them bring in additional staff. But we did not find any increase in costs after Debby. I find that our network of partners acted well under the circumstances."

Unprecedented call volume at Aviva

Aviva stated that it also received an unprecedented volume of calls and claims following Debby, in addition to wildfires in Western Canada, flooding in Ontario and the hailstorm in Calgary. All these events occurred within weeks of each other.

Many other company departments, the insurer says, mobilized to provide support to the claims teams. The insurer also called on external claims adjusters to minimize the impacts suffered by its customers.

Both Beneva and Desjardins say that most of the cases related to Storm Debby were resolved within two months.

"Some are ongoing because the damage was more significant," explains Kareen Gaudreault. "I would say that the biggest cases will usually take between 5 to 6 months, but there is a large majority of cases which are already behind us."

"The vast majority of our cases are resolved," says Isabelle Gingras. "It was a matter of a few weeks at most before all the cases were settled, but everything is not in our hands." For example, parts may be expected from contractors or clients. "What is important to say is that things are under control. The customers who need to be taken care of have been taken care of."

Debby is the second big storm to hit Quebec that originated from a hurricane in the past three years. The remnants of Fiona hit in 2022. The damage amounts to billions of dollars. The question arises: are Quebec insurers able to deal with repeated natural disasters of this magnitude?

"With climate change and the acceleration of exceptional or catastrophic events of this order, we must question ourselves as insurers," says Kareen Gaudreault.

She says that in order to deal with flooding, Desjardins already gives incentives of $1,000 to policyholders to install a backflow preventer and for the purchase or installation of a submersible pump.

"In some cases, the fact that some of our customers have a submersible pump did not prevent losses, but reduced the intensity of the damage. It was less invasive," she says.

Like Isabelle Gingras, she points out that the effects of climate change are not just the business of private insurers: it is a societal issue that affects levels of government, municipalities and citizens, who are required to be proactive in the face of these changes.

"Debby put us under pressure, but we were able to respond," adds Kareen Gaudreault. "There are elements that we were already working on at Desjardins in terms of prevention and resilience. We must be able to prevent damage and, if it occurs, to limit its extent."

Isabelle Gingras also believes that Quebec insurers have the capacity to respond to the challenges posed by major losses like Debby. "It's certain that we never find ourselves ready enough (…). These are never pleasant situations, but they are opportunities to learn, to do better, to develop teams and our muscle to react better and better to this type of situation. It's our job, in claims, to be there during events like this."

Since Debby, experts have been advising homeowners to develop their basements less, or even to stop building them in the future. The vice-president of claims at Beneva sees a downside.

"Personally, I think it's a bit utopian to think that people won't use their basements. I think there is still a way to rebuild in a less expensive way in the event of damage. For example, we could rethink the types of floor coverings. There are certainly things to reflect on."

The lesson to be learned from Debby

Will insurers learn from Debby's experience? "Certainly," says Kareen Gaudreault, "we will have learned things that we will try to continue in order to be better prepared for the future. This time, we called on the strength of our group and it made a big difference."

"We insurers must ensure that we see the impact on our business and our organization on the ground and that we adapt our processes to be able to respond well," says Isabelle Gingras. Cities also have work to do regarding the obsolescence of their infrastructure and what they can do to reduce the consequences of these torrential rains. For their part, the customer must also be made aware of their coverage and ensure that they rebuild in a resilient manner for the future."

Aviva, for its part, wants the Debby episode to lead regulators to establish a more consistent licensing regime to allow claims adjusters to work across the country.

"As part of Aviva's recruitment strategy, specifies the insurer, we strive to hire employees who can obtain a license in Quebec or undergo cross-training, to ensure that we always have a talent pool on the ground to help clients and brokers."

Climate could become a systemic risk

Insurers' solvency is not currently threatened by extreme losses, but these events lead to an increase in premiums which exceeds inflation.

BY ALAIN CASTONGUAY

During his interview with the *Insurance Journal*, Professor **Mathieu Boudreault** of the **Université du Québec à Montréal** (UQAM) referred to the report *Insights into the impact of extreme weather trends in Canada on homeowners insurance profitability and consumers*, published on May 15, 2024 by **Statistics Canada**.

It notes that the years from 2020 to 2023 all rank among the worst 10 years in terms of catastrophic losses, and the year 2024 will be no exception, since it already exceeds the three most costly: the Fort McMurray fires in 2016, the 2013 floods in Calgary and Toronto and the 1998 Quebec ice storm.

A single event can cause tens of billions of dollars in damage and lead to the bankruptcy or withdrawal of an insurer in the market where the loss occurred. The example given is of the repercussions of Hurricane Andrew which led to the bankruptcy of 16 insurance companies in 1992.

The COVID-19 pandemic had a notable impact on the replacement cost of insured property. The peak was reached in September 2021, when the Homeowners Replacement Cost Consumer Price Index recorded a year over year increase of 14.4%.

The price index for homeowners insurance, which includes home insurance and mortgage insurance, even approached the 10% increase mark over 12 months twice – in January 2022 and August 2023, reported Statistics Canada.

In 2022, following the passage of Hurricane Fiona, which cost $800 million dollars in insured damages, the claims ratio for personal insurance reached 393% for Prince Edward Island. A shortage of contractors and supply chain issues increased the cost of storm losses. In Nova Scotia, the same claims ratio reached 120% in 2022.

The May 2022 derecho cost more than $1 billion and was the costliest event of the year. Average annual losses attributable to water damage alone have amounted to approximately $800 million per year over the past decade, which represents nearly double the average annual damage caused by all extreme weather events between 1983 and 2008.

The reinsurance renewal rate increased significantly in 2023, due to 15 catastrophic losses that occurred the previous year. "Despite such significant increases in reinsurance, consumers are unlikely to be significantly impacted by one bad year, unless such events become trends in which longrun profitability is at risk," states the report.

"There may be some shifts and balancing in the next several years for insurers to remain profitable while providing affordable insurance to consumers. Consumers may also want to stay up to date with policy options because most insurers now offer overland water coverage, although most consumers do not opt in to the additional coverage," writes **Marisa McGillivray**, author of the Statistics Canada report.

MAGAZINE SUPPLEMENTS

- **Climate: damage caused by extreme events is set to increase** For **PRO** Level members
- **Measuring the effect of global warming on climate extremes** For **PRO** Level members

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

RETIREMENT INCOME STRATEGIES

The challenge is increasing along with the 65 and over demographic cohort

Retirement: a leap into the void? Many retirees are worried about outliving their savings, while pre-retirees are wondering how to mitigate this risk. Advice will be the key to helping them sleep soundly, and even allow them to leave something to their heirs.

BY ALAIN THÉRIAULT

Canada's working-age population has never been older, revealed **Statistics Canada** in its April 27, 2022 issue of *The Daily*. More than one in five Canadians between the ages of 15 and 64 are close to retirement, according to the bulletin, which echoes the results of the 2021 Census. At 21.8%, the proportion of these Canadians aged 55 to 64 "is an all-time high in the history of Canadian censuses," according to the bulletin.

Statistics Canada data also reveals that from 2016 to 2021, the number of people aged 65 and over rose by 18.3% to 7 million, or almost one in five Canadians. "This is the second largest increase in 75 years, after the increase observed from 2011 to 2016 (+20.0%)." comments the federal agency in its bulletin.

It also states that Canada is facing a record wave of retirements within an aging workforce. The number of seniors aged 65 and older grew six times faster than children 0-14, it states. Statistics Canada predicts that the youngest baby boomers will reach the age of 65 by 2030.

According to the article Life expectancy has increased in Quebec since 2000, published on the *Insurance Portal* on October 11, 2024, life expectancy averaged 83.2 years in 2021. This was the finding of the *Indicateur de santé publique (public health index)*, a tool published on September 17 by the *Institut national de santé publique* (national health institute), which presents the most recent data on the state of health of Quebec's population.

The article reports that from 2017 to 2021, life expectancy for women in Quebec averaged a record 84.5 years. That of men reached 80.9 years, according to figures, cited in the INSPQ report, from Québec's *Ministère de la Santé et des Services sociaux* (Ministry of Health and Social Services).

Earlier than expected

Many people are retiring earlier than they had planned, revealed the *Financial resilience and longevity report*, published by **Manulife** on October 22, 2024. According to its survey results, a quarter of retirees surveyed in Quebec left working life early.

"All over the world, people are living longer, healthier lives. We used to count retirement in years, and many of us can look forward to counting it in decades," writes **Aimee DeCamillo**, Head of Global Retirement, Manulife, in her introductory remarks to the report.

"With the number of people over 60 expected to more than double between 2020 and 2050, we should all think differently about retirement," adds DeCamillo, citing the **World Economic Forum**'s report, *Longevity Economy Principles: The Foundation for a Financially Resilient Future*. According to this report, by 2050 there will be more than 2.1 billion people on earth over age 60. ➜

> Decumulating funds is the big challenge for new retirees who have accumulated a lot of little pots of money left and right
>
> — Jean-Michel Lavoie

Aimee DeCamillo

Jean-Michel Lavoie

Ensuring financial resilience in the face of key life events is the first principle set out in the World Economic Forum report. “Nearly 40% globally face financial instability after unplanned career interruptions, including career breaks, illness or unexpected retirement. Public-private collaboration is crucial to support individuals navigating these challenges,” the report says.

Tackling inequalities in longevity is another. The World Economic Forum report points, among other things, to inequalities based on gender, race and social class. “Benefits of longevity are not distributed equitably,” contend the report’s authors. Advocacy for equal pay and pensions, and support for caregivers, are essential to making the financial security and benefits of longevity more accessible.

In her introductory remarks to Manulife’s report, Aimee DeCamillo poses a question, which she says appears to be a universal need: How do we help people prepare for more years in retirement? She believes that retirement plan sponsors and financial intermediaries will need to “offer plans that can make it easier for people to save, stay invested, and transition into retirement.”

According to the report’s survey, 41% of workers describe their financial situation as poor or fair, and 51% feel their retirement savings are lagging behind. Manulife comments in the report that this stress can cost employers dearly in terms of productivity: more than a third of workers worry about their finances at work. DeCamillo writes that Manulife surveyed Canadian workers about their current finances and their ability to finance a comfortable retirement. Among them were 1,572 employed people aged 18 and over who were contributing to their employer-sponsored pension plan, and 523 retired people.

43%

The percentage of retirees who fear running out of money.

Source: Survey by Sun Life and the Canadian Association of Retired Persons, 2024.

The Statistics Canada bulletin reveals that the number of Canadians aged 85 and over has doubled since 2001, reaching 861,000 in 2021. Statistics Canada estimates that this number could triple over the next 30 years. From 2016 to 2021, the number of centenarians increased by almost 16%.

It’s not just the 65+ population that’s growing: the fear of outliving their savings is growing too. A survey co-conducted in 2024 by **Sun Life** and the **Canadian Association of Retired Persons** (CARP) reveals that 43% of retirees fear running out of money. The results are based on responses from over 3,500 group plan members.

Sun Life underlined this result when it launched *Sun Life MyRetirement Income* in September, an option for drawing income in retirement available to members of its defined contribution pension plans. This market innovation “addresses a significant gap in retirement solutions for Canadians,” stated **Oricia Smith**, President, **SLGI Asset Management Inc.** and Senior Vice-President, Investment Solutions, **Sun Life Canada** in the press release announcing the new solution.

A fully automated solution

Sun Life presents Sun Life MyRetirement Income as a fully automated solution. The insurer has designed it in conjunction with its subsidiary **Sun Life Global Investments** and has given it the mission of making customers’ savings last until a chosen target “maturity age.” According to Sun Life, this is the first time that a decumulation option has allowed customers to convert their savings into regular income up to a target age, to change that age and the frequency of payments, and to benefit from a variable return during their retirement.

However, the income and return provided by the new option are not guaranteed. “It’s not a life annuity,” explained **Jean-Michel Lavoie**, Sun Life’s Vice-President, Strategy and Market Development, Group Retirement Services, in an interview with the *Insurance Journal*. “Sun Life MyRetirement Income is a group segregated fund with no guarantees. It’s an investment solution.”

Sun Life invests savings in a diversified portfolio tailored to the retirement profile: the portfolio balances risk and return to generate stable investment income. Lavoie explains that the management fees applicable to group segregated funds are negotiated between the insurer and the employer (sponsor) according to the size of its plan. ➜


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Early retirement stirs up fears

Financial resilience	Early retirees (retired earlier than planned)	On-time retirees (retired as planned or later)
Financial situation is fair or poor	37%	23%
Worried about cost of living/inflation	49%	37%
Debt is a problem	38%	22%
Concerned about emergency savings	22%	12%
Wish to have saved more for retirement	42%	25%
Investment attitudes	**Early retirees**	**On-time retirees**
Very knowledgeable about investments	11%	13%
Not at all knowledgeable about investments	12%	7%
Have a high to medium risk tolerance for retirement	43%	39%
Have a medium risk tolerance for personal investments	44%	39%
Interested in Guaranteed Investment Certificates (GICs)	59%	60%
Retirement lifestyle	**Early retirees**	**On-time retirees**
Had a formal retirement plan before retiring	71%	81%
Have no source of retirement income aside from OAS[1] and CPP[2]/QPP[3]	10%	5%
Moved or plan to move to save money	37%	27%
Changed spending habits	46%	32%
Worry about healthcare costs	28%	16%

1. OAS: Old Age Security
2. CPP: Canada Pension Plan
3. QPP: Quebec Pension Plan

Chart: Insurance Journal | Source: *Financial resilience and longevity report*, Manulife (2024).

Financial Health: The Key to Employee Wellbeing

Today, employee wellbeing is more important than ever, and insurance providers have become an essential partner. Organizations that put their trust in employees leading benefits administration and pension consulting providers such as TELUS Health hold the 'Financial Wellbeing' to optimal management.

"We support the mental, physical and financial health of organizations and individuals around the world," says Jean Bergeron, Associate, Asset and Risk Management, TELUS Health. Every day, Bergeron and his team of experts have one objective in mind: to help employers and their pension funds develop investment strategies for effective asset and risk management by providing them with adapted, impartial services in the areas of investment, governance and compensation.

"TELUS Health goes beyond physical and mental health care," says Bergeron, an actuary by trade. "Financial security is a key element of an employee's overall health. For us, all three components a whole."

Yet, according to a special report on Capitalize. It's the name of a document. 'Financial Wellbeing' released on October 26, 2023, as part of the TELUS Mental Health Index, one in four Canadian workers (25%) is concerned about being able to retire, and a high percentage say it is the employer's responsibility to offer a retirement savings option.

But where to start? That's where the TELUS Health team comes in. "We work with pension fund managers to determine the optimal structure to adopt and how to set up contributions," says Bergeron. "We also help them choose from a range of Canadian portfolio managers, with whom we have strong relationships. Not only do these managers provide quality advice, but they follow carefully tailored investment strategies that can be sustained in the long term. Programs are selected based on a number of different variables: Does the organization have a high employee turnover?

According to a special report on 'Financial Wellbeing' released as part of the TELUS Mental Health Index:

- *Nearly one third (30%) of Canadian workers fear they will not have enough money to maintain their current lifestyle, and 11% fear running out of money in retirement.*
- *Nearly half (47%) reported being unsure of how much they will need to save to maintain their desired stand-ard of living once they retire, while 23% reported not knowing at all.*
- *Three quarters (74%) said it is important for their employer to offer a retirement savings option.*
- *Nearly one third (30%) said that the most important part of a benefits pack-age is its financial planning solutions.*

-Does it hire a lot of young people? Ultimately, we help the employer—whether it's a municipal organization, an SME with 100 employees, or a large corporation—to make decisions that will improve the financial wellbeing of its employees and retirees."

"Organizations seeking to ensure the overall wellbeing of their employees must also provide tools such as comprehensive financial planning solutions," says Bergeron. "In fact, nearly a third of Canadian workers say the most important part of a benefits package is its financial planning solutions."

"Some providers will focus on just one aspect, such as pension plans," says Bergeron. "TELUS Health sets itself apart by incorporating all aspects of health and wellbeing, providing a one-stop shop for governance support." In short, TELUS Health offers peace of mind to employers and employees alike, with the goal of improving morale, reducing stress, preventing burnout and reducing absenteeism.

The power of data analytics

TELUS Health has a data-driven approach based on cutting-edge technology and over 50 years of

experience and analytical insight in the areas of pensions and pension plan administration, in Canada and around the world. This is complemented by 15 years of direct expertise in health and wellbeing solutions.

TELUS Health keeps managers up to date with the latest financial news by providing reliable decision-making tools, including Monthly Pension Indices, quarterly Performance Universe reports (covering nearly 300 pooled funds managed by 45 Canadian investment management companies), Financial Wellbeing reports and annual Salary Projection Surveys. These resources help managers prepare for unexpected events and mitigate risk—one more reason you can trust TELUS Health.

For more information on how you can help improve the financial wellbeing of your employees and the organizational resilience of your business, see the TELUS Health website:
www.telus.com/en/health/employers/consulting

TELUS Health has a global team of nearly 10,000 people. It supports organizational clients in 160 countries, covering over 75 million lives.

Jean Bergeron graduated from Université de Montréal with a Bachelor of Science degree in Mathematics. He is a Fellow of the Society of Actuaries and the Canadian Institute of Actuaries. He is also a CFA charterholder with over 35 years of experience working with employer and institutional clients. He is a frequent conference speaker and has written numerous articles on pension investment risk management.

"Decumulating funds is the big challenge for new retirees who have accumulated a lot of little pots of money left and right, partly because they've worked in different places or been self-employed," says Jean-Michel Lavoie. These may be registered or non-registered plans. "All of a sudden, they realize that, apart from the government pension that offers them something guaranteed and indexed to the cost of living, it's up to them to manage the rest," he adds.

The need for support

Managing means deciding where to invest, but also thinking about their life expectancy and the budget they'll need to allocate to their activities and healthcare. What's going to happen to your house, to your health? asks Lavoie. "People are confused, afraid and worried about outliving their savings. We haven't equipped them to make all these decisions. We have to make things easier for them. One of the keys to success is to offer them simple products. That's why we've launched a new tool," he sums up.

"Life annuities are an excellent product for protecting against the risk of longevity," agrees Jean-Michel Lavoie. However, he believes that few people invest their entire retirement savings in them. According to him, they are also reluctant to leave all their capital with an insurer, and no longer have access to it.

"Deciding where to invest is not something you do alone. It's a decision you make with a financial advisor," underlines Lavoie. He sees Sun Life's new solution as halfway between a life annuity with no access to invested capital, and a fully invested portfolio subject to the ups and downs of the financial markets."

Lavoie describes the insurer's product as a hybrid between the two extremes. "There are no guarantees, but we will try to create stability in projected income, up to a target age." The choice of a target age may depend on the retiree's state of health or family history of illness. The default target age is 90," he says. The customer can choose one of the other target ages: 85, 95 or 100.

To access Sun Life MyRetirement Income, the version of the product just launched by Sun Life, you must be a member of one of its defined contribution plans, or have been one in the past. Clients must invest a minimum of $25,000 in this decumulation option. Since this is a segregated fund, the annuitant's designated beneficiary will receive the balance if the annuitant dies before the fund is exhausted.

PROJECTION ASSUMPTIONS GUIDELINES FOR 2024

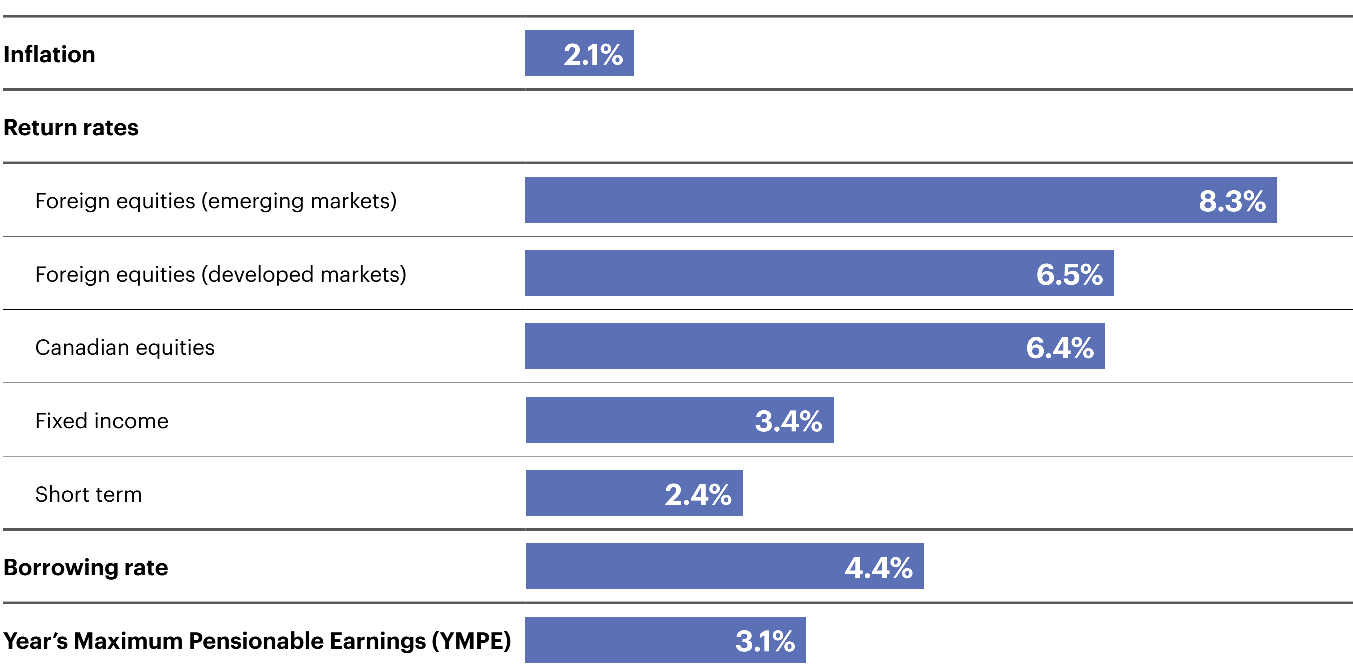


Chart: Insurance Journal. | Source: Institute of Financial Planning and FP Canada.

David Truong

In an interview with the *Insurance Journal*, **David Truong**, President, **National Bank** Planning and Employees Benefits, said that budgets are one of the most important elements to review when planning retirement decumulation. For many, this will be their first budget. Truong believes that budgeting can become a blind spot in retirement. According to him, few people have drawn up a budget that specifies their expenses.

Optimizing tax planning in retirement is second in importance. "It's an annual exercise. For annual planning, I'd say it's micromanagement to determine the optimal decumulation for savings vehicles," he says.

The projection of the retiree's annual withdrawals may show, for example, that taxation should be postponed as long as possible. In other cases, the retiree may choose to withdraw money from registered accounts earlier, because his or her annual income is lower. In doing so, he will pay less tax.

Truong observes that most people, who can afford it, have the reflex to defer paying taxes as long as possible. This means first decumulating sums accumulated in a non-registered plan or Tax-Free Savings Account (TFSA), and putting off withdrawals from a Registered Retirement Savings Plan (RRSP) until later. However, it is wiser to withdraw from a registered investment when income from other sources is very low, he underlines.

Truong gives the example of a person whose savings portfolio has returned 20%. If some of his investments are non-registered, he'll pay more tax. It's better to decumulate these investments now. If he has no investment income next year, that's the time to decumulate RRSPs. "That's why tax optimization of decumulation is an exercise that should be done at every year-end," Truong explains.

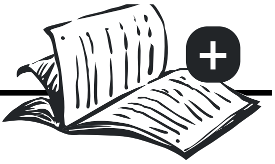
But optimization has its limits, he says. If the client doesn't have enough money for retirement, the tax system will not make a significant difference. The issue is the client is spending too much or not saving enough. Truong believes that budgeting can stave off both of these risks in retirement. Without a budget, "you can underestimate your expenses, and the projection will be wrong." According to him, many people don't have a budget and can't say exactly how much they spend in a year.

Before planning decumulation, advisors must have an overview of their clients' situations, underlines Truong. "Taxation is closely linked to retirement decumulation, but it is never the decisive factor," he maintains.

Longevity risk

Annuitants also face other risks, such as returns, inflation and longevity. "Standards exist for quantifying these risks," he points out, referring to the projection assumption guidelines from the **Institute of Financial Planning** and **FP Canada**. "Longevity is another blind spot: you can live to 85 without retirement income problems, but you can also live to 105," he adds.

Truong also believes that withdrawal planning can be closely linked to estate planning, "especially if the objective contains a desire for intergenerational transfer," he says. Truong adds that, in such cases, it's important to check whether there are any surplus assets at retirement that would make it possible to consider certain strategic uses of life insurance.



Bridging the life insurance gap

Strategies to engage clients and help advisors grow their business

Consumer needs are changing rapidly, influenced by economic uncertainty and evolving behaviours across different life stages and demographic segments. According to the 2023 Canadian Insurance Barometer Study by LIMRA, nearly one-third of Canadians are living with a life insurance coverage gap.

Co-operators, a leading multi-line insurer and financial services co-operative, believes this gap presents more than a challenge—it's a critical opportunity for advisors to address these unmet needs. By understanding clients' diverse priorities, advisors can leverage strategies that truly resonate and deliver value to help bridge the gap.

Specialist or generalist: Which path leads to success?

The complexity of consumer needs may lead advisors to ask: Should I focus on a specific niche or cast a wide net to serve a broader audience? Both paths have distinct advantages and challenges.

Specialization could be your winning edge

Focusing on a particular demographic, need, or product allows advisors to establish themselves as trusted experts in chosen niche.

The benefits of specialization:

- **Credibility:** Specializing in areas like high-net-worth individuals, small business owners or generational segments such as Millennials, positions you as an authority who understands their unique needs.
- **Precision marketing:** Tailored messaging and targeted campaigns resonate more deeply, leading to higher conversion rates and client trust.
- **Strong relationships:** Specialization fosters loyalty, as clients view you as the go-to advisor who "gets" their challenges.
- **Clear differentiation:** In a crowded market, a defined niche helps you stand out, offering a clear value proposition.

Potential drawbacks to consider:

- **Limited market size:** A narrow focus could restrict your growth potential if the segment isn't large enough.
- **Segment dependency:** Over-reliance on one client base could expose you to risks if trends or circumstances shift.

The flexibility of a generalist approach

For those who prefer a broader scope, adopting a generalist approach means serving a diverse client base with wide-ranging needs.

The advantages of being a generalist:

- **Broader opportunities:** A wide client base offers unrestricted growth potential.
- **Risk diversification:** Working with varied client segments spreads your risk, shielding you from downturns in specific industries or markets.
- **Adaptability:** Generalists can quickly pivot to meet new trends or demands, making them versatile in a dynamic industry.

Challenges generalists may face:

- **Intense competition:** Standing out can be challenging without a clear niche, especially in saturated markets.
- **Shallow expertise:** Lacking deep specialization may deter clients with complex or specific needs.
- **Time management pressures:** Serving a diverse client base with varying needs can stretch your time and resources thin, potentially leading to inefficiencies.
- **Difficulty building trust:** Without a specific area of expertise, clients may question whether you fully understand their unique challenges or goals.

Finding your balance: Specialist, generalist, or both?

Ultimately, the ideal approach complements your unique strengths and aligns with your business goals. Some advisors may find success by blending both strategies—focusing their expertise on a specific segment while keeping the flexibility to serve a broader, diverse client base. Others might excel when adopting one or the other and following through fiercely.

Turning challenges into opportunities

The life insurance gap represents more than untapped potential—it's a chance to connect with your clients on a deeper level while strengthening your business. With Co-operators by your side, offering a wealth of resources and expertise, you'll have the support you need to grow your business in today's competitive environment.

Visit cooperators.ca/advisor-resources/life to see how Co-operators' comprehensive support and superior service can help you build a brighter future for you and your clients.

co-operators

MARKET SHARES

A complicated transition to IFRS 17

Market share used to be allocated simply on the basis of direct written premium volume, but this is no longer the case under IFRS 17, the new international accounting standard for the insurance industry.

BY ALAIN CASTONGUAY

For several years now, the *Insurance Journal* has been publishing market share trends for insurers in both property-casualty and life and health insurance. **MSA Research** compiles the data and sends it to us for analysis.

Previously, both general and life and health insurers provided information on direct written premiums. In some cases, this data is still reported in the quarterly financial statements published by public companies.

From now on, comparisons will be made on the basis of insurance income or revenues from insurance services. The notion of gross earned premiums provided for under IFRS 4 is thus replaced by total income from insurance services under IFRS 17. This notion is defined as the amount earned for providing insurance.

IFRS 17 has changed the way insurers present revenues and expenses, says the **Canadian Institute of Actuaries** (CIA) in its explanatory report on this transformation, published in June 2022.

Expenses

In particular, the new standard introduced the concept of "directly attributable expenses". Directly attributable expenses are included in the measurement of insurance contract liabilities under IFRS 17, whereas non-directly attributable expenses are not. The interpretation of the term 'directly attributable' is therefore essential to the measurement under IFRS 17, says the CIA.

Among the expenses that are unequivocally directly attributable, the CIA lists claims handling costs, policy administration and maintenance costs, and other costs that can be specifically chargeable to the policyholder under the terms of the contract.

Among expenses that are not attributable to insurance, the CIA highlights the costs of issuing investment or service contracts, and an associated share of overhead expenses allocated to these contracts.

On the other hand, there is a grey area when it comes to classifying certain cases. The CIA devotes section 4 of its explanatory report to specific examples and considerations concerning these grey areas and their interpretation.

Property and casualty insurance: Two-thirds of the market concentrated with 10 insurers

Insurance revenues reported by 145 companies totaled $88 billion in 2023.

BY ALAIN CASTONGUAY

The evolution of market share in Canada is now measured on the basis of total gross insurance income, rather than gross written premiums, as was the case under IFRS 4. Figures provided by **MSA Research** and compiled by the *Insurance Journal* nevertheless enable us to track the growth of certain insurers in 2023 compared with the previous year.

The gross insurance income of the 145 companies amounted to $88 billion in 2023. Some 66.6% of the market, or $58.6 billion in 2023, was held by the 10 biggest players. The rest of the industry, 135 companies or groups of insurers, represented 33.3% of the market in 2023, or $29.3 billion.

Intact Financial Corporation remained the most important player in 2023, as can be seen in the following chart and table, with gross insurance revenues of $15.1 billion, representing 17.1% of the Canadian market.

Desjardins ranks second, with gross insurance income of $9.2 billion in 2023, or 10.6% of the Canadian market. Next in line are **Aviva**, **Lloyd's Underwriters**, **Co-operators**, **Definity**, **Wawanesa**, **Northbridge**, **Allstate** and **Beneva**.

In the case of Desjardins, it should be noted that its insurance revenues include the results of two subsidiaries operating outside Quebec, **Certas Home and Auto Insurance Company** and **Certas Direct**.

For its part, **TD Insurance**, which ranked 5th in Canada in terms of direct written premium volume in general insurance in 2022, does not appear in the MSA Research compilation for 2023. Like the other major banks, the company did not disclose its results in accordance with IFRS 17.

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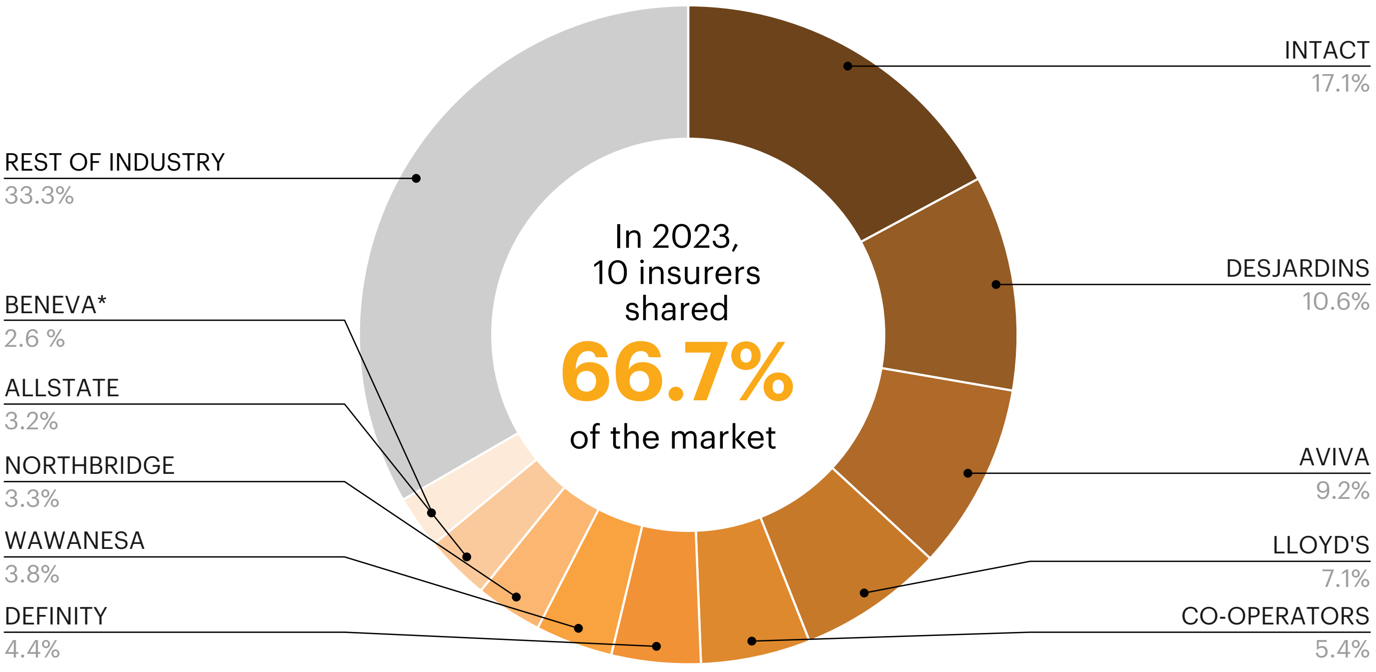
MARKET SHARES OF THE 10 LARGEST P&C INSURERS IN CANADA IN 2023

In descending order of total insurance revenue (gross) 2023



Industry total based on 145 companies.
Source: MSA Research, unless otherwise indicated. *Compiled by the *Insurance Journal*

Comparing growth in gross insurance income among the industry's 10 biggest players, Northbridge achieved the biggest increase in 2023, up 18.4%. Three other insurers at the top of the ranking reported year-on-year revenue growth of over 10% in 2023: Allstate (10.6%), Lloyd's (10.4%) and Definity (10.4%).

In the case of Beneva, information for 2022 has not been provided in accordance with IFRS 17, which limits the two-year comparison. In its most recent financial report covering the year 2023, the company reported gross property and casualty insurance income of $2.3 billion.

This represented an increase of $204 million or 8.9% over fiscal 2022. These amounts are shown in Note 20, "Consolidated statement of net income items" under "Breakdown of insurance service result."

Other ratios

In general insurance, the industry is still thinking about how to establish ratios that are understandable, as reported in the July 2024 issue of the *Insurance Journal*, in the article devoted to financial results.

The loss ratio published under IFRS 4 has been replaced by the) net insurance service ratio (NISR) under IFRS 17. This NISR now includes acquisition costs, including commissions and reinsurance, as well as the impact of loss-making contracts, explains **Grant Kelly**, chief economist at the **Property and Casualty Insurance Compensation Corporation** (PACICC).

On page 17 of its 2023 annual report, PACICC noted that one positive aspect of the transition to IFRS 17 is the breakdown of Insurance Service Results for each line of business. This shows the significant differences in underwriting results both by insurer and by type of coverage.

Cash flow statement

The **Canadian Institute of Actuaries** (CIA) specifies that, for property-casualty insurers, all cash flows relating to acquisition costs are included in the initial valuation of the group of insurance contracts, primarily to facilitate the determination of initial performance cash flows and for the presentation of financial results.

The following exception applies: Under the premium allocation approach (PAA), cash flows relating to acquisition costs may be expensed as incurred if the coverage period of all group contracts is one year or less.

MARKET SHARES OF THE 10 LARGEST P&C INSURERS IN CANADA IN 2023

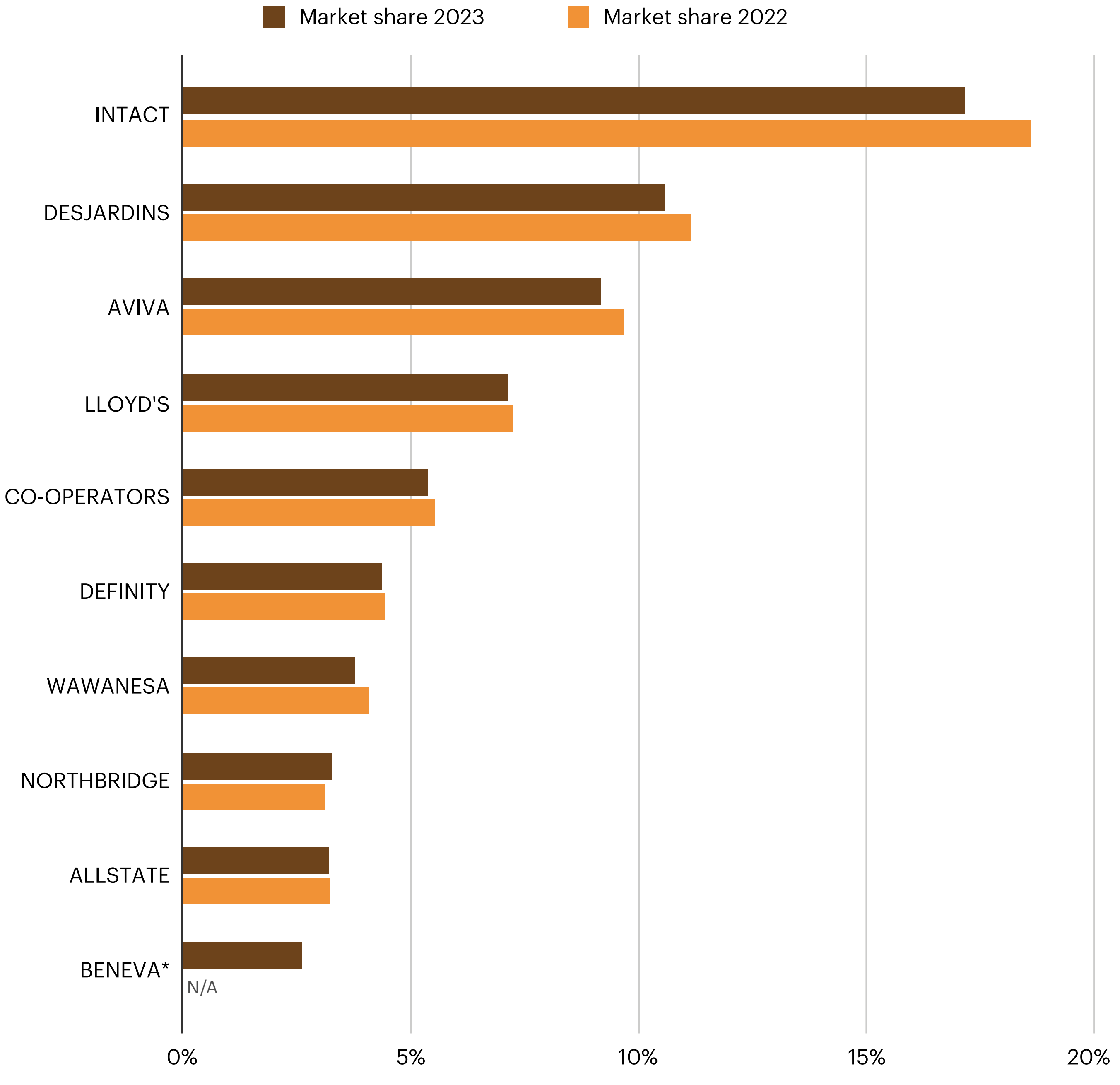
In descending order of total insurance revenue (gross) 2023

COMPANY	2023		2022		Growth in total insurance revenue (gross)
	Total insurance revenue (gross) ($M)	Market share	Total insurance revenue (gross) ($M)	Market share	
INTACT FINANCIAL CORPORATION	15,082.8	17.1%	14,584.0	18.6%	3.4%
DESJARDINS	9,292.7	10.6%	8,752.3	11.2%	6.2%
AVIVA	8,052.6	9.2%	7,587.8	9.7%	6.1%
LLOYD'S UNDERWRITERS	6,273.9	7.1%	5,684.9	7.2%	10.4%
CO-OPERATORS	4,734.3	5.4%	4,361.8	5.6%	8.5%
DEFINITY	3,846.5	4.4%	3,483.9	4.4%	10.4%
WAWANESA	3,337.6	3.8%	3,217.7	4.1%	3.7%
NORTHBRIDGE	2,896.5	3.3%	2,446.8	3.1%	18.4%
ALLSTATE	2,818.4	3.2%	2,549.1	3.2%	10.6%
BENEVA*	2,294.8	2.6%	N/A	N/A	N/A
TOTAL TOP 10	**58,630.0**	**66.7%**	**52,668.2**	**N/A**	**N/A**
INDUSTRY TOTAL	87,958.3	100%	78,467.3	100%	N/A

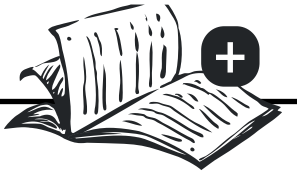
The industry total is based on 145 companies (2023) and 147 companies (2022).
Beneva was unable to provide its 2022 results under IFRS 17.
Source: MSA Research, unless otherwise indicated. *Compiled by the *Insurance Journal*.

MARKET SHARE OF THE 10 LARGEST P&C INSURERS IN CANADA

In descending order of total insurance revenue (gross) 2023



The industry total based on 145 companies (2023) and 147 companies (2022).
Beneva was unable to provide its 2022 results under IFRS 17.
Source: MSA Research, unless otherwise indicated. *Compiled by the *Insurance Journal*.



MAGAZINE SUPPLEMENT

- **Property and casualty insurers' market share in Canada in 2023** For **PRO** Level members

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

Life and health insurance: A market worth about $88 billion

In 2023, some 47 life and health insurance companies provided MSA Research with data on their insurance income under the new International Financial Reporting Standards (IFRS 17 Insurance Contracts).

BY ALAIN CASTONGUAY

These 47 companies reported total insurance income of $88.3 billion in 2023. In 2022, the same insurance income reported by 46 companies totalled $81.6 billion. This represents an increase of 8.3%.

The 10 largest life and health insurers held 92.3% of this market in 2023, or $81.5 billion. The rest of the industry accounted for 7.7% of the market, or $6.8 billion in insurance revenues.

Almost three-quarters of insurance income is concentrated among the three largest life and health insurance companies, accounting for 74.2% of total insurance income in 2023. This represents a slight drop on the previous year, when the top 3 accounted for 75.3% of revenues.

Manulife continues to dominate the market. **Sun Life** overtook **Canada Life** in second place, again on the basis of insurance income. Sun Life's insurance income increased by almost $2.5 billion in 2023, while Canada Life's rose more modestly to $764 million.

iA Financial Group, which dominates the Quebec market, appears in 4th place in the Canadian ranking, with 6.1% of the market in terms of insurance income.

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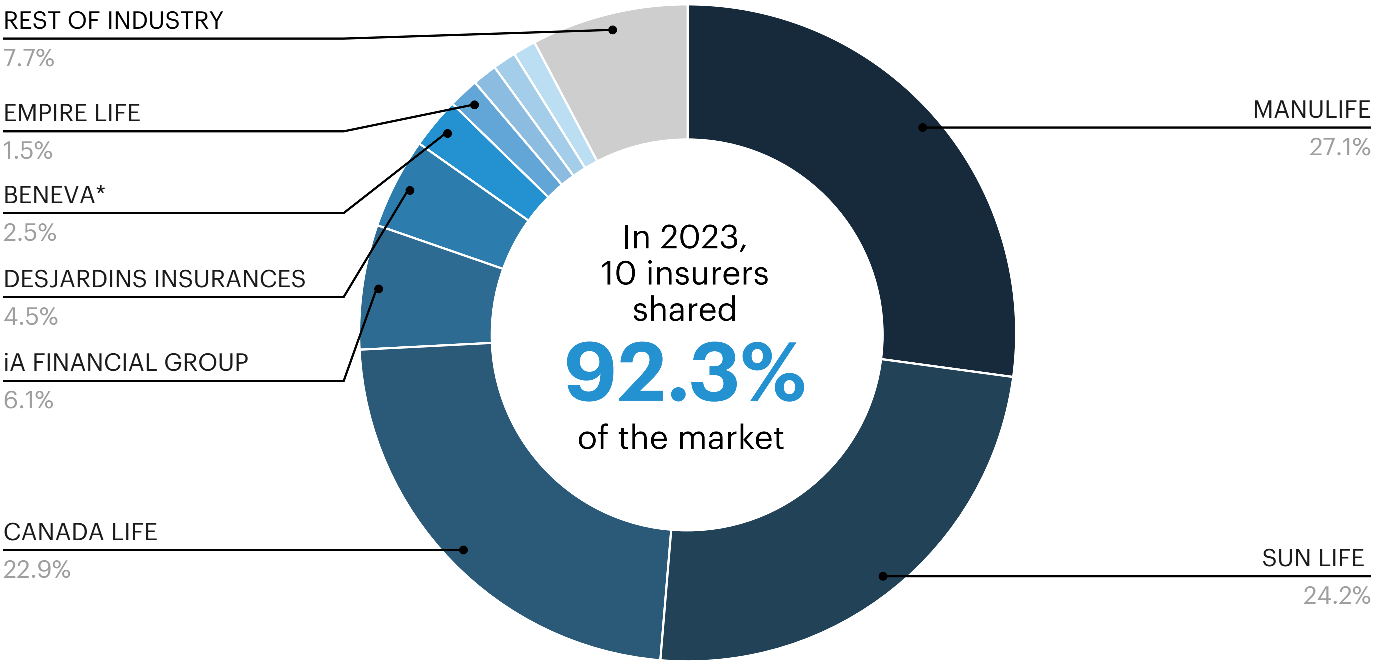
MARKET SHARES OF THE 10 LARGEST LIFE INSURERS IN CANADA IN 2023

In descending order of total insurance revenue (gross) 2023



The last three segments of the chart correspond, in order, to: Securian Canada (1.2%), Co-operators-Life (1.1%), and Medavie Blue Cross (1.1%).
The industry total is based on 47 companies.
Source: MSA Research, unless otherwise indicated. *Compiled by the *Insurance Journal*.

Desjardins Insurance, **Beneva**, **Empire Life**, Securian Canada, **Co-operators Life and Medavie Blue Cross** follow in this ranking of the 10 biggest players in the industry.

In 11th and 12th place in the ranking for Canada in 2023, **Foresters Financial** and **Equitable Life** are the only other insurers with a market share above 1% on the basis of insurance revenue.

Notably absent from this ranking are the insurance subsidiaries of **Bank of Montreal** (BMO) and **Royal Bank of Canada** (RBC). In the case of these two financial institutions, they did not disclose their insurance income under IFRS in 2023. The major Canadian banks began their 2023-2024 fiscal year on November 1, 2023.

Growth

In the case of Securian Canada, its gross insurance income exceeded one billion dollars in 2023, a proportion three times greater than that reported for 2022.

Three other insurers at the top of this ranking saw their insurance income grow by more than 10% in 2023 compared with the previous year. They are Sun Life (13%), iA Financial Group (11%) and Medavie Blue Cross Medavie (10.6%).

Some 16 other insurance companies have insurance income of between $100 million and $1 billion. Within this group, **Brookfield Securities** has seen the most impressive growth in insurance income, with an increase of 67% in 2023.

MARKET SHARES OF THE 10 LARGEST LIFE INSURERS IN CANADA IN 2023

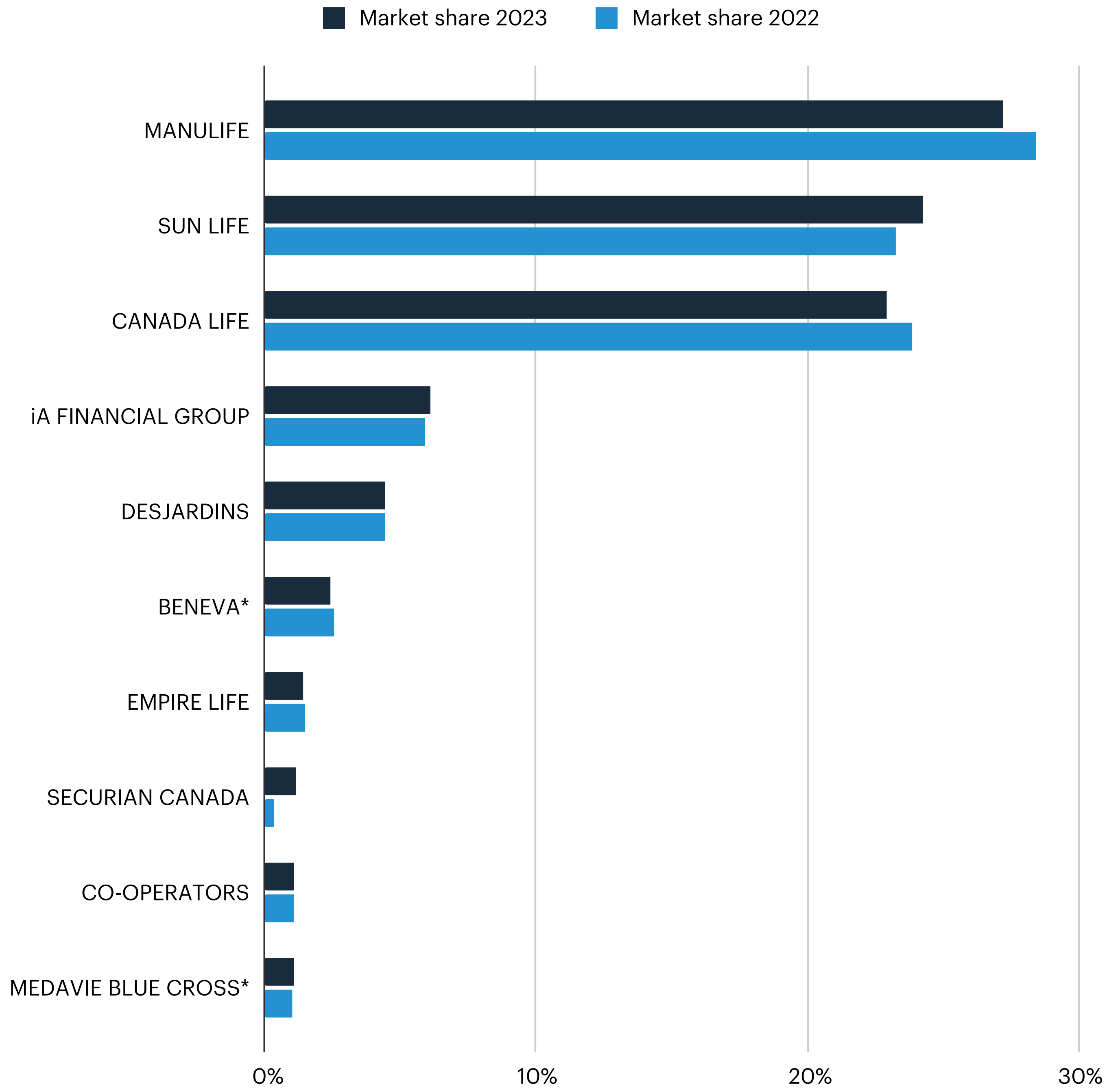
In descending order of total insurance revenue (gross) 2023

	2023		2022		
COMPANY	Total insurance revenue (gross) ($M)	Market share	Total insurance revenue (gross) ($M)	Market share	Growth in total insurance revenue (gross)
MANULIFE	23,972.1	27.1%	23,118.1	28.3%	3.7%
SUN LIFE	21,354.6	24.2%	18,902.9	23.2%	13.0%
CANADA LIFE	20,188.0	22.9%	19,423.9	23.8%	3.9%
iA FINANCIAL GROUP	5,409.6	6.1%	4,872.3	6.0%	11.0%
DESJARDINS INSURANCE	3,943.6	4.5%	3,635.6	4.5%	8.5%
BENEVA*	2,218.2	2.5%	2,116.0	2.6%	7.3%
EMPIRE LIFE	1,325.5	1.5%	1,255.3	1.5%	5.6%
SECURIAN CANADA	1,065.5	1.2%	348.6	0.4%	205.7%
CO-OPERATORS-LIFE	1,015.1	1.1%	940.6	1.2%	7.9%
MEDAVIE BLUE CROSS*	998.9	1.1%	903.2	1.1%	10.6%
TOP 10 TOTAL	**81,491.1**	**92.3%**	**75,516.4**	**92.6%**	**7.9%**
INDUSTRY TOTAL	**88,314.0**	**100.0%**	**81,567.4**	**100.0%**	**8.3%**

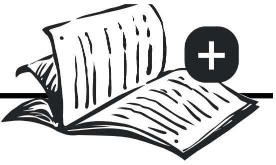
The industry total based on 47 companies (2023) and 46 companies (2022).
Source: MSA Research, unless otherwise indicated. *Compiled by the *Insurance Journal*.

MARKET SHARES OF THE 10 LARGEST LIFE INSURERS IN CANADA IN 2023

In descending order of total insurance revenue (gross) 2023



The industry total based on 47 companies (2023) and 46 companies (2022).
Source: MSA Research, unless otherwise indicated. *Compiled by the *Insurance Journal*.



MAGAZINE SUPPLEMENT

- **Life and health insurers' market share in Canada in 2023** For **PRO** Level members

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

Testing would-be clients and colleagues for readiness

Figure yourself out first before selling somebody else's message that insurance is good.

BY KATE MCCAFFERY | ILLUSTRATION BY CAGKAN ON ADOBE STOCK

Success can disappear very quickly without a plan. It's a lesson that **Elke Rubach** knows well, having witnessed the fallout when her own father died when she was 15.

It was, however, a branding exercise later in life which uncovered this sensitivity.

I couldn't explain why I had such a physical reaction when people didn't want to plan," she says. "I know it's easy to do. And if you're willing to be coached, if you listen, I can help you."

The discovery also came hand in hand with a brand-new understanding that it was her job to advise clients, not convince them about the merits of insurance ownership and planning. "That is really when it clicked," she says. Rubach's years in the business have also convinced her that clients need to be ready – really ready – before planning work can effectively take place.

"When you're out there in the world, your eyes will only see and your ears will only hear what your brain is looking for," she says. "If the client is not ready, it becomes the most painful adventure trying to plan with them and help them out and get them clear on what they do." The same is also true of retiring advisors with books of business that Rubach is interested in buying – these advisors don't need to leave the picture, but they do need to be willing to transition. "If they truly say that they love and look after and care for their clients, then I want to hear from them, because I can help them transition out nicely," she says.

All of these elements, combined with a new distribution of familial labours and responsibilities in her personal life, allowed the business, in just a few short years, to really take off, propelling Rubach into the ranks of the **Million Dollar Round Table** (MDRT) in early 2018.

"Being part of MDRT is important to me, because it's a place where I can share ideas with top professionals, helping all of us grow our businesses," she says. "This exchange not only enhances my own approach, but also translates directly into better advice and services for my clients."

In her previous professional incarnations, through her background in legal and banking – the principal and founder of **Rubach Wealth Holistic Family Advisors** in November 2012 was previously in compliance at the **Bank of Nova Scotia**, and also served as an associate at both **McCarthy Tetrault and Ritch, Mueller, Heather y Nicolau, S.C.** – Rubach came to understand that clients are pulled in many directions by their different advisors (investment managers, insurance advisors, accountants and legal), who each have their own ideas about necessary steps to take and levers to pull in the management of wealth. Many of these clients own insurance, but don't know why. Few have an estate plan and even fewer have discussed their affairs with family.

"If you don't have the conversation with a family and you don't know what you want, you're just following a bunch of shoulds," she says. "They don't represent what you are and what's important to you. There's no meaning to wealth."

This fragmentation, she says, is a gigantic opportunity.

To the person pursuing such an opportunity, or prior to pursuing it, however, she strongly recommends advisors and representatives engage in exercises similar to those branding exercises she undertook, to really understand what drives themselves and their respective businesses.

"If you're confused, imagine the client," she says. "Figure yourself out first before you go out and sell somebody else's message that insurance is good."

Testing for readiness

In addition to charging a retainer, for which clients ultimately get a full financial plan, instead of volume business, Rubach and her associates choose to go deep with their clients, offering a multi-disciplinary, boutique family office experience.

When dealing with spouses who do not wish to be part of the money discussion, she uses marathon running as an analogy saying clients can start training now, or at an indeterminate future time with no preparation or training.

"Assuming you don't have a heart attack trying to run it, every single muscle in your body is going to hurt. It's what happened to my mom. She had no choice," she says.

Rather than press a volume business approach where the client is convinced that products are necessary, Rubach leaves it to clients to ultimately tell her what they would like to do. "It's a very different approach from what is usually done in the industry," she says.

"I test for readiness. Building a business like that is incredibly slow but after 12 years of doing this, I can tell you that it works. I spend time with my clients. If they work with me, I work with them and it's going to work. It's going to help them get ahead. But the ideal client needs to be ready."

Team building

Partnership and her interdisciplinary team's focus on risk management, asset allocation, tax planning and estate planning have also contributed to the advisor's success, as well. "Every case becomes richer because we work together," she says.

New advisors and agents, she says, are probably also best off partnering with a senior agent or advisor when initially building their client roster and book of business. That said, it is reasonable to understand why this partnership doesn't happen more often: Rubach estimates that it costs about $500,000 to train a recruit out of high school into a well-rounded and producing financial professional.

"If I want to raise that character from scratch, it's going to cost me half a million dollars," she says of the salaries, time invested in training and the time it takes for a young person to mature into a producing representative. "I can't have the advisor starving; I can't put them in the place where they have to choose between eating or staying in their career."

The industry's focus on sales and volume, she says hinders the development of the more well-rounded financial advisors that the industry requires. "If you truly want financial advisors, we need a partnership with the industry," she once told insurance company executives who were unreceptive. "You reward people based on volumes. That's not advice, that's sales."

The risk too of recruiting a green representative and asking them to sell to their 200 closes friends is that at least a few will leave some families in a bad spot. "If you don't know what you're doing, you're probably wrecking families. Not all of them, but a few," she says. (She says that kind of damage is usually done by those pushing products that are generally insufficient, either out of ignorance or, more likely out of the desperate need to make a sale.)

The effort to build her team also led Rubach up against one of her bigger career obstacles – the need to secure funding when buying another advisor's book. "As a woman, it's different. It's not the same thing," she says, adding that the bank would not provide her with the funding to expand her business – without her ex-husband's signature to guarantee the loan.

Financing aside, and no matter who you are, she also adds that it's necessary to have family support, as well. "If your spouse doesn't support you, you're not going to make it in this business," she says. "If you don't have a supportive team at home, it's an uphill battle."

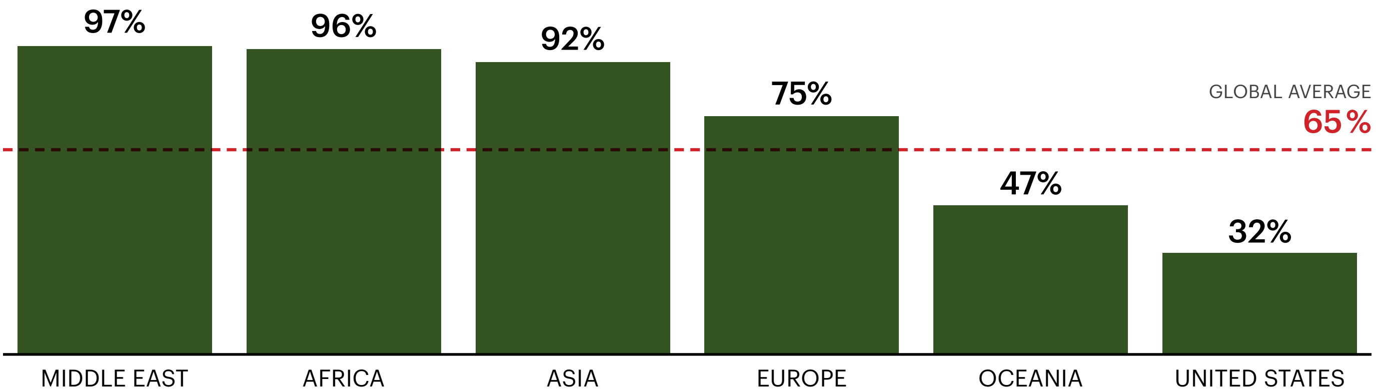
NATURAL DISASTERS

Coverage gap widens globally despite rising claims

Although claims are increasing all over the world, insurance penetration in the most vulnerable regions remains low.

BY SABRINA FEKIH

GLOBAL INSURANCE TRENDS



Source: Steve Bowen, Brian Kerschner, and Jin Zheng Ng, *Natural Catastrophe and Climate Report: 2023*, Gallagher Re, January 2024.

Deloitte reveals that in 2023, economic losses linked to natural disasters reached $357 billion US dollars globally.

In its report, *2025 global insurance outlook: Evolving industry operating models to build the future of insurance*, the professional services firm states, citing figures from **Gallagher Re**, that "only 35% of these losses were insured, leaving a protection gap of 65% or US$234 billion."

Though natural disasters can hit anywhere in the world, the different regions are not all insured against this risk in the same way. There is a coverage gap "particularly pronounced in countries in the Middle East, Africa and Asia," note Deloitte researchers.

And the firm is not the only one to make this observation. **Verisk**'s report, *Verisk 2024 Global Modeled Catastrophe Losses*, modeled the share of natural disaster losses in total economic losses. The company notes among other things that at the regional level, the insured percentage of economic losses due to natural disasters varies considerably.

"In North America, for example, about 51% of the economic loss from natural disasters is insured, while in Asia and Latin America, insured losses account for only about 12% and 24% of economic losses, respectively, reflecting the very low insurance penetration in these regions," states Verisk.

For Deloitte, we are facing "a wider distribution of smaller, but nonetheless costly, events." The firm says that to "remain viable, insurers implemented higher-than-average price increases across many P&C insurance lines."

Globally, property insurance premiums increased by 3.9% in 2023, partly thanks to these price increases.

"In the United Kingdom and Australia, for example, personal property and auto insurance premium growth outpaced inflation and disposable income growth over the past three years. In Germany and Japan, property insurance premiums exceeded increases in income and inflation, and auto premiums grew more moderately," the report's authors write.

If this strategy seems to improve the profitability of insurers, the firm is still sounding the alarm, because these price increases could make access to property and casualty insurance more difficult, in particular "due to the increasing frequency and severity of catastrophes.

"Insurance regulators and several government entities around the world are asking for greater transparency from insurance providers in how they account for climate risks in their investment strategies," underlines Deloitte.

by JIM RUTA

How to cold call a business owner

Question: How can I be more effective and less frustrated getting meetings with business owners whether cold calling or when I'm calling on their place of business?

Congratulations on your direct efforts to make connections with a new market. While many advisors take an indirect route like creating and promoting amateur social media videos, advertising products or concepts online, or starting another podcast - as if we are short of self-promotional podcasts, you are going at it the right way. The direct way. I love that initiative and optimism. It bodes well for your future success.

Not many advisors take this approach. There is a lot more marketing (leading a horse to water) than there is prospecting (getting them to drink) in all insurance markets these days.

I reference the old proverb "You can lead a horse to water, but you can't make him drink" because it applies. Marketing is "leading the horse to water" or the product. Getting them to "drink the water" is when they buy.

Getting the horse to drink and getting more meetings requires "Salting the oats" and make the horse or prospect thirsty. Marketing generates leads. Prospecting converts leads into meetings by making them thirsty for what you offer.

The right questions make the business owner thirsty – or WANT to talk to you. Wouldn't you rather they want to meet with you than just agree to hear you out to see if you can get their attention?

Here's what to say on a cold phone call; in their reception area; or even at a networking event so that THEY WANT to meet you.

Remember, no approach works all the time. Anyone who says differently has never made cold calls. For the record, I have. A good script improves your odds, but it isn't perfect.

This script works with cold calls and even not-so-cold ones. Use it verbatim. If the businessowner asks questions, steer them back to the script and ask for meeting – it's your only objective.

There is no mention of life insurance or even that you are an advisor because it's not necessary.

Hi [Prospect], it's [Your name]. [OPTIONAL: We met through [introducer] or at [Event]. OR, you've done some work for me... Remember? ... **Do you have a minute?** *(SURE)*

...Great.

Bob, we are doing some of our best work these days helping business owners like us pay a lot less income tax now and later. May I ask... Do you think that taxes will go up or down in the future? *(UP!)*

...Me too.

Could they go up a lot? *(ABSOLUTELY!)*

... You're right.

Do you want to pay those taxes? *(NO!)*

... Me neither.

If I could show you a structure that could reduce or even eliminate the taxes you pay on retained earnings or when you sell or pass your business to the kids, [OPTIONAL: OR eliminate the CRA as a major beneficiary in your investments or estate] **would it be beneficial to know what it was, even if you couldn't take advantage of it today?** *(CAN YOU DO THAT?)*

... Yes, we can.

Our firm specializes in just this tax-saving idea. With tax-savings in mind, when in the next couple of weeks can you find 30 minutes to see if you and your business qualify for the structure and if it makes sense for you?

(HOW DO YOU DO IT?)

- **Did you know that you can move retained earnings from being "always taxed money" to being "never taxed money"?**
- **Or that you could eliminate the CRA as a one third partner on your investment gains?**
- **Or that you can slash the tax your family will pay on the family cottage when you're both gone so it can stay in the family?**
- **Or that there's a way to discount the tax payable by your kids and grandkids when you leave them your RRSP or RRIF?**
- **Or maybe you'd rather be known for the size of your charity rather than the size of your tax bill?**
- **Did you know you can disinherit the tax man by adopting your favourite charity and keep your family whole? (Wow. I have to hear this...)**

... I knew I could get your attention.

Great. when in the next couple of weeks can you carve out 30 minutes to see if you and your business qualify for the structure and if it makes sense for you?

... Excellent. We'll see you at your shop then. What's your cell number so that I can text to let you know if we are a few minutes late? Thank you.

The key to any script is practice. Lots of practice. Practice means standing up and reading it out loud a hundred times. It means testing it out on your spouse or prospects who already said no, lots of times. It means making the calls and learning to adapt it, so it works for you.

And it will work. So long as you do.

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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.

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