INSURANCE Journal

$10 Vol. 28 No. 02 April 2024

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INSURANCE Journal

Vol. 28 No. 02 — April 2024

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

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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.

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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. ***InsuranceINTEL Weekly*** 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.

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

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Insurance Journal is published by
Les Éditions du Journal de l'assurance inc.

A neutral, objective and independent source of information

Created in 1992, Les Éditions du Journal de l'assurance inc. is a private company that operates independently of any insurance industry association or agency. It is a neutral, independent source of information that is financed through advertising and subscription revenues.

Legal deposit: National Library of Quebec and National library of Canada, ISSN 2562-0843

Publications Mail Agreement No. 40011544

Something to think about...

We want our people to remain engaged, we want them to be involved, we don't want to lose them. We want to attract the best talent.

— Stéphane Lespérance, CEO of Aon Canada

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In this issue...

Leaders need to be highly adaptable

Despite the first 18 months of his tenure being marked by significant upheavals, the CEO of Aon Canada believes the company has been able to sustain its growth.

BY ALAIN CASTONGUAY

Managing an organization with over 3,000 employees poses certain challenges, acknowledges **Stéphane Lespérance**, CEO of **Aon Canada**. He feels that his adaptability has been particularly tested since taking office in July 2019.

The company, like other industry players, was hit by the tightening insurance market and the COVID-19 pandemic and natural disasters. **Aon plc** also experienced a failed merger with a main competitor.

After an enforced tightening by insurers in the less profitable segments in 2019, "everything was thrown into disarray at the beginning of 2020 when there was a change of direction from the majority of insurers: portfolio cleaning, return to absolute profitability, it was really a draconian change that clients experienced compared to 2017 and 2018, where insurers were losing money, but it wasn't a big deal. The market had changed, and there was a need to make a profit from underwriting," he says.

Lespérance recalls making a presentation in January 2020 to a group of risk managers. "We showed the graphs, we saw the evolution. It was getting quite difficult. Consumers and clients were worried about what was coming in the market."

Simultaneously, the Aon plc group announced a merger project with **WTW** on March 9, 2020, which was ultimately abandoned a year and a half later. "As a manager, that was also a learning experience. It was a very large transaction, and it happened in the same week we closed all the offices, everyone was sent home," he recalls. The company had also just completed the implementation of a brand-new IT platform in January 2020, after 18 months of work.

Lespérance joined Aon's global executive council, but several meetings took place virtually. "Luckily, I had already established close relationships with several people. No one was prepared for this, especially in our field, where relationships are made face to face."

Human resources management

In addition to insurance, which includes brokerage, risk management, reinsurance, etc., the company's activities include a significant component of human capital and talent management. "We need to ensure that the employer maximizes the money invested in employees, because resources are hard to come by for everyone, it's true in all fields. This is really the major challenge – to retain our resources and maximize their potential," he explains.

Within its own ranks, does the company practice the human resources management advice that it gives to clients? "It's certain that if we didn't do it, we would not succeed. Since we are growing, we think we are successful," replies Lespérance.

Recruitment

Since 2020, for risk management solutions, Aon Canada has recruited about twenty students each year who are completing their bachelor's degrees. A fourth cohort will be trained in August 2020. Retention "is excellent. We have kept more than 80 per cent of these young graduates in each of the cohorts," he specifies.

Each participant undertakes internships in three distinct teams, and based on their affinities and the company's needs, a position is offered to them in a particular segment. This recruitment process is in addition to the company's usual methods of recruiting future actuaries, adds Lespérance.

New office in Montreal

Lespérance regularly visits each of the regional offices, but he spends most of his time between Montreal and the Toronto headquarters.

The Canadian executive committee meets once a month in a different city where Aon Canada is already established. The week following our interview, he was scheduled to spend four days in Vancouver. Senior management planned to take the opportunity to meet the staff in a "town hall" type discussion and organize a social activity to thank local clients.

Aon has just moved into new premises in Montreal, at 1000 De La Gauchetière West. The lease of the premises formerly located at 700 De La Gauchetière West had expired. The rented spaces are roughly similar.

"The difference is that before, people had closed offices. This is an open concept, so everyone is in a common space," he says. People reserve their office in the areas where they are established.

In Toronto, the offices were also remodeled in 2019. Elsewhere in the country, regardless of the impact caused by the pandemic, Aon manages its office spaces tightly. "There are days, especially on Monday and Friday, when I'm there, but there are not many people

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Stéphane Lespérance

at the office. Today (a Thursday), we almost ran out of chairs, it's quite full. We need the space. We just redid our offices in Winnipeg. Already, I have to sublease space because we're running out of room," explains Lespérance.

Telecommuting

Is the popularity of telecommuting a hindrance when it comes to recruiting new employees and integrating them into the company? Lespérance acknowledges that during the first months of the pandemic and with the offices closed, welcoming and integration were more limited activities.

Now, all new employees must spend the first week in the office with managers. According to him, the latter are doing a good job "because our retention rate is good, our attraction rate is also very good."

Managers organize meals with team members to start the pairing of a new employee with a colleague who helps them integrate. Certainly, there are periods of the year when there are fewer people in the offices, but the integration process works well, he says.

Since the summer of 2022, an increasing number of employees are working on-site. "It starts with the team leader," says Lespérance. Close monitoring is done to ensure that the employer takes the pulse of the employees and notes the trends.

In a company of this size, managers are supported by human resources management specialists. "We still have a lot of resources and tools. It's going much better," he says.

Clients of regional offices have the best of both worlds, believes Lespérance. "They have local service with a dedicated team. We participate in the community, and there are national resources. The game plan under my leadership is not to change that, but at the same time, we are always on the lookout if opportunities arise."

Like many CEOs, Lespérance's main concern is the people working in the company. "We want our people to remain engaged, we want them to be involved, we don't want to lose them. We want to attract the best talent," he says.

The state of the market

Climate change and the increasingly unpredictable nature of natural disasters are major concerns in the insurance world. After a significant increase in January 2023, reinsurance treaty rates experienced inflation that was closer to normal in 2024.

Most insurers have reshaped how they purchase reinsurance, explains Lespérance. They have increased their own capacities to avoid passing significant hikes onto their clients. They have also revised their risk underwriting approaches.

"Today, there aren't as many headaches, and Canadian insurers do not feel uncomfortable underwriting risks. This is good news for clients. There's an appetite in the market, and there's some stability in certain insurance lines," he says, acknowledging that some segments still require coverage from international markets.

Cybercrime

Aon Canada's survey of its clientele reveals that Canadian companies see cybercrime as a growing risk. "Business leaders need to understand that it's not a matter of if it will happen, but when," he says.

SUSTAINED GROWTH FOR AON CANADA

Aon does not publish its detailed results by geographic region, but **Aon Canada** experienced good growth in 2020, and this momentum has continued since, according to its CEO, Stéphane Lespérance. "What we put in place before has borne fruit. We've really built solid foundations... We've had record results year after year. We're growing nicely," he says.

Again, in 2023, the group saw a seven percent increase in its revenues, totaling $13.4 billion. In North America, the Canadian subsidiary ranks first in performance, ahead of the six other sub-regions that share the U.S. market.

In Canada, Aon operates 19 regional offices and employs about 3,000 people, nearly 600 of whom are in Quebec. Its revenues are approaching one billion Canadian dollars. About a third of its revenues come from Quebec, another third from Ontario, and the rest from other provinces.

On Dec. 20 last year, Aon announced the acquisition of **NFP**, headquartered in New York. The transaction, expected to close by June 30, 2025, is valued at $13.4 billion. Until regulatory approvals are obtained, the two companies will continue to operate independently.

According to Aon Canada's spokesperson in Montreal, **Alexandre Daudelin**, NFP employs about 1,000 people in Canada and operates around twenty offices in British Columbia, Alberta, Ontario, and Quebec. It is still too early to determine how Aon Canada will operate following this acquisition.

Aon is one of the leading global professional services firms, providing a range of risk, retirement, and health solutions. The group operates in 120 countries and employs more than 50,000 professionals.

According to **AM Best** data for 2022, Aon ranked second globally among insurance brokerage firms, with revenues of $12.5 billion, while NFP was in 13th place with $2.2 billion. **Marsh McLennan** remains at the top despite this merger, with revenues of more than $20.7 billion in 2022.

NFP, on the other hand, is a property and casualty insurance broker, a benefits consultant, a wealth manager, and a retirement plan advisor. The firm employs about 7,700 people.

A few years ago, Aon tried to acquire the world's number 3 brokerage, **WTW**, but the two giants "reached an impasse with the **U.S. Department of Justice**," leading them to abandon the merger attempt.

The group's size allows it to have the appropriate resources to advise companies on managing cyber risk and prevention. "The insurance products we promote take into account the client's needs and specificities. We can create tailored policies," he says.

Insurers who thought cyber risk insurance was a goldmine before jumping in unprepared, quickly left the market, he shares. "It takes expertise to underwrite, just like with any type of insurance," he says.

As some insurers exit this market, "strangely, cyber premiums are on the decline. So, those who remain think they know how to underwrite the risk," he adds.

Captives

Out of the $110 billion in commercial risk management premiums underwritten, reported by the global group in its most recent financial statements on February 2, Aon estimates that half of these premiums are in captive policies.

Lespérance notes that this formula is less popular in Canada, even though the team handling these contracts is very busy. For the past four years, as the market has been rising, the demand has been stronger from this side. "People should consider establishing a captive when the market stabilizes or starts to decline," he says.

A company wanting to self-manage its risks and claims must think like an insurer. "When the reinsurance market becomes too expensive, insurers look at how to underwrite these risks differently. They retain larger sums."

"As an advisor in the insurance sector, it's our role to advise clients to look at this now while the cycle is more stable or declining, to be ready to launch for the next upcycle," he concludes.

"As an advisor in the insurance sector, it's our role to advise clients to look at this now while the cycle is more stable or declining, to be ready to launch for the next upcycle."

— Stéphane Lespérance

Simplified issue life insurance poised to provide coverage to more people

Several insurers are positioning simplified issue products as a solution that broadens access to life insurance by removing barriers. A detailed comparative study conducted with the assistance of Insurance*INTEL* reveals how.

BY ALAIN THÉRIAULT

A review of simplified issue life insurance products is enough to demonstrate that these products are not so simple. What are their characteristics? Which products offer more to policyholders, and which offer less? Who does not offer them? A comparative analysis of data from InsuranceINTEL, an individual insurance products information centre and part of the **Insurance Journal Publishing Group**, provides several answers.

Insurers in this segment believe that simplified issue products will increasingly broaden access to life insurance. These products save the advisor from having to fill out a lengthy insurance application for their client, or the client from having to undergo a medical examination and fluid collection. "We want to cover all Canadians and have a comprehensive product offering that meets all needs. Simplified issue life insurance has this mission," says **Kim Girard**,

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Kim Girard

NOT SO SIMPLE

The products listed by InsuranceINTEL reveal significant differences. They are divided into two categories:

- Guaranteed issue insurance products
- Simplified issue insurance products, in two forms:
  - with immediate coverage
  - with deferred coverage

Guaranteed issue life insurance offers life insurance coverage without a medical exam or health questionnaire. The coverage amount of this product rarely exceeds $50,000. The insured must accept a waiting period, usually 2 years, during which only accidental deaths are covered.

Simplified issue life insurance allows for quick acquisition of life insurance without a medical exam by answering a few questions, most often with "yes" or "no." In deferred coverage, the person is fully insured only after a two-year delay.

These should not be confused with no medical exam products sold under accelerated underwriting, underlines Arruda. He notes that the terms "simplified," "guaranteed," and "no medical exam" are often used interchangeably, or even confused with each other. "The level of underwriting required during the application process can be quite different for each of these product categories," he points out.

Arruda explained these differences in underwriting:

- A no medical exam product does not require vital signs to be taken, nor blood work, nor urine analysis. Generally, a little over 10 questions affecting underwriting must be answered. An underwriter might review the answers in some cases and even request additional medical information, but no exam.
- A simplified product can be considered a subcategory of no medical exam products, as the number of questions asked is very limited, and clients can usually know immediately if the application is accepted.

(*Alain Thériault*)

SIMPLIFIED ISSUE TERM INSURANCE

Insurers ranked by number of products

Insurers and number of products	Product name
Canada Protection Plan (4)	• *CPP Deferred Elite Term* • *CPP Simplified Elite Term* • *CPP Preferred Term/Preferred Elite Term* • *Express Elite Term*
Assumption Life (2)	• *Golden Protection Elite Term* • *Platinum Protection Term*
IA Financial Group (2)	• *Access Life Deferred Plus* • *Access Life Immediate Plus*
UV Insurance (2)	• *Superior+ (T-10, T-15, T-20, T-25, T-30)* • *Juvenile 30/100*
Beneva (1)	• *Simplified Term Life*
Co-operators (1)	• *Term Life 1*
Empire Life (1)	• *Simplified 10; Simplified 20*
Humania Assurance (1)	• *Insurance Without Medical Exam - Life*
Specialty Life Insurance (SLI) (1)	• *Evolution*
Sun Life (1)	• *Sun Life Go Simplified Term Life Insurance*

Table: Insurance Journal. Source: Insurance*INTEL*, 2024.

SIMPLIFIED ISSUE PERMANENT INSURANCE

Insurers ranked by number of products

Insurers and number of products	Product name
Assumption Life (5)	• *Bronze Protection* • *Golden Protection* • *Golden Protection Elite Whole Life* • *Platinum Protection Whole Life* • *Silver Protection*
iA Financial Group (4)	• *Access Life Deferred* • *Access Life Deferred Plus* • *Access Life Immediate Plus* • *Guaranteed Access Life*
Canada Protection Plan (4)	• *CPP Deferred Life/CPP Deferred Elite Life* • *CPP Guaranteed Acceptance Life* • *CPP Preferred Life/CPP Preferred Elite Life* • *CPP Simplified Elite Life*
UV Insurance (3)	• *Adaptable* • *Whole Life High Values* • *Whole Life Pay to 100*
Beneva (2)	• *Guaranteed Issue Whole Life* • *Simplified Whole Life*
Specialty Life Insurance (SLI) (1)	• *Evolution*
Empire Life (1)	• *Guaranteed Life Protect*
Sun Life (1)	• *Sun Life Go Guaranteed Life Insurance*

Table: Insurance Journal. Source: Insurance*INTEL*, 2024.

Senior Director, Products, Individual Insurance, Savings and Retirement, at **iA Financial Group**.

Niche players are betting big on this product. After launching its digital platform *My Universe* in 2020, **UV Insurance** introduced a simplified issue process for term insurance the following year. In 2022, it was permanent products' turn to be sold through this process. "We put our existing products on the My Universe platform. Without having to reinvent them, they all became simplified issue products," says **Guillaume Fauteux**, Vice President, Business Development and Marketing, Individual Insurance and Investment-Retirement, at UV Insurance.

Fauteux reveals that by 2023, simplified issue products already represented 85 per cent of the premium volume and the number of insurance contracts at UV. Fauteux lists the five criteria he believes are essential for success in simplified issue insurance:

- Speed of policy issuance
- Ease of doing business with the company
- Simplicity for the client and advisor
- Adequate technological platform
- Quality of products and rates.

Assumption Life has also positioned itself for growth in this niche. The small New Brunswick mutual launched four simplified issue products with immediate coverage in July 2021: Platinum Protection and Gold Protection, both in whole life and term life. A year later, it increased the maximum coverage available on its two Platinum Term products to $500,000 for clients aged 18 to 70 years.

Expanding the range of insurance amounts available in simplified issue insurance to $500,000 has allowed the insurer "to meet different needs, for example, someone with a new health condition wanting to insure a mortgage," explains **Marie-Claude Thibodeau**, Vice President, Actuarial and Product Development, at Assumption Life. "We sell a lot of simplified issue products to the baby boomer population, and one of the products we sell is used to cover funeral expenses. The average coverage amount of these sales is below $500,000 (in coverage)," says Thibodeau.

Her colleague and Vice President, Sales and Marketing, **Luc Bossé**, highlighted the marked growth of Assumption Life's sales in simplified issue insurance. "It's a market that is gaining more and more momentum with us. There is a growing need among advisors and especially their clients," says Bossé. He adds that simplified issue helps the aging population access insurance.

Direct sales

Some offer their simplified issue life insurance products online, directly to consumers. **Empire Life** has chosen this path to cover more Canadians.

Vice President and Chief Marketing Officer at Empire Life, **Mike Stocks** explains that his company's offering aims to reduce the number of Canadians who are underinsured or without insurance. "This life

INSURERS NOT OFFERING SIMPLIFIED ISSUE LIFE INSURANCE

- BMO Insurance
- Canada Life
- Cumis Life
- Desjardins Insurance
- Equitable
- Foresters Financial (its affiliated company, Canada Protection Plan, offers it)
- Ivari
- Manulife
- RBC Insurance

Source: Insurance*INTEL*, 2024.

insurance protection gap is kind of a big deal because, today, insurance carriers and advisors are really focused on the higher end of the market," says Stocks.

He adds that Empire Life strives to target Canadians in the middle market. Launching a simplified issue product through the direct-to-consumer channel is "really about access," he said.

Sun Life has chosen the same avenue to distribute its Sun Life Go Simplified Term Life Insurance and Guaranteed no medical life insurance products. "Our simplified term and guaranteed permanent products are offered directly to clients through an electronic application. These products are not offered by our network of independent advisors," says **Mark Arruda**, Assistant Vice President, Insurance Product Management, at Sun Life. Arruda specifies that in Quebec, a salaried advisor receives the client's application and the insurer conducts a needs analysis with them.

Temporary or permanent

The comparative analysis of simplified issue products, conducted with the help of InsuranceINTEL, reveals that characteristics such as coverage amounts, premiums, waiting periods to be covered by the full amount of insurance, and underwriting conditions vary significantly from one insurer to another, and from one product to another. Some insurers offer several products.

The advisor must determine whether their client's need is temporary or permanent. Many characteristics of simplified issue products will vary depending on whether it's term or permanent insurance.

In simplified issue term life insurance, 10 insurers offer a total of 16 products. **Canada Protection Plan** stands out by offering more than its competitors.

In simplified issue permanent life insurance, eight insurers offer a total of 21 products. Assumption Life stands out for its more diverse offering than the competition.

Simplified for serious illnesses

Humania Assurance stands out by also offering simplified issue critical illness and disability insurance products for serious illnesses and disability through its Insurance Without Medical Exam platform, states **Amélie Jodoin**, National Vice President, Business Development, Individual Insurance.

Kim Girard added that iA Financial Group also stands out by offering its critical illness and disability insurance products through a simplified issuance process, via its accelerated underwriting platform EVO.

SIMPLIFIED ISSUE TERM INSURANCE

Ranking of insurers by the maximum number of terms offered per product (and description of offered periods)

Insurers and number of terms	Products	Offered periods
UV Insurance (5)	• *Superior+*	10, 15, 20, 25 and 30 years
Canada Protection Plan (5)	• *CPP Deferred Elite Term* • *CPP Preferred Term/ Preferred Elite Term* • *CPP Simplified Elite Term*	10, 20, 25 years and 25-year decreasing term
	• *Express Elite Term*	20 and 30 years
Specialty Life Insurance (SLI) (3)	• *Evolution*	10, 20 and 30 years
iA Financial Group (3)	• *Access Life Deferred Plus* • *Access Life Immediate Plus*	15, 20 and 25 years
Assumption Life (2)	• *Golden Protection Elite Term* • *Platinum Protection Term*	10 and 20 years
Beneva (2)	• *Simplified Term Life*	10 and 20 years
Empire Life (2)	• *Simplified 10; Simplified 20*	10 and 20 years
Humania Assurance* (2)	• *Insurance Without Medical Exam - Life*	10 and 20 years*
Sun Life (1)	• *Sun Life Go Simplified Term Life Insurance*	10 years
Co-operators (1)	• *Term Life 1*	1 year

*Humania Assurance also offers a T100: it is considered a permanent product, according to the industry definition.
Table: Insurance Journal. Source: Insurance*INTEL, 2024.*

Amélie Jodoin

The Absentees

Aside from Sun Life and iA Financial Group, the players in simplified issue life insurance are medium-sized or niche players. **Canada Life**, **Desjardins Financial Security**, and **Manulife**, for example, are notably absent from this segment. The same goes for subsidiaries of major banks such as **BMO Insurance** and **RBC Insurance**. Firmly established in the managing general agency network for decades, **ivari** is also missing from this segment.

Among the absentees, BMO Insurance recently announced that it has improved its accelerated pricing process. According to **Marie-Catherine Noël**, Media Relations Manager at **BMO Financial Group**, one should not confuse simplified issue with accelerated underwriting. "The enhanced accelerated underwriting program applies to all our underwritten products: universal life insurance, term insurance, whole life insurance, and 100-year term insurance. BMO Insurance does not offer products with simplified or guaranteed issuance, which is why they are not included in the competitive information charts," explains Noël, referring to the simplified issue comparison charts from InsuranceINTEL.

Insured with a few simple questions

According to our sources, insurers manage the risk of issuing high-coverage policies in a simplified manner by asking the simplest and least ambiguous questions possible. Clients respond with a "yes" or "no", for example. These are questions about the insured person's health or lifestyle habits.

The number of questions varies significantly from one insurer to another. Some do not specify in InsuranceINTEL's term life insurance simplified issue comparison charts the number of questions they ask. This is the case for **Specialty Life Insurance**, **Empire Life**, and **Canada Protection Plan**.

Humania Assurance indicates in the charts that its questionnaire includes six eligibility questions. Amélie Jodoin explains that if the answers to these six questions are positive, there will then be 11 questions, the answers to which will determine the premium to be paid. "There are three rate tiers: gold, silver, and bronze," Jodoin clarified.

Lowering barriers vs. high amount

Humania Assurance offers more limited amounts of simplified issue life insurance than its competitors, acknowledges Jodoin. Instead, the insurer has chosen to stand out by lowering the barriers to entry.

"Our questionnaire is much less restrictive than the competition's. We accept cases that are refused elsewhere. We have chosen to make the product available

SIMPLIFIED ISSUE PERMANENT INSURANCE

Ranking of insurers by the simplified issue product offering the most premium payment period options

Insurers	Product(s) with the most options	Number of options	Premium payment period
UV Insurance	• *Adaptable*	8	20 pay or up to 25, 35, 45, 55, 65, 75 or 85, minimum of 20 years
Assumption Life	• *Golden Protection* • *Silver Protection*	2	Payable until the age of 100 or 20 pay
Canada Protection Plan	• *CPP Deferred Life/ CPP Deferred Elite Life* • *CPP Guaranteed Acceptance Life* • *CPP Preferred Life/ CPP Preferred Elite Life* • *CPP Simplified Elite Life*	2	Payable until the age of 100 or 20 pay
Empire Life	• *Guaranteed Life Protect*	1	Payable until the age of 95
Sun Life	• *Sun Life Go Guaranteed Life Insurance*	1	Payable until the age of 95
Beneva	• *Guaranteed Issue Whole Life* • *Simplified Whole Life*	1	Payable until the age of 100
iA Financial Group	• *Access Life Deferred* • *Access Life Deferred Plus* • *Access Life Immediate Plus* • *Guaranteed Access Life*	1	Payable until the age of 100
Specialty Life Insurance (SLI)	• *Evolution*	Not specified	Not specified

Table: Insurance Journal. Source: Insurance*INTEL, 2024.*

to more insureds rather than make it more restrictive with higher insurance amounts," says Jodoin.

According to InsuranceINTEL's comparative charts, Assumption Life is among the insurers that ask the most questions: 19 for its Platinum Protection Temporary product.

Beneva asks 10 medical questions and 12 lifestyle questions for its Simplified Issue Life Insurance term product. UV Insurance asks 15 eligibility questions followed by 10 additional questions to obtain its Superior Term Life Insurance with immediate issuance.

Sun Life stands out from the competition by asking only three questions to obtain its Sun Life Go Simplified Term Life.

Variable Terms

In the field of simplified issue term life insurance, UV Insurance stands out by offering five different terms of duration.

SIMPLIFIED ISSUE TERM INSURANCE

Ranking of insurers based on the maximum face amount offered, the issue age at which this amount is available, and the minimum required amount

Insurers	Products	Maximum face amount	Issue ages to obtain the maximum	Minimum face amount
Specialty Life Insurance (SLI)	• *Evolution*	$1,000,000 Risk classes 1 and 2 (out of a possible 4)	Age 18-50	$1,000
Empire Life	• *Simplified 10; Simplified 20*	$1,000,000	Age 18-55	$50,000
Canada Protection Plan	• *CPP Preferred Term/ Preferred Elite Term*	$1,000,000	Not specified	$500,000: Preferred Elite Term $50,000: CPP Preferred Term
iA Financial Group	• *Access Life Immediate Plus*	$500,000	Age 18-70	$10,000
Assumption Life	• *Platinum Protection Term*	$500,000	Not specified	$50,000 (Age 18-44) $25,000 (Age 45-70)
Beneva	• *Simplified Term Life*	$500,000	Age 18-50	$25 000
UV Insurance	• *Superior+*	$499,999	Age 18-45	$25,000 (T10, T15) $10,000 (T20, T25, T30)
Co-operators	• *Term Life 1*	$475,000	Not specified	$50,000
Humania Assurance	• *Insurance Without Medical Exam - Life*	$300,000	Not specified	$5,000
Sun Life	• *Sun Life Go Simplified Term Life Insurance*	$100,000	Age 18-69	$50,000

Table: Insurance Journal. Source: Insurance*INTEL, 2024.*

The **Co-operators** is unique in offering a 1-year term product: Term Life 1.

Payment Duration

In permanent life insurance, insurers generally offer their simplified issue products as whole life insurance.

The Co-operators does not offer simplified issue permanent life insurance, according to the information provided to InsuranceINTEL.

Humania Assurance does not offer it either. However, one of its term products is actually a permanent product. Jodoin signaled that for a few years now, Insurance Without Medical Exam has been available in a 100-year term (T100) version "to protect the insured for their entire life." "We have also added the right to convert to T100 on term policies," she adds.

With respect to duration, permanent simplified issue products stand out in terms of premium payment options. UV Insurance stands out from the crowd by offering eight different premium payment options on its simplified issue permanent product, Adaptable.

At iA Financial Group, Kim Girard shared the most frequent improvement requests from advisors regarding simplified issue insurance. Among these, many ask to increase the maximum coverage amounts. Girard says that iA is not considering this for the moment. "Our priority is to continue simplifying standard products," she explains. She is not the only one wanting to improve the accelerated underwriting process of standard products. Besides BMO Insurance, RBC Insurance has also announced having improved its accelerated underwriting process.

If standard products continue to simplify, will simplified issue insurance disappear? "There will always be a need for people who can only insure themselves with a simplified issue product," answers Kim Girard.

Age ranges?

The age at issuance of simplified issue term life insurance policies varies from one term to another. Insurers are fiercely competitive in this regard. The most generous age ranges appear in 10-year term

SIMPLIFIED ISSUE PERMANENT INSURANCE

Ranking of insurers based on the maximum face amount offered, the issue age at which this amount is available

Insurers	Products	Maximum face amount	Issue ages to obtain the maximum
Canada Protection Plan	• *CPP Preferred Life/ CPP Preferred Elite Life*	$1,000,000	Not specified
Specialty Life Insurance (SLI)	• *Evolution*	$1,000,000 Risk classes 1 and 2 (out of a possible 4)	Age 18-50
iA Financial Group	• *Access Life Immediate Plus*	$500,000	Age 18-70
Beneva	• *Simplified Term Life*	$249,999	Age 18-60
Assumption Life	• *Golden Protection Elite Whole Life*	$150,000	Age 18-70
UV Insurance	• *Adaptable* • *Whole Life Pay to 10* • *Whole Life High Values*	$150,000	Not specified
Empire Life	• *Guaranteed Life Protect*	$50,000	Age 40-75
Sun Life	• *Sun Life Go Guaranteed Life Insurance*	$25,000	Not specified

Table: Insurance Journal. Source: Insurance*INTEL, 2024.*

insurance. The four leaders offer issuance from 18 to 70 years old. Empire Life and Humania Assurance trail with a range of 18 to 60 years old. Assumption Life stands out in 20-year term insurance, with the widest age range at issuance. The Co-operators offers both the most restrictive term and issuance period. Its simplified issue life insurance, Term Life 1 product can only be issued from 18 to 49 years old. The Co-operators is the only insurer to offer a one-year term. Canada Protection Plan is the only one offering a 25-year decreasing term. This type of insurance, whose coverage amount decreases over the years, is particularly aimed at mortgage holders. UV Insurance is the only one offering a 15-year term. It also stands out by offering Juvenile 30/100, a term insurance product that can be issued from the birth of the child up to the age of 15. In permanent insurance, Assumption Life is the insurer that insures to the oldest age. iA offers the widest age range. Empire Life and Sun Life are last both in terms of the oldest age and the widest age range. All insurers offer the option to sign up for simplified issue insurance through an online application, either on a dedicated platform or through their website. Assumption Life was one of the first insurers to introduce online applications in 2003, thanks to a platform that later became its digital system, *Lia*, (Life Insurance Anywhere), in 2013. The insurer launched its first simplified issue product in 1985.

MAGAZINE SUPPLEMENTS

- **Insurers boosted by simplified issue insurance sales** For **PRO** Level members
- **Direct simplified issue offerings benefit advisors eventually** For **PRO** Level members
- **Insurers pushing their limits in accelerated underwriting** For **PRO** Level members

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

SIMPLIFIED ISSUE TERM INSURANCE

Ranking of insurers by range of issue ages

Insurers	Products	Issue ages
1-year term		
Co-operators	• *Term Life 1*	Age 18-49
10-year term		
Assumption Life	• *Golden Protection Elite Term* • *Platinum Protection Term*	Age 18-70
Specialty Life Insurance (SLI)	• *Evolution*	Age 18-70
Beneva	• *Simplified Term Life*	Age 18-70
Canada Protection Plan	• *CPP Deferred Elite Term* • *CPP Simplified Elite Term* • *CPP Preferred Term/Preferred Elite Term*	Age 18-70
Sun Life	• *Sun Life Go Simplified Term Life Insurance*	Age 18-69 + 364 days
iA Financial Group	• *Access Life Deferred Plus* • *Access Life Immediate Plus*	Age 18-65
UV Insurance	• *Superior+*	Age 18-65
Empire Life	• *Simplified 10*	Age 18-60
Humania Assurance	• *Insurance Without Medical Exam - Life*	Age 18-60
15-year term		
UV Insurance	• *Superior+*	Age 18-65
20-year term		
Assumption Life	• *Golden Protection Elite Term* • *Platinum Protection Term*	Age 18-70
UV Insurance	• *Superior+*	Age 18-65
Beneva	• *Simplified Term Life*	Age 18-60
Humania Assurance	• *Insurance Without Medical Exam - Life*	Age 18-60
iA Financial Group	• *Access Life Deferred Plus* • *Access Life Immediate Plus*	Age 18-60
Canada Protection Plan	• *CPP Deferred Elite Term* • *CPP Simplified Elite Term* • *CPP Preferred Term/Preferred Elite Term*	Age 18-60
Empire Life	• *Simplified 20*	Age 18-55
Specialty Life Insurance (SLI)	• *Evolution*	Age 18-50
25-year term		
UV Insurance	• *Superior+*	Age 18-60
iA Financial Group	• *Access Life Deferred Plus* • *Access Life Immediate Plus*	Age 18-55
Canada Protection Plan	• *CPP Deferred Elite Term* • *CPP Preferred Term/Preferred Elite Term* • *CPP Simplified Elite Term*	Age 18-55
Decreasing 25-year term		
Canada Protection Plan	• *CPP Deferred Elite Term* • *CPP Preferred Term/Preferred Elite Term* • *CPP Simplified Elite Term*	Age 18-60
30-year term		
UV Insurance	• *Superior+*	Age 18-55
Canada Protection Plan	• *Express Elite Term*	Age 18-50
Specialty Life Insurance (SLI)	• *Evolution*	Age 18-40

Table: Insurance Journal. Source: Insurance*INTEL, 2024.*

SIMPLIFIED ISSUE PERMANENT INSURANCE

Ranking of insurers by range of issue ages

Insurers	Products	Issue ages
1-year term		
Assumption Life	• *Platinum Protection Whole Life* • *Golden Protection Elite Whole Life*	Age 18-85
iA Financial Group	• *Access Life Deferred* • *Access Life Deferred Plus* • *Access Life Immediate Plus* • *Guaranteed Access Life*	6 months to 80 years
Specialty Life Insurance (SLI)	• *Evolution*	Age 18-80
Beneva	• *Guaranteed Issue Whole Life* • *Simplified Term Life*	Age 18-80
Canada Protection Plan	• *CPP Deferred Life/CPP Deferred Elite Life* • *CPP Guaranteed Acceptance Life* • *CPP Simplified Elite Life*	Age 18-80
UV Insurance	• *Whole Life Pay to 10*	Age 18-80
Sun Life	• *Sun Life Go Guaranteed Life Insurance*	Age 30-74 + 364 days
Empire Life	• *Guaranteed Life Protect*	Age 40-75

Table: Insurance Journal. Source: Insurance*INTEL, 2024.*

Managing general agents are increasingly dominant

Despite property and casualty insurance brokers sensing a renewed interest from insurers in covering commercial insurance risks, the use of Managing General Agents is not expected to decrease, but instead increase.

BY ALAIN CASTONGUAY

Delegating underwriting is part of a global trend

The Canadian property and casualty insurance market is mirroring global trends in terms of delegating underwriting to Managing General Agents by insurers.

BY ALAIN CASTONGUAY

"Regular" insurers in the Canadian domestic property and casualty insurance market are increasingly entrusting the underwriting of certain risks to Managing General Agents (MGAs) or wholesalers, particularly in commercial insurance. This trend, already established globally, is expected to intensify in Canada, according to **Steve Masnyk**.

Steve Masnyk, Executive Director of the **Canadian Association of Managing General Agents** (CAMGA), points out that the Canadian commercial insurance market is worth about 20 billion dollars. In Australia, the United States, and the United Kingdom, where the presence of wholesalers is significant, they account for about half of the commercial insurance market.

Consequently, the natural market for commercial property and casualty insurance in Canada stands at 10 billion dollars. Currently, MGAs hold about 4 billion dollars of this, indicating room for growth for the wholesale distribution industry, he adds.

At the *Regroupement des cabinets de courtage d'assurance du Québec* (RCCAQ) convention held in Quebec City in November 2022, Masnyk said that he expects this move to delegating underwriting services to MGAs by insurers would gain momentum. "The trend we discussed in November 2022 has accelerated significantly. Even today, more and more insurers see the benefit of delegating underwriting services to an MGA," he says.

Insurers can continue to handle commodity products, with straightforward policies that can be underwritten quickly based on information related to 10 or 20 policy requirements. "The insurer can quickly provide a premium and a policy for this, and they do it very well. This market, they can and will keep," he says.

However, for more complex cases where an underwriter's presence is needed to draft the policy terms properly, MGAs can play their role more effectively than insurers. The reason is simple: for some highly niche products, the insurer only writes a few hundred policies per year. "It doesn't really make sense from a cost perspective, even if it's possible, to write these risks internally for such products," he says.

The trend is already here

Five years ago, a dozen insurers at most were entrusting the underwriting of certain risks to wholesalers, but that number is close to fifty in 2024, according to his estimate.

"Some manufacturers are starting to directly reintegrate some of these products into their offerings, but the vast majority do not handle these products internally because they are interested in outsourcing. There are about 15 insurers who do not deal with MGAs. They have been looking into this for a year or two and are wondering how they can do it. And they will get started in the next 12 to 18 months," indicates Masnyk.

Insurers already active in this space "are increasing their activities with MGAs because they see the financial value, and they make much more money by providing their capacity. And yet, they still sell these products," adds Masnyk.

Historically, MGAs have a better combined ratio than insurers, both in terms of claim rates and claim expenses. If MGAs occupy a larger market share, isn't there a risk of seeing this gap narrow? Masnyk does not believe so.

"If the insurer is not satisfied with the results shown by the MGA after two or three years, the contract is terminated. The insurer can then look for another MGA or take back the underwriting internally, or even abandon the product. This outcome is clear and direct because the insurer sees the MGA's loss ratio. Normally, we give ourselves a period of two or three years. An MGA may have poor results one year, and the insurer averages it out to decide whether to renew the contract or not," he says.


Steve Masnyk

Catching up

Canada is about 10 years behind the other countries mentioned above for various reasons, according to the Managing Director of CAMGA. "The MGA network was not really structured. Brokers did not really trust wholesalers. There was no standard of ethics for them, no ethical standards, no standardized operational procedures. Insurers resisted the possibility of entrusting delegations to wholesalers. All this is changing," he says.

In just two years, MGA volume has increased from 3 billion dollars to 4 billion dollars. "If we continue with the same momentum and imitate what is done elsewhere, like in the United States, Great Britain, and Australia, it will still take 5 to 10 years to get there," continues Masnyk.

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"Manufacturers realize they are good at commodity products that touch many businesses, but they are not as profitable for more complex products that require an underwriter's contribution. Manufacturers can do it, but they end up with policies that are not precise enough, with inadequate pricing," he says.

Is the hesitation of brokers to place a file with a wholesaler explained by the difference in commission received? "They receive 15 per cent commission instead of 20 per cent. If the choice presented to them is not being able to offer a solution to their client, they will receive 0 per cent, because there will be no contract. Or, they find an MGA that offers them a good product and gives them 15 per cent," says Masnyk.

Discipline is still needed, but some softening is occurring

Five managing general agents note improvements in the market, but commercial insurance remains complex to underwrite.

BY ALAIN CASTONGUAY

Jean-François Raymond

Tyson Peel

In commercial insurance, rates increased in 2023 due to reinsurance costs. Some sources in the industry suggest that we are approaching the end of the hard market in commercial insurance. Is this the case?

The initial feedback received by the management of MGA **Revau**, during an interview conducted in December 2023, suggests the end of rate increases above 10 per cent. However, as several insurers show poor claim ratios in personal insurance, they are not inclined to reduce their margins in commercial insurance, according to **Jean-François Raymond**, CEO of Revau.

Premiums are still increasing by more than 10 per cent due to the rise in insurable values. If the market stabilizes in 2024 and catastrophes do not weigh too heavily on reinsurance rates, there will be more competition in commercial insurance by the end of next year, he estimates.

Underwriters from **Lloyd's of London** have returned to the market. "It makes a difference," confirms Raymond. In 2023, several brokerage firms obtained underwriting delegations from London syndicates, which had not been seen for a decade.

Some wholesalers have lost accounts on the side of smaller businesses, as competition is fiercer among insurers. "But we are still far from seeing rate reductions," he concludes.

A little more openness

Tyson Peel confirms that insurance rate increases of 10 per cent for businesses is no longer the order of the day. The regional vice president in Ontario for MGA **Burns & Wilcox** points out that larger increases are still happening in the least profitable segments.

"But the trend for new business is definitely a much more competitive market, where pricing is significantly lower than what I was looking at the beginning of last year," he says.

He notes an improvement in the situation thanks to an increase in capacities. "There is more capacity in Ontario. I think many other MGAs or other markets are looking for risks not related to natural disasters," he indicates. Domestic insurers are also more open after greatly improving their claim rates in recent years.

A good example is the appetite of insurers for commercial real estate. "We were often approached by brokers to provide 30% of the insurable value. We are seeing more and more files where the insurer is willing to cover 100% of the risk," he indicates.

According to him, Lloyd's is more present in the Canadian market. "They are a bit more aggressive and also looking to do more business. Depending on the people they partner with, this could be positive or negative, and we have certainly seen some of that pressure," notes Peel.

The trend towards the use of wholesalers is explained by their speed of execution. "Markets come to us to launch their new products because we have the ear of brokers and the expertise within our team to offer this product," he says.

Human Relations

According to **Gabriel Morneau**, Vice President of **CHES Specialized Solutions** and leader of the MGA in Quebec, "We are indeed seeing a greater openness from some insurers who previously had no openness to giving us capacity. The reasons are quite simple. We have expertise in underwriting, and the lack of manpower means that insurers who want to achieve their growth objectives are offering capacities to wholesalers."

Since last fall, Morneau has observed that the commercial insurance market has become more competitive, "As if overnight, regular insurers wanted to start doing insurance again." As CHES does not deal with the main domestic Canadian insurers, he cannot comment on this new appetite. "But these are the echoes I get from brokers," he says.

Morneau emphasizes that the quality of the relationship maintained by the broker with an underwriter explains a good part of his or her success. "The broker who has privileged contact with an underwriter at a certain insurer is able to get answers. The market is very much based on relationships."

He explains the growth of CHES over the years by the close relationship its underwriters maintain with brokers. "I am regularly congratulated by brokers because I take the time to talk to them on the phone," he says.

He acknowledges that Lloyd's is more present in Canada than in previous years. But the London market continues to show inflexibility towards certain segments where significant losses have been recorded.

Morneau gives the example of welders since the explosion that struck a propane factory in Saint-Roch-de-l'Achigan in January 2023. Three people lost their lives. Two London syndicates covered the company's activities and its suppliers. The London market often remains focused on major events. "For them, welders are problematic. It's the same for exterior cladding contractors," he says.

In London, in June 2017, a fire in a 24-story apartment building resulted in the death of at least 71 people. "It was proven that it was the exterior cladding that helped the fire spread. When I send them a cladding contractor, they always stick to that, even if it's a small masonry contractor," he says.

Coverage for commercial buildings is another segment where competition is making its mark. "My rates are lower now than they were last year. There's no inflation in that, it's going down," notes Morneau.

Two or three years ago, CHES helped a company specialized in the installation of sprinklers to cover its professional liability. "If we can't find a solution for this company, they shut down. Today, we are at renewal, and we have to lower the premium to try to keep it," he recounts.

Right now, placing the risk of welding firms is complex, but in a few years, it is very likely that the broker will no longer need the wholesaler to underwrite this activity with an insurer. "It's a wheel that turns," concludes Morneau.

Discipline remains necessary

Certainly, the market has softened a bit in commercial insurance, but insurers are maintaining their discipline requirements before underwriting risks, according to **David Goupil**, senior underwriter and technical advisor in commercial property insurance at the underwriting agency **Pistagnesi-Doyon**.

This firm, established in Quebec, has long been an important wholesaler for brokers who want to insure restaurants, bars, or accommodation places, gathered in the large segment called "hospitality." Capacities and underwriting have been more present for a year, after good years in terms of claims in this segment that had been hit hard by the hard market since 2018. "We had to clean up because we had very difficult years, and the markets became very tight," notes Goupil.

The underwriter notes that insurers show more openness to condominium buildings, another segment highly sought after by brokers dealing with the agency. Certainly, deductible amounts are higher, especially for water damage. "We need good underwriting discipline, and we must present quality files," he says.

Buildings where short-term rental is allowed represent, according to him, "a manageable risk," even if it comes with a higher exposure. In the case of the fire in a building in the Old Port of Montreal in 2023, where seven people lost their lives, it is not the use of the building that poses a problem, he recalls, but rather the non-compliance with construction standards. "All in all, it remains a nice business niche, and the experience is good," he says.

Gabriel Morneau

However, he acknowledges that coverage for directors and officers (D&O) liability is less accessible for condominium syndicates. "Several insurers have left Quebec," confirms Goupil.

He then has to suggest to brokers to find this guarantee separately. "We would like to offer a complete solution to our brokers for condominiums, but we can't find a market that supports us on the D&O side for co-owners," he continues. Some syndicates are tied with an insurer that offers liability in addition to the policy, but premiums, deductibles, and conditions are very high.

David Goupil

David Goupil makes the same observation for professional liability (E&O) for activities related to construction, such as plumbing or heating, ventilation, and air conditioning systems. "Insurers cover this everywhere in Canada, but not in Quebec, because there is no inspection before closing the walls in the province. Insurers have paid too much in losses related to that."

Entrepreneurs covering roofs represent another risk that remains difficult to place, especially in Quebec. "Wholesalers have access to markets that are a little less local or more specialized, which have different ways of working. It's available, but it's sure that the insurer charges a high price," he says.

The quality of the relationship between the underwriter and the broker is a condition for success, acknowledges Goupil. "You have to establish your

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network and show yourself to be proactive, offer quality, rapid service, try to get that additional edge," he recounts.

"Thus, at equal premiums, the broker will favor the one who gives better service, who responds quickly, and who tries to improve conditions."

Goupil likes to offer additional guarantees that do not always have a significant impact on the premium. "Issuing a policy comes with a minimum price. If I'm selling a policy that's too expensive with reduced protections, I'm going to dress it up a bit more. In the end, it won't really be more expensive," he says.

Goupil notes that some brokers do the opposite and strip the contract of extensions to lower the premium and sell the policy to the contractor. "You run a restaurant, and there's an insurance extension for food losses resulting from a power outage. It costs $125 per year." The ice storm that paralyzed a large part of the Montreal region in April 2023 cost merchants dearly who did not have coverage for business interruption losses, he cites as an example.

Pistagnesi-Doyon maintains close relations with underwriters in the London market because intermediaries limited to domestic insurers will offer the same conditions to brokers. "Being with Lloyd's a great deal allows me to have access to different markets," he says, confirming that London underwriters are more welcoming than they were in previous years.

Patrick Bouchard

Word of mouth

Although he hesitates to give specific examples, **Patrick Bouchard** acknowledges that there is greater competition in the market for underwriting commercial risks. There are segments where pricing is down "because insurers want to keep the account and their market share," he says. According to him, since last year, insurers have shown more appetite for underwriting risks in commercial insurance.

General Manager of **Soplex** insurance solutions, Bouchard was appointed last October as Vice President, National Strategy - MGA, of the company. The MGA Soplex belongs to the **Synex** group. He observes an increase in demand from brokers, regardless of the new capacities the wholesaler has obtained.

"Brokers know us a little more, and they think of us. They don't necessarily come to us because they don't know we are present in this regular risk space in commercial insurance," he indicates.

Bouchard points out that other wholesalers are very present on social networks to promote their capacities. "We go much more by word of mouth," he says, mentioning presentations made with his colleague **Steve Power**, Director of Operations at Soplex. "In the days that follow, we see a significant increase in the number of requests coming in per day."

"Brokers need us, not just for specialized solutions or niche products," adds Bouchard. "There are a lot of insurers who have all the willingness in the world to develop their business, but they have a lack of manpower. Their response time is greater."

Soplex has obtained new underwriting delegations that allow it to meet the demand. "As an MGA, I have regular capacities to help brokers, either to complete their files or even insure the entire risk up to a few million dollars, because I have the internal capacities," he says.

He obtained delegations from the insurer **Accelerant**, founded in 2018 by **Jeff Radke** and **Chris Lee Smith**, which is entirely dedicated to MGAs. "They offer MGAs interesting capacities because the wholesaler becomes, in a way, the manufacturer of its product and its service offer. They provide capacity, service too, the actuarial side of underwriting," he adds, highlighting the advanced nature of the technological platform offered by the insurer.

Soplex was seen as a wholesaler mainly active in commercial property and casualty insurance, both for buildings and their contents and the goods produced. "We didn't have a big presence in terms of liability," relates Bouchard.

This gap was filled by the recruitment of **Manuela Ziemer**, who joined the company in April 2023. This underwriter has more than 25 years of experience within several wholesalers and brokerage firms. "She has a Canadian reputation, she has an impressive career, and she is very well known to the London markets," he specifies.

With the human resources, knowledge, and expertise of wholesalers, who use the same underwriting tools as the insurer and who maintain relations with brokerage firms, delegation is a natural avenue for insurers. "They come four to five times a year for audits. They check that what we say we do, we really do it well," he says.

Some insurers see MGAs as competitors. Those who take the time to talk to them understand their relevance better, according to Bouchard. "When we meet them, we tell them we can bring them such volume because we are good in that niche. We can bring them a significant increase in volume because we are going to do it on their behalf."

The wholesaler has no choice but to be meticulous in underwriting risks because insurers have an exit door if the results are poor. "You may have a delegation contract with them, but if things don't go well, they press the eject button. And 60 days later, you can no longer write business with them," he notes.

The advantage of Soplex's association within a large brokerage firm like Synex is of the same order as that shared by other large firms with wholesalers. "If things go less well in a contract with an insurer, the volume is diluted in the overall volume of Synex with this insurer," he says.

Recruiting and training underwriters

Insurers struggle to recruit personnel in underwriting. Wholesalers like to train them themselves, especially by recruiting brokers.

BY ALAIN CASTONGUAY

Personnel is scarce in all companies involved in insurance underwriting, both among insurers and wholesalers. Part of this scarcity could be filled by improving productivity among underwriters thanks to technological advances.

"In the industry, some companies still operate like in the 1990s," laments **Steve Masnyk**, Managing Director of the **Canadian Association of Managing General Agents** (CAMGA). He cites the very existence of a company specialized in transporting paper files between brokerage firms and insurers as proof.

Several colleges offer training programs in insurance. "There are a few that are very good in Ontario, and we are starting to improve the course offer for the work of underwriting. Most of our members recruit young people to perform this task, and they take care of training them with mentoring," he indicates.

According to him, a growing number of graduates begin their careers directly within a wholesaler because they see the possibility of a long career there. "Many of our members recruit underwriters from the insurers themselves, which is a good thing for our members. There is mentoring, and MGAs hire underwriting assistants or junior underwriters to train them and show them how the company works," he specifies.

Training and recruitment

According to **David Goupil**, senior underwriter and technical advisor in commercial property insurance at **Pistagnesi-Doyon**, wholesalers in property and casualty insurance do not use the same systems in place at insurers that frame the work of underwriting. As a result, training personnel responsible for underwriting requires a longer accompaniment but proves to be rewarding.

"Working within an MGA is a bit different," he explains. "We don't have all the computer platforms that insurers have to manage their daily underwriting. Our underwriters have to ask more questions, analyze more in-depth," he says.

Goupil himself was an underwriter at an insurer for nine years, and also a broker in business insurance, before joining Pistagnesi-Doyon. "I saw that it was very different when I arrived here. I don't have a machine that thinks for me," he says, adding that underwriters have less leeway at an insurer.

Recruiting an experienced underwriter brings expertise to a wholesaler, as the qualified person already has his network. "It can open doors for us," notes Goupil. The broker will follow an underwriter who changes employers if he maintains good relations with him.

For junior underwriters, accompaniment is longer. The recruit will be paired with a mentor who will help him develop his analytical abilities until he becomes autonomous. After a year, the underwriter will be able to submit his files directly to the insurer without having them approved by his supervisor.

"Insurers are able to take underwriters who really start on day 1, who have never done underwriting and who come out of college. With wholesalers, I have no choice but to have a minimum of experience in brokerage," he continues.

The broker with a few years of experience has had to present risks to an insurer. He has an understanding of the underwriting mechanism and the elements required to analyze a file. "These are underwriters who are very successful, and their files are impeccable," he says.

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Concern for manpower

Patrick Bouchard, General Manager and Vice President, National Strategy - MGA, of Soplex insurance solutions, insists on the necessity of treating employees well. "We have no problem recruiting, on the contrary," he says. Having grown from 7 to 23 employees in just over two years, Soplex recruits largely through references obtained through its own employees.

"It's a chance to be part of a large group like Synex," he continues, highlighting the contribution to human resource management and the company's philosophy. "I can focus on underwriting, and I transmit my passion. It's contagious, the fact of working is a pleasure," he says.

"The secret to keeping your employees is to respect them and show them that they are part of the company's success," he adds.

The wholesaler's success is through the expertise it brings to the insurer and the broker, he reiterates. "We do what we love to do, and we are good at what we do. If I can't take care of your file, it's because I don't have the expertise or the insurer to help you," says Bouchard.

For his part, **Gabriel Morneau**, Vice President of CHES Specialized Solutions and leader of the wholesaler in Quebec, prefers to recruit assistants whom he can contribute to training in underwriting. "They start by issuing policies, they learn endorsements, exclusions, pricing guides, and gradually, we can entrust them with a role in underwriting." A few months are sufficient, but the duration varies according to the candidate's qualities.

Just like David Goupil, Morneau notes that the underwriter who previously worked at an insurer in a very structured system, with a rigid platform that determines the rates and conditions of the policy, must adapt to the latitude the wholesaler gives him.

Regional Vice-President in Ontario for **Burns & Wilcox**, **Tyson Peel** notes that the wholesaler has a good reputation as an employer, as several of the people recruited were referred by the company's employees. "Finding talents to work in an MGA is not that easy. You need a good mix of sales skills and underwriting expertise if you want to succeed," he says.

The training of underwriters is a constant concern, acknowledges Peel. "Nobody calls a wholesaler for fun. If you don't have the expert in a particular market, why would the broker do business with you?" he says.

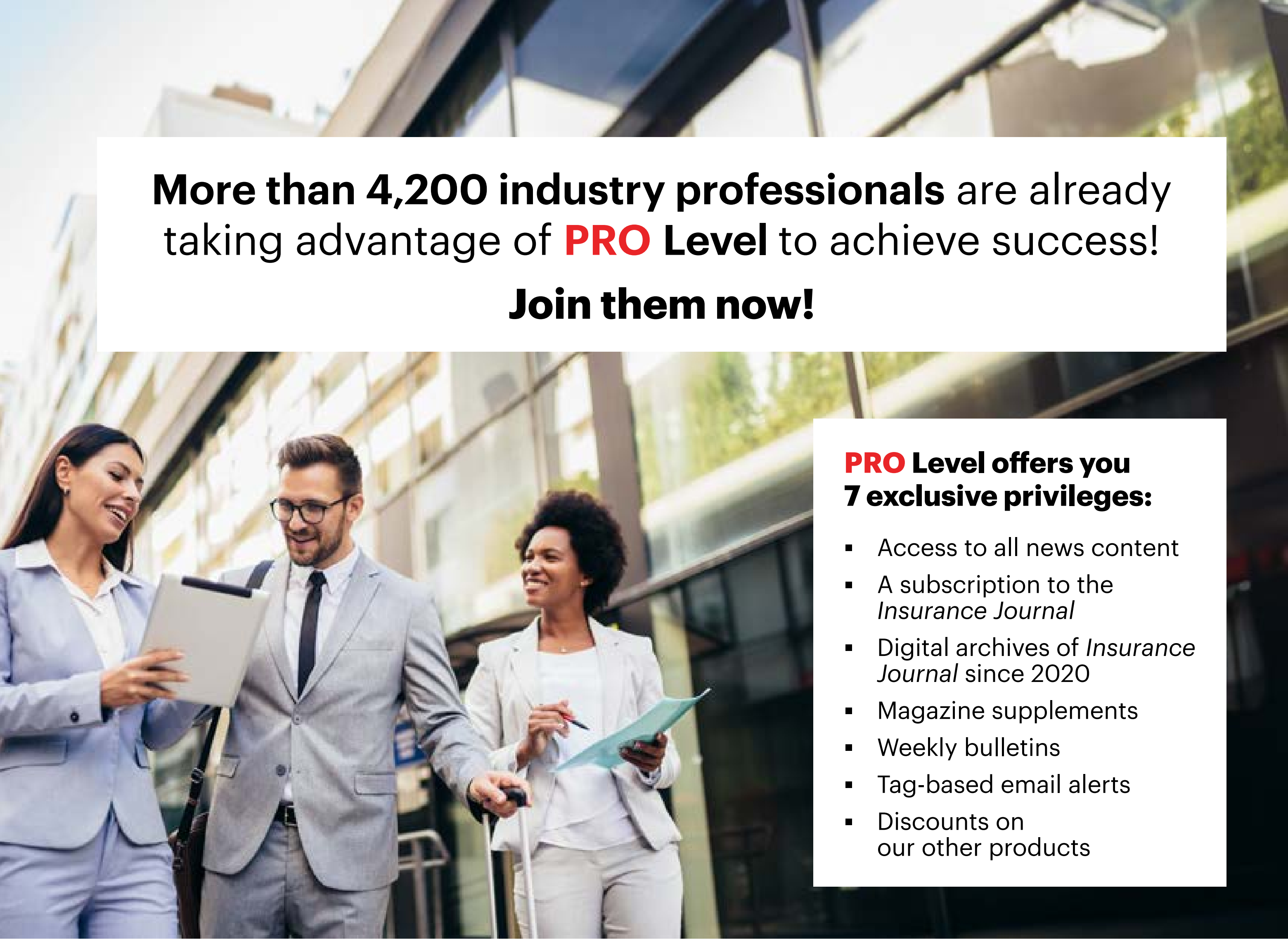
He also likes to train his own employees in underwriting and to take the necessary time. "Everyone is in a hurry to run before learning to walk. You have to do your time and test the water before diving in," he says. The **H.W. Kaufmann Group**, which owns Burns & Wilcox, operates its own training institute where recruits can find the field where they can unleash their potential.

It happens that employees leave the company, attracted by an offer from the competition, before coming back. "They realize that the grass is not greener elsewhere," says Peel.

MAGAZINE SUPPLEMENT

- **Wholesalers have growth ambitions** For **PRO** Level members

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



Mental health disorders: Clearing the fog

Insurers and doctors agree that the battle is just beginning.

BY MARIE-HÉLÈNE PROULX

$2.5 trillion. A thousand billion multiplied by 2.5. This is the amount **Valerie Legendre**, Director of Mental Health Solutions at **Sun Life**, presented on screen at the Group Conference on Feb. 20 organized by **The Insurance Journal Publishing Group**.

According to **Deloitte Canada**, this $2.5 trillion represents the estimated amount to be spent in Canada to combat mental health problems by 2041.

A dormant volcano

During the same conference session, statistics revealed by **William Lindsay**, Senior Disability Management Advisor at **Desjardins Insurance**, showed a drop in the number of long-term disability (LTD) cases related to mental health since the start of the COVID-19 pandemic. This result is primarily due to a decrease over the last 12 months of the study, conducted by Desjardins, which continued until September 2023.

However, instead of trying to convince his audience of the relevance of his figures, Lindsay reports the cautionary advice of statisticians around him. "They told me, 'These numbers will distort reality.'"

Lindsay, therefore, encourages his insurance peers to take a step back to favor a broader picture of the situation. "What we noticed, at the same time as this decrease, is a significant increase in the taking of mental health medications: we reduced disability cases by 8 per cent, but medication increased by 17 per cent."

According to Lindsay, this decrease is largely due to the economic situation. Currently, workers are less inclined to admit to being ill, fearing job loss. "This lack of money stresses them and weakens their morale, but they do not have the means to take care of themselves after work. So, we are dangerously going in circles at the moment."

Lindsay provides ample evidence of this concern: 63 per cent of employees currently spend their entire salary, if not more, and nearly half of the workers worry about repaying their debt, in a context of increased inflation that is not expected to stabilize before 2025. According to him, having forms of psychological support within reach, especially, financially accessible, through Employee Assistance Programs (EAP), then becomes crucial. "When we know that one of the barriers to obtaining support is financial considerations, it is all the more important to make the connection with employees' mental health."

This lull, therefore, does not call into question the trend described by Valerie Legendre, indicating that one in three Canadians will be affected by a mental disorder during their lifetime and that problems related to this type of disorder will account for 70 per cent of all disability costs by 2041.

Moreover, according to the **Telus** Mental Health Index, other aspects than finance are affecting the quality of life of Canadians since COVID-19. And they will not disappear.

Complex challenges

Nadège Gousse, Vice President, Customer Success, Quebec section, at Telus Health, another speaker at the Group Conference, discussed teleworking. "The blurring of boundaries between work and family has brought really complex challenges: we are witnessing days that never end, because the office is in the house, and the family remains present because it is part of the work environment."

As a result, employers would do well to be aware of the importance of having sufficient coverage, considering that overcoming mental malaise is more of a marathon than a sprint.

Employers have significantly increased their offering in this regard. But the $2,400 offered on average to employees does not yet meet actual needs. The **Canadian Psychological Association** (CPA) suggests amounts around $3,000 or $4,000, which is necessary for about fifteen sessions, the average number to treat a person suffering from anxiety or depression, according to the CPA.

Legendre has observed the effects of this gap well beyond the numbers. "In clinic, I see a lot of distress from people who have opened up during one or two meetings and who, finally, with the financial stress they are experiencing today, no longer have the means to continue."

Adjusting to demand thus allows employers to remain competitive in terms of their social benefits but also to protect their own interests, emphasizes Legendre. "If I encounter a challenge in my life and can immediately seek appropriate help, I will have a greater ability to bounce back, and therefore, at that moment, have less chance of seeing my overall functioning being affected."

Knowledge is power

But all experts agree that the problem is not limited to a lack of resources: their underutilization is also an issue. Valerie Legendre points to the persistent stigmatization and lack of information or understanding of available resources as obstacles to overcome: not only do many employees hesitate to ask for help, but between psychiatrists, psychologists, and other therapeutic forms, they struggle to identify what suits them.

According to Legendre, information posted on walls and virtual documents do not always suffice to address this situation. An environment where the culture contributes to daring to talk about what is not going well, and the solutions that have worked, appears to her as a more effective trigger.

To achieve a more empathetic mode of communication, the choice of words, for example, speaking of "a person experiencing a depression episode" rather than "a depressive," paves the way for dialogue.

William Lindsay also relates, supported by studies, that by taking the first step in revealing their difficult moments, leaders contribute to overall well-being. "It doesn't mean they have to talk about the medications they take, what problems they have, what therapist they meet, but they need to be able to open up when they have moments of anxiety, about their night of insomnia, for example," he says.

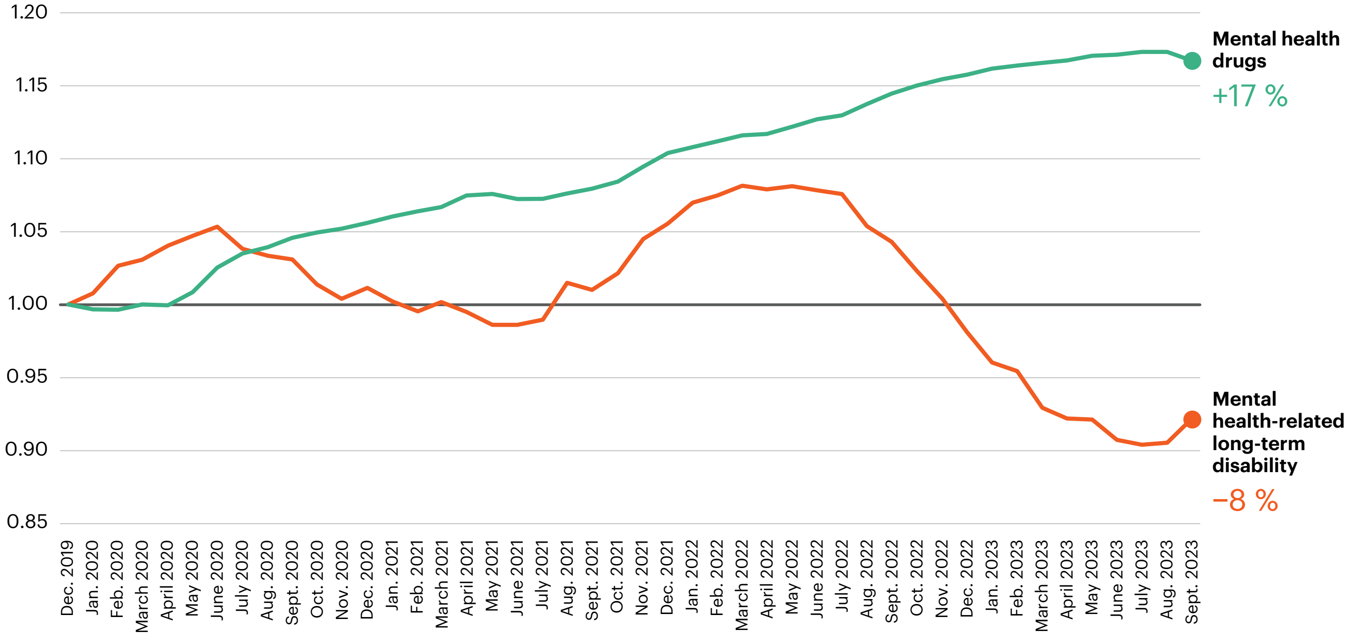
Another challenge is to build services sufficiently tailored to adapt to the reality of their beneficiaries. And a single formula is far from fitting all, as ➜

Valérie Legendre

William Lindsay

Nadège Gousse

TRENDS IN CONSUMPTION OF ANTIDEPRESSANTS AND ANXIOLYTICS AND IN MENTAL HEALTH-RELATED LONG-TERM DISABILITY



Source: Desjardins

Vincent Dumouchel

illustrated by Nadège Gousse in this example: email will not be the best way to communicate with people who work in stores all day and do not have access to their cell phone.

Clouded communication

Employers, however, do not always feel comfortable addressing mental health with their employees, fearing a faux pas. Among the erroneous beliefs that can taint the judgment of employers, that counselors can help demystify, Valerie Legendre cites the tendency to confuse mental disorder and social ineptitude. “One can have a well-being index that is said to be satisfactory, have an adequate level of functioning at work even if experiencing a diagnosis associated with a mental health disorder, thus a psychiatric disorder,” she says. This understanding is all the more important, in her opinion, as promoting a rapid return to work often contributes to health.

Even among different practitioners, the understanding surrounding the terms insurers rely on is not unanimous. **Vincent Dumouchel**, a family doctor and founder of the **Redeo API** app for insurers, can attest to this. He says doctors are trained to diagnose physical and mental health, but not necessarily to conceive disability in the same way as an insurer.

“More and more, I am getting closer to your world and understand that disability is understood as a functional limitation, for example, and that it influences the patient’s, the insured’s, life at work, as well as at home,” he says.

This is just one of the reasons, in his opinion, why communications between doctors and insurers do not reach an optimal level. The doctor also has a certain duty of reserve imposed by his professional order, to always ensure to preserve, the patient’s interests first.

In addition, simply not being able to use the most common means of communication to reach doctors is also part of the problem. Dumouchel notes that he still receives too many faxes and phone calls that he struggles to integrate into his schedules. He remains convinced that if insurers could communicate directly with doctors, using electronic methods, exchanges would be easier.

Required collaboration

Dr. Dumouchel’s practice has allowed him to discover that better collaboration with insurers does not necessarily threaten the well-being of patients. On the contrary, “We have no idea of the coverage an employee who comes to our office for a consultation has. Would it be possible for family doctors to have access to this kind of information? Sometimes, there are a lot of resources around a patient that we could use.”

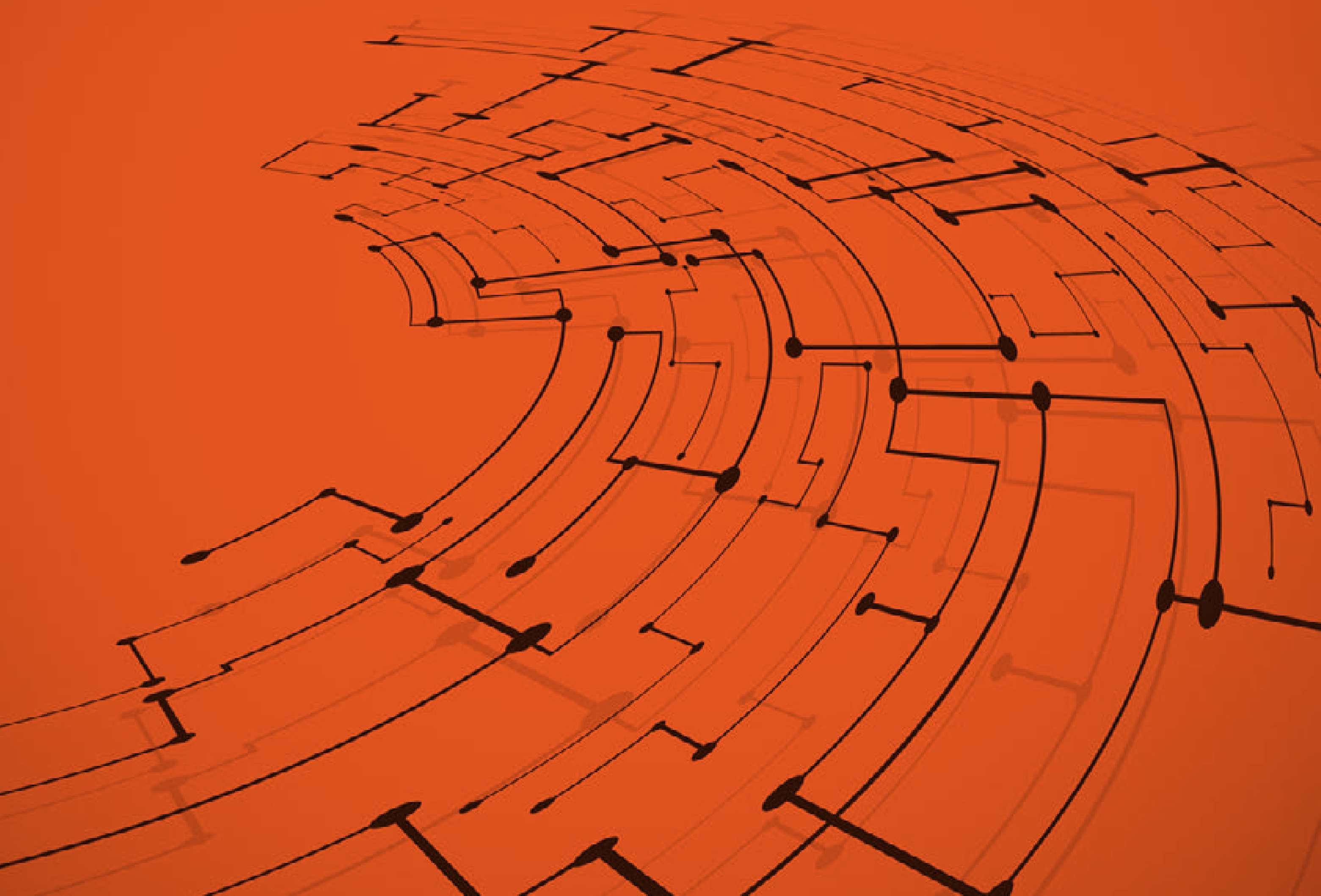
Indeed, if there is one message that achieved consensus during the panel, between the doctor and insurers, it is the importance of striving for this collaboration, says Nadège Gousse. “We could create bridges between different stakeholders…and remove this responsibility from the patients...”

This collaboration would contribute to supporting the person in their entirety. Indeed, adds Gousse, it would offer better support to those who present themselves in a practitioner’s office with physical ailments caused by stress, for example. “Waiting for the person to know what they need is problematic in some cases.”

Connectivity still lagging behind

The property and casualty insurance industry is moving at a slow pace towards digitalizing interactions with intermediaries. In addition, a regulator is consulting on the regulation of artificial intelligence (AI) usage in financial services. A survey conducted by Reuters confirms that insurers are slow to implement AI tools.

BY ALAIN CASTONGUAY



Brokers must improve customer experience

Insurers and intermediaries in the property and casualty sector are striving to enhance the connectivity of their interactions, driven by increasingly demanding customer expectations.

BY ALAIN CASTONGUAY

February's *Sommet Technologie en courtage* (broker technology summit), organized by the **RCCAQ**, *Regroupement des cabinets de courtage d'assurance du Québec* (Quebec's insurance brokerage firms association) attracted over 170 participants, signaling a growing interest in enhancing customer experience and streamlining the insurance process.

Jean-Philippe Martineau and **Alexandre Guilbert**, members of the event's organizing committee and the RCCAQ's technology committee, highlighted the summit's goal as a wake-up call for the industry. **Tom Reid**, from consultancy firm **GRTR**, stressed that consumers increasingly prefer to buy insurance products online, but this doesn't necessarily mean a decline in business for brokerage networks compared to direct insurers.

To expedite digital transition, the committee invited participants from outside Quebec, acknowledging that innovations across Canada and the United States are often overlooked due to language barriers. Martineau, the technology committee's president, lamented the industry's late digital transition, noting that there is a stronger will to make progress in commercial lines than in personal lines.

The summit aimed to showcase concrete solutions already implemented by firms facing similar challenges. **RCCAQ Innovation** was recently created to spearhead the *Initiative de transformation numérique* (digital transformation initiative), funded by a grant from the ministère de l'Économie et de l'Innovation du Québec in 2022.

Jean-Philippe Martineau

Alexandre Guilbert

Alexandre Guilbert discussed **Demano**, a platform launched in 2023, which has seen significant engagement from brokerage firms and insurers. Demano's goal is to bolster the brokerage presence online, amid competition from platforms like **ClicAssure** and **Sonnet**.

Martineau and Guilbert also emphasized the importance of brokers playing a proactive role in their firms' digital transition, warning against over-simplification in insurance policy underwriting processes that could undermine the legal implications of insurance contracts.

Despite the rapid advancements in AI, both brokers underscored the priority of security in using new technologies, advocating for a balanced approach that enhances efficiency without compromising critical thinking in risk assessment.

As the industry embraces AI, Martineau suggested referring to digital tools as augmented intelligence, cautioning against overreliance on technology without sufficient understanding to identify potential errors or "hallucinations."

Through trial and error, Guilbert has explored innovative approaches to connectivity and digital solutions, underscoring the importance of continual learning and knowledge sharing within the brokerage community.

The RCCAQ aims to position itself as an innovation hub, encouraging knowledge transfer to brokerages of all sizes, thus fortifying the industry against disruptions from digital giants by leveraging data collection at the brokerage level.

Regulator reflects on best practices

The potential benefits and challenges of artificial intelligence (AI) in financial services are under review, focusing on product creation, cost reduction, and customer experience enhancement.

BY ALAIN CASTONGUAY

Yves Ouellet

At its annual Rendez-Vous event, Quebec's financial markets regulator introduced a discussion paper on best practices for responsible AI use in the financial sector, aiming at initiating an open dialogue on AI's implications.

Yves Ouellet, the **Autorité des marchés financiers**' (AMF) CEO, highlighted AI's significant benefits and complex risks for the financial industry, with the paper outlining 30 best practices for responsible AI usage. The paper does not establish new obligations for financial institutions.

Stakeholders in Quebec were invited to provide feedback by June 14, 2024, building on the AMF's commitment to responsible AI use, as demonstrated by its early endorsement of the Montreal Declaration for Responsible AI Development in 2018 and subsequent recommendations and participation in collective reflections on AI regulation in Quebec.

The AMF underlines AI's potential to benefit consumers through new products, cost savings, and enhanced customer experiences, while urging adherence to best practices for risk management. The discussion paper addresses consumer protection, transparency, system relevance, responsibility, design, usage, and AI-related risk management and invites additional input from financial sector participants on AI's risks, innovation impacts, resource availability, and generative AI integration.

An extensive bibliography provides further insights into responsible AI usage worldwide.

A GROWING INTEREST IN ARTIFICIAL INTELLIGENCE AMONG INSURERS

Insurers are already leveraging technology for claims management and fraud detection, yet further advancements are necessary.

A recent report by **Reuters Events**, produced in partnership with **Clearwater Analytics**, reveals that 80 per cent of respondents from the insurance sector are using or planning to use generative AI within the next 12 months, with investments in this technology expected to increase.

The report highlights the insurance industry's growing interest in AI, particularly generative AI, as a crucial component for staying competitive and relevant. **Souvik Das**, CTO of Clearwater Analytics, emphasizes the importance of human oversight in AI applications for claims processing and policy underwriting.

The survey indicates a focus on claims management and underwriting as primary areas for AI application, with expectations for significant investment in these areas alongside customer service enhancements.

Despite positive outcomes from current AI users, there remains a portion of respondents uncertain about achieving their expectations with AI, pointing to the need for patience in realizing return on investment.

The survey data, collected from over 600 insurance professionals, predominantly from North America, including Canada, reflects a wide range of company sizes with a focus on the property and casualty insurance sector.

(*Alain Castonguay*)

Consolidators drive up bidding in group insurance market

Buyers are willing to pay more to secure their investments. Observers have noted that group insurance firms are being negotiated for at unprecedented prices.

BY ALAIN THÉRIAULT

In the group insurance distribution network, competition is fierce, and sales multiples are soaring. Major consolidators with deep pockets are in action, and according to our sources, some are purchasing firms at very high prices.

The wave of consolidation continues in the group insurance and savings distribution network. *Insurance Portal* reported on March 6, 2024, that **Hub International** acquired **Zavitz Insurance and Wealth Inc.**, a group insurance firm that also offers life insurance, living benefits, financial planning, and retirement products.

A month earlier, Hub acquired the property and casualty insurance firm **Mitchell Sandham**, including its group insurance and benefits subsidiary, **Mitchell Sandham Group Benefits**.

Hub International completed seven acquisitions in 2023. Among them, The **Musgrave Group**, an Alberta-based benefits firm specializing in small and medium-sized enterprises, and **JRP Financial Services**, also from Alberta, specializing in benefits, retirement planning, and human resources. Another acquisition targeted a human resources firm in Quebec, namely **CGC Consultants**.

Another active consolidator in group insurance, **People Corporation**, recently acquired **Nexim Canada**, a firm specializing in insurance for associations. Nexim offers, among other things, the PrimaSure plan to members of the **Canadian Federation of Independent Business** (CFIB).

Its recent acquisitions also include the insurance firm **Robertson Eadie & Associates**. The Ontario firm specializes in consulting services in the actuarial, retirement plans, and investments sectors. The Canadian consolidator also acquired **Johnstone's Benefits**, a group insurance firm established in British Columbia.

Goldman Sachs acquired **People Corporation** for CAD 1.13 billion in December 2020, attracted by the consolidator's growth prospects.

Continuing acquisitions

AGA is also on the acquisition trail. The group has made five acquisitions since 2020 when **Novacap** became a shareholder, including that of **PPI Benefits** in October 2021. It plans to continue on this path with its new financial partner, the private investment firm **TA Associates**, which invested CAD 100 million in AGA. AGA's last acquisition was in October 2023, when it acquired **Cangaroo**, a firm specializing in payroll services and human resources.

Martin Papillon, CEO of **AGA Benefit Solutions**, observes a bidding war in the multiples paid to acquire group insurance firms. He says that the top range of multiples can sometimes stretch up to 14 times, even 17 times a firm's earnings before interest, taxes, depreciation, and amortization (EBITDA).

If he finds the perfect match, he won't let it go. "We are surprised to see the height of the multiples currently being paid, but we will adjust to follow the market," he says. However, Papillon does not intend to bid recklessly: the targeted company must meet his criteria to push him to raise the bid beyond the basic multiples. (See subheading: strategic acquisition).

Martin Papillon

Property and casualty insurance drives multiples

Consolidators from the property and casualty insurance sector are making their way into group insurance. Among them, **Navacord** completed 22 acquisitions in 2023, mainly property and casualty insurance firms. Among its other acquisitions is **Medi-Quote Insurance Brokers**, a firm established in Manitoba and Alberta specializing in travel insurance as well as health and dental insurance.

Synex business performance is also among the consolidators active in both property and casualty and group insurance. Its president and chief vision officer, **Yan Charbonneau**, believes that the acquisition multiples are currently excessive, especially in the property and casualty distribution network. "We see all kinds of transactions in the market at very high prices, for the bigger platforms (about CAD 300 million and more in premium volume). The multiples are crazy, 16 to 18 times EBITDA, with earnouts," Charbonneau states.

> We are surprised to see the height of the multiples currently being paid, but we will adjust to follow the market.
>
> – Martin Papillon

In consolidator jargon, an earnout is an agreement where the seller gets a better price for their business in exchange for a certain risk: they will only get the full sale amount if they meet the growth targets agreed upon in the deal.

Charbonneau expects this spike in multiples to be carried over to group insurance in the coming years, due to the similarities of the market with that of property and casualty insurance.

He notes, however, that smaller group insurance firms are not seeing their prices change much. These small businesses are traded based on a multiple of their recurring revenue: for example, 2 to 3 times for firms generating an annual revenue of less than CAD 1 million, or having a premium volume of less than CAD 10 million (see table: Value index for group insurance and benefits clientele).

For firms willing to take risks, the multiples increase. "We observe multiples of 5 times the recurring revenue of a profitable, well-structured company where the entrepreneur takes risks by doing an earnout," indicates Yan Charbonneau. A less profitable firm, he says, will sell for about 3.5 to 4 times the recurring revenue.

➜

Yan Charbonneau

A larger firm, for instance, holding a premium volume of CAD 500 million or producing an EBITDA of more than CAD 10 million, could achieve the highest EBITDA multiples. “As soon as you exceed CAD 10 million in EBITDA, you add a lot of value. You attract the attention of American private equity funds and the Marsh McLennans of the world,” adds Charbonneau.

To explain the high multiples in property and casualty sector transactions, Charbonneau mentions that buyers are larger and more sophisticated. “Also, competition is stronger in property and casualty insurance, and consolidation started before what we’re seeing now in group insurance,” he adds.

> As soon as you exceed CAD 10 million in EBITDA, you attract the attention of American private equity funds.
>
> – Yan Charbonneau

Charbonneau also believes that it’s easier to get financing for acquiring a property and casualty insurance firm than for a group insurance firm. “Financing programs in general insurance started much earlier. Today, group insurance firms benefit from the same financing conditions, because we’ve managed to convince banks that group products are similar in terms of recurring revenue,” he specifies.

INTEREST RATES ARE NOT DAMPENING CONSOLIDATORS’ ENTHUSIASM

Martin Papillon, CEO of **AGA Benefit Solutions**, notes that rising interest rates usually decrease the sales multiples of firms, as financing costs increase. However, he underlines that interest rates “have been rising steadily and rapidly for two years, and this has had zero impact on the multiples paid for acquisition targets at the moment.”

The **Bank of Canada** raised its key interest rate from 4.25 per cent in December 2022 to 5.00 per cent in July 2023. On March 6, 2024, the Canadian central bank announced it would maintain this level for a sixth consecutive time. It maintains this rate despite a decrease in the inflation rate, which went from 3.4 per cent in December 2023 to 2.9 per cent in January 2024.

Papillon also notes that medium-sized targets are fewer today, due to the wave of consolidation that has been sweeping through the industry in recent years. “Will consolidators go lower down the food chain, to make smaller transactions?” he wonders.

This prospect leaves him rather cold. “I don’t know if that will be our case. The due diligence costs are quite significant for each transaction. I don’t know if they will justify acquiring smaller firms,” he says, adding that he plans to focus on the larger firms still available. “There are still large firms, especially in the huge Ontario market, which is still extremely fragmented,” says Papillon.

(*Alain Thériault*)

He adds that private equity funds like general property and casualty insurance, which has proven its worth, and are starting to like group insurance. “This reassures banks that private equity funds are placing their money in this sector,” he says.

Individual insurance: Segment!

“In individual life insurance, we’re not there at all,” says Yan Charbonneau, regarding the financing acquisition possibilities of these firms and their appeal to private equity funds.

Individual life insurance and financial services firms mostly trade at a multiple of their recurring commission revenues (See table: Value index for individual life insurance clientele). These transactions generally don’t appear on the radar of consolidators. They are most often negotiated between two firm owners. And sellers are much rarer than buyers.

How can individual life insurance and financial services firms make themselves more attractive? Segment your policies, suggests **Martin Luc Derome**, owner and CEO of **Queenston M&A Inc.** The company was founded by **Jerry Butler** in 2012 and recently acquired by Derome.

Queenston offers a virtual marketplace that allows, among other things, sellers to profile their individual insurance and investment funds clientele, and to enable potential buyers to make an offer and negotiate with the seller until the sale is closed.

At the time of writing, Derome was about to officially launch a tool for segmenting the insurance policies and segregated funds of a clientele, for his platform’s users. Sellers can list a block of policies. And the blocks go fast! He cites the case of a seller who listed nearly 3,000 segmented policies on the platform. “The block was sold at 4 times the recurring revenues. I found it a bit exaggerated, but the sale was concluded in eight days,” he confides. The seller in question had chosen to sell his policies in batches of 500.

Among the information that a seller can list to segment their policies are the age range of clients, the distribution of different types of assets, the revenues generated by each type of products, the ranking of main providers, the type of clients (saver, professional, business owner, for example), etc. Queenston charges fees equivalent to 10 per cent of the sale price.

Based on the transactions concluded on the Queenston platform, Derome observes that the multiples have increased in group insurance. Previously, when a group insurance firm sold at an insurance revenue multiple of 2.75 that was considered a lot. Now, it can easily sell for up to 5 times the insurance revenues.

In individual insurance, he relates that clienteles in funds were trading at multiples of 3 to 3.5 times. The multiples climbed to 5 times when managing general agents began buying advisors’ clienteles.

"Now, all the businesses are mixed" at the time of sale, he observes. Why? "Because it's a seller's market," he replies. "I could sell 15 to 20 business blocks (books) a day if I had them. The fact that there aren't many offers makes sellers demanding."

He explains that in the financial services sector, the advisor selling a small group insurance clientele won't have as strong a multiple, because it's the investment funds and individual life insurance that drive up the value.

Strategic Acquisition

While large group insurance firms remain attractive, consolidators don't dive in blindly. At AGA Group Insurance, Martin Papillon examines the business model of the targeted company to ensure it can seamlessly integrate with his own (a quality often summarized by the word fit, in the industry jargon).

Papillon says he remains focused on his business model: acquiring companies and integrating them into his organization. The executives of the acquired firm then become shareholders of AGA. "We don't just integrate the brands, we integrate the people. Within a few weeks, all the technological resources migrate to our server. Employees all have the same payroll and benefits systems. We liquidate the purchased companies to make them one. This is what distinguishes us as a consolidator," asserts Papillon.

Among the criteria with which he filters a target for acquisition: the quality of its management team and its prospects for organic growth. "Year after year, we have between 15 per cent and 20 per cent organic growth. If you buy a company whose revenues have been stagnant for 5 years, growth will be a challenge. We will pay a premium for firms that are growing," highlights Papillon.

He says he will also pay a premium to acquire technology that he won't have to develop (See subheading: Strategic Acquisition). During the acquisition of Cangaroo, Martin Papillon stated that the Cangaroo HR platform was at the heart of the transaction. At the time of the transaction, Papillon said he was counting on more than 2,700 clients to quickly tap the full potential of the platform.

Synex Business Performance received an investment of more than CAD 100 million from the private equity fund **BBH Capital Partners**. In return, BBH became a minority shareholder of Synex and sits on its board of directors. Yan Charbonneau expresses the consolidators' viewpoint on the bidding war in terms of strategic acquisition. "They think: 'As long as I'm doing a transaction, I'll make it big and I'll put the price on it, because I'm going to take a significant place in the Canadian market.' Especially if it's an English-speaking group looking for a French-speaking company to establish itself in that market. Beyond a certain threshold, Quebec firms are attractive," explains Charbonneau.


Martin Luc Derome

He says he is looking for companies in locations where Synex is not present, "or that have expertise we don't have. That will be our strategy for the coming years."

> The block was sold at 4 times the recurring revenues. I found it a bit exaggerated, but the sale was closed in eight days.
>
> – Martin Luc Derome

Specialize!

He adds that he still believes small firms have a future if they can make themselves indispensable. "Specialize and you will become very attractive to a big player. That's the key for a small firm that wants to create value," says Charbonneau.

"Be a niche firm in a specific area, for example, in technology. If I don't have a specialist in that sector, I'll be ready to pay a premium and go higher than the market to have it," he says. "Other consolidators think the same way. Niche firms go for exorbitant prices when they are specialized because resources are scarce and it takes a long time to develop a specialty on one's own."

According to Charbonneau, a small specialized firm established in a region, for example in northern Ontario or Quebec, will also be attractive to consolidators, who are looking to diversify their geographic presence. He also anticipates that consolidation will intensify in 2024.

MAGAZINE SUPPLEMENTS

- **Tips for increasing your firm's value** For **PRO** Level members
- **Harnesssing group insurance data: The Power of statistics** For **PRO** Level members

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

Group insurance and benefits business value index

BY INSURANCE JOURNAL

EVALUATION MULTIPLES OF EBITDA* ATTRIBUTABLE TO THE VALUE OF THE BUSINESS OR FIRM

*EBITDA: Earnings before interest, taxes, depreciation and amortization

Income

- $1M—$3M: 6 to 8 times EBITDA
- $3M—$7M: 8 to 10 times EBITDA
- $7M—$15M: 10 to 12 times EBITDA

Volume of premiums (or renewal commissions)

- Less than $10M in premium volume (or less than $1M in revenue): 2 to 3 times renewal commissions
- $10—$30 million: 6 to 8 times EBITDA
- $30—$75 million: 8 to 10 times EBITDA
- $75—$200 million: 10 to 12 times EBITDA

Notes

Multiples may increase in the case of a strategic acquisition, namely when the acquirer targets a firm that would allow it to expand its range of services or products offered, or to gain a foothold in a region where it is not present.

Each qualitative criterion can receive a positive, neutral, or negative evaluation. Depending on the overall score, the target price will be higher or lower in the multiple range.

RETENTION AND TURNOVER RATES

- Clientele persistency or turnover rate
- Client persistency with the same carrier
- Frequency of calls for tenders

BUSINESS QUALITY

- Proximity between sellers and their customers, depth of the relationship and fast service (service can substitute for proximity)
- Business with expertise in a specific niche
- Value-added offer: exclusive products (administrative service, integrated insurance product, etc.)
- Recent growth: new services, innovation

COMMISSIONS

- Percentage of commissions
- Long-term sustainability of renewal commissions

TRANSFER CONDITIONS

- Planned sale, sudden death of the owner, or quick sale to allow early retirement?
- Flexible transaction terms: seller agrees to finance the sale over more than one year, balance of sale, etc.
- Seller stays on a few years after the transaction (ideally two or three years)
- Strategic fit (does the transaction support the strategic plan?)
- Operational fit (similarity, complementary, cultural affinities)
- Ease of integration (potential for successful closing and future manageability)

SELLING FIRM CHARACTERISTICS

- Firm size in premium volume (additional bonuses)
- Owner has employees
- Administration or payment systems (third-party administrator; third-party payer) in place
- Files are computerized
- Business transfer agreement with MGA or peer
- Cross-selling potential with a business partner in Property & Casualty (P&C) insurance, individual life insurance, individual investment funds or group annuities
- Quality of files and of bookkeeping

GROUP CHARACTERISTICS

- Average group size: Groups well diversified within the firm (e.g. premium revenue is not overly concentrated within just a few groups, ensuring a wider distribution of financial sources)
- Is the group self-insured?
- Age of files (groups)
- Groups' economic sectors

Business value index for individual life insurance clienteles

BY INSURANCE JOURNAL

EVALUATION MULTIPLES

*EBITDA: Earnings before interest, taxes, depreciation and amortization

Renewal commission multiples (of EBITDA) based total in-force insurance premiums

- $1 million and more: 5 X
- $500,000—$999,999: 4 X
- Under $500,000 of premiums: 3 X

Renewal commission multiples based on total annual renewal commissions

- $45,000 and more: 4.5 X
- $20,000—$44,999: 3.5 X
- Less than $20,000: 2.5 X

Asset multiples based on assets under administration

- $40 M and more: 2.0%—3.0%
- Around $20 M and more: 1.5%—2.0%
- Around $10 M: 1.0%—1.5%
- Around $1 M: Less than 1.0%

Trailer fee multiples based on total annual trailer fees

- $100,000: 3.5 X
- $50,000—$99,999: 3.0 X
- $10,000—$49,999: 2.5 X
- Less than $10,000: 2.0 X

REVENUES AND GROWTH

$$$ (green)	■ High EBITDA ■ Renewal commissions recurrent and long-term (and other retention or service bonuses) ■ Low client turnover rate (high business retention rate) ■ Average client contribution to investment products increasing ■ Regular revenues (cash flow)
$$ (green)	■ Clients' age points to good potential for future contributions or deaccumulation products ■ Clients whose RRSPs are approaching maturity (possibility of transfer to income products) ■ Low client turnover rate, high business retention rate ■ Renewal commissions protected by contract with insurer (acquired) ■ Diversified clientele ■ Many sales have taken place in recent years ■ Cross-selling potential (e.g., buyer has a life clientele and the seller an investment funds clientele) ■ Potential for matching or surpassing revenues of previous year ■ More than one product per client (reduces cross-selling potential but shows habit of buying from the vendor)

COMPLIANCE EFFECT

$$$ (green)	■ Detailed and completed financial needs analyses, included in all files, together with investor profiles ■ Well documented files, including notes that indicate reasons for clients' choices and decisions (products, retirement planning); notes about conversations and other communications with clients (date, subject, content)
$$ (green)	■ Clients seen in the last two years ■ Investment statements detailed and easy to understand
$$ (red)	■ Clients have not been contacted in any way for over two years
$$$ (red)	■ Inspection of the business currently in progress, disciplinary decision has revealed an ethical or compliance problem

BUSINESS TRANSFER

$$$ (green)	■ Seller offers temporary support to ease the transition (at least 6 months, ideal duration 2 or 3 years) ■ Seller meets all the clients, to introduce them to the buyer
$$ (green)	■ Seller and buyer share same business and service philosophy
$ (green)	■ Seller incorporated: lighter tax burden and fewer potential legal problems
$$$ (red)	■ Firm with no computer systems or administrative assistant

BUSINESS MODEL

$$$ (green)	■ Business approach focused on value creation for client (advice and multidisciplinary services, etc.) ■ Segmented clientele (gold, silver, bronze) or targeted to sought-after niches ■ Support (assistant, associates, etc.) ■ Systems (seller with custom relationship management and other front and back office systems)
$$$ (red)	■ Sale of clientele after only a few years in the business or quick sale with no planning

LEGEND

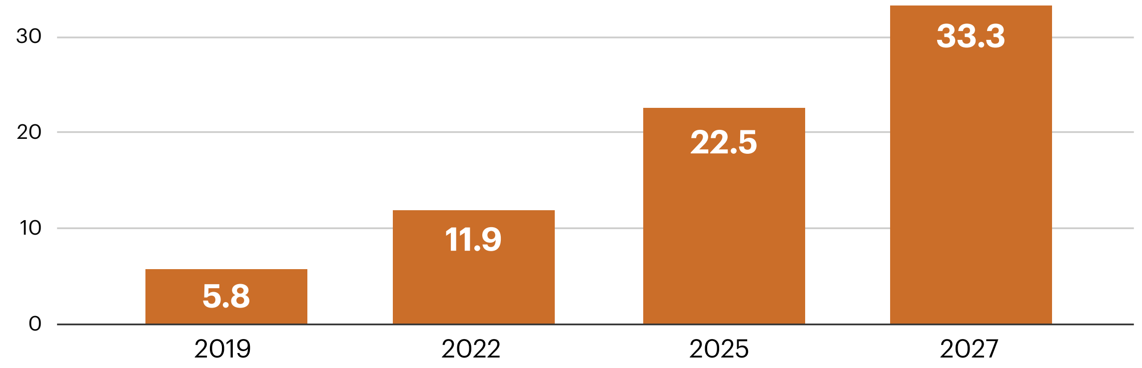
A green dollar sign ($) indicates a positive influence on the portfolio value. The more $s there are, the more the factor raises the sale price. Conversely, a red dollar sign ($) reduces the value of the clientele.

Cyber insurance expected to continue as a dynamic sector

The global cyber insurance market has tripled in size over the past five years and is expected to continue its growth despite increasingly prevalent risks.

BY SABRINA FEKIH

GLOBAL CYBER INSURANCE MARKET
DIRECT PREMIUMS WRITTEN (DPW), U.S. DOLLAR



Source: Munich Re

Cyber insurance is predicted to remain one of the most dynamic segments of the property and casualty insurance industry, according to various reinsurers and analysts. In a report entitled *Cyber Insurance: State of the Risk*, published by the **Insurance Information Institute**, also known as *Triple-I Issues Brief*, analyses of reports from **Swiss Re**, **IBM**, **AM Best**, and **Munich Re** are presented.

The global cyber insurance market has tripled in volume over the last five years, reaching gross written premiums of $13 billion in 2022, according to the Swiss Re Institute. The reinsurer anticipates this figure will reach $23 billion by 2025. Munich Re, on the other hand, estimates that direct premiums written will hit $33.3 billion by 2027.

"Cyber insurance returns to profitability and remains the fastest-growing segment of the P/C market following two years of challenges," the document states. "The ubiquitous threat of data breaches and cyber-attacks," and the progress insurers "in clarifying policy coverage and exclusions," could explain the development in this sector, reveal analysts.

High Costs

In 2023, the average cost of a data breach for organizations reached an unprecedented level, amounting to $4.45 million, according to IBM's Annual Data Breach Report. This figure represents a 15 per cent increase from 2020, but only a 2.3 per cent increase from 2022. About 95 per cent of study participants experienced more than one breach.

IBM's study shows that 82 per cent of breaches affected data stored in the cloud, and organizations with highly complex security systems incurred higher costs than those with less complex security systems – $5.28 million versus $3.84 million in 2023.

Despite the steady increase in costs and the threat of repeated incidents, only half of the victimized organizations planned to increase their cybersecurity spending, reports IBM.

Risk solutions

Cyber risks continue to rise in number and sophistication. Geopolitical tensions are also expected to play a significant role in the proliferation of attacks, warns Munich Re.

A study by the **Ponemon Institute** revealed that "63 percent of respondents say their security teams lack visibility and control into all the activity of every user device connected to their I.T. infrastructure."

While it is considered by some as a form of competition to cyber insurance, the proliferation of cyber warranties could motivate technology providers to remain vigilant in monitoring their products, which could potentially reduce the risk of attacks and related costs, indicates the Insurance Information Institute.

From the insurers' perspective, they are adopting a more sophisticated approach to underwriting and are strengthening the wording of policies and exclusions. Nevertheless, they need more robust data on attacks and breaches to predict and manage liability, highlights the Insurance Information Institute.

by JIM RUTA

Illustrations: To send, or not to send?

Question: I'm often "ghosted" after I send out insurance illustrations to prospects. After all that work, nothing happens. How can I get a better return and make more sales?

It surprises me how often I hear this question because I would have thought by now that the industry would have learned that illustrations don't sell anything. Never have. Never will.

The problem is that rarely someone does buy what you illustrated and sent and then you think it works. But it didn't. You sold the case despite sending out the illustration.

This problem has only worsened since the pandemic. Many advisors who learned they could sell insurance from their basement in their shorts don't want to get back on the road to make a personal difference. For them, sending illustrations to prospects is a natural part of their post pandemic selling process.

Here are just a few of the reasons it's wrong to send illustrations:

1. The one thing you know about an illustration is that the policy will never be like that. Cancel early. A slight dividend change. A policy loan. A conversion or a policy adjustment… and it's a whole new picture. Illustrations are only "estimates" of what can happen. They are not predictions – as you will read in the fine print. So, how helpful is that?
2. Actuaries and marketing can make illustrations do anything and they have over the years. Premium offset or "level premium for life" Universal Life anyone? It's not fair to clients to have them count on these estimates. So, as my friend **David Hull** says, never get involved in an "illustration war".
3. Who can understand them? In fact, who would even read it? Even agents? I suppose when they were a page or two long as they were one time, you might expect a prospect to at least scan it. But today? 20, 30, 40 or more pages? Forget it. And even if it were read, who would UNDERSTAND it? Of course this supposes that anyone would even try.
4. Policy deposit and value summaries read more like materials lists for that new house you want to build than they are drawings of it. They may make sense to the person building it but it will go over the heads of most regular people and they still won't "see" what they have.

[All of this is notwithstanding the compliance requirement to provide and review illustrations to help ensure understanding and acceptance of the policy. Follow the rules. Use disclaimers.]

Would you like to make policy illustrations work better for you and your prospects?

Do you want them to help prospects buy what they want rather than wait and wonder?

Prospects buy for their own few reasons and unless you can use an illustration to *illuminate* those reasons, an illustration package will be a hindrance to a sale and not helpful to it. To illuminate a sale effectively, we must "interpret" illustration values to meet the prospect's needs and not the actuary's. This takes serious product knowledge.

This is especially important when you are dealing with cash value life insurance (not permanent or whole life… no one likes these ominous sounding words). But before I get to an effective interpretation strategy, there is this.

NEVER send illustrations to prospects and expect them to buy based on them. You will only give them homework they don't want and confuse them, so they don't buy. Likely this is not the reason you are doing it.

You are always more effective reading and explaining the illustration with the client in their presence. In person is best but even virtually, share your screen and explain it page by page. Help them understand the values. Don't force them to guess.

When you are together, you can see and hear their reactions and then clarify their concerns in the moment. That reduces objections later. This requires you to know and understand the illustration nearly as well as an actuary. When you are a life specialist you make a positive difference.

As for interpreting the cash value life insurance illustration and illuminating the highlights use the Contract Milestones Strategy – again with the appropriate disclaimer reference to the illustration and its inherent limits:

There are 3 notable product values in the contract milestones summary:

The year in which the increase in contract total cash value at the current dividend scale equals the annual contract deposit (cash premium) paid. *This is the year clients stop "spending money" and are just rearranging assets for the benefit.*

The year in which the total cash value equals the total deposits made at the current dividend scale. *This is the year the policy cost is only the lost opportunity on the deposit.*

The year in which the total face value of the contract exceeds the total of premiums paid. *This is the year when you get all your premiums back and the full value of the policy.*

So, stop with the traditional values at 5, 10, 15, 20, 25, 30, 40, and 50 years stuff. That is mostly noise. Illuminate what matters most to your prospects in person before showing the illustration and ghosting will disappear.

You will also be a sales professional and paid like it too.

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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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