INSURANCE Journal

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An ideal product for Generation Z

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INVESTMENT
After a few difficult years, segregated fund sales are growing

LIFE AND HEALTH INSURANCE
Canadians increasingly expect emotional intelligence from their advisors

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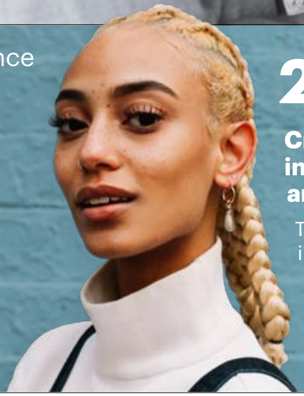
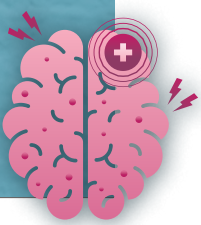
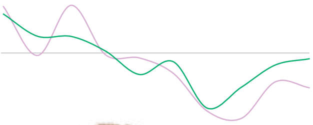
Life Insurance





Society



Entrepreneurship

INSURANCE Journal

Vol. 28 No. 04 — October 2024

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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. ***RADAR*** monitors the trends and changes in the life & health insurance industry in Canada: product launches, changes in premium rates, modifications to commission schedules, technological developments and marketing campaigns.

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

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

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

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

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

On Thursday, October 2, 2025,
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Details on: insurance-portal.ca/csc

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

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

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Something to think about...

I think being able to recognize your own emotions is first and foremost. It's part of improving your self-awareness which is really the foundation of emotional intelligence.

– Micheline Varas

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In this issue...

Commercial insurance firm known for cyber makes in-roads in Canada

Already operating in the country, CFC quietly works on expansion.

BY KATE MCCAFFERY

After being active in Canada for more than 20 years, **CFC Underwriting Ltd.** (CFC) recently announced the launch of **CFC Canada**, along with the appointment of now president and CEO of the division, **Kate Della Mora**.

Prior to the announcement, the managing general agency did business in Canada by way of their United Kingdom-based headquarters staff working with brokers. Following Della Mora's appointment, she, along with **Kelly McGuinness**, CFC's new cyber, tech and professional liability development leader, and **Maria Pia Brunello**, claims specialist, began working in their remote positions, based in Toronto. The company is expected to open a physical location there within a year.

Della Mora says it is important to note that all underwriting and claims management functions will still be handled directly by the firm's UK colleagues. "Servicing of accounts is business as usual. CFC colleagues residing in London have superior relationships throughout Canada. Those relationships will continue to be fostered and developed," she says, with her Canadian colleagues enhancing those relationships while broadening the company's presence in the country. Functionally, she says the three-person team in Canada works collaboratively with the company's UK-based operations.

Known for being providers of cyber coverage – some of the industry's first cyber policies were underwritten by the company more than 25 years ago – she adds that the firm is well known for its responsiveness, for the wealth of products it offers spanning numerous industries and generally for being market leaders in matters of emerging risk. The company's differentiators include access to advanced data and analytics, its data handling capabilities and the development of solutions. In cyber, its proactive monitoring capabilities, pre-claim monitoring services, are also noted as being leading edge.

"It's a very well-respected brand in Canada. It's actually why I decided to join CFC. I've known their brand for some time. I have competed in my past life against CFC. I've always held them in very high esteem," she says. "Product innovation, pricing, coverages, ancillary services. The company has a very established brand already." She adds: "I do recall working with CFC as a broker. Their responsiveness was second to none."

Since its early days pioneering in cyber coverage, she adds that the company has expanded globally. "We do a lot of different lines of cover that are very specifically tailored to the intersection of business risk and technology risk," she says. The company's current offerings include commercial products like cyber coverage, environmental liability, intellectual property, kidnap and ransom, management liability, medical malpractice, other professional liability, transaction liability, product recall, terrorism and more. Carbon delivery insurance is also a growing area the company is working on.

Company eyes Canadian expansion

We'll continue to expand and grow those product lines in Canada, as well," she says, stating that CFC does well in the small-to-medium enterprise space. "I think there is always an opportunity to expand into the mid-market, commercial side of things as well."

Della Mora's orders for Canada: Strengthen the company's brand presence in the local market. "We actually do want to have a physical presence here. We want to be closer to our clients," she says.

Plans for the managing general agency's expansion also include opening offices in Montreal, Vancouver and Calgary at some point in the future. "We will prioritize office locations and hiring based on business needs and related opportunities," she says.

She adds that being close to the country's economy, political environment, societal challenges and opportunities allow the company to provide tailored solutions based on local market conditions in a more proactive way.

FACTS ABOUT CFC

- Globally the company has nine offices and 150,000 customers, including 50,000 customers across Canada. It has just over 950 employees.
- In Canada, gross written premium reached $300-million in 2023. The company works with 329 brokers.
- CFC recently announced that its cyber insurance will be available to all insurance brokers across Canada on the **Acturis** Platform.
- Originally known as ClickForCover.com in the 1990s, CFC was among the first companies to sell cyber insurance policies online.
- The company is 60 per cent owned by its employees. **EQT** and **Vitruvian Partners**, two leading European private equity firms, are also involved as the company's financial backers.

> We consider ourselves pioneers in emerging risk. We're constantly innovating and creating new forms of coverage.
>
> — Kate Della Mora

"CFC has some nuanced and innovative coverages," she says. "I think there's a lot of value in actually putting everyone that is a party to that transaction, in a room together – virtually or whatever that looks like – to build that trust and ask those questions."

She adds, "We want to continue to do what we've always done well, but do it even better and expand some of those relationships. I think it's a really exciting opportunity to see what we can do with a physical presence."

In Canada, meanwhile, she adds that cyber penetration is quite low, but increasing with client's growing knowledge about cyber risk.

Cyber acceptance and the promise of carbon

Deepening cyber penetration is a general mission of CFC across geographies, including Canada, the company says. A few things have changed in recent years too, which Della Mora says is enhancing client uptake.

First is growing client knowledge about the risks. Many are also dropping the notion that buying a cyber policy is somehow an admission that companies haven't done their job properly, "which is just not the case. It's not if you're going to have a cyber breach, but when," she says.

"Global companies have whole teams and whole departments dedicated to protecting them. It just happens. I think that's really big right now – clients understanding that it absolutely can happen to them, no matter how prepared they are."

In Canada too, the duty to those that have been impacted has increased in recent years, alongside notification requirements dictating when those impacted need to be made aware.

Business interruption loss, meanwhile, she says is almost a bigger issue, depending on the industry. "It can be a bigger risk, which is not something that was necessarily considered to the same degree that it is now."

Carbon delivery insurance is the next frontier for the company too. The new product, they say, is intended to cover both the physical and political risk faced by businesses purchasing voluntary carbon credits on a forward basis. "Carbon delivery insurance covers 100 per cent of the purchaser's investment for non-delivery of carbon credits," the company states. "CFC has built a sophisticated

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Kate Della Mora

> We want to continue to do what we've always done well, but do it even better and expand some of those relationships. I think it's a really exciting opportunity to see what we can do with a physical presence.
>
> — Kate Della Mora

underwriting model that rates the carbon project itself, rather than the policyholder."

Della Mora says the business line is only expected to grow as companies across the country work to reach net-zero goals.

"We really consider ourselves pioneers in emerging risk. We're constantly innovating and creating new forms of coverage," she says. "Carbon is the new area that we're moving into."

Immediate and future plans

As for the company's expansion into Canada, Della Mora and her Canadian colleagues will be focused on relationship building. Della Mora herself is also working to "get out there" and visit the company's broker partners.

Her own focus also predominantly includes getting to know what the company's Canadian book of business looks like in terms of product split, industry split and what has already been done well.

"What are some of those products and services we can continue to grow at an accelerated pace?" she asks. "I think the challenge at this point in time is for our clients, being the brokers, to trust that it's the same CFC that they've always dealt with. It's just an expansion upon what we've always done well."

CEO's background

Prior to taking on the leadership of CFC Canada, Kate Della Mora worked with **Marsh Canada** as Senior Vice President, National Specialty Growth Leader.

"I think without that role, I wouldn't have been as equipped in this role," she says. "I was always a technical expert in terms of some of the financial lines products, specifically professional liability and cyber and management liability. When I went to Marsh, I was able to really broaden my knowledge across different product lines as well as different industry groups. In that role, we really took an industry focused approach to understand the client's needs and what would work best for them."

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SEGREGATED FUNDS

Investment products sold for guarantees and estate planning

After a few difficult years, segregated fund sales are experiencing growth again in 2024, thanks to the solid performance of financial markets and the efforts of insurers to reposition their offerings on features that are sometimes overlooked.

BY ALAIN THÉRIAULT

In the midst of the COVID-19 pandemic in Canada, average yields on marketable Canadian government bonds, over 10-years in duration, hit a low of 0.52% on March 6, 2020. They then recovered, reaching a peak of 4.07% on October 3, 2023, according to **Bank of Canada** statistics. Yields for bonds of other durations also trended upward over this three-year period.

More generous interest rates have prompted many investors to opt for bank Guaranteed Investment Certificates (GICs), whose capital and returns are guaranteed. Insurers' segregated funds paid the price, as did mutual funds and exchange-traded funds (ETFs), explained **Carlos Cardone**, Managing Director of **ISS Market Intelligence Canada** (formerly Investor Economics), in an interview with the *Insurance Journal*.

According to the figures Cardone shared with the *Insurance Journal*, gross sales of segregated funds fell from $19.5 billion in 2021 to $14.1 billion in 2022, a drop of 27.7%. In 2023, gross sales were $11.7 billion, down 17% over 2022.

"Starting 2021, the market was going through the roof. ETFs, mutual funds, and seg funds were selling extremely well. A lot of money was going to all products that provided market exposure," recalls Cardone.

The year, however, took a completely different turn, he adds. "2021 turned out to be catastrophic and a unique situation where you have both equity markets and fixed income markets doing poorly. What happened in 2022 was that with higher interest rates, reallocations of money started to go towards GICs for the most part," Cardone explains.

He adds that from the beginning of 2021 to the end of 2023, $350 billion of net new money was invested in bank GICs. "Mutual funds and Segregated funds went into net redemptions in 2022, and continued in net redemptions into 2023, but they were milder than in 2022. That story continued into 2024," Cardone says. According to ISS MI Canada data, net redemptions from segregated funds reached $5.5 billion in 2022.

Carlos Cardone underlines that the net redemption dynamic affected not only segregated funds, but also mutual funds and exchange-traded funds.

Gross sales on the rise

However, Cardone notes that segregated fund sales are picking up again, now that markets are favourable and interest rates are trending downwards. "The interest rates came down just a little bit, and the expectation is that interest rates will continue to go down in the next months," he says.

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Carlos Cardone

"We are seeing an environment where, slowly but surely, months (monthly results) seem to be going back to market exposed categories, equities to some extent but fixed income in particular," observes Cardone.

Segregated funds overall remain in net redemptions in 2024, "but total sales (volume of new sales in terms of premiums) are starting to increase, on a quarterly basis," notes Cardone. According to ISS MI Canada data, gross sales of traditional segregated funds reached $3.8 billion in the second quarter of 2024, compared with $2.7 billion in the second quarter of 2023. This represents growth of 40.7%. This improvement is being observed to varying degrees by the major insurers in the segregated funds market:

- **Manulife Investment Management**, the number-one player in terms of assets under management as at June 30, 2024, was the third-best seller in the first six months of 2024, with gross sales of $1.06 billion, up 18.5% over the same period of 2023.
- **Canada Life** was the second-best seller in the first six months of 2024, with gross sales of $1.57 billion, up 14.1% on the same period of 2023.
- Third-placed **iA Financial Group** dominates the best-seller rankings for the six months to June 30, 2024. The insurer's gross sales reached $2.98 billion during this period, up 44.1% over the same period in 2023.
- Fourth-placed **Sun Life** achieved sales of $429 million in the first six months to June 30, 2024. This result ranks it as the sixth best seller during the period. Sales were 20.1% higher than in the corresponding period of 2023.

Smaller players also stood out for their gross sales growth in the first six months to June 30, 2024, compared with the same period in 2023:

- **Equitable**'s grew by 84% between the two periods, from $262 million to $482 million. Ninth in the market in terms of assets under management as at June 30, 2024, the Ontario-based mutual thus ranks fourth in the market in terms of gross sales achieved during the first six months of the year.
- Tenth-placed **BMO Insurance** achieved gross sales of $231 million during the same period, making it the eighth best-seller. This represents growth of 19.7% compared with sales in the corresponding period of 2023.

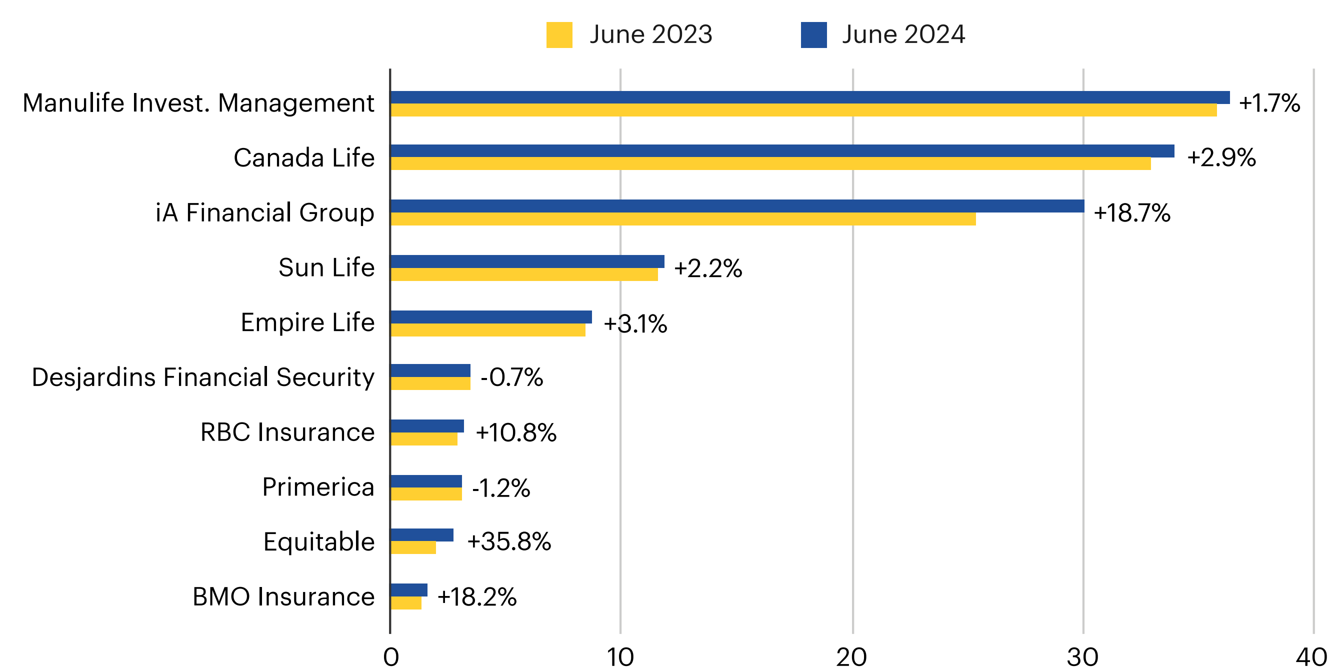
Estate planning edge

Segregated funds are succeeding in carving out a place for themselves in the investment fund universe, thanks to features that distinguish them from mutual funds and ETFs.

Compared to heavy-hitters like mutual funds with assets of $2.1 trillion on June 30, 2024, and ETFs with assets of $440.2 billion on the same date (according to monthly statistics from the **Investment Funds Institute of Canada**) segregated funds assets

SEGREGATED FUND ASSETS

Insurers ranked by June 30, 2024 assets, in billions of dollars



Source: ISS Market Intelligence (2024).

are in the minor leagues. As of June 30, 2024, seg fund assets totalled $138.4 billion, according to data from ISS MI Canada.

However, this gap may soon be closing between segregated funds and their rivals, thanks to a feature common to all insurance products: the ability for investors to designate a beneficiary in the event of death. This quality makes them a sought-after estate planning tool, according to Cardone.

Among the estate planning advantages is the fact that the product is paid directly to the designated beneficiaries without the need to probate a will. This means that the segregated fund owner's beneficiaries avoid paying probate fees, in provinces that require this (probate fees are not paid in Manitoba and Quebec).

Some provinces allow probate fees to be waived in the case of small estates, e.g. for an estate worth less than $25,000 in British Columbia (see Magazine supplement: *Estate fees: numerous disparities across Canada*).

Insurers have acquired another asset for this type of use, by migrating to a less expensive product: one with capital guarantees of 75% on death and 75% on maturity. "Those buying a 75-75 segregated fund (seg fund) guarantee at death and maturity are probably not buying much for the guarantees, but more for the estate planning benefits of the product. With a seg fund, you can name a beneficiary and pass off the estate probation," says Cardone.

He observes that many insurers are repositioning their segregated fund offerings for high-net-worth investors. "This is a product that high-net-worth investors have not necessarily considered. Insurance companies have put more emphasis on that, highlighting the fact that if you buy into a 75-75 guarantee seg fund and underlying mutual fund, the MER you're paying for that seg fund these days is only a few basis points from the underlying mutual fund."

David Parent

Cardone emphasizes the opportunity to "create a $1M policy that goes straight to the beneficiaries in the event of death," when the customer chooses a 100% death benefit guarantee, with a 75% maturity guarantee, which is still very affordable. "For high-net-worth market, the anchor is estate planning benefits. At a very convenient price overall," he adds.

The more expensive of the two benefits, the maturity guarantee, has become less generous with most insurers. The version guaranteeing 75% of the fund value 15 years before the maturity date is now the only one available with the majority of insurers.

David Parent, Manulife's Regional Vice President, Quebec Market, told the *Insurance Journal* that segregated funds have moved from more expensive guarantee features to less expensive options, mainly as a result of the market crisis in 2008-2009, and in order to

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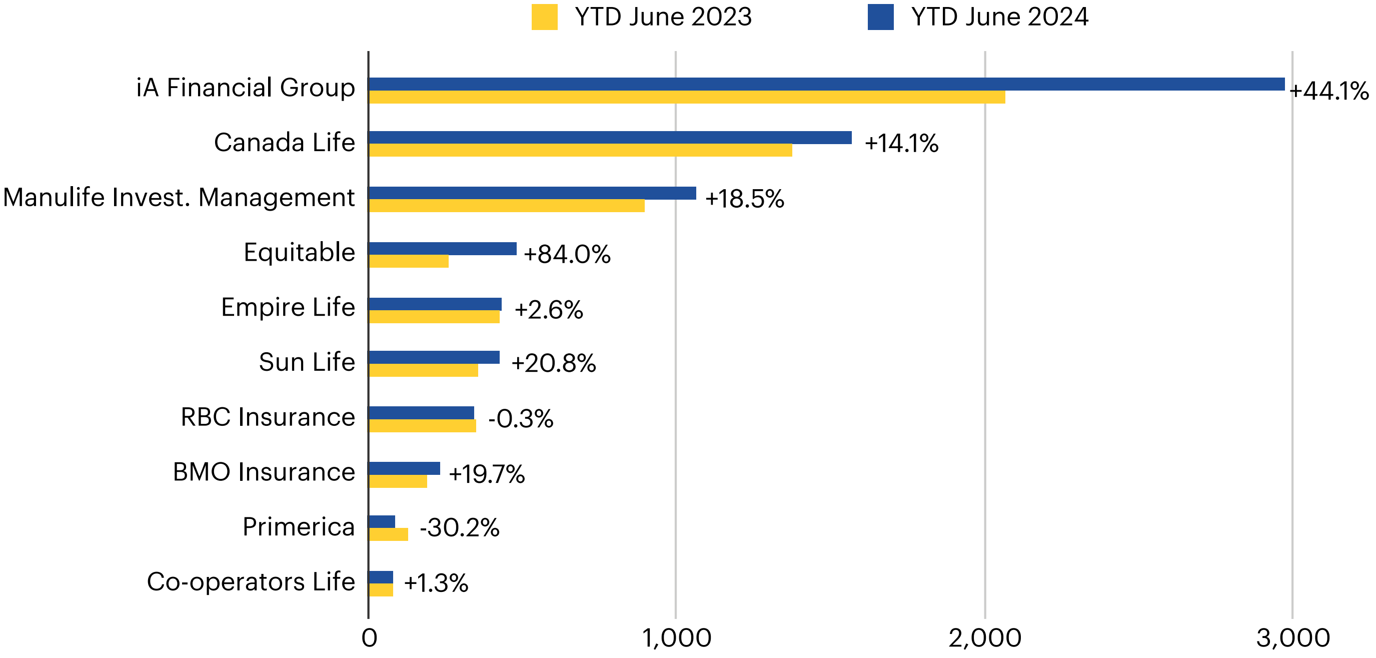
SEGREGATED FUND GROSS SALES

Insurers ranked by June 2024 gross sales, in millions of dollars



Source: ISS Market Intelligence (2024).

align with the IFRS17 accounting standard for insurance contracts, "which affects these products" and the requirements of the **Office of the Superintendent of Financial Institutions** in this regard.

"Many insurers, including Manulife, have had to reduce the risk associated with these guarantee-rich products because of the pressure they put on their capital reserves," adds Parent (see Magazine Supplement: *Guaranteed Withdrawal Benefits under pressure from regulators*).

Alex Lamontagne

Reducing succession delays

iA Financial Group is one of the insurers that continues to offer the 100% maturity guarantee. In an interview with the *Insurance Journal*, **Alex Lamontagne**, iA's Director of Individual Insurance, Savings and Retirement Products, confirmed that customers are keen to benefit from the estate planning advantages of this segregated fund product. He also underlined the possibility of offering segregated funds at lower fees thanks to 75% capital guarantees. "There are examples where the segregated fund is priced very similarly to the corresponding mutual fund," he says.

Loredana Cappellano

Lamontagne also touts the 100% death benefit guarantee, which ensures that the estate receives the full value of the segregated fund, "no matter what the market does. The sums bequeathed will not be exposed to downturns in financial markets. For clients of a certain age, this 100% guarantee is really a good tool to benefit heirs," he points out.

Lamontagne also points out that by designating a beneficiary, payment is made much more quickly. "When it goes through a mutual fund, the money will go into the estate, and that can take a very long time," he says.

In an interview with the *Insurance Journal*, **Geoff Gibson**, Vice President, Investment Products and Marketing, at **Empire Life**, compared the possible delays between the release of funds from a non-registered segregated fund and a non-registered mutual fund, in the event of death. He points out that it is possible to name a beneficiary in a segregated fund, but not in a mutual fund, which allows the death benefit of the non-registered segregated fund to be paid directly to the beneficiary.

"Mutual funds in a non-registered account go into the estate process. They are potentially subject to probate fees, and the executor of the estate generally has to settle that whole estate, which can take anywhere from 12 to 16 months, before the beneficiaries ultimately get paid," says Gibson.

He also says it's important to remember that a segregated fund is an insurance contract. "When it comes to seg funds, customer' needs go beyond more than just the investment returns. You're going to get the guarantees: 75-75 or 75-100 depending on the level of protection you're looking for. But almost just as important is that a lot of investors purchase seg funds for the estate benefits," says Geoff Gibson.

Manulife's David Parent says that estate benefits are one of the main reasons for purchasing a segregated fund contract. He adds that the segregated fund offering is also rich and diversified, from an investor's point of view. "It provides access to all asset classes, from fixed-income funds to all-equity funds. As with many mutual funds, segregated funds can be made up of ETFs, ESG (environmental, social and governance) funds and many asset allocation funds," he says.

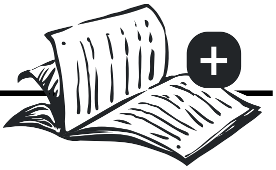
Some insurers also offer portfolios tailored to high-net-worth clients. Among others, Manulife Investment Management offers a segregated fund contract called MPIP Segregated Pools. Parent says this contract offers access to a number of distinctive mandates, starting with an initial deposit of $100,000. "This solution also makes it possible to link household contracts for even greater savings. When household contracts reach $250,000, additional management fee reductions are applied," he explains.

The advantage of upgrading

Loredana Cappellano, Wealth Sales Director at **Sun Life Global Investments**, told the *Insurance Journal* that the insurance industry has always focused on the benefits of segregated funds in terms of death benefit guarantees, resets and maturity guarantees, as well as lifetime income guarantees.

Cappellano notes, however, that over the years, most insurance companies have made changes to segregated fund products, "particularly with regard to resets". "Most insurers now offer resets only under the death benefit guarantee. These can be automatic and built into the product or applied at the customer's request on a specific date," she explains (see Magazine Supplement: *Segregated funds: the capital reset guarantee has lost its allure*).

Cappellano points out that resets guarantee a higher portfolio value, allowing clients to take advantage of bull markets while protecting their capital.



MAGAZINE SUPPLEMENTS

- **Guaranteed Withdrawal Benefits under pressure from regulators** For **PRO** Level members
- **Segregated funds: the capital reset guarantee has lost its allure** For **PRO** Level members
- **Estate expenses: numerous disparities across Canada** For **PRO** Level members

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CRITICAL ILLNESS INSURANCE

An ideal product for Generation Z

Generation Z is changing the traditional family model. By choice, many will not marry or have children. For this rising generation, the need for critical illness insurance may well overtake life insurance as the priority coverage.

BY ALAIN THÉRIAULT

It's hard to predict what impact J.D. Vance's 2021 insult to "childless cat ladies" will have on Donald Trump's campaign. One thing's for sure, however: the words of the Republican Party leader's running mate, unearthed in the summer of 2024, will upset far more American voters than it would have 40 years ago.

In the United States, around one in five Americans was born between 1997 and 2012 and is therefore a member of Generation Z, reveal 2023 data published by **Statista**. According to the global market intelligence company, millennials make up the largest demographic group of more than 345 million Americans. Also known as Generation Y, millennials were born between 1981 and 1996.

According to *The Daily*, published by **Statistics Canada** on February 21, 2024, Generation Z has become the third largest in Canada. The bulletin adds that millennials are the largest generation, ahead of baby boomers, born between 1946 and 1965. The results reported by Statistics Canada are based on the increase in demographic weight between July 1, 2022 and July 1, 2023.

These younger generations are more inclined to choose a different life path from their elders. According to several sources, critical illness insurance could particularly resonate with these people, who often choose to live alone, without children. According to information released by Statistics Canada in *The Daily* on July 13, 2022, 4.4 million people lived alone in 2021, compared with 1.7 million in 1981.

Sophie Clément, Vice-President, Business Development, for the Canadian operations of French reinsurer **SCOR**, specializes in living benefits products, which include critical illness, disability and long-term care insurance. In an interview with the *Insurance Journal*, she says she has observed that the life and health insurance industry has long focused its attention on life insurance, but much less on critical illness insurance.

Clément points out that a lot of sales in Canada come from permanent insurance, especially participating whole life products. The industry will tend to invest more in this area, allocating fewer resources to critical illness products.

LIMRA surveys of life and health insurance sales in Canada reveal that Canadians purchased nearly 590,000 individual life insurance policies by 2023, whereas they bought 115,000 critical illness insurance policies.

In recent years, however, the industry has multiplied the number of critical illness insurance products it offers. In Canada, 18 insurers offer 30 products, according to data available from the Insurance*INTEL* life and health insurance intelligence centre, owned by the **Insurance Journal Publishing Group**. **Humania Assurance** and **Canada Protection Plan** stand out, each offering four critical illness insurance products.

A shift is needed, according to Clément. "Society is changing," she says, referring to those in Generation Z who are in their twenties today. "The proportion of singles, people who choose not to marry or have

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> *When you're talking to a 28-year-old who lives alone and has no children, why sell them life insurance first?*
>
> — Sophie Clément

CRITICAL ILLNESS INSURANCE: 18 INSURERS OFFERING 30 PRODUCTS

Insurers	Products
Assumption Life	*Critical Protection*
Beneva	*Critical Illness Insurance*
BMO Insurance	*Living Benefit Plans*
Canada Life	*LifeAdvance* *Child LifeAdvance*
Co-operators	*Critical Assist IV* *Critical Assist IV - Head Start*
CUMIS Life	*Critical Assist IV* *Critical Assist IV - Head Start*
Desjardins Insurance	*Health Priorities*
Equitable	*EquiLiving*
Empire Life	*CI Protect* *CI Protect Plus*
Foresters Financial	*Live Well* *Live Well Plus*
Humania Assurance	*ProHealth Cancer* *Children360* *Insurance Without Medical Exam - CI* *Term Critical Illness Insurance*
iA Financial Group	*Transition*
ivari	*Critical Illness Protection* *Critical Illness Protection Rider*
Manulife	*Lifecheque*
Canada Protection Plan	*Cancer Protect CI* *Cardiac AND Cancer Protect CI* *Cardiac OR Cancer Protect CI* *Cardiac Protect CI*
RBC Insurance	*Critical Illness Recovery Plan*
Sun Life	*Sun Critical Illness Insurance*
UV Insurance	*AdapCI*

Table: Insurance Journal. Source: InsuranceINTEL, 2024

Mike Stocks

Michael Van Alphen

children, is much higher than it was in the 1980s. The cost of living has gone up. A whole generation thinks they won't be able to afford to buy a house," says Clément.

She says the industry needs to stop offering Generation Z the same products, in the same way. "We haven't changed our approach. We're going to have to adapt to the new society. Otherwise, we're doing consumers a disservice," says Clément, underlining that this is her opinion, not that of SCOR.

"When you're talking to a 28-year-old who lives alone and has no children, why sell them life insurance first? If she's struck down by illness, she may not have anyone to take care of her. She'll need help, which will lead to significant financial losses," Clément points out.

In an interview, **Mike Stocks**, Vice-President and Chief Marketing Officer, Individual Insurance, **Empire Life**, agreed. "Critical illness insurance would be a great product to get younger generations into their first insurance purchase, because they can see the need for it," he says.

Stocks also says that it will be easier to sell a critical illness policy than a life insurance policy to people in their twenties. "They'll know of someone in their family that has suffered from cancer or a heart attack, whereas they may not have anybody in their family who has passed away yet," he adds.

The number of life-threatening illnesses or medical conditions covered by critical illness insurance can vary from one insurer to another. An insured person suffering from one of these illnesses is entitled to the full amount of coverage.

For example, **Sun Life** covers 26 in its *Sun Critical Illness Insurance* product, and **Assumption Life** covers 16 in its *Critical Protection* product. Empire Life offers *CI Protect Plus*, an insurance that covers 25 critical illnesses. This is the most common coverage scope in the market.

Almost all insurers listed by Insurance*INTEL* also offer a partial benefit when the insured person is affected by a medical condition that is not life-threatening. Only Assumption Life and Canada Protection Plan products do not offer this. A partial benefit will be paid for cancers diagnosed at an early stage, or for procedures that do not require surgery, such as coronary angioplasty.

For insurers that offer partial benefits, the insured who suffers from one of the eligible conditions will be entitled to a sum that will usually reach 10% to 15% of the total amount of critical illness insurance coverage, depending on the insurer and the medical conditions.

Manulife stands out by offering in all cases a partial benefit corresponding to 25% of the total coverage, up to $50,000.

Insurers limit the partial benefit to a ceiling, most of the time $25,000 or $50,000, depending on the insurer.

For example, the most generous partial benefit offered in the event of angioplasty reaches 25% of the total amount of critical illness insurance coverage at Manulife. Several insurers limit it to 15%, up to a ceiling of $50,000. This is the case for **BMO Insurance**, **Canada Life**, **Desjardins Insurance**, Empire Life, **Equitable**, **Foresters Financial**, **iA Financial Group**, **ivari** and Sun Life. Humania Assurance also offers a partial benefit of 15% in the event of angioplasty, but has not specified a ceiling to Insurance*INTEL*. **Beneva**, **RBC Insurance** and **UV Insurance** offer a monthly benefit of 10% in the event of angioplasty, with a ceiling of $50,000. The other insurers offer a benefit of 10% for this condition, limited to $25,000.

Michael Van Alphen, Vice-President of Insurance Solutions at Sun Life, told the *Insurance Journal* that the insurer's product covers eight non-life-threatening illnesses, including coronary angioplasty and seven early-stage cancers. "Clients are allowed to submit one claim per partial-payment illness, up to four partial benefits. Each partial payment is eligible for 15% of the benefit, up to a maximum of $50,000 per illness. Partial benefits do not reduce the amount of critical illness insurance coverage or the return of premium guarantee," Van Alphen added.

Fewer illnesses

Several insurers also offer a stripped-down version at a low price. This is the case with Empire Life, which describes the *CI Protect* product on its website as a simple and affordable solution. Offered in a 10-year (T10) or 20-year (T20) term version, its product covers four illnesses: cancer, heart attack, stroke and coronary artery bypass surgery.

26 CONDITIONS COVERED BY CRITICAL ILLNESS INSURANCE PRODUCTS ENTITLING THE INSURED TO A FULL BENEFIT*

- Acquired traumatic brain injury
- Aortic surgery
- Aplastic anemia
- Bacterial meningitis
- Benign brain tumor
- Blindness
- Coma
- Coronary artery bypass surgery
- Deafness
- Dementia, including Alzheimer's disease
- Heart attack
- Heart valve replacement or repair
- Kidney failure
- Life-threatening cancer
- Loss of independence
- Loss of limbs
- Loss of speech
- Motor neuron disease, including amyotrophic lateral sclerosis (known as Lou Gehrig's disease)
- Multiple sclerosis
- Occupationally acquired HIV infection
- Paralysis
- Parkinson's disease
- Severe burns
- Stroke (CVA)
- Vital organ failure with placement on a transplant waiting list
- Vital organ transplant

*The number of conditions covered may vary from one insurer to another. For example, **Sun Life** covers 26 conditions in its *Sun Critical Illness Insurance* product, while **Assumption Life** covers 16 in its *Critical Protection* product. The most common offering includes products covering 25 conditions.

Mike Stocks justifies this limit by stating that these four conditions represent 84% of the individual critical illness insurance claims received by Empire Life in 2018 and 2019.

iA Financial Group offers a basic version of its *Transition* product, which covers the same four illnesses. **Alex Lamontagne**, Director, Insurance and Individual Savings and Retirement Products at iA Financial Group, said in an interview with the *Insurance Journal* that the four illnesses covered by their product represent 85% of the claims received for critical illness insurance.

At SCOR, Sophie Clément has a broad view of the insurers in the market. She notes that cancer, heart attack, stroke and coronary artery bypass surgery can represent 70% to 90% of total critical illness insurance claims, depending on the insurer. "Neurological diseases and multiple sclerosis are next," adds Clément.

According to Mike Stocks at Empire Life, the industry will benefit from finding a solution to attract younger generations to the insurance market. "Premiums are going to be more affordable because they're younger. We are continuing to investigate how we can make it more affordable for mass-market and younger generations," he says.

Stocks believes that the four-illness *CI Protect* product can help with this, thanks to its affordability. "About 10% of our sales come from *CI Protect*. The average premium is much lower than for our 25-condition *CI Protect Plus*. So, on a policy count basis, CIP is a bigger share," he says.

Among the other insurers that offer the option of covering only the four diseases that generate the most claims, iA Financial Group touts its accessibility. "By restricting the number of illnesses covered, it makes it possible to have a much more affordable product for young people, for whom many other expenses come into play," says Alex Lamontagne.

Claudine Cloutier, Vice-President, Living Benefits, for the managing general agency, **Groupe Cloutier**, stressed the importance of obtaining critical illness insurance coverage at an early age, regardless of the amount of coverage. In an interview with the *Insurance Journal*, Cloutier shared a message published on the MGA's website, in which she wrote: "For many people, a simple 10-year term, $25,000 critical illness insurance product can change lives."

Alex Lamontagne

Claudine Cloutier

According to information from Insurance*INTEL*, Humania Assurance stands out by allowing clients to purchase a minimum of $5,000 in coverage for its *Prohealth Cancer* and *Critical Illness Insurance Without Medical Exam* products. Assumption Life, Canada Life, Desjardins Insurance, Equitable, iA Financial Group, Canada Protection Plan and UV Insurance offer minimum coverage of $10,000. The other insurers have set the minimum amount of critical illness insurance at $25,000.

The most common maximum amount of coverage for critical illness insurance ranges from $1 million to $2 million. A handful have coverage up to $3 million. They are Canada Life, Desjardins, iA Financial Group and Sun Life. Assumption Life and Canada Protection Plan appear to be cautious in this regard, offering a maximum of $100,000 in coverage.

25 covered illnesses at age 25

Claudine Cloutier has a caveat about the idea of attracting young people from Generation Z with simplified critical illness insurance products. "If the goal is to approach people in their twenties, who are normally insurable, I would tend to recommend a product that covers 25 diseases, with full underwriting," suggests Cloutier. It means "normally insurable" a person in good health whose parents have not had a serious illness. At this age and under these conditions, Cloutier believes that the price difference is small between covering four diseases or 25.

She says the industry needs to aim widely when it comes to critical illness insurance because there's a product offering for everyone. "A simplified or guaranteed issue solution will be the right solution for those who are facing insurability challenges, but the more protection that is offered, the more illnesses covered, the more we will cover the blind spots of our clients' health," says Cloutier.

Although the top 4 conditions covered by critical illness products generate the vast majority of claims according to our sources, Cloutier points out that we must not forget the other illnesses. "The advisor must seize the opportunity to offer as many options as possible," she says.

➜

SEVERAL COVERED CONDITIONS THAT ARE NOT LIFE-THREATENING ENTITLE THE INSURED TO A PARTIAL BENEFIT*

- Breast cancer (ductal carcinoma in situ)
- Chronic lymphocytic leukemia
- Colon cancer (stage A)
- Coronary angioplasty
- Hodgkin's disease (stage 1)
- Prostate cancer (stage 1)
- Skin cancer (less than 0.75 mm)
- Skin cancer (malignant melanoma)
- Tumor in the presence of HIV

*The percentage of the total benefit paid for these conditions may vary from one insurer to another.

Mathieu Charest

Martin Labarre

Assumption Life, Humania Assurance and Canada Protection Plan offer simplified issue critical illness insurance products. For its *Term Critical Illness Insurance* product, available for 4 or 25 conditions covered, Humania Assurance offers application by teleunderwriting. On its full-price products, ivari offers no medical underwriting to those ages 45 and younger for up to $250,000 in coverage, and up to $100,000 for those aged 46 to 50.

Protecting children

Parents will find what they are looking for among insurers' offerings. The cohort of players who offer to cover childhood illnesses has grown quite a bit in recent years.

Beneva, Desjardins Insurance and Humania Assurance stand out by covering autism. Desjardins also stands out by covering Rett syndrome, a neurodegenerative disease caused by a genetic mutation that affects almost exclusively girls, according to the website of the **Centre de recherche Azrieli** at the **CHU Sainte-Justine** hospital. It should be noted that the **CUMIS Life** and **Co-operators** product covers autism and Rett syndrome until the child's third birthday.

Martin Labarre, Director, Product Pricing and Product Development at Desjardins Insurance, believes that the insurer stands out by covering autism up to the age of six. He explained in an interview that this decision reflects the significance of this condition in society.

A concentrated market

Since the beginning of the year, the top five companies have accounted for 85 per cent of the market, reports Sun Life's Michael Van Alphen, citing data from LIMRA. "When you look at the offerings of the top five critical illness insurance providers in Canada, the products are very similar," he adds.

To sell more CI coverage, insurers need to pay close attention to product design, says Sophie Clément. For example, she believes that insurers could include more non-life-threatening illnesses in their coverage.

For his part, **Mathieu Charest**, Head of Product and Pricing, Individual Insurance, at Manulife, emphasizes a distinctive feature of the insurer's critical illness insurance product. "It's unique in the industry because it includes long-term care coverage. This coverage includes home and institutional care, up to a maximum of $500,000, in all our plan designs," he told the *Insurance Journal*.

THE MAIN CHILDHOOD CONDITIONS COVERED*

- Autism
- Cerebral palsy
- Congenital heart diseases
- Cystic fibrosis
- Muscular dystrophy
- Rett syndrome**
- Type 1 diabetes mellitus

* The conditions covered under child protection may vary from one insurer to another.

** Rett syndrome is a neurodegenerative disease caused by a genetic mutation that almost exclusively affects girls.

Definitions will change

The **Canadian Life and Health Insurance Association** (CLHIA) plans to release its new version of the definitions of critical illness insurance in the fall of 2024, spokeswoman **Sarah Hobbs** told the *Insurance Journal*. The CLHIA proposed a set of definitions in 2013 and another in 2018.

Manulife is one of the insurers working on changes to the definitions of covered illnesses. "The objective is to achieve better alignment between insurance companies and to update definitions to keep them in line with medical advances," explains Charest.

He adds that one of the key features advisors look for in a critical illness insurance product is confidence that a claim will be paid in the event of a diagnosis. The industry believes that more clarity and simplicity in definitions will serve this purpose.

In December 2021, Quebec regulator, the **Autorité des marchés financiers** (AMF) published its *Critical Illness Insurance Supervisory Report* which found that the critical illness insurance claims refusal rate had reached 20%. Of these, nearly one in five (17%) refusals were due to non-compliance with the definition. Since then, the CLHIA has published two critical illness insurance guides: one for consumers and one for advisors.

At SCOR, Sophie Clément points out that life and health insurers have mainly adopted the definitions proposed in 2013. "We've seen very few insurance companies adopt the 2018 definitions. I expect a lot more interest for the 2024 definitions," she says. All of them will go and see the impact that the adoption of each definition would have, before deciding."

According to Clément, the definition of multiple sclerosis is one of the definitions that will change the most, compared to previous definitions. It will be simplified, more concise and clarified. "Currently, we were looking at how the neurologist arrived at his diagnosis and were trying to match this with our definition, which was not easy," explains Sophie Clément.

The Canadian industry has been inspired by the United Kingdom, where the **Association of British Insurers** (ABI) definitions of critical illness are in the public domain. Sophie Clément explains that the ABI bases its definition of multiple sclerosis on the diagnosis of the neurologist rather than applying criteria. She adds that the Canadian industry has decided to move in the same direction with its next definition.

Clément points out that the definition of ABI is much simpler and more concise than the one currently used in Canada. "The new definition of 2024 will not be the same, but it will be inspired by it." Clément describes the definitions of multiple sclerosis published by the CLHIA in 2013 and 2018 as "much longer and more complicated." "We really believe that this new definition will improve the experience for clients and advisors, but also for claims analysts," she concludes.

Gen Z also stands out in terms of their wallets

According to Statistics Canada estimates, the Canadian population aged 20 to 44 was nearly 14 million people on July 1, 2023.

BY ALAIN THÉRIAULT

SEVEN GENERATIONS IN CANADA

- Generation Alpha: people born since 2013
- Generation Z: people born between 1997 and 2012
- Millennials (Generation Y): people born between 1981 and 1996
- Generation X: people born between 1966 and 1980
- Baby Boomers: people born between 1946 and 1965
- Interwar Generation (Silent Generation): people born between 1925 and 1945
- Greatest Generation: people born before 1928 (aged 95 or older as of July 1, 2023)

Source: Statistics Canada

The 4.4 million people who lived alone in 2021 accounted for 15% of all adults aged 15 and older living in private households, the highest proportion on record, says **Statistics Canada** in its July 13, 2022, *The Daily* bulletin.

According to *The Daily* bulletin of February 2, 2024, baby boomers had dominated the generational ranking by demographic weight since 1958, before ceding first place to millennials in 2023.

Generation X, born during a period when fertility was in sharp decline, will never have been the largest generation in Canada, reveals the Statistics Canada bulletin.

It reveals that Generation Z could surpass that of millennials between 2028 and 2053.

Different consumers

According to a survey of 1,200 Canadians commissioned by **Interac Corp.**, Generation Z also stands out in terms of its wallet. The survey reveals that 69% of adults in Generation Z have adopted digital wallets. 63% of them prefer to leave their physical wallet at home for short trips.

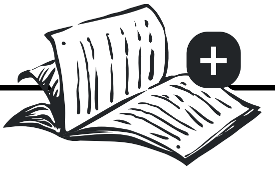
Gen Z's digital wallet usage outpaces all other generations, including Millennials (60%), Gen X (44%), Boomers (27%) and the Silent Generation (10%).

The survey found that Gen Z's digital preferences drove a 27% increase in mobile contactless **Interac Debit** payments in the first half of 2024, compared to the same period in 2023.

More mindful of their spending

Interac transaction data shows that 62% of Gen Z want to be more mindful of their spending, with 57% wanting the option to use debit to pay in-store or online.

Gen Z's views are influenced by the broader economic context, according to the survey. Seventy-nine percent say the cost of living is too high, and 59 percent feel the need to manage their money more intelligently.



MAGAZINE SUPPLEMENT

- **Critical illness insurance: flexibility is key to sales success** For **PRO** Level members

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

Data indicates slight rise in mortality

Actuaries are keeping a close eye on experience.

BY KATE MCCAFFERY

Data from the **Canadian Institute of Actuaries** (CIA) contains two developments for actuaries: The first is mortality figures that appear to be on the climb. The second is a set of figures analyzing mortality when term life insurance products renew.

"I think you'll find many actuaries will watch this pretty closely," says **Bob Howard**, independent consultant to the CIA, when speaking about the increasing A/E ratio – actual deaths to expected deaths – which suggests that mortality could be on the climb.

For a closer look at this finding, see *Mortality bears watching*, page 32.

Regarding the analysis where mortality associated with renewals is studied, he also says actuaries will be looking closely. "They'll be comparing this with their own assumptions to see if, in fact, they have made the right call."

For more about the CIA's analysis related to renewals, see *below: Analysis confirms that mortality rates deteriorate with renewals*.

The CIA's annual tome, this year titled the *Canadian Individual Life Experience Updated to Policy Year 2021-2022 – Report*, analyzes figures until the end of 2022.

Although the 2022 data would appear at a first glance to be older, Howard says it is collected into the first half of 2023 because deaths are not always reported right away. "We want to wait a few months after the calendar year ends before we collect the data. That way we don't have too many late-reported deaths. If we miss one, we'll pick it up the next year."

The in-depth analysis is the 73rd annual report of intercompany mortality experience. It draws on data submitted by seven companies, focusing on the most recent five policy years. "Approximately 70 per cent of Canadian individual life insurance is covered by this study," it states. The report primarily discusses the experience of individuals' life insurance policies and riders issued in Canada which require full underwriting.

"This is a study that we do every year. Things don't change by a lot – a lot of the importance of the study is being able to say, yes, we understand these things and there are no big surprises," Howard says. "It's very comforting to get no surprises."

Analysis confirms that mortality rates deteriorate with renewals

Report quantifies the deterioration in mortality from first terms to renewal.

BY KATE MCCAFFERY

When those with healthier lives have their policies re-underwritten, rather than pay increased rates at renewal time, it's not a surprise, then, to see that mortality deteriorates for those who remain. Just how much those figures change by, however, was not something the **Canadian Institute of Actuaries** (CIA) had measured in past iterations of the institute's intercompany mortality experience report. With the 73rd annual edition, though, this is changing.

"It was done last year but not before that. This is something that I think a lot of actuaries will be taking a look at. They'll be comparing this with their own assumptions to see if they've made the right call," says **Bob Howard**, consultant to the CIA and author of the *Canadian Individual Life Experience Updated to Policy Year 2021-2022 – Report*. "The information was there but we hadn't been accessing it before."

In studying renewable term products, the report finds that mortality rates almost double on renewal. "It's an increase of more than 50 per cent by policies. The reason for that is that the healthier lives have departed and what we're left with are the less healthy lives. That's a significant finding," Howard says. "It's something that we would expect to see but until recently we hadn't been able to quantify how much the mortality deteriorated for the renewal terms compared to the first term."

He adds that base policies are also shown separately from riders because some actuaries thought there might be a difference in mortality. "There is, but it's not much of a difference," he says. For policies under $100,000, meanwhile, the difference also is not as large, presumably because not many policies are sold with low face amounts, and those that are, tend to just pay the somewhat higher premiums at renewal time.

"If it's a very small policy people may wonder if it's worth the trouble of going through the hassle of being re-underwritten. They might just pay the higher premium," Howard points out. "But if you're talking about $500,000 or $1-million of insurance, it's for sure worth the hassle."

SUMMARY OF EXPERIENCE FOR TERM POLICIES AND RIDERS, POLICY YEARS 2017-2022. EXPECTED MORTALITY ON CIA2014

Size Band	A/E		Std dev		Exposure		Deaths	
	Pols	Amt	Pols	Amt	Pols K	Amt M$	Pols	Amt K$
FIRST TERM, BASE POLICIES								
0-100K	118.9%	117.4%	3.3%	3.5%	238.4	11,991	994	46,025
100-250K	98.4%	97.5%	1.6%	1.7%	2,069.0	282,312	3,496	453,014
250-500K	91.9%	91.4%	1.8%	1.8%	2,903.8	839,790	2,577	735,795
500K-1M	88.4%	88.7%	2.3%	2.4%	2,497.5	1,383,799	1,522	842,966
1M+	79.3%	81.4%	3.4%	4.7%	1,172.5	1,661,506	641	981,874
All	**94.9%**	**88.3%**	**1.0%**	**1.8%**	**8,881.2**	**4,179,398**	**9,230**	**3,059,674**
FIRST TERM, RIDERS								
0-100K	n/a	124.6%	n/a	7.5%	n/a	5,972	n/a	10,327
100-250K	n/a	103.4%	n/a	3.8%	n/a	118,358	n/a	93,996
250-500K	n/a	97.8%	n/a	5.1%	n/a	174,635	n/a	98,137
500K-1M	n/a	86.4%	n/a	7.6%	n/a	167,155	n/a	72,781
1M+	n/a	68.0%	n/a	15.5%	n/a	116,129	n/a	47,740
All	**n/a**	**91.2%**	**n/a**	**4.0%**	**n/a**	**582,249**	**n/a**	**322,981**
RENEWAL TERMS, BASE POLICIES								
0-100K	140.5%	139.3%	3.8%	4.1%	214.5	10,391	1,526	68,113
100-250K	150.7%	151.1%	2.7%	2.9%	649.8	81,911	3,178	391,130
250-500K	168.2%	167.9%	5.7%	5.8%	236.7	66,913	819	231,271
500K-1M	181.3%	181.0%	9.7%	9.9%	90.2	48,604	308	166,110
1M+	200.5%	191.9%	17.6%	23.2%	24.3	31,751	103	127,825
All	**152.0%**	**163.0%**	**2.0%**	**3.5%**	**1,215.6**	**239,570**	**5,934**	**984,448**
RENEWAL TERMS, RIDERS								
0-100K	n/a	142.0%	n/a	6.1%	n/a	4,447	n/a	26,935
100-250K	n/a	146.0%	n/a	6.2%	n/a	19,136	n/a	69,197
250-500K	n/a	139.1%	n/a	14.7%	n/a	9,920	n/a	25,176
500K-1M	n/a	155.7%	n/a	29.9%	n/a	5,341	n/a	13,155
1M+	n/a	249.3%	n/a	62.4%	n/a	3,127	n/a	12,050
All	**n/a**	**149.9%**	**n/a**	**5.8%**	**n/a**	**41,971**	**n/a**	**146,512**

Source: CIA Canadian Individual Life Experience Updated to Policy Year 2021-2022 – Report.

Mortality bears watching

Experience needed to confirm if trends are being fuelled by more than COVID-19.

BY KATE MCCAFFERY

The first notable finding in the **Canadian Institute of Actuaries**' (CIA) 73rd annual report on intercompany mortality experience – the report says 70 per cent of Canadian individual life insurance is covered by the study – is that the A/E ratio, that is actual deaths to those expected in standard mortality tables, would appear to be climbing.

Bob Howard, independent consultant to the CIA and author of the *Canadian Individual Life Experience Updated to Policy Year 2021-2022 – Report* says mortality improvement and deterioration can be seen going up and down over the years, but having two or three years in a row with higher mortality is unusual.

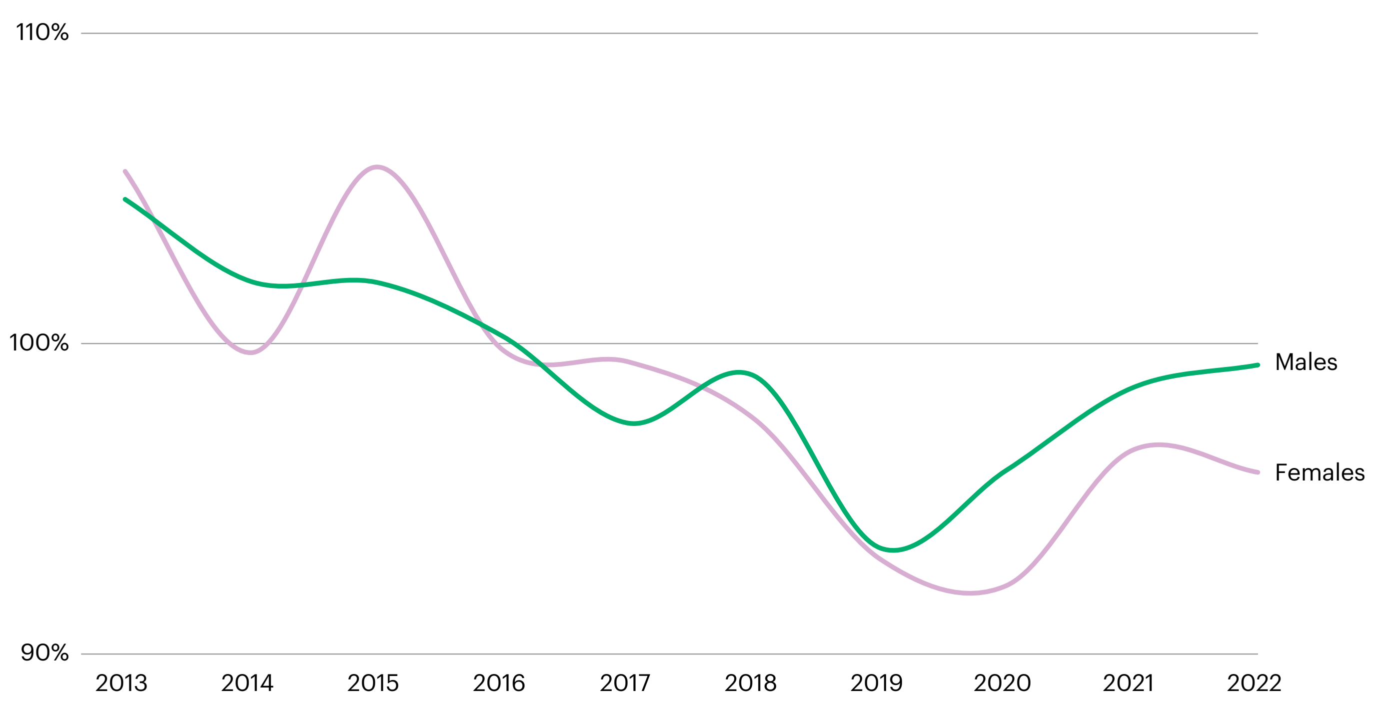
The chart below is probably the one that gives the clearest picture of what's going on, says Howard. "As the line moves down from one year to the next, that's mortality improvement. If it goes up, that means mortality deterioration," he says noting that mortality has come in slightly higher than expected every year since 2019.

"We don't get too excited when we see one year up and down. The ticks on the page represent one standard deviation above or below what we observed. If you look at the trend from, say, 2013 to 2019, the following couple of years are outside of that trend. That's a big finding."

Although unexpected, and likely related to the COVID-19 pandemic, he adds that there may be other factors contributing to the trend, but holds his cards close in that respect: "We need to have a few more years of experience to really be sure," he says. "But COVID-19 does certainly stand out."

All that said, he adds that significant mortality improvement in the next year or two could conceivably wipe out this trend. "In which case, there would not be an issue. But if mortality rates stay high, that would suggest that the pricing may have been too optimistic. It would really be too early to make judgement call with respect to pricing or valuation," he stresses, "but it's an unexpected finding. It's something that bears watching. I think you'll find many actuaries will watch this pretty closely."

ACTUAL-TO-EXPECTED (A/E) RATIO BY YEAR FOR SIZE BANDS LESS THAN 1M



Source: CIA Canadian Individual Life Experience Updated to Policy Year 2021-2022 – Report.

Building emotional intelligence into your practice

Canadians increasingly expect emotional intelligence from their advisors.

BY KATE MCCAFFERY | ILLUSTRATION BY FREEPIK PCH.VECTOR

Emotional intelligence makes a better advisor, perhaps even a more compliant advisor, but building the skillset takes vigilance.

If you're torn between honing such skills and relying on your own technical expertise instead, some survey results and the advice of those who are at the top of their game might sway your opinion: 91.4 per cent of Canadian consumers surveyed by the **Million Dollar Round Table** (MDRT) agreed that it was important to them that their advisors demonstrate emotional intelligence.

Not only are soft skills just as important as technical expertise, they say so-called soft-skills could be even more important than technical know-how.

Uncovering client needs

Micheline Varas is senior managing partner of **Customplan Financial Advisors Inc.** She is also a 23-year member of the MDRT, having spent the last 19 years as a 'top of the table' member. She points out that soft skills are what will uncover client needs and motivations – which can only be met and planned for if they are brought to the fore in the first place. Only then can those needs be addressed, either by using your own technical skills or by leveraging the skills of other professionals.

"As advisors we need to know, especially in today's world of compliance, we have to be pretty cognizant of the areas in which we don't specialize," Varas told the *Insurance Journal* in a recent interview. "Once we have listened and understood what a client truly needs and wants, we (then) need to leverage the expertise of others."

For those interested in building more emotional intelligence into their own businesses, Varas' advice is to recognize and study your own emotions first. After that, when it comes to clients, she recommends advisors start by listening with intent. (Are you actually listening to your client or are you simply waiting for your turn to pitch?)

Advisor, know thyself.

"I think being able to recognize your own emotions is first and foremost. It's part of improving your self-awareness which is really the foundation of emotional intelligence. I think once you're aware of your own emotions and all the behaviors they can trigger, then you can start managing them," she says. "Take the time to reflect on your own reactions and how they may affect your interactions with other people." She adds that being aware of personal biases can also make an advisor more cognizant and aware of the same emotions in others.

To help cultivate that self-awareness, she recommends asking for a critique from a trusted source. "Get them to tell you what they hear or what they feel when you're doing certain things," she says. "Really study the profession. Listen with intent."

Beware of ego and complacency.

Ego and complacency can stand in the way of developing emotional intelligence. Self-awareness, she says, is huge, but it's not something everyone is comfortable diving into.

More, complacency is easy: "People as a whole can become very, very comfortable doing certain things, and are pretty reluctant to delve outside of their comfort zone," she says.

Take charge of honing and cultivating the skills needed to read and trigger emotional responses.

Stopping to think before responding, along with effective listening, are skills that require much use before they become second nature, but they are necessary for understanding a client's situation.

"After that, if we don't feel as technically comfortable, competent or proficient, then we can leverage the technical know-how of others," Varas adds. "Listening and understanding is just as important as the pure know-how."

Listen differently.

It's the nuances which an advisor should be listening for to have clients feel heard and understood.

This skill is what allowed her to formulate a recent plan for a relatively young client – a plan that the client ultimately loved because she picked up on details that her colleagues had not.

"When we sat down with a client, he started laughing," she says adding that the client loved the personalization and noted the motivational triggers – all of which encouraged him to buy into the plan because it was exactly what he wanted to accomplish.

> Take the time to reflect on your own reactions and how they may affect your interactions with other people.
>
> — Micheline Varas

"Listening to little nuances and triggers allow us to relate things differently. It becomes very personal. That's what we're supposed to be doing," she says "Hone your own skills – read and study and become really, really good at what you do. That too builds trust. If you listen, you foster trust, you ask the right questions, you demonstrate some sort of genuine interest and the responses of others, so that you can actually uncover what they want or what drives them."

Showing empathy also encourages more in-depth conversations – the kind that are necessary to have when building genuine client relationships.

"Ask questions, but ask questions as an interested person," she says. "Are you listening or are you waiting for your turn to speak? So many are chomping at the bit to be heard that they've stopped listening, listening with intent," she says.

Another way to yield more, and more quality information from your clients is also to pause, have patience and respect for your client enough to give them a chance to think, process and respond at their own pace. "Because then they'll actually be able to give you a true answer," she says.

When to speed up the sale and slow down the sales process – *Splitting Consequences and Strategy*

Question: Sometimes when a client is considering a larger deposit life insurance policy or a more complex ownership structure, they delay the purchase until they figure out all the details. Then, I worry that they are thinking while exposed to an easily insured threat. How can I help them and avoid that problem?

You're right to be concerned. Planning the side details of a case like ownership, product, or deposit while exposed to an easily insured threat means they and their family are unprotected unnecessarily. All the life insurance in the world is of no value to anyone unless it is in place and in force. Most advisors know of a case where, as someone was considering their coverage, they crossed the line of insurability and became uninsurable at a reasonable price – *or worse*. Then, all the details and planning meant nothing to anyone.

Remember the second of those 3 opening statements I recommend recently? "We don't buy life insurance because of the probability of dying but because of the consequences of dying without it." Life insurance can do many jobs and fulfill many roles but above all, it is "tax-free cash at death". That's the essence of the product. The rest is details. When you are worried about the delay affecting the delivery of tax-free cash at death, you are concerned about the priority of consequences.

When the consequences of an untimely death are severe enough, people find the money and buy. But sometimes in the sales process we get so excited about a big idea strategy that we forget all about helping them protect against their severe consequences. Instead of getting the priority job done first, we want to sell the consequences and the big idea strategy together. It makes sense, because we know we are enhancing value and making the plan even better for them.

But what if prospect agrees on the importance of the consequences but stalls on the big idea strategy and doesn't do anything, just as you are saying? This is where they are planning while exposed. You can fix this critical issue with a simple lesson: "Speed up the sale but slow down the sales process".

This means that when you get into a situation like you are describing, you consciously split the sale into two parts - the consequences part and the big idea part. You help them focus on the protection priority first and then you and they can do the detail planning while protected.

When a prospect or client agrees on the importance of mitigating their severe consequences but isn't sure about the big idea, minimize the severe consequences first. Get that sale first and slow down the bigger sales process for the big idea. Add this step when required and you and your prospect will sleep easier knowing that you have taken the most important consideration off the table.

You can say something like, *"Prospect, as I said at the beginning, we can only apply for life insurance we cannot buy it. The deposit, plan, and ownership details are most important when we have the protection in place. Would it be beneficial in your situation to be sure the most inexpensive protection was in place first instead of risking planning while you were exposed? Would it be sensible to apply to see what happens and work out the specific details later?"*

Then, you can make changes to the term insurance policy at delivery, in a 30-day check in, at an annual review, or frankly any time that makes sense for them. Don't worry about commission rules. Help your client protect against severe consequences and then help them create the most beneficial and valuable plan for them later.

When you agree with them about the consequences first and relieve the purchasing pressure like this, you will get more sales today. The term decision is much easier and it's one decision at a time.

You can work on your big idea strategy later. It's always easier to deal with a client than a prospect anyway. Besides, this way you will have already been paid to do work with them.

And even if your client decides against this "consequences and strategy splitting" approach, you will know that you gave them the option and you did your job to help them protect what matters most, first. Having these notes in your client file is a critical compliance consideration too. If something untoward were to happen in the intervening time, you'll have proof that you made the offer and they declined. It's not great for them, but it protects you better against having your liability policy being their life insurance benefit.

Speed up the sale but slow down the sales process and you will close many more sales and more big idea cases 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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