INSURANCE Journal

$10 Vol. 26 No. 02 February 2022

Consolidation drives group insurance clientele values upward

Investment

ESG funds: Stellar success despite average performance

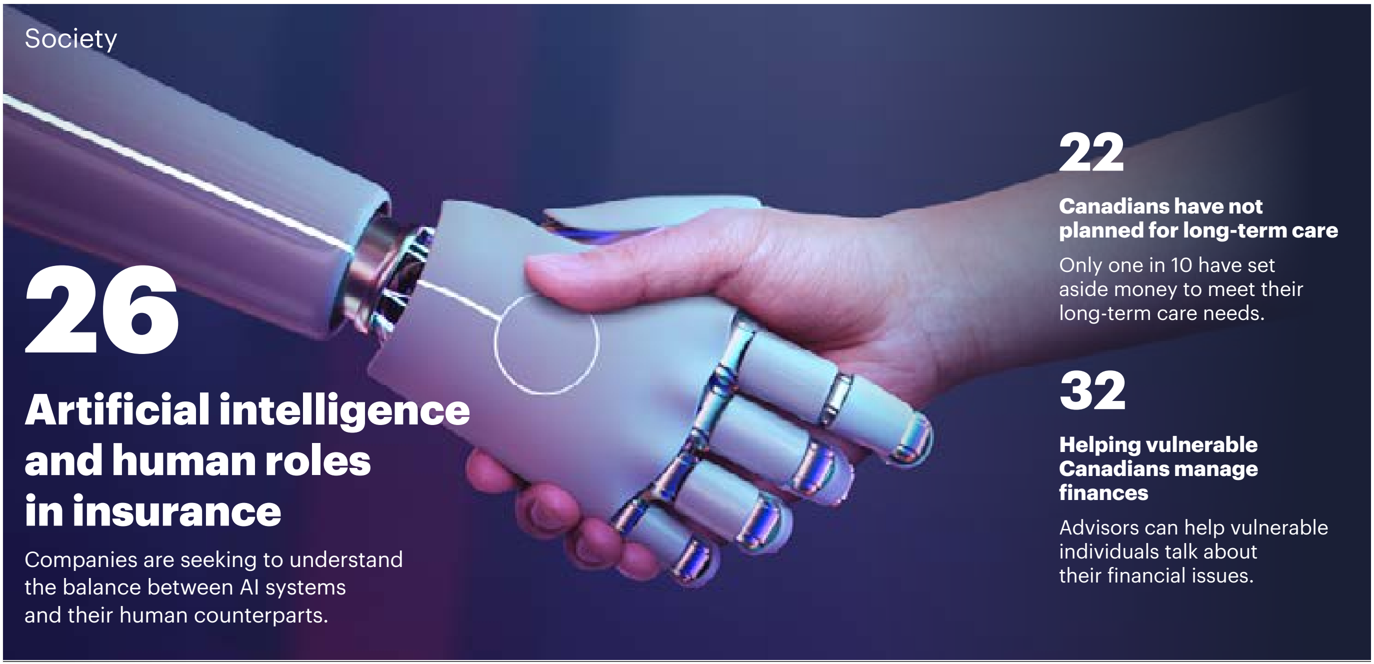
Technology

Balancing artificial intelligence and human roles in insurance

Practice management

Leveraging virtual assistance to improve client outcomes

Vol. 26 No. 02 February 2022



INSURANCE Journal

Vol. 26 No. 02 — February 2022

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

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

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

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

Digital services

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

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

Users can also access 3,000 marketing documents, as well as 350 insurance applications. Various levels of membership are available for insurance companies, banks, MGAs and advisors to enable them to stay on the forefront of new industry developments. ***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.

Our annual events

P&C Day held annually attracts some 900 participants, 30 speakers and 70 exhibitors and sponsors.

On March 30, 2022 at Palais des congrès de Montréal and on portail-assurance.ca/jad

Acquired in March 2020, the ***Group Conference*** is a niche event promoting group health insurance.

In May 2022
portail-assurance.ca/cc

The ***Canada Sales Congress*** focuses on sales and business development. It brings together approximately 1,200 participants, 20 speakers and about 65 exhibitors and sponsors.

In October 2022
insurance-portal.ca/csc

Each year, ***Life Insurance Convention*** brings together more than 1,300 participants & over 30 speakers and 65 exhibitors.

In November 2022
portail-assurance.ca/cap

CONTACT US

Administration

Chantale Lussier
chantale.lussier@insurance-journal.ca
514 289-9595, ext. 233

Serge Therrien
serge.therrien@insurance-journal.ca
514 289-9595, ext. 224

Editorial

Donna Glasgow
donna.glasgow@insurance-journal.ca
514 289-9595

Events

Julie Viau
julie.viau@insurance.journal.ca
514 289-9595, ext. 246

Subscriptions and change of address
insurance-portal.ca
subscriptions@insurance-journal.ca

Advertising
R.E.P. Communication

Ghislaine Brunet
Sales Manager
gbrunet@repcom.ca
514 916-5818

Lise Flamand
Ad Design
lflamand@repcom.ca
514 207-2508

Publisher
Serge Therrien

Editor-in-Chief
Donna Glasgow

Director, Life Insurance & Investment Products Information
Alain Thériault

Director, Comparative Market Intelligence & Analysis
Ian Bolduc

Production Manager
Myriam Lauzon

Event Manager
Julie Viau

Director of Finance and Administration
Chantale Lussier

Digital Growth Manager
Philippe Le Roux

Journalist, digital news desk
Sabrina Fekih

Contributors
Alain Castonguay, Kate McCaffery, Aurélia Morvan, Jim Ruta, Alain Thériault, Susan Yellin

Graphic Designer
Marjorie Poirier

Administrative Assistant
Nedjine Eugène

Photographer
Réjean Meloche

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 Editions 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 have a purpose that we love as a company. But, we have to show that we're actually delivering on that purpose. Delivering on that purpose means you have to measure outcomes."

— Kevin Strain, President & CEO of Sun Life

Page 6

In this issue...

Tap into exclusive information that can help you advance your career!

For more information, see page 35.

The C-Suite
INTERVIEW

Measuring clients' financial security outcomes is key to delivering on Sun Life's purpose

Sun Life is relatively unique among its insurance industry peers in that nearly half of its income – 45 per cent as of the end of 2020 – comes from asset management, says president and CEO, Kevin Strain.

BY KATE MCCAFFERY

> *I think the advisor has a critical role in being alongside the client over their lifetime, delivering financial solutions aligned with our purpose.*
>
> — Kevin Strain

For this reason, **Kevin Strain** reiterates the same message he expressed when he took the helm of the company last September: **Sun Life** is not just an insurance company, he says, it's an insurance company and an asset management company.

In an exclusive interview with *Insurance Journal*, Strain elaborated on this view saying each side of the business is needed to support the other and both are needed to deliver on the company's purpose and promise to help clients achieve lifetime financial security and live healthier lives.

"If you look at insurance companies globally, there are very few that have more than 20 per cent of their income coming from asset management. And if you look at asset management companies globally, they're starting to buy insurance, but there will be none that have such a big insurance component," he says. "There's a synergy between these two that's really unique. It's unique to have a company with both of size and scale."

Unlocking synergies

To be a leader in global asset management is one of the company's four strategic pillars – its four-pillar strategy focuses the company on growth and higher return on equity businesses. Although asset management is or would appear to be taking on new significance for the company – unlocking synergies now is really important, Strain says, he adds that the four-pillar strategy continues to serve the company well, as it continues to remain in line with macroeconomic trends. (For those who are unfamiliar, the four pillars are to be a leader in insurance and wealth solutions in Canada, to be a leader in U.S. group benefits where the need for health care coverage continues to grow, a leader in global asset management and a distribution leader in Asia where middle and affluent classes are also growing rapidly.)

"The four pillars, we think, are aligned to current economic conditions," Strain says. "We think they provide a great balance. They're very aligned to these macro trends."

Going forward, he says the company will be looking for outcomes and measuring those outcomes that are related to its purpose and mission about lifetime financial security for its clients. Canada, he says, is one area where the company is beginning to measure financial security-related outcomes.

"We understand what lifetime financial security looks like. It's about taking the step back and make-ing sure we're delivering on that," he says.

"We have a purpose that we love as a company," he adds. "But we have to show that we're actually delivering on that purpose. Delivering on that purpose means you have to measure outcomes."

Equally prominent in the CEO's mandate is also the task of continuing to lead the company through its digital transformation, while also embracing sustainability and focusing on company culture and diversity goals.

Digital leadership

The digital part of the equation, on the surface, would appear to be the largest moving part to consider. His focus is three-part: First, the company's tech stack is moving into the cloud, its operating models are shifting to operate like a technology company (making smaller, iterative changes and decisions more quickly), and client experience is heavily in focus.

"Digital leadership is accomplishing all three – modernizing the tech stack, creating an agile work environment and also creating digital client experiences that are interactive and intuitive," he says. "On top of that, we need to change our mindset. We need to think and act more like a digital company." This, he says, will lead to a better understanding of clients, their needs and how they relate to the company, in order to empower nudges which encourage them towards the promise of financial security and healthier lives.

The advisor's role

For advisors, this means more data about the client will likely be available in the future, which will enable them to make better use of tools and company solutions. It will also require they make use of the interactive tools available. "I think the advisor has a critical role in being alongside the client over their

Kevin Strain

lifetime, delivering financial solutions aligned with our purpose," he says.

To support a thriving clientele, meanwhile, and support for the company's purpose, he says four things are needed: digital leadership, distribution excellence, financial discipline and a commitment to sustainability.

"You need to have leadership on the digital side. You need to have distribution excellence – high quality distribution that can deliver on that purpose. You need to have financial discipline, because we are a long-term business; how we manage capital, how we manage risk is important. And increasingly, we think that you need to be committed to sustainability, to show leadership and drive sustainability through your strategy," he says.

COVID-19 and the industry

"If you step back and look at the Canadian industry, I think all of these are going to be important. Digital, maybe even particularly so," he adds. "Because of COVID, people have changed how they interact with companies." Reliance on a hybrid work environment too, he says is going to be another long-lasting feature, coming out of the pandemic.

Finally, he says the pandemic has also intensified client focus in a beneficial way: "I do believe that people are more focused on financial security and health, coming out of the pandemic, particularly health," he says. "I think there'll be some long-lasting benefit to people from that from that focus."

In addition to the adoption of new tools and this focus on health, he says the pandemic has also revealed and will continue to reveal a resiliency in people.

"I think digital, sustainability, diversity, equity and inclusion, creating impacts for our clients, being purpose driven, all of those things that work for us are also something the industry needs to focus on. The world is changing and as an industry we have to change along with it," he says.

"This is an industry that's done incredible things for clients over a long period of time. We have to continue to deliver those products that deliver financial security, but we do need to evolve to do it with a sustainability focus, more of a digital focus and (with) more diversity, equity and inclusion."

Consolidation drives group insurance clientele values upward

In recent years, group insurance and property and casualty insurance industry players – some backed by private equity firms – have been enthusiastically buying up group insurance advisory firms. Firms of all sizes are well positioned to negotiate the value of their books of business, as consolidation sweeps through the sector.

BY ALAIN THÉRIAULT

In group insurance, acquisitions of firms, consultants and third-party payers and administrators are accelerating.

AGA Group Insurance, bolstered by its largest shareholder, **Novacap**, recently took steps toward Canada-wide consolidation by acquiring benefits consultant **J&D Benefits** on January 20, 2022. AGA bought out **PPI Benefits** in the fall of 2021. It has already acquired several Quebec firms, including **Wagner Bujold Leduc** in September 2021.

Shortly before it was acquired by **Goldman Sachs Merchant Banking Division** in late 2020, **People Corporation** announced the acquisition of **ASEQ** (Alliance Pour La Santé Etudiante Au Quebec), **Watermark Benefit Consulting** and **ENCOMPASS Benefits & HR Solutions**.

HUB International, another consolidator with deep pockets, acquired Vancouver-based **Rogersworks** and **H.W. Hollinger** (Canada), headquartered in Montreal, in October 2021. In April 2021, it acquired Calgary firm **Wessex Financial**.

In 2021, **Synex Business Performance** acquired **GoTo Benefits** and **GoTo Insure** from **Cal LeGrow Insurance & Financial Group,** a firm based in the Maritimes. That same year, it acquired **Innov-Medic** of Quebec City. Synex President and CEO **Yan Charbonneau** has upheld this momentum in 2022. "We expect to announce several transactions in the coming months, some of which involve large group insurance firms," he said.

Multiples in motion

All this activity has impacted the value assigned to firms and blocks of business in the group insurance sector. "The multiples have increased: The financial services sector has attracted a great deal of attention in recent years," says **Martin Papillon**, President and CEO of AGA.

One factor driving this trend is the significant volume of US capital being channeled into the group insurance consolidation process, Papillon points out. He gives the example of Goldman Sachs' buyout of People Corporation. HUB International and P&C insurance firm **Arthur J. Gallagher** are other examples.

Papillon explains that large consolidators often acquire structured, high-volume firms valued based on their earnings before interest, taxes, depreciation and amortization (EBITDA). "For the larger firms, the multiples paid have also increased and vary by size," he says. "The data suggest that multiples are probably more than 12 times EBITDA for the very large firms."

"They've really built some very large firms, but I think there's still room for a consolidator like us. We want to do things differently. Some consolidators impose a banner, a federation that brings together the acquired firms; we're looking to align business practices and integrate the acquired teams to make sure we have a seamless service offering across Canada."

In addition, Papillon points out that the managers of the acquired firms gain access to AGA's shareholding.

When assessing a firm it wants to acquire, AGA looks at its growth history. "This is very important," says its CEO. "It is worthwhile to pay a premium for a firm that is growing steadily." A technology gap is less important, he says. "Each year, AGA invests more heavily in technology. Even if a firm's systems are a little outdated, it's not a problem. Eventually, we want to integrate all acquired firms on the same platform."

Papillon also looks at the stability and quality of management. "It's important when you're operating an entrepreneurial venture that the executives from the firms you acquire become senior executives in your company. You have to be comfortable having them on your management team."

Yan Charbonneau is seeing keen interest from consolidators in the large P&C sector. "Many P&C firms are buying into group insurance: HUB, **Lussier**, **Navacord,** etc**.** This competitiveness puts pressure on valuations," he says. The value of the deals done by these players is hovering at around 10 to 12 times EBITDA, the Synex CEO adds.

The Business Value Index that *Insurance Journal* published in April 2017 shows that a firm in the lower end of the range ($1 million to $3 million in revenue) could have traded at four times EBITDA. Today, the multiple is six times EBITDA (see the six to eight times EBITDA range in the index table).

Papillon believes that rising interest rates might stem multiple growth. "Very low interest rates are linked to high multiples because it is easy to finance acquisitions and raise capital. The return outlook is better than leaving money in the bank at 0.5 per cent interest."

➜


Yan Charbonneau


Martin Papillon


Tony Bosch

In group insurance, fewer and fewer business portfolios are being traded based on multiples of commissions, often referred to as "multiples of earnings," Charbonneau notes, unless the selling firm is small. "I'm working on acquiring a group insurance practice that is in the six to eight times EBITDA range. I also have one at ten times EBITDA and another at twelve times," he points out.

The upward trend is also affecting small practices. "In my opinion, the multiples paid for the purchase of small blocks of business in groups are now two to three times revenue. There are no longer any transactions at one times revenue," says Martin Papillon.

Parallel with individual insurance

HUB Financial's Executive Vice President of Broker Development, **Tony Bosch,** has also noticed an increase in EBITDA multiples, as consolidators continue to takeover large organizations. An MGA that has acquired several firms over the years, HUB Financial has also seen this trend on the individual insurance side, linked to high-volume transactions.

Transactions that target MGAs will be valued on a multiple of EBITDA, Bosch says. "When HUB bought me, they bought the MGA. The smaller firms are more flexible to scoop up individual firms." In these smaller businesses, parties will use revenue multiples (also known as multiples of renewal commissions), he adds. For transactions that involve these smaller blocks of business, the multiples have changed little, he says.

Jerry Butler

Michel Kirouac

EBITDA is also be used as a unit of measure in the purchase of large individual life insurance practices, Bosch continues. "I'll use EBITDA multiples such as the ones in your group index. With EBITDA, you look at the major costs of the business, what it's going to take to run the business, and then you'll look at four to eight times EBITDA. And I know a very sizeable well-run firm can probably go a little bit more than that six to eight, based on the low interest rates today," he explains.

Bosch says that buyers of blocks of individual life insurance business are not financial institutions, but rather producer groups that consolidate advisors' client bases.

Jerry Butler, President of Winnipeg-based **Queenston Consulting** and **Queenston M&A**, highlights some important differences between group insurance and individual insurance and investment transactions. For one, in group insurance it is much easier for a buyer to find financing to acquire a block of business.

Group insurance consolidators backed by private equity firms will not invest in small owner-controlled firms, he adds. They are more drawn to large, well-structured firms. "That's why the bigger group businesses, the ones that build their own products, are going to be worth more," he explains.

It is also why Butler views the structure of a company as crucial when assessing its value, be it in group insurance or individual insurance and financial services. He sizes up the processes in place, the business model, strategic planning for growth, stability of cash flow, the market it serves, and its proximity to customers.

Michel Kirouac, Vice President Executive Officer and associate at **Groupe Cloutier**, participates in several transactions between advisors each year, both in individual life insurance and investments and in group insurance. He strives to evaluate the fair price, or to identify obstacles to the transaction.

In group insurance, he deals with individual cases, not with large, structured firms like those acquired by AGA, HUB International or People Corporation. Kirouac believes that choosing a multiple in valuing a practice is easier in group insurance than in life insurance because of the predictability of revenue, which is expressed in a single flat renewal commission. "If you're valuing, for example, a block of business that generates 4 per cent in renewal commissions, it's easy. The renewal is always going to stay the same," he points out.

All the same, concentration in the portfolio of insured groups is risky, he warns. In group insurance, the selling advisor has often made excellent contacts in each group over the years. Will the buyer be able to hold onto each one? "In group insurance, the client can change hands with a simple letter (of notice). If he doesn't like your face, off he goes. Are you going to pay three years of revenue up front without being sure you're going to keep the clients?"

According to Kirouac, the risk may be mitigated if an advisor buys, for example, a clientele consisting of 25 medium-sized groups that bring in $50,000 in annual revenue. To draw a parallel with the AGA deal, if an advisor buys a practice with three large groups, generating $50,000 in annual revenue and paying $150,000 (three times the revenue), the chances of recouping the revenue are slim if one of the groups leaves.

Group insurance and benefits business value index

BY INSURANCE JOURNAL

MULTIPLES OF EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) ATTRIBUTABLE TO THE VALUE OF THE BUSINESS (OR FIRM)

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): 2-3 times renewal commissions
- $10 - $30 million: 6 to 8 times earnings before interest, taxes, depreciation and amortization (EBITDA)
- $30 - $75 million: 8 to 10 times EBITDA
- $75 - $200 million: 10 to 12 times EBITDA

*You can give each of the qualitative criteria below a positive, neutral or negative score. 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 advance 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 P&C insurance, individual life insurance, individual investment funds or group annuities
- ▶ Quality of files and of bookkeeping

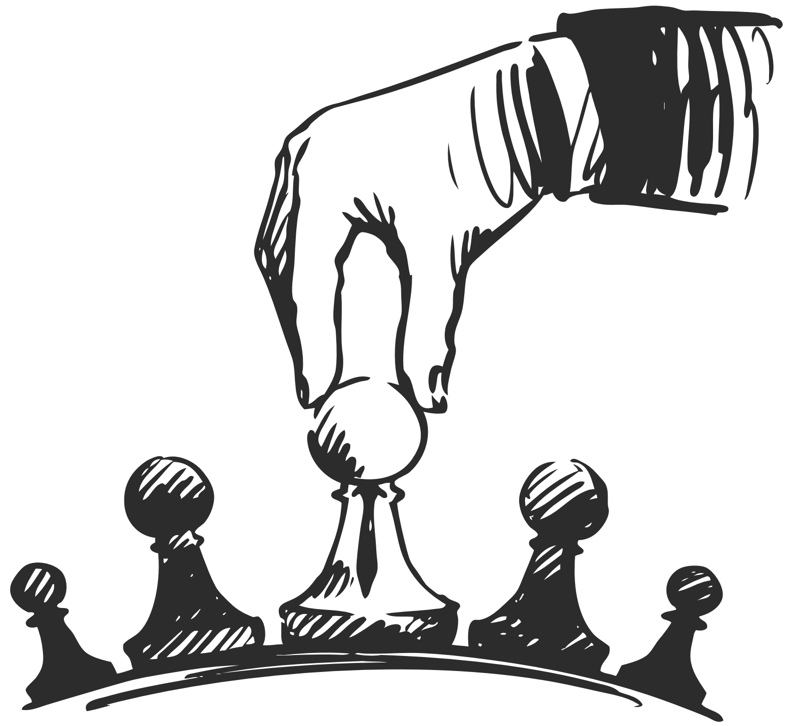
GROUP CHARACTERISTICS

- ▶ Average group size: Groups well diversified within the firm, e.g. premiums not too concentrated in a small number of groups
- ▶ Is the group self-insured?
- ▶ Age of files (groups)
- ▶ Groups' economic sectors

MAGAZINE SUPPLEMENTS

- **Business value index for individual life insurance clienteles**
- **100 buyers for every seller**

These articles are available to **PRO Level** subscribers on insurance-portal.ca



ESG funds: Stellar success despite average performance

Social justice consciousness and skepticism about meeting the Paris Agreement's GHG reduction targets is spurring investors to sidestep politics and embrace another tool to further their goals: Sustainable investment funds. The COVID-19 pandemic, coupled with escalating climate anxiety, is driving their popularity to new heights.

BY ALAIN THÉRIAULT

Investors have flocked to sustainable investment funds since the pandemic began. Social commitment, rather than performance, seems to be fuelling the exponential growth in ESG fund sales and assets. In fact, these funds have performed similarly to the benchmark index.

Interest in sustainable investment funds, also known as "socially responsible funds" or "environmental, social and governance (ESG) funds," has skyrocketed since the pandemic was declared. Not only has the COVID-19 crisis increased public health concerns, but anxiety about climate change is also on the rise.

Wave after wave of ESG funds have emerged, according to data reported to *Insurance Journal* by **Investor Economics**, a member firm of **ISS Market Intelligence** (ISS). ISS stands for I**nternational Shareholder Services**, a group of mostly German-owned companies. ISS statistics combine mutual funds and exchange traded funds (ETFs). The firm lists 128 ESG funds in December 2019. The total climbed to 172 at the end of December 2020, and reached 259 at the end of November 2021.

According to Investor Economics, assets in investment funds designated as ESG funds (mutual funds and ETFs combined) reached $42.7 billion in November 2021, compared with $24.4 billion for the full year 2020. The quantitative data in the Investor Economics charts are rounded to the nearest decimal place, except for trillion dollar values.

Starting in the second half of 2021, ESG mutual fund assets saw exponential growth, driven by an explosion in net sales. Investor Economics statistics show that mutual fund year-to-date net sales were $10.2 billion for the period ending November 30, 2021 versus $2.6 billion for the full year 2020.

Insurance Journal also obtained data on ESG fund trends from other research firms. According to statistics from **National Bank Financial Markets** (NBFM), ETF assets under management were $9.0 billion in 2021, up from $3.9 billion in 2020. ETF net sales were $4.1 billion in 2021, compared with $1.9 billion in 2020.

Daniel Straus, Director, ETF and Financial Products Research at NBFM, says that ESG ETFs have been around for a long time. **BlackRock**'s iShares Jantzi Social Index ETF, launched in 2007, is one example. Around 2017, "the ESG buzzword really started to attract a lot of hype," he adds. During that time, the iShares Jantzi Social Index ETF's assets grew tenfold, from $30 million to $3 billion, Straus points out. As of January 28, the fund boasted more than $108 billion in assets under management.

Daniel Straus believes that investors who use discount brokerage platforms in large numbers account for a large portion of these ESG ETFs' inflows.

Canadian ETF Flows, a monthly report on ETF sales that Straus authors, states that ESG ETFs have made a splash. ESG funds are moving money and shaking the foundations of the asset management industry, the report says. It points out that ESG funds have captured 2.8 per cent of total ETF assets.

The ongoing pandemic set the trend in motion again, the report continues. "After a brief pause in 2019, inflows into ESG ETFs accelerated in 2020 and 2021. The number of ESG ETFs doubled from around 50 in 2020 to 100 in 2021," Straus says. The variety of ESG product types is also blossoming. "We are seeing quant scoring methodologies take root, in addition to niche environmental (e.g., green energy) themes," the report points out. These methodologies include index-tracking ETFs, actively managed ESG mandates, and carbon offset products.


Photo: Paul Lawrence photography

Daniel Straus

Segregated funds, or insurers' guaranteed investment funds, are also being buoyed by this trend. An industry-specific body of data released by Investor Economics shows that ESG seg fund assets were $839 million in November 2021, up more than 50 percent from the full year of 2020. Net sales of ESG seg funds were $186 million in November 2021. Investor Economics statistics indicate that seg fund assets reached $139.9 billion in November 2021, up from $127.3 billion at the end of 2020.

According to **Morningstar**'s Q4 2021 Sustainable Investing Landscape for Canadian Fund Investors, assets invested in sustainable funds (mutual funds and ETFs) increased by 10 per cent from November to December 2021. "Most of this growth continued to surface within the equity asset class, where funds exhibited a year-over-year growth rate in assets of 110 per cent," the report says. Allocation and fixed income funds follow, with asset growth of 89 per cent and 62 per cent respectively.

The Morningstar report adds that 77 per cent of net inflows of sustainable investment funds went to equity funds, 18 per cent to fixed income funds, and the remainder to allocation funds. Of the total ESG fund assets, 85 per cent are actively managed funds.

A drop in the bucket

Despite their impressive growth across the board, ESG funds are still only a drop in the bucket of the investment fund universe in Canada. According to December 2021 statistics from the **Investment Funds Institute of Canada** (IFIC), mutual fund assets were $2.077 trillion at the end of 2021, up from $1.784 trillion in 2020. ETF assets were $347.4 billion in December 2021, compared with $257.3 billion in December 2020.

In its 2021 Investment Funds Report, IFIC mentions that ESG mutual fund assets represent 1.6 per cent of total mutual fund assets, and ESG ETF assets comprise 2.4 per cent of total ETF assets.

A global phenomenon that began in Europe

This drop in the bucket is nonetheless causing ripples in Canada. IFIC points out that despite still having minimal assets in the fund universe, responsible investment funds net sales have increased dramatically in 2020 and 2021. "RI mutual fund net sales totalled $13.2 billion, which is 11.7 per cent of total industry net sales and ETF net sales totalled $4.2 billion, or 7.2 per cent of total industry net sales," the report reads.

TOP 10 SUSTAINABLE INVESTMENT FUNDS LAUNCHED IN 2021, BY ASSET SIZE

NAME	Inception Date	Morningstar Category	Fund Size, CAD, Millions
Fidelity Climate Leadership	May 18, 2021	Global Equity	543.2
RBC Vision Fossil Fuel Free Short Term Bond	January 22, 2021	Canadian ST Fixed Income	277.1
FERIQUE Global Sustainable Development Bond	January 29, 2021	Global Fixed Income	236.6
Mackenzie Global Sustainable Bond ETF	September 23, 2021	Global Fixed Income	200.4
Franklin ClearBridge U.S. Sustainability Leaders	June 10, 2021	US Equity	184.8
NBI Sustainable Canadian Corporate Bond ETF	January 28, 2021	Can Corp Fixed Income	173.7
Franklin Martin Currie Sus Emerging Markets	June 10, 2021	Emerging-Markets Equity	165
FERIQUE Global Sustainable Development Equity	January 29, 2021	Global Equity	143.6
Desjardins RI Emerging Markets Multifactor Low CO2 ETF	March 12, 2021	Emerging Markets Equity	121.6
Fidelity Climate Leadership Balanced	May 18, 2021	Global Neutral Balanced	97.5

Source: Morningstar Direct. Data as of Dec. 31, 2021. Aggregation only includes share classes of ETFs and Mutual Funds reported to Morningstar.

The momentum has continued into 2022. **Invesco** launched eight ESG ETFs on January 20 of this year. On Jan. 27, **BMO Asset Management** expanded its ESG ETF lineup with the launch of BMO MSCI ACWI Paris Aligned Climate Equity Index ETF (ZGRN). On January 28, **Desjardins** followed with the SocieTerra U.S. Equity ETF.

Mutual funds are also getting into the game. On January 19, **Franklin Templeton Canada** launched sustainable multi-asset target date portfolios. On January 20, **iA Clarington Investments** added two funds to its Inhance SRI (SRI stands for "social responsible investing") line: Conservative and High Growth.

Carlos Cardone, Senior Managing Director at Investor Economics, points out that the ESG phenomenon is not limited to Canada. "It's happening at a very global scale, he says, noting that Europe leads the way. "The search for ESG is also very visible in the US, where new sales and asset growth of ESG have been through the roof." He adds that this phenomenon is mirrored in Canada, where the new product count is very substantial.

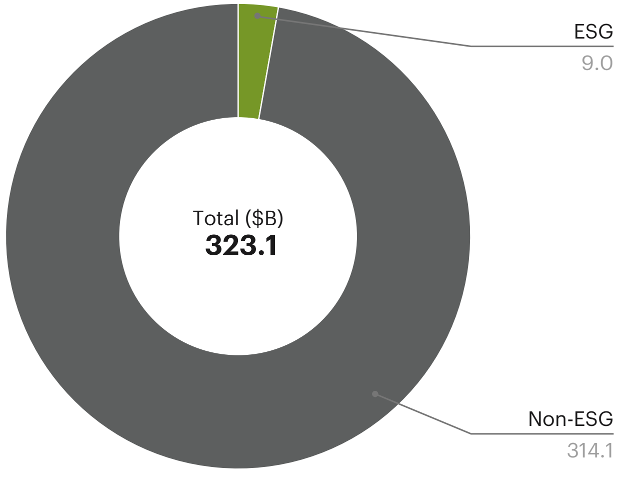
Danielle LeClair, Director of Manager Research at **Morningstar Canada**, notes that Europe is becoming a leader in the integration and standardization of ESG principles in the investment sphere. "There's a lot of different ESG interpretations and styles. Europe implemented some regulation, and tries to come with some language and criteria for mutual fund asset managers to follow, so clients have some form of transparency that's regulated across the industry. Europe has really set the stage for best practices globally."

Canada intends to follow suit, says **Sebastien McMahon**, Interim Chief Economist at **iA Financial Group**. "Responsible investing is clearly not a temporary phenomenon. The future of finance is sustainable finance. There is very strong demand, bolstered by the arrival of younger investors. The industry is turbocharging its quest to integrate ESG factors," he explains.

Is a link emerging between ESG criteria and economic indicators? "In the short term, no! We are not there yet," the economist adds. "On a global scale, the trend is still modest. On the other hand, economies that integrate ESG principles into their approaches, such as those in Scandinavian countries, tend to have stronger, more sustainable, and more stable growth."

iA Group's insurance subsidiary **Industrial Alliance Insurance and Financial Services** was the top seller of responsible segregated funds in 2021, with net sales of $161 million for the period ending Nov. 30, according to statistics from Investor Economics. It far outpaced its competitors for that period, and its ➜

CANADA-LISTED ETF ASSETS UNDER MANAGEMENT
AS OF DECEMBER 31, 2021



Source: National Bank of Canada. Data as of Dec. 31, 2021.

Improving mental health in the workplace

The pandemic has taken a toll on the mental health of working Canadians, underscoring the need for adequate resources to be available for employees as they navigate the way forward.

"Even before the pandemic, mental health was an important issue, but the pandemic seems to have exacerbated everything and increased the urgency for helping people affected by issues such as anxiety and depression," says Stephanie Ipavec-Levasseur, Product Director, Prevention, Absenteeism and Disability with Desjardins Insurance, the wholly owned life and health insurance subsidiary of Desjardins Group, which has been assisting plan members for more than 70 years.

According to the 2021 Benefits Canada Healthcare Survey, sponsored in part by Desjardins, 36 per cent of respondents reported increased rates of anxiety or sadness/depression, while others said they were exercising less, gaining weight, eating poorly, drinking more alcohol and experiencing sleep issues.

In the early days of the pandemic, people weren't reaching out for assistance for their mental-health concerns, says Ipavec-Levasseur, they were just in survival mode first and foremost.

Then the signs of struggle began to appear as the effects of isolation, financial instability, childcare difficulties and greater levels of stress took hold. "Altogether, these factors created a perfect storm that impacted people's mental health," she notes.

The benefits study also showed that employee productivity suffered, with 32 per cent saying they had difficulty focusing on work.

A strain on mental health can manifest in a variety of ways, like depression. Early signs of depression include low energy, changes in appetite, increased levels of anxiety and sadness, difficulty concentrating and trouble coping with everyday life, according to the Canadian Mental Health Association. Furthermore, the stigma hardwired into the workplace prevents people from accessing the help they need. Communicating about mental health issues with empathy and encouragement must be prioritized over judgement if we're to see better outcomes.

"For someone with a mental-health issue, it's important to decrease the many types of barriers to getting help – like delays, finances and knowledge – and reduce the stigma," says Ipavec-Levasseur. "The message needs to be that it's okay to not be okay, and that there is help available before things spiral out of control."

Having a variety of tools available to combat mental-health issues is key, since the most effective approach will vary greatly with the individual. They may include online wellness platforms, counselling and referrals to mental-health professionals. It's important to get to the root of the problem. "Often people don't know what's wrong," she explains. "They just know they aren't feeling well."

Cognitive behavioural therapy (CBT) can be an effective tool, too, as a way to identify how thoughts and actions are connected to feelings. It is focused on replacing negative thoughts with more positive, constructive ones. The rise of telehealth during the epidemic means CBT can also be done online.

Internet-based CBT, led by a social worker, is available through MindBeacon, a Desjardins Insurance partner. Users can register for iCBT classes and get started right away. Ipavec-Levasseur says the results have been positive. "The course can help improve mental health, change habits and teach people to adopt practical ways of dealing with symptoms of anxiety and depression at their convenience in their own homes.

The message needs to be that it's okay to not be okay, and that we're here to help you before things spiral out of control

— Stephanie Ipavec-Levasseur, Product Director, Prevention, Absenteeism and Disability, Desjardins Insurance

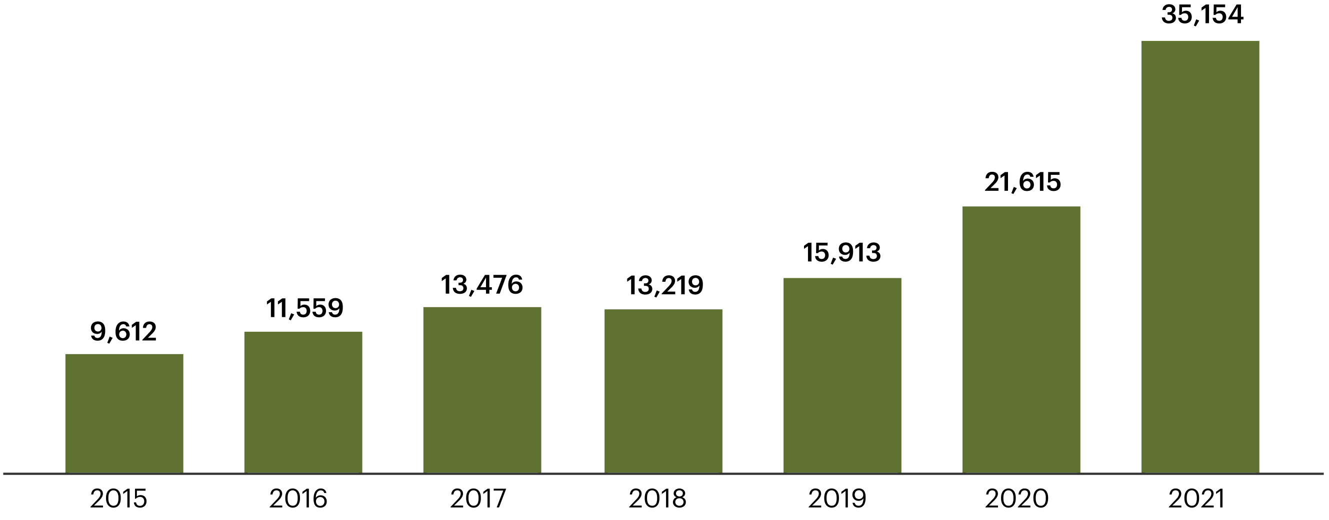
— Stephanie Ipavec-Levasseur, Product Director, Prevention, Absenteeism and Disability, Desjardins Insurance

"Group insurance is just part of an organization's overall health strategy," Ipavec-Levasseur points out. "Desjardins Insurance is a partner that can help give plan members the peace of mind and support they need so they won't live in fear for what lies ahead. We're there for them."

To learn more about group and business insurance offerings from Desjardins Insurance and how they can help build and support a healthy workforce, visit desjardinslifeinsurance.com for details.

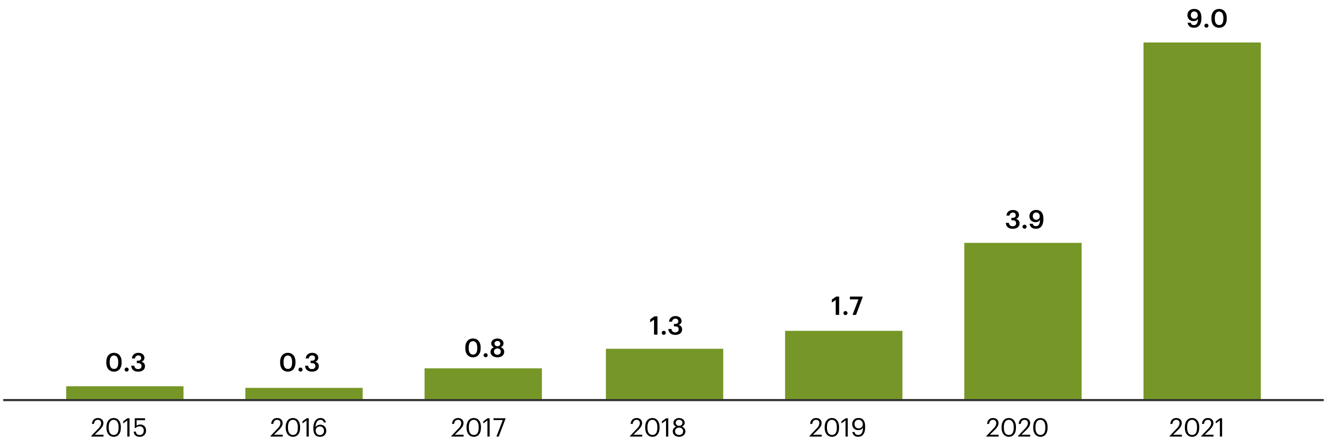
GROWTH IN ESG MUTUAL FUND ASSETS UNDER MANAGEMENT ($B)

AS OF DECEMBER 31, 2021



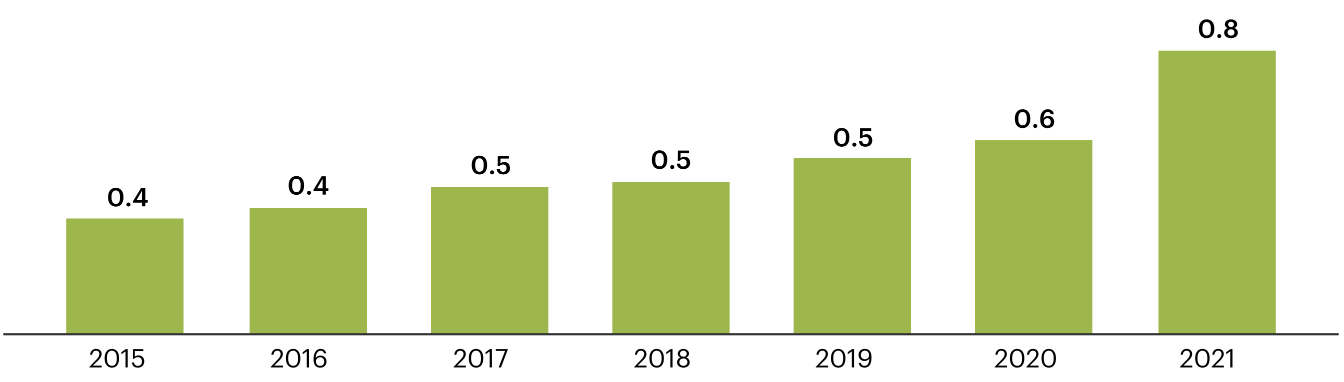
Source: Investor Economics.

GROWTH IN ESG ETF ASSETS UNDER MANAGEMENT ($B)



Source: National Bank of Canada.

GROWTH IN ASSETS UNDER MANAGEMENT OF ESG SEGREGATED FUNDS ($B)



Source: Investor Economics.

ICON PROTOCOL ADVISORCRAFT

SOLIS

You're not alone

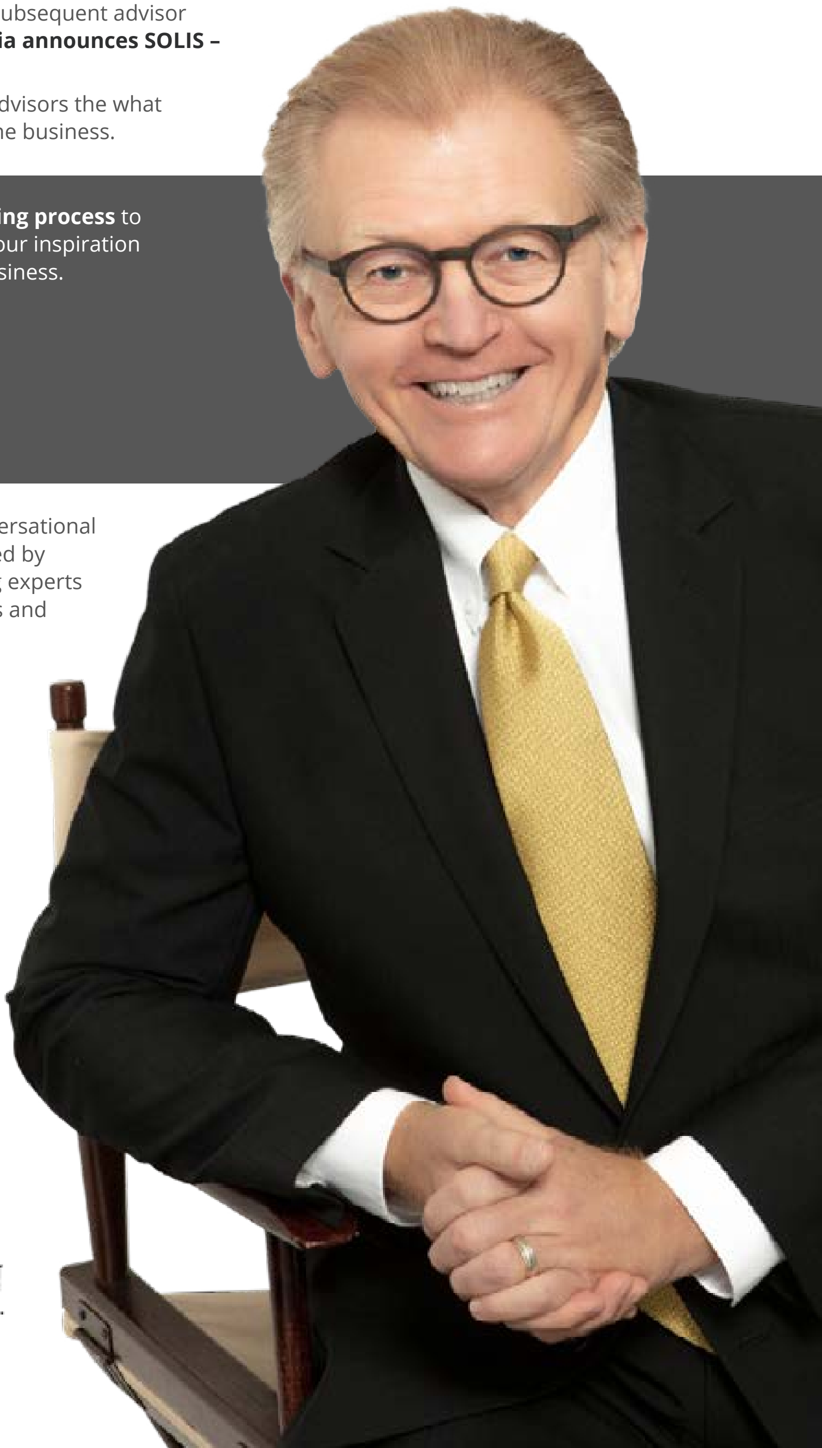
SOLIS Elevates Insurance Advisor Sales Training

Life Insurance advisor sales training is changing for the better. To fill the gap created by the industry evolution away from professional sales and the subsequent advisor productivity and consumer protection losses, **Advisorcraft Media announces SOLIS – School of Life Insurance Sales**.

SOLIS is an innovative new approach to teaching life insurance advisors the what and the how of building a successful business from the best in the business.

SOLIS will continually work on and help refine this **12-step ongoing process** to make it most effective for you. We start with your Lead Story – your inspiration for being in the business and the lead story you tell to attract business.

1. **Marketing**
2. **Prospecting**
3. **Lead Story**
4. **Approach**
5. **Engagement**
6. **Fact-Find**
7. **Analysis**
8. **Present**
9. **Agreement**
10. **Delivery**
11. **Referrals**
12. **Reviews**



Rather than a talking heads approach, SOLIS uses a unique conversational training style proven in other Advisorcraft programs and is hosted by Jim Ruta. SOLIS faculty includes world-class advisors and training experts talking about their specialty to bring members best in class ideas and experience. SOLIS is dynamic, compelling, and inspirational will adapt and evolve to our rapidly changing sales environment.

SOLIS will draw on international experts like Bruce Etherington, Van Mueller, George Sigurdson, and others for their stories.

For March 1st, Bruce will talk about his **12 P's of Performance** plus some of his ongoing "observations" about what works and what doesn't in our profession... made from 57 years of "observing". You can be a fly on the wall for this amazing conversation.

Want to Sit in on a Special SOLIS Session?

Visit: www.advisorcraft.com/solis

Proud to propel the life insurance advisor business

MEDIA SPONSOR

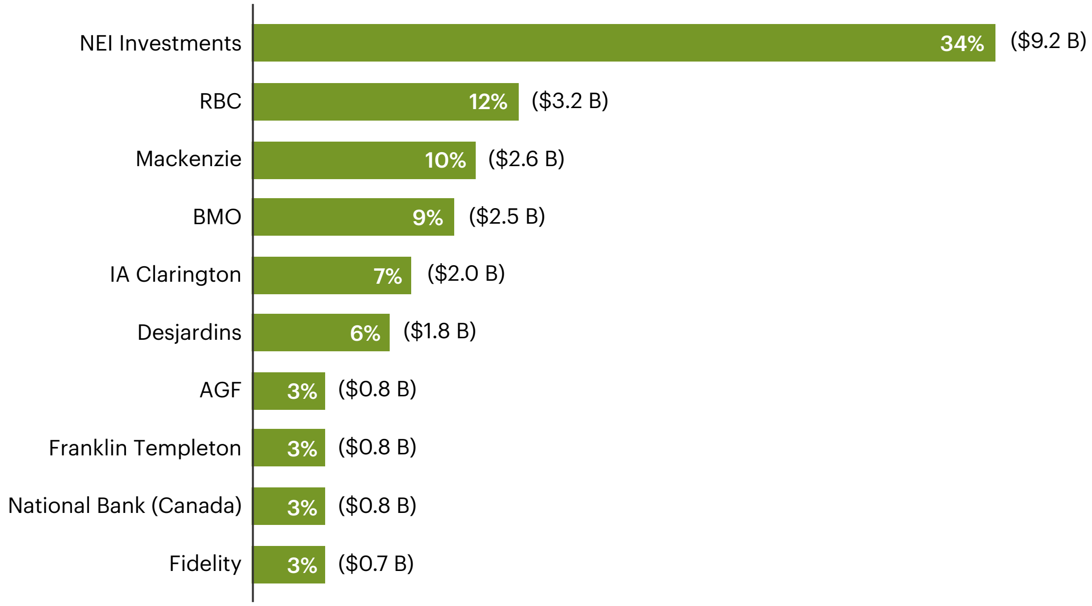
INSURANCE Journal Publishing Group

Insurance Journal | Insurance-Portal.ca

LIFE PRESERVER SPONSOR

CUSTOMPLAN Financial Advisors Inc.

TOP 10 MANUFACTURERS BY SUSTAINABLE FUND (ESG) ASSETS



Source: Morningstar Direct. Data as of Dec. 31, 2021. Excludes funds of funds. Aggregation only includes share classes of ETFs and Mutual Funds reported to Morningstar.

sales brought iA's assets under management in responsible segregated funds to $350 million as of November 30, 2021, equal to whopping growth of 223 per cent compared with the same date in 2020. **Desjardins Insurance** leads the way in responsible seg fund assets under management, with $410 million as of November 30, 2021.

iA's mutual fund subsidiary **iA Clarington** ranks fifth in Morningstar's socially responsible investment funds market, with a 7 per cent share of total assets in this category. **NEI Investments** tops the list with a 34 per cent share.

February 2021 was a record month for sustainable investment fund sales, Morningstar adds. The fund that garnered the most sales at the end of February was BMO MSCI USA ESG Leaders, with net sales of nearly $1.659 trillion. It was followed by **Mackenzie Greenchip Global Environmental All Cap** ($306.5 million) and **National Bank Investments** (NBI) Sustainable Canadian Corporate Bond ETF ($106.9 million).

Sébastien McMahon

ESG criteria expansive: Managers can pick and choose

Sébastien McMahon, who also serves as iA's senior portfolio manager, diversified funds, notes that ESG criteria are increasingly influencing fund asset allocation. "For example, the fossil fuel sector is shrinking within the Canadian index. If we want to allocate more money to that sector, we have to target it specifically, buy more of it," he explains.

The concept of environmental, social and governance criteria is a broad one, iA's chief economist continues. "ESG funds are responsible funds that cover a full menu. Some funds exclude sectors, like our IA Clarington Inhance SRI Funds, which shun fossil fuels completely. This is a basic strategy, one solution. Exclusion has an impact on the sector's weight in the index."

McMahon also mentions other possibilities. "You can include energy stocks that are the best citizens in the sector; the ones that are trying the hardest and have a better footprint. There are activist funds, impact investing funds. There are thematic funds...the list goes on."

He adds that each of iA's investments is screened for ESG criteria and that some of the firm's managers have become experts in this area. "iA's managers are increasingly including ESG criteria in their regular stock selection, using models such as discounted cash flow. Our managers will either over- or under-weight certain securities depending on their ESG risk rating," McMahon explains.

He mentions **Sustainalytics**, a Morningstar company that offers an ESG risk rating service. Sustainalytics rates the ESG risk of Canadian telecommunications company **BCE** as low. It gives it a score of 18.9. In contrast, oil company **Suncor Energy** is rated high risk, with a score of 30.5.

Managers can also shore up their choices by communicating with companies whose executives they know. "If a manager sees that the company has a strong commitment to improving its ESG record, that commitment may not be represented in report cards like Sustainalytics'. Stockpickers will be able to play on this information by giving the company's stock a premium," explains Sébastien McMahon.

Morningstar Canada's **Danielle LeClair** sees a distinction emerging in the mutual fund industry between "ESG risks and ESG intent." Morningstar is

OVERALL PERFORMANCE

Ranking of sustainable investment funds by quartiles, based on risk-adjusted performance and after fees. All funds.

Period	Top quartile	2nd quartile	3rd quartile	4th quartile	Total
Q4 2021	57	60	54	36	207
2021	29	41	39	35	144
5 years	20	11	21	7	59
10 years	10	11	8	14	43

Source: Morningstar Direct Data. Data as of Dec. 31, 2021.

developing a framework to guide investors in making this differentiation, she says. She gives the example of investors expecting that ESG funds will exclude energy companies. This may not be the case, even if a fund is labelled ESG. She refers to these funds as "ESG by accident."

"Some ESG investors will focus on ESG improvers [and] will invest in order to help them improve their ESGness," the director of manager research continues.

Best-in-class in a given sector is another sought after criterion.

"In Canada, it's really hard to have a broadly diversified Canadian equity portfolio and not hold energy companies. So, there are managers that are going to buy the best energy companies," she says.

Carlos Cardone thinks the industry should view ESG as more than just an investment strategy: It is also a body of data. The senior managing director at Investor Economics explains that even an asset manager without an ESG mandate has "very interesting and telling" ESG data that can be used to select companies. For example, managers could "assess if a company will be likely to have certain reputational or environmental risks. One way or the other, these data will probably contribute to the overall performance of the fund over the longer term," Cardone points out.

Average yield

Exclusion strategies previously impacted ESG fund performance, Cardone adds. "Before the [2008] crisis, energy and mining sectors were doing extremely well. There were few ESG funds back then, and they were using a negative screening strategy. They were excluding these sectors so they were underperforming big time," he explains.

The performance of ESG funds has subsequently improved, but has not become remarkable. According to statistics from Morningstar's Sustainable Investing Landscape for Canadian Fund Investors report for Q4 2021, ESG mutual funds as a whole performed at the median of their respective Morningstar categories.

The report tracks different time periods and several sustainable investment funds, by broad category of funds. "Broadly speaking, those funds tend to performed generally mid-pack relative to their peers, over the last six months, one year or three years," Danielle LeClair says.

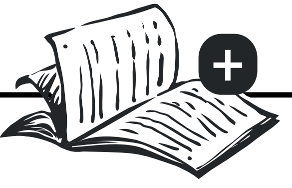
Canadian equity funds have done slightly better than their peers overall, she continues. "ESG is going to perform differently in different asset classes and different categories, at different times. When energy does well, Canadian ESG managers struggle a little bit."

Yet the average return tends to be above the median toward the end of 2021. The Sustainable Investing Landscape report states that sustainable investing funds finished 2021 strong, based on their risk-adjusted returns and after fees. In Q4 2021, 117 of the 207 sustainable investing funds, or 57 per cent, outperformed their peer funds, Sustainable equity funds bested their peer funds in the same category by a measure of 61 per cent, or 72 of 118 funds.

Morningstar points out that a single quarter is not nearly enough information to base performance on. It strongly recommends taking a longer view. "Though the sample size decreases as we look to longer periods, the data shows that historically on average, sustainable investment products perform much like their traditional counterparts," the report reads.

Danielle LeClair

Carlos Cardone



MAGAZINE SUPPLEMENT

- **Advisors need ESG training**

This article is available to **PRO Level** subscribers on insurance-portal.ca

Most Canadians have not planned for long-term care

Very few Canadians have a financial cushion to cover long-term care. Currently, the insurance market has only one such product on offer. Could this be the perfect storm that sabotages retirement plans? The value of advice may be the last line of defense.

BY ALAIN THÉRIAULT | PHOTO: UNSPLASH

Sixty-seven per cent of Canadians have no plans to meet their long-term care needs, and only one in 10 has set aside money for this care, according to a report by the **Canadian Institute of Actuaries** (CIA). Many people underestimate the likelihood of needing long-term care and the associated costs, the report points out.

Among the key findings of the CIA's *2020 Retirement Risk Survey:* Canadians are not adequately prepared to deal with a physical or mental disability that requires care. The survey was conducted in July and August of 2020 among more than 1,500 Canadians aged 18 and older, and reflects the opinions of working people and retirees alike.

The report shows that survey participants know little about the nature and cost of long-term care in Canada. Canadians also conveyed a feeling of invulnerability. For example, only 31 per cent of respondents think they will suffer a physical or mental disability later in life.

The reality is quite different, the CIA points out. "Actual experience indicates that disability rates at ages 75+ are over 47 per cent," the report states.

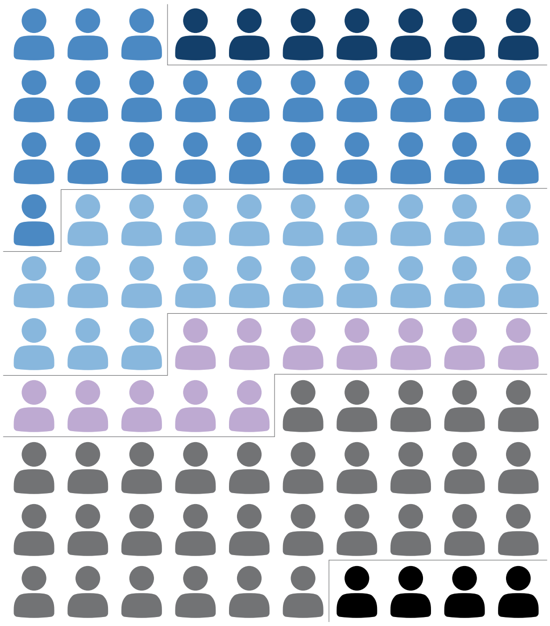
Michel St-Germain, a pension actuary and outgoing president of the CIA, described the situation grimly at the November 2021 *Congrés de l'assurance de personnes* (Life insurance convention). He spoke at the virtual event in a session dedicated to Canadians' readiness for retirement. "People underestimate the likelihood of needing these services," he said. "Only 22 per cent believe they will need long-term care services. The reality is much closer to 50 per cent." The CIA report adds that the risk rises to 75 per cent for people ages 85 and older.

St-Germain also notes that many retirees do not have enough savings to cover unforeseen situations. "Some should set aside a cushion of more than $20,000," he says.

People have a poor grasp of the costs of long-term care living or nursing care, he notes. The Institute's survey finds that 41 per cent of Canadians do not know how much it costs each week to live in a long-term care home, and 54 per cent do not know the weekly cost of nursing home care. In addition, 74 per cent of survey participants are unsure if there is a cost-sharing system in their province.

"The pandemic has given people a very negative view of long-term care facilities," St. Germain said at the conference. According to the CIA report, 47 per cent of survey participants rate the availability of long-term care as fair to poor. Fifty-five percent rate the quality of care as fair to poor, and 49 percent rate their ability to afford this care as fair to poor.

DISTRIBUTION OF REPORTED LIKELIHOOD OF EXPERIENCING A DISABILITY LATER IN LIFE



Source: Canadian Institute of Actuaries, 2020 Retirement Risk Survey.

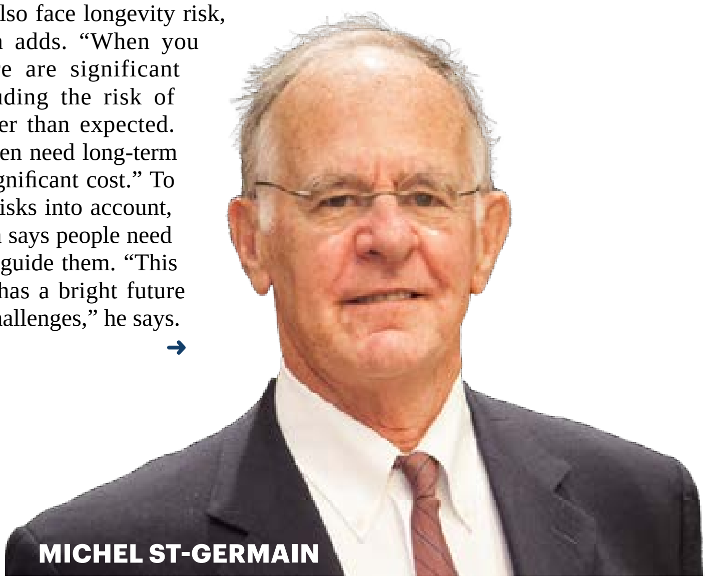
Advisors' role

Prior to discussing long-term care, Michel St-Germain underlined the important role of financial advisors in helping Canadians achieve their retirement goals. "Long-term care is another area where advisors have a role to play," he says.

St-Germain points out that people do not know how to prepare for the eventual need for long-term care. Advisors can help their clients realize that lack of planning can put their retirement at significant risk.

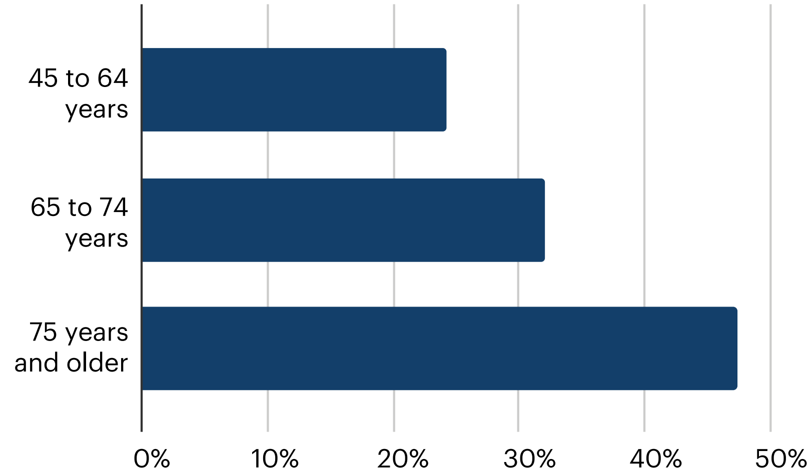
Retirees also face longevity risk, St-Germain adds. "When you retire, there are significant risks, including the risk of living longer than expected. You may then need long-term care at a significant cost." To take these risks into account, St. Germain says people need advisors to guide them. "This profession has a bright future and great challenges," he says.

➜



MICHEL ST-GERMAIN

DISABILITY RATE FOR BOTH SEXES IN CANADA BY AGE GROUP



Source: Canadian Institute of Actuaries, 2020 Retirement Risk Survey.

However, he mentions a challenge for people with modest incomes who want to purchase such services. "We will have to find a way to tailor these services to different income levels. Some people are willing to pay a lot of money for this advice, and others a little less. We'll have to find a way to support these people, because advisors have an important role to play in correcting the gaps in the system."

Insufficient demand

Michel St-Germain told the conference goers that many Canadians do not have insurance, especially disability insurance. This product is crucial for people who are at risk of becoming disabled before their planned retirement date, he says.

However, the problem is mainly a lack of supply of LTC insurance than insufficient demand for the product. Today, only one product is available. In an article published in April on the *Portail de l'assurance*, a sister publication of *Insurance Journal*, **Robert Dumas**, President of **Sun Life** in Quebec, recommended a financial planning approach to long-term care. Dumas described this market as stagnant. At the time, Sun Life offered two products and had only one competitor, **Blue Cross Canassurance**, which sold Tangible.

In June 2021, Sun Life discontinued its long term care product for the brokerage channel (Sun Long Term Care Insurance) and retained only the product for its exclusive agent channel (Sun Retirement Health Assist).

Blue Cross Canassurance bowed out of long-term care insurance in July 2021 CEO, **Sylvain Charbonneau** then explained to *Insurance Portal* that the withdrawal was due to a lack of interest in this type of product.

Don't miss our Special Reports!

Research, strategic interviews and analyses of current trends
published exclusively via the *Insurance Portal*

Insurance industry faces recruitment challenges

Many insurers are having challenges attracting experienced workers, a trend that has hit other industries as well. COVID-19 has made an existing problem worse, causing some to retire earlier than had been previously expected. Some insurers are looking at new ways to attract to attract employees, such as enhanced benefits, or higher salaries.

Covid-19 spurs changes in the life insurance industry

The pandemic has spurred an acceleration in technological change in the life insurance industry. Insurers are future proofing by investing in ways to modernize their businesses. To address multiple challenges, they are prioritizing innovation, attracting new talent and helping advisors meet the needs of their clients, a recent LIMRA conference was told.

Subscribe to our **PRO Level** now to access this insightful content and much more!

insurance-portal.ca/prolevel

INSURANCE Portal

An Insurance Journal Publishing Group product

Balancing artificial intelligence and human roles in insurance

Insurance is at the point in its journey with artificial intelligence (AI) where companies are seeking to understand the balance between AI systems, their human counterparts and their respective roles.

BY KATE MCCAFFERY | IMAGE BY RAWPIXEL

This understanding is a necessity, say industry experts, a priority item that needs addressing.

In the **Reuters Events** webinar, *Removing the 'vs' from 'Human vs. AI'*, panelists discussed how AI's application is unique to each organization using it. It also has the potential to be transformational for business. That said, there is the thought among some that AI is coming to take jobs.

"Hammers didn't come to take people's jobs. No one viewed a hammer as a threat to their job, they viewed it as a tool," says **Sean Adams** senior vice president of innovation design at California's **State Compensation Insurance Fund**.

Instead, they say AI is helping companies to learn more about perils and has allowed underwriters to make better decisions. It also frees underwriters and claims adjusters up to ask questions they perhaps did not have time to address in the past. "AI is helping us better understand and better manage risk," says **Mano Mannoochahr**, senior vice president and chief data and analytics officer at **Travelers**.

Claims and underwriting

AI was first put into use in the fraud space but has since been put into place in claims and underwriting at some companies. To provide an example, Mannoochahr described for the webinar's audience, recent work in claims to respond to tornado damage in the United States.

"A couple of years back we would have been flying a little bit blind trying to understand where to deploy our workforce as claims come in," he says. "But over the last year and a half or so, we have developed a deep machine learning model. As soon as these events happen, within a day, sometimes even the same day, we get high resolution imagery from the areas that are impacted. By the time nighttime comes around, we have processed hundreds of thousands of images and parcels looking for damage." He adds that the model has the ability to classify the damages too, identifying everything from light damage to those buildings that are destroyed to their foundations.

> *AI is helping us better understand and better manage risk.*
>
> — Mano Mannoochahr

"As our claim handlers come in in the morning, they usually have a plethora of information right in front of them," allowing the company to focus field workforces in the right places. "As claims come in, claims handlers have the ability to pull up the image and see how the AI assessed the damage as it ran the night before." He says this improves the customer experience, as the company is sometimes issuing a check before the client has even filed a claim. "It is just phenomenal in terms of what we've been able to achieve," he says. "AI is helping us to do that."

Detection and monitoring

He also encouraged webinar attendees to consider what it takes to underwrite a commercial building. The roof, he points out, can be a proxy for the overall condition of the building. "What we have done is developed a machine learning model that actually can detect and monitor individual commercial buildings that are coming up for renewal," he adds.

In underwriting, **Jim Sorrells**, insurance executive and claims expert at **Shift Technology** says it is possible to take in new business, qualify leads differently, understand client personas in a different way and work to provide clients with a better product offering, all using AI's assistance. He adds that how companies go about using AI to augment and drive decision-making is where differentiation is going to occur as the technology powers and enables decisions that are quick, more informed and more accurate.

He adds that availability of information allows companies to make different decisions in claims and underwriting too. "In underwriting, what you don't know is the piece you're chasing, right? If it exists, the AI can pull it in and make it available at short notice."

Adams says the effort is a work in progress. "I believe it is getting the right people the right information at the right time," he says. At the same time, AI can also be pressed into service automating the tasks that humans might currently do 20,000 times in a week. "That's one area that AI can definitely help."

Work in progress

When launching with an AI initiative, the experts say objectives need to be "crystal clear" upfront. "Are we trying to decrease cycle time? Are we trying to increase accuracy? Are we trying to remove stuff from the process? What exactly are we trying to do? And then, critically, what a lot of organizations miss is that feedback loop. Did we actually do that? Have we achieved the results we thought? It's all iterative," Adams says.

Interestingly, he adds that bringing AI into an organization is a good litmus test for how siloed an organization is. "You're going to uncover your data silos. You're going to find out, very quickly, how unified (your) data platform is," he adds. If you have segregated data, if you have segregated teams, you're going to run into that very early on."

Ethics in AI

Ethics in AI, ensuring the technology is making the right decisions, not introducing new bias or failing to get rid of old biases, is also a work in progress. "Can we explain how that rating is working?" asks session moderator, founder and managing partner of **Insurance Evolution Partners**, **Bryan Falchuk**.

"These ethical fairness bias considerations are not going to go away. I do think that we could potentially solve them, or at least come to place as an industry where we feel comfortable, but it's still a process right now. I don't know if there's an answer yet," Adams says. "I think that's one of the big reasons why we're kind of late to the party, because there has been this difficulty explaining the decision-making process," he adds. "We have to be able to describe that with a very high level of certainty. We're still getting there. I think that's going to be an obstacle that we can overcome."

The human side of the equation

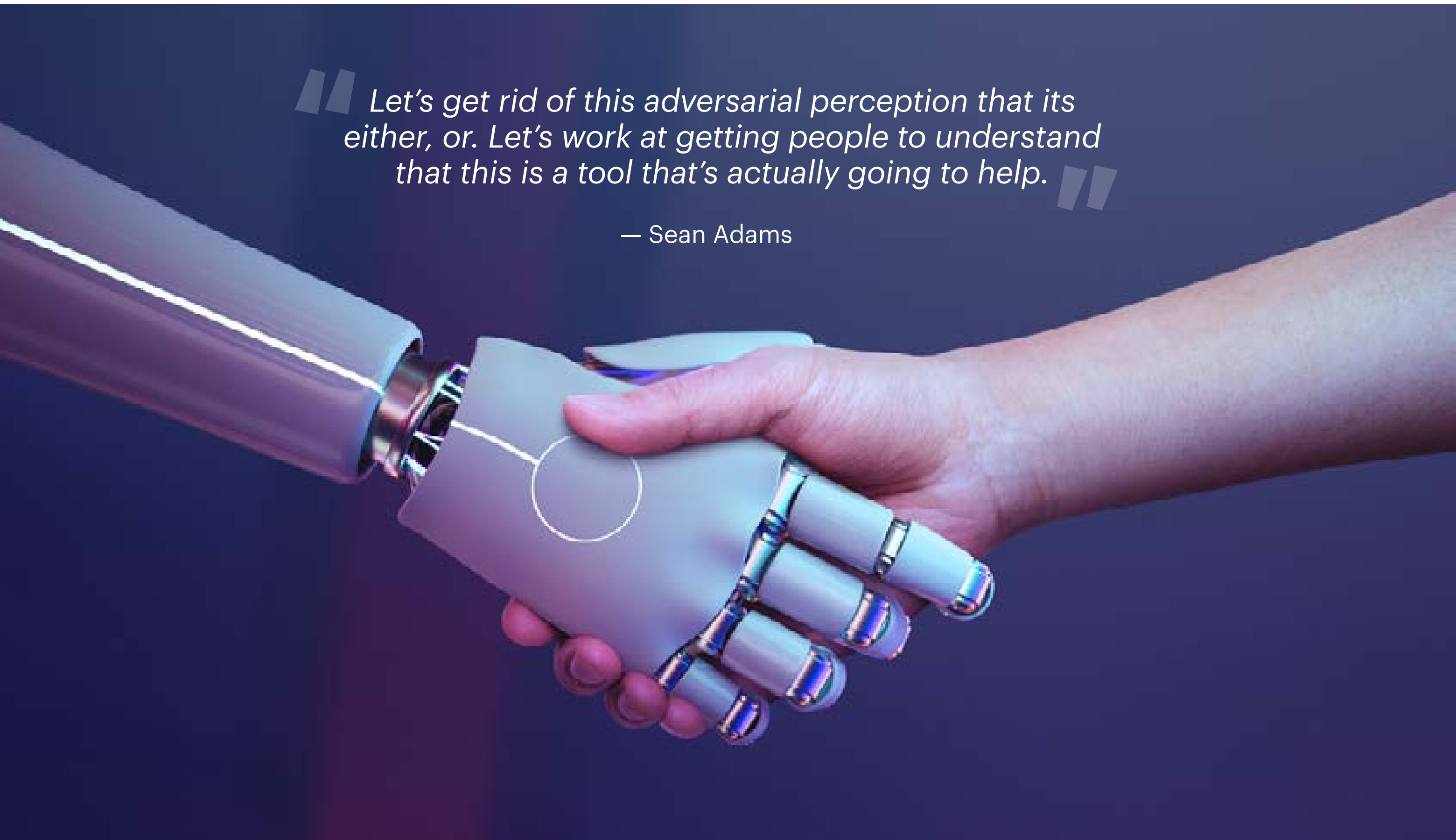
Managing the human side of the equation too, training, talent retention require that companies find a way to strike a balance. "Not everyone wants to be a manager. Not everyone wants to work on these really difficult, traumatic things 24/7; we need some variation. Have we thought about that? If we're taking away lighter cases, are we giving the human side that chance to recover? It's really fascinating and, of course, it's going vary by person," Falchuk says. "They're interesting things, I don't think we've ever thought about tackling as an industry."

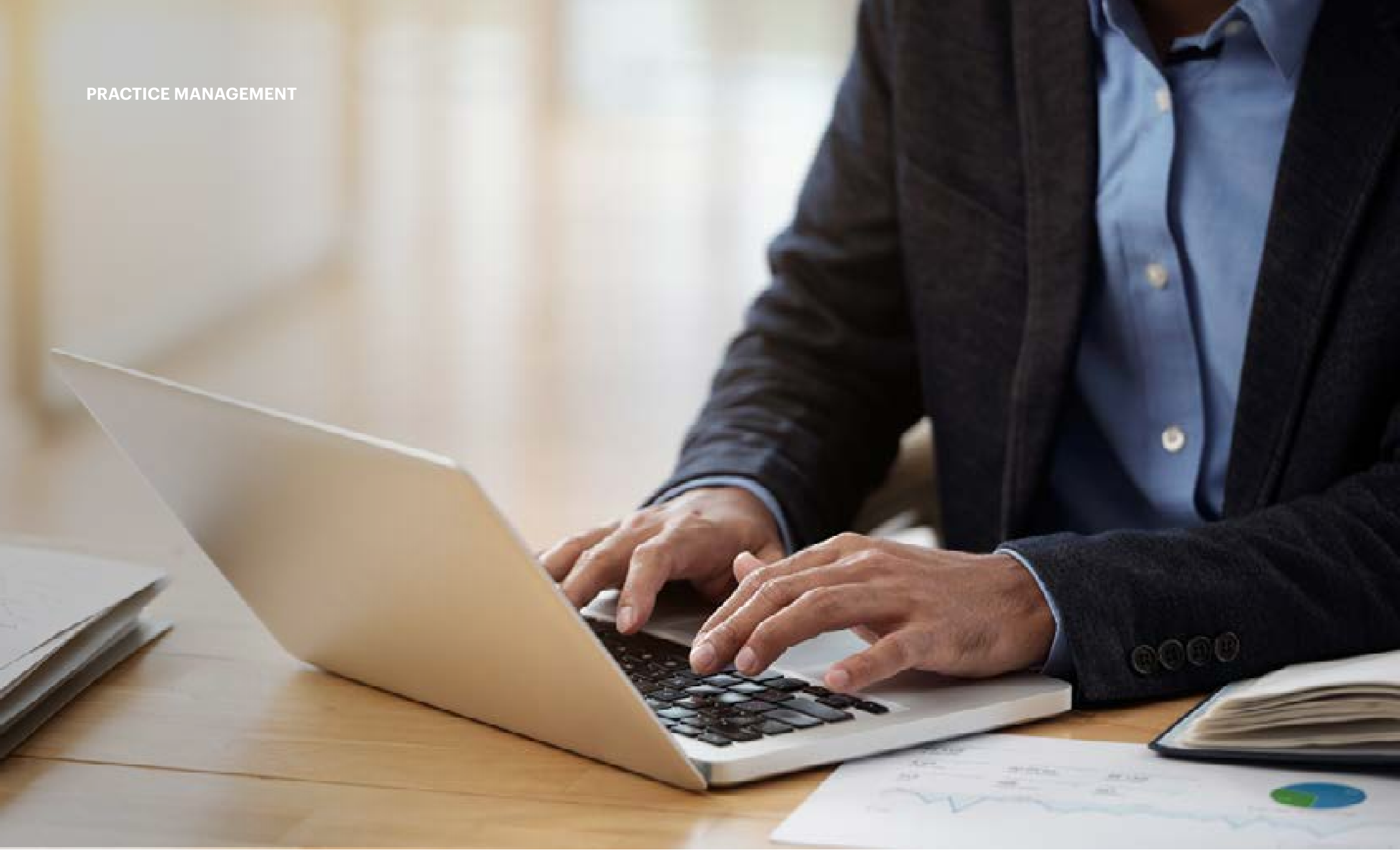
Adams says once a company realizes it is sitting on a lot of value in the data it keeps, a shift within the organization begins to take place. "I think that's one of the first indicators that an organization is ready for AI – they can look at data and see value," he says.

Mannoochahr, meanwhile says an organization's maturity, and where they are at in their journey with AI will determine how companies look at implementation. "It typically does start off as a separate team rallying around some strategic use cases, proof of concept type work," he says. "But what we have learned over the course of the last few years is that it needs to be a team sport across all functions for us to not only build the models, but really get them integrated into our workflows, our transactional systems and get them into the frontlines. You really can't do that in a silo. You have to partner closely with your business functions." He adds that even before the company is done modelling, they are already testing with front line staff in some fashion. "There's no question in my mind, it has to be an integrated approach."

He adds that most AI use cases, with the exception of a few, have been focused on helping workers become more productive and improve customer and broker experiences.

"Let's get rid of this adversarial perception that its either, or," Adams agrees. "Let's work at getting people to understand that this is a tool that's actually going to help. Similar to smartphones, similar to computers, similar to the internet. All of these paradigm shifts that we've experienced professionally during our life," he says. "It's an interesting journey."





Creating business success by leveraging virtual assistance

Compliance and regulation-related work has increased for advisors around the world. The pandemic has also normalized remote working. Where the two trends intersect, virtual assistance firms are thriving. In many cases, the advisors they serve are also thriving.

BY KATE MCCAFFERY | PHOTO: FREEPIK

In Australia, **Million Dollar Round Table** member, managing director and financial advisor with **EK Financial Group**, **Aaron Kane** says following regulatory attention and media attention, the industry there witnessed a large increase in compliance and regulation. "This was not a bad thing, as it protected the consumer, our client," he says, "but what it meant was that advisors had a big increase in paperwork, which also increased our cost to serve. A job that would've taken me or my admin team only 30 minutes to complete now became a two-hour job, meaning our costs went up, which we had to pass on to clients."

Since hiring his first virtual assistants (VAs) to help manage that workload, Kane says his firm has grown (a virtual assistant is a contract worker who provides administrative services remotely). With their help, Kane says his local administrative team gets more fulfillment from their jobs by doing value-driven work, process work is accomplished behind the scenes, and work is generally done more quickly and delivered to clients more quickly than it might've been in the past.

Advisors in Canada are making use of VAs in a similar fashion. **Admin Slayer** is the brainchild of British Columbia and Ontario-based, **Spring Planning** co-founder, CEO and senior planner, **Julia Chung**. The virtual assistance firm grew out of her own need for an assistant's services. (Chung is Admin Slayer's CEO.)

In working with a coach, Chung determined that there was a substantial amount she wanted to get off her plate. "I made this enormous list. My coach said, well, that's an assistant," she says. When the conversation turned to virtual assistance (because it was determined that, at that time, taking on an in-person assistant might be onerous), Chung connected with her first virtual assistant (VA), **Shannon Cassidy**, who is now Admin Slayer's chief slayer, partner and chief operations officer.

A number of benefits

There are a number of benefits that come with having a virtual assistant who is provided by another firm. First, there is no Canada Pension Plan, employment insurance or other costs and administrative burdens to manage. When working with an assistant from a company which does the training, human resources considerations are also removed from the equation.

"I read a metric one time that the time and money it takes to hire a person and get them up and running is similar to the first full year of their salary. This is not a small cost," Chung says. Studies also suggest that the average person is only truly effective at work between three and four hours in a day, she adds. "Our administrators charge based on when they're actually working. You're not paying for Facebook time and we're not paying for someone to stare off into the distance, saying 'my brain hurts.' They stop the clock for that. That saves people time and money."

For advisors like herself on the west coast, an east coast administrator can also be beneficial, as they are often already working for several hours by the time the advisor logs in. Each VA manages their own time and can coordinate with others, where needed, depending on what needs to be done. "I don't need to monitor them," Chung adds.

How it works

"A VA basically gives more of your time back to you and your local team," Kane says. In his case, the VAs working with him are tasked with anything that is repetitive and frequent. They build and record the businesses' processes so that future VAs, or staff of any kind, can learn from the recorded processes, saving the firm time on training.

In Kane's experience, the VAs hired usually only have a general knowledge of administration and processes, but he says the firm usually needs to assume the new VA is unfamiliar with the business.

"They do not need to be practice-specific," he adds. "If you find a VA that has past experience with the financial planning profession, this is beneficial in the early stages of training, but it is not critical."

For Canadian advisors, Chung says it is necessary to be cognizant of the tasks an advisor is charged with that are actually specific to their license. "It really depends on how you are licensed, what kind of activities you're going to ask your virtual assistant to do. We have lots of people with different licensing and they all use virtual assistants," she says.

In her firm's case, however, Admin Slayer assistants are somewhat more versed in the profession and its requirements. "That's primarily because we started as a company that really served me. All of our VAs got their start working with me. Then we attracted clients who were in my network – they all work in in finance. We've ended up with people who have a little bit more than a basic understanding."

Although a VA can't do anything that requires an insurance license and can't do anything where they need to be physically involved – some do, but VAs generally aren't picking up your mail, for instance – Chung says having an assistant who works virtually is not a sign or any indication about the quality of their services. "There's this idea that the quality is going to be lower. That's just not true," she says. "Since the pandemic started, people are better at wrapping their heads around this."

> *There's a lot of work that needs to get done to run your business. The question is: Are you the person that should be doing it?*
>
> — Julia Chung

Another misconception is the notion that all virtual assistants are working offshore, and therefore should only cost $5/hour to keep. In reality, in Canada, if you want an assistant who will pass a criminal background check, they will also need to be in Canada. What they will charge too, depends greatly on what you're looking for, as there is a wide difference between the services and general office experience offered by those charging at the bottom and those charging at the top.

Getting up to speed

In Kane's case where the firm is making use of VAs who are generalists, he says it was challenging initially, as he assumed the assistants would be more advanced at the start than they were. "I thought they would be more trained and ready from day one. As long as you know what you are up for (though), you can plan for it," he says.

"Training is really important. You need to have one person in your business dedicated to training your VAs who does it daily and keeps them accountable. We found the best way is to write out every single process you want to train them in," he says, adding that for the first few weeks it will be necessary to be on Zoom or Microsoft Teams with your assistant for a few hours each day – one to two hours in the morning teaching them a process, then an hour in the afternoon to check their work and make sure it is understood. Today, he says the firm has over 80 processes built and recorded by the VAs working for his firm.

"About a month in, you won't need to spend as much time with the VAs face-to-face," he adds. "We find that at the three-month mark, they are pretty good at their job and can complete processes with minimal supervision."

Chung adds it is necessary to be more thoughtful about communicating with a VA than might be necessary when working with an in-person assistant, but further adds that the pandemic has taught most people to work this way already.

If an advisor has never worked with a VA before, she says it probably takes three to six months to get into a groove. This curve will also depend on how technologically capable an advisor's business is to start.

Success metrics

How each advisor measures success will likely be a little different from the next. Gross revenue is one

➜

metric. Service delivery speeds may be another. For Kane, one positive impact VAs had on his business was the increase in job satisfaction among those he works with in-country. (His own VAs are from the Philippines, as the time difference between Australia and the Philippines is only three hours.)

"Taking this time off of my local administrative team, allowing them to do more value-driven work for the client is giving them more fulfillment in their jobs," he says. More, he says the firm has grown to 10 people, including three VAs, since he started using their services.

"The point is to make more money," Chung says. "I think a lot of times, business owners of all kinds, people in the professions for sure, we end up in the cycle of busy work. There's a lot of work that needs to get done to run your business. The question is: Are you the person that should be doing it? How much more money can you make if you're removing these busy work items from your desk?" she asks. In one case, she says one of her admin "slayers" handing email triage caught a $3,000 engagement that would otherwise have been missed. In another case, by making his business virtual, her client was able to move to the Bahamas.

"Is gross revenue improving?" This, she points out can be a lagging indicator. "The thing is, people can hire a virtual assistant, spend money on it and still not use their own time effectively. The VA might be great, but the business owner might not be doing the things they should be doing."

Getting started

For advisors to get to a good place, working well with a VA requires a little bit of training on their part too. To convey the things Chung wants her would-be clients to consider before engaging with a VA, she's written a 55-page e-book titled *The Art of Delegation*.

She suggests clients probe their own expectations, look at the systems they have in place that would allow a virtual assistant to work effectively, and work through exercises for compiling the list of tasks an advisor can delegate.

"What's the greatest thing you bring to your business? For insurance advisors, a lot of times that is providing expertise, talking to clients, networking communicating, advising, and that's it. Anything that you're doing outside of that, you should be aiming to get off your plate and hand off to somebody else as soon as possible," she says. She suggests those interested in the process make use of the e-book's worksheets to help compile that list.

"We generally see a really big difference with those who are willing to do that part of the work," she says, adding that the success of her firm presently means they need to be selective about who they're working with today. "We're looking for clients we think will fit well. We're looking for the ones who will get more successful because they've worked with us."


A product of
INSURANCE Journal
In just a few clicks, you can:
Compare quickly and easily various product features
Build your own comparative tables
Save and print your analysis whenever you want
Get access from anywhere at your convenience
The latest information on more than 470 life & health insurance products
Life and Disability Insurance
Critical Illness Insurance
Segregated Funds and GMWBs
Creditor Insurance
Annuities
Buy and Sell Insurance
Business Overhead Expense Insurance
Long-Term Care
Customized subscriptions for:
Insurance Companies
Banks
MGAs
Advisors
InsuranceINTEL
470 PRODUCTS COMPARED • 3,000 MARKETING DOCUMENTS
350 INSURANCE APPLICATIONS • 1 BILINGUAL WEBSITE
For more information, contact: Ian Bolduc, Director, InsuranceINTEL
ian.bolduc@insurance-journal.ca

Advisors have a role in helping vulnerable Canadians manage finances

Seniors, racialized communities, Indigenous people and low-income Canadians have been some of the hardest hit financially during the COVID-19 pandemic. But financial advisors have a role to play in ensuring that individuals in these groups talk about their financial issues and are given advice on ways they can potentially collect thousands of dollars in benefits.

BY SUSAN YELLIN | IMAGE: PCH.VECTOR

Elizabeth Mulholland, CEO of **Prosper Canada** says her organization recently launched Trove (yourtrove.org), an online portal that provides free financial worksheets, tools and educational resources that are tailored for those on low incomes.

Its benefits are a key plank in an otherwise complicated landscape during COVID-19 and people need to know that they are entitled to certain financial advantages.

"COVID forced us to focus on Trove and now it's set some pretty clear priorities about what can be helpful to people who are financially struggling during the pandemic," said Mulholland. "We narrowed our focus to tax assistance because tax filing is the gateway to many of Canada's income security programs.

"Even if you can't access income directly by tax filing sometimes it's required to establish eligibility for the program particularly for people with disabilities and others as well."

For example, financial advisors should tell parents with school-age children that they have to file their taxes every year or miss out on the Canada Child Benefit, which amounts to $6,000 a year per child under 18. The tax-free monthly payment benefit may include the child disability benefit and any related provincial programs.

Benefits clawed back

An illustration of what can go awry during the pandemic hit a number of seniors who were working prior to the first outbreak, then lost their jobs and took Canada Emergency Response Benefits (CERB). But many soon discovered their guaranteed income supplements had been clawed back.

Deputy Prime Minister and Finance Minister **Chrystia Freeland** has said the government will fix the issue and compensate the seniors for the clawback.

"The goal is to put a financial floor under everyone's feet so they can meet their basic needs," said Mulholland. "We always recommend this as Job 1: helping them gain access to the benefits that are available to them."

Mounting debt

From there, advisors can start working with clients on issues like mounting debt, an unfortunate trend with lower-income Canadians. The next step is to show people how they can start saving both for themselves and their children's educations.

The Trove website also contains learning modules on how to navigate money issues; a financial relief navigator for readers to find benefits and relief they may be eligible for as well as an RDSP calculator to explore contributing to a Registered Disability Savings Plan.

Check in on your clients

Financial advisors should also call their clients once in a while during the pandemic to see how they're doing both generally speaking and financially, suggested **Laura Tamblyn Watts**, CEO of **CanAge**, Canada's national seniors' advocacy group.

"There is an obligation to make sure you're assessing how that person is right now in their life," said Tamblyn Watts.

But more than that, she said, advisors need to listen. It's tempting for advisors to jump in and shape the conversation the way they want and sometimes it takes seniors a longer time to answer back, but advisors should give older investors a bit of time to reply.

Take this as a "Hallmark card" opportunity in case there has been a wedding or a retirement, for example. If no longer working, ask clients what they're doing to fill their day.

These types of questions will also allow the financial advisor to determine what social services clients may need and whether they are available in their area. Because of COVID-19, a number of social service groups may offer certain walking programs, for example.

Inflation and rising costs

People who retired from their jobs because they felt unsafe have other concerns, including where they should put their money these days considering the amount of volatility in the markets. But they also want to know an advisor's opinion on issues like inflation and rising costs and how to stretch their dollars. Some may even be concerned about scams and want to know what to watch out for.

"This is a really important time for advisors to see how their clients are doing," said Tamblyn Watts. "The advisor is one of the few roles where the call can really make a difference in that person's life. The client knows them, trusts them and the advisor is in a position to determine if the client has any new needs or different concerns."

Prosper has 14 community nonprofit partners, funded through a combination of federal and Ontario government funds over the past five years to help give advice. (The Ottawa plan has wound down, but it has issued a call for proposals for the service.) In Ontario, the partnership is funded by the **Ontario Ministry of Children and Community Social Services**, which is providing funds for the current fiscal year.

Mulholland said she has had an encouraging response from financial companies to help out vulnerable investors.

"Almost every company we've talked to has said yes to making a donation – that they want to invest in this work – they see it as totally aligned with what we do – helping people build financial security. We're working with different segments of the market than they are but they understand there is a big market gap – that some people don't have access to good quality financial advice."

by **JIM RUTA**

Always Start with Wants

Q: What can I do to get more prospects to take my advice and buy what I recommend?

Prospects don't know what they need because they don't know what's available and how it can help them get what they want. They need you to lead them from what they want to what they need.

Some pundits believe that good advisors convert needs into wants - they find needs and then help clients want them. That's backwards. When you start with needs you end up telling prospects what they need, and no one likes being told what they need. Need talk also feels invasive and puts people on defense from the start.

Wants are emotional, right-brain desires for the things we feel will make us happy. Needs are logical, left-brain necessities required to fulfil our basic expectations. So, we NEED a car to get us where we intend to go but we WANT a luxury car to feel prestige and comfort as we go there.

With life insurance type products, people want to feel good knowing that they and their families are protected; or that they can pay off their mortgage rather than lose their house if they suffer a life-altering illness; or that they have emergency income if they get sick or injured and can't work...

In the wealth business, people want their money to last as long as they do when they retire; they want the peace of mind and quality of life that comes from having enough to meet their lifestyle requirements; they want to end up an "elderly gentleman or lady" rather than an old man or old woman, as the saying goes.

They want to feel happy because they are prepared for anything and won't get stuck when it's too late to make a difference. Most people know how they want to feel when things happen, but they don't know what they need to feel that way.

The strongest advice comes after you uncover specific client wants related to your product or service and then translate them into the needs or solutions that satisfy those wants. Wants lead to needs. Make their wants clear, definite, and obvious and they will eagerly accept your recommendation because they can see that it will make them happy. Great advisors translate wants into needs – not the other way around. Prospects tell them what they want and then, using their expertise and experience, advisors translate that into what they need to do to make it happen.

Start by asking "Want Questions". Not hard-fact questions like address, date of birth, occupation, or income – like you find on a typical fact finder. Instead, ask "soft-fact" financial security questions about what they want for themselves, their families, and their businesses in a circumstance you handle. For maximum buy-in to your recommendations, ask your prospect for their lifestyle and wealth wants. If we build a big enough, important enough, and urgent enough list of their wants, prospects will ask us for what they need to make it happen.

This is one of the most basic and important advisor sales skills – turning wants into needs. It's how you get people to buy from you rather than you having to sell to them. It requires Want Questions like these:

1. Do you want income security if you were sick or injured and couldn't work?
2. Do you want your family to have the income they need to stay in your home if either you or your spouse contracted a life-altering illness?
3. What about if either of you died?
4. Do you want a legal place to "stash your cash" and avoid income tax?
5. Do you want to give your children or grandchildren a life-long financial start in life?
6. What do you want to happen when you retire?
7. How much guaranteed income do you want to have in retirement?
8. How long do you want your money to last?
9. Do you want there to be money left over to leave to the people you love?
10. Do you want to have enough money so that if you need it, you can have medical care come to you?
11. Do you want to move to assisted-living or nursing care someday if required?
12. Do you want the nobility in your family to start or end with you?

Think about it. This way there is a need recommendation for every want question you ask. When you recommend based on a want; they have already said they want it. This is the magic for better uptake of your advice.

There are as many want questions as there are clients or prospects. Once they tell us what they want, it is a rather simple process to show them what they need to make that happen. Use your expertise and experience to recommend the right products or solutions so they can best satisfy what they want.

Start with their wants and your prospects will take your advice.

—

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 4 times at the MDRT Annual Meeting including the Main Platform. Jim Ruta is an Executive Coach and Keynote speaker specializing in life insurance advisors and leaders. He works with top advisors around the world and re-energizes audiences with his deep insight and passion.

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