# INSURANCE Journal

$10 Vol. 27 No. 05 September 2023

CRITICAL ILLNESS INSURANCE

# Post-pandemic awareness and new needs drive sales

Tech trends
**AI, innovation... Insurance company technology leaders discuss technology spending and innovation**

P&C
**Real-time underwriting achievable goal for SMEs**

Life insurance
**Advisors boost productivity through digitalization**

Vol. 27 No. 05 September 2023




Jim Ruta

# INSURANCE Journal

Vol. 27 No. 05 — September 2023


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# Notice of appointment

**Serge Therrien**, President and Publisher of **Insurance Journal Publishing Group**, is pleased to announce the nomination of **Aurélia Morvan** as Managing Editor.

Morvan will assume the editorial leadership of our content in collaboration with Therrien. This new position within the company will enable us to enhance the development of a unique pan-Canadian approach for our information platforms and events.

Since joining the company in January 2019, Morvan has consistently demonstrated leadership. She began as Journalist and subsequently held roles as Digital News Desk Journalist and Editor-in-Chief of *Journal de l'assurance* and *Portail de l'assurance*. In her new role, she will undoubtedly contribute to our position as industry leader.

Since its creation, Insurance Journal Publishing Group has launched several information services and products, always with the aim of meeting our customers' needs. Innovation, creativity, and high-quality journalism have always been the drivers of its growth.

Insurance Journal Publishing Group is an independent press group whose products and services reach over 85,000 readers in the insurance and financial services industry in Canada each month.

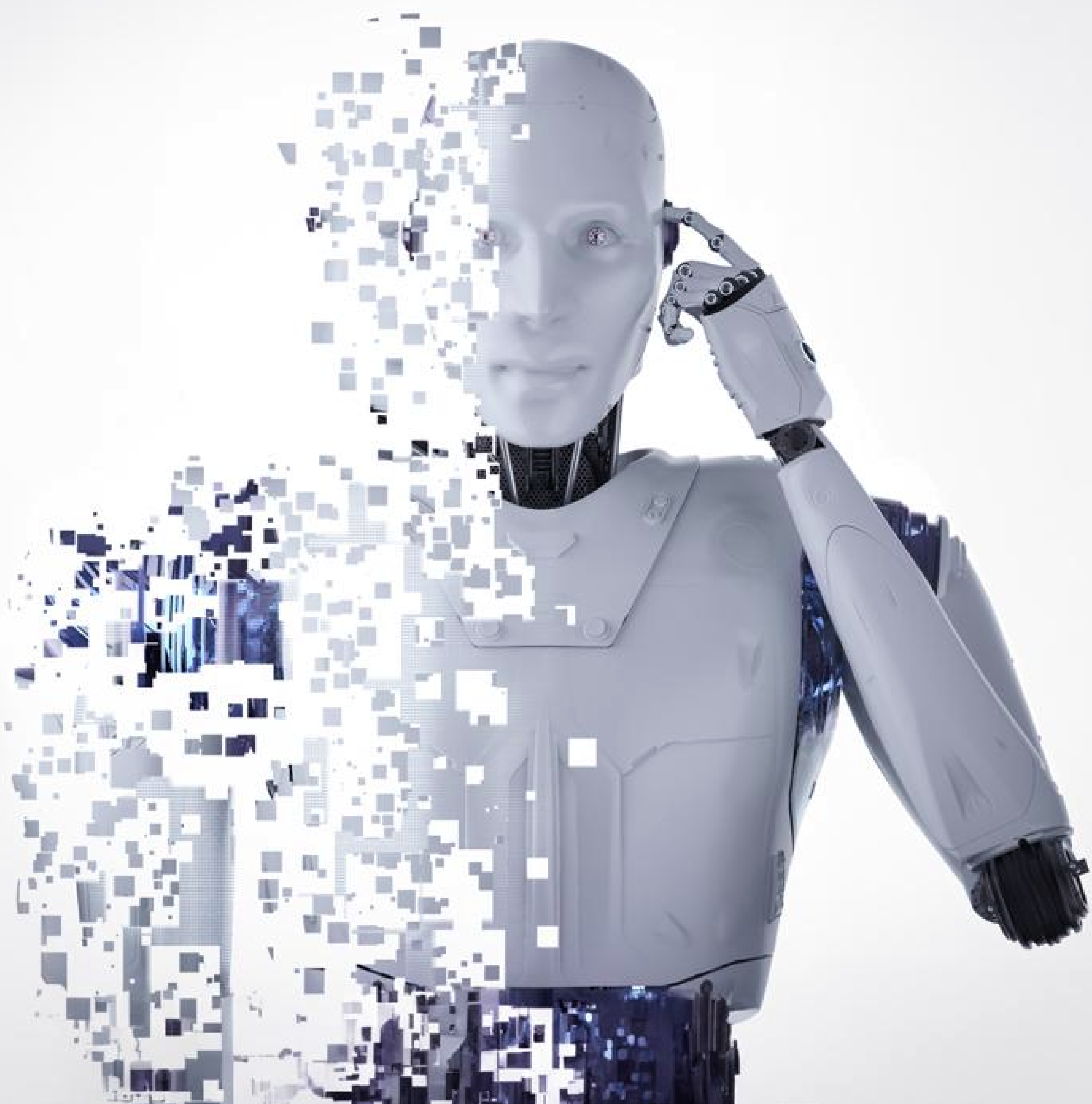
Aurélia Morvan

# In this issue...

# Technology spending and innovation

Insurance company technology leaders discuss where they're deploying capital, saying while AI is at the top of their list of concerns, this needs to be balanced with continuing innovation in underwriting, claims and security as well.

BY KATE MCCAFFERY



# Information technology spending priorities in 2023 and 2024

Celent webinar series examines where insurers are deploying their resources.

BY KATE MCCAFFERY

In a recent mid-year look at information technology (IT) spending, a review of technology trends reports and regional chief information and investment officer reports, global research and advisory firm **Celent**, which focuses on technology for financial institutions, provided recent webinar participants with a discussion about where insurance and wealth management companies are now with their tech spending and where they plan to deploy resources into 2024.

Artificial intelligence (AI) has rocketed to the top of the list of technologist's concerns in recent surveys. Companies across the board say their investment in AI and large language models (LLMs) is up and experts anticipate more spending in this area going forward, despite the associated risks.

Calling generative AI the most significant thing seen in technology since the launch of the internet, the experts gathered for the three different webinars add that AI is on the cusp of being a highly influential technology in the business of insurance and wealth management. The webinars were part of a series entitled *Technology Priorities Strategy and Spending*, held in July.

"I know as technologists (we) are supposed to be very grounded in our views of different, seemingly hot technologies that are coming to the forefront. But it really does seem to me that generative AI, for good or potentially for bad, will change the world and the way that businesses are run in the way that we do work and interact with each other," says **Andrew Schwartz**, property and casualty (P&C) analyst with Celent, in the webinar entitled *P&C Insurance IT Priorities & Pressures Webinar 2023, A Mid-Year-Look*. "These tools do have a lot of potential to help insurance companies increase profitability."

## AI investment up across the board

Beginning with the results of their recent wealth management survey, Celent says wealth managers rank generative AI as one of the leading areas for IT spending, says **Ashley Longabaugh**, principal analyst, wealth management, with Celent. She adds that leading use cases include sentiment analysis for messages, information and news summaries, content generation, compliant texting and data aggregation. "We are absolutely in the early stages of adoption. And, of course, there's a huge regulatory and legal question about the future application of generative AI."

While large wealth managers are definitely investing in LLMs, **Jean Sullivan**, head of wealth management, says as these evolve the risks will be reduced. That said, emerging lawsuits are beginning to highlight the risk that firms will fall afoul of data privacy or intellectual property laws. Sullivan delivered her remarks during the webinar entitled *Wealth Management IT Priorities & Strategy Webinar 2023*.

Still, when asked to identify which trends firms will prioritize in the coming year, investment in LLMs and *ChatGPT*-like applications have risen to the top of the list of technologist's concerns and priorities. "We're beginning to see an evolution toward more compliant, more regulatory-adherence types of *ChatGPT* models. It's definitely an area of not only experimentation, but investment," Sullivan says.

In life and health insurance meanwhile, Celent principal analyst of insurance, **Keith Raymond**, says the launch of Open AI's *ChatGPT* to the public is going to increase focus on cybersecurity going forward, if it hasn't increased already. (Rounding out the top areas of concern – intellectual property rights, ethics and bias, cyber security, deepfakes, social engineering and lack of regulatory guardrails in the space are all noted as concerns in the space.)

"(There's) a lot going on here; (it's) probably the most significant thing I've seen in technology since the launch of the internet and will continue to influence technology and insurance for likely years to come," Raymond says in the life and health webinar, *Life Insurance IT Priorities & Pressures 2023*.

Celent's research found that 91 per cent of life and health company respondents surveyed globally do not use LLMs in production at this time, however 23 per cent said they plan to do so by the end of the year. "I thought that was rather significant," Raymond says. They add that 50 per cent of respondents are currently testing LLMs or plan to test by year end.

"It's really the larger organizations initiating the capital spend and focus on LLMs and are going to have something launched by the end of the year," Raymond says.

In property and casualty, many carriers had already been using advanced artificial intelligence and analytics to improve decision making, even before the proliferation of Open AI and *ChatGPT* – half of carriers surveyed around the world indicated they were using the technologies for the assessment of enterprise risk management, marketing and product development. In some cases, like claims management, almost half of carriers had been using data science and machine learning.

"We anticipate as we move forward, the insurance industry is only going to continue to increase their adoption of these tools. And that's potentially going to have a lot of benefits, more accurate risk assessment, improved customer service and, ultimately, we expect more profitability here," Schwartz says.

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While generative AI is an area that's exploded since *ChatGPT* was released to the public, they add that insurance is still in many ways assessing the possible uses of these tools.

"I think we're going to see an increase in adoption, certainly by year end, but it's something that is going to be modest. It's not going to be particularly sophisticated at this point in time, but it's clear that folks do see the value of these tools and they want to use them to improve their processes. And they see the other folks in the business doing it as well," Schwartz says.

"For an industry like insurance, which has been known to be fairly risk adverse by nature, is something that I think is a very interesting insight – finding that folks are using these tools, despite the potential risk they might possibly face, because they see a lot of potential here."

Companies continue to innovate beyond AI too, as tech spending continues in other areas, as well.

Although LLMs have "kind of taken over the conversation," says Raymond, "when it comes to innovation but there are plenty of other areas of innovation too. We're seeing organizations innovate around underwriting, around claims. They're continuing investments there and in other areas as well."

Celent's P&C surveys indicate that 90 per cent of all large insurers surveyed globally are investing in analytics, while 85 per cent say they're investing in data management.

## Wealth management firms

Regulatory challenges remain a top priority for most wealth management firms, they add in Celent's *Wealth Management IT Priorities & Strategy Webinar 2023*. Only in North America, the Middle East and Africa is this priority second to product enhancement concerns. Customer relationship management (CRM) investment will continue to grow, as this is seen as the crux of the average advisor's technology stack, particularly when it is tightly integrated with portfolio management and financial planning capabilities, they say.

The experts gathered also discussed the five drivers of advisor inefficiency, saying these are technology overwhelm for the advisor, outdated technology, a lack of integration, challenges with workflow automation, and advisor inertia.

And while there are many large and looming regulatory and legal questions about the future of AI in offering advice, Longabaugh says what we're seeing now is a drive for competitive advantage through new and emerging technology.

"73 per cent of our wealth management respondents indicated that it is more challenging to win or retain customers than it was 12 months ago," says Sullivan. "I also looked at our retail banking survey and 75 per cent of retail banking executives indicated the same thing."

Among the reasons cited for this, they say competition is intensifying across the financial services industry, investors are more hesitant and pessimistic, and 61 per cent of wealth management technology executives surveyed said increasing competition from fintechs and other challengers are making customer acquisition and retention more difficult. Also because of fintech, previously siloed services are now converging. As that happens, they say competition is intensifying.

Cloud computing is also an area of accelerated investment, as investment in this area is needed for innovation. Compliance is also a primary area of focus. "Wealth managers are responding in a material way," Sullivan says.

## Life and health

In surveying life and health respondents, Celent's researchers first probed the business objectives that information technology departments are trying to support. Business drivers identified included growth, digital acceleration and cyber security. Notably, environmental, social and governance (ESG) concerns were not on technologist's respective radars at all.

"ESG is a topic that insurance companies talk about, but I think maybe it hasn't really made its way yet to the CIOs and the chief architects and how they can support these kinds of initiatives yet," says Celent principal analyst, insurance, **Nicholas Michellod**. "But this is certainly something we should also see climbing the ladder in terms of business goals going forward."

Although researchers expected to see IT budgets shrinking due to recessionary pressures globally, Celent's representatives say their findings revealed just the opposite. "Companies see this as really an opportunity to invest," says Celent principal analyst, insurance, **Tom Scales**.

## Property and casualty

Finally, responses from P&C company respondents suggest there are two interesting trends afoot – first is an increased focus on touchless personal auto claims. The next is a much slower than anticipated adoption of embedded insurance.

Against a challenging macroeconomic backdrop, Schwartz says profitability for P&C companies has been harder to come by in recent years – a problem insurers have tried to mitigate with technology, touchless claims and straight through processing.

As for embedded insurance, they say despite its benefits, barriers to adoption have included regulatory challenges, integration complexities and lack of understanding and trust from consumers.

"As we move forward, it's going to be interesting to see how this technology evolves and whether it can overcome these hurdles," says Schwartz. "It's certainly valuable, it just hasn't taken off as we have expected."

Like their life and health counterparts, P&C technologists also rate ESG the lowest on their list of priorities.

# How to innovate

Top information technology (IT) professionals and executives discuss their best practices in recent webinar.

BY KATE MCCAFFERY

**Reuters Events** is drumming up interest for their upcoming *Future of Insurance conference* in November 2023. To do that, it convened a panel of experts to discuss how companies are proactively adopting and adapting to rapid advancements in technology.

The webinar, *Enhance, Enable, Accelerate - Deploy Tech to Transform Operations*, was a class dedicated to a number of themes, innovation featuring prominently among them.

Some of their advice is decidedly counterintuitive: That is, to innovate, company leadership should set boundaries and develop tight governance structures for ideas and initiatives.

"It's really important to define the boundaries of where they can innovate. It seems counterintuitive because everybody wants to have the sky as their limit, think outside the box," says **Robin Shufelt**, CEO of **First Acre Insurance**, who adds that those defined boxes are not only important to prevent spin, but also to come up with feasible solutions.

**1. Consider your culture.**

Backing up, it is first necessary to identify some of the precursors needed for success. Across the board, the experts gathered say a focus on company culture and creating a culture of innovation is important and necessary.

Quoting managing consultant, **Peter Drucker**, who famously said that "culture eats strategy for breakfast," **Sachin Rustagi**, director and head of digital with **Markel Canada** told the group that "it's really important for us as carriers, even on the broker side and reinsurers to really focus on that and take time for culture."

Shufelt, meanwhile says it can be challenging for established companies to take the time to develop the right models, having existing businesses to run and incumbent processes which often don't lend themselves to innovation.

"Innovation projects may also compete on budget or resources," she says.

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> Bring people that normally don't coincide all the time together to really have tough and big conversations about change, which ultimately leads to innovation.
>
> — Sachin Rustagi

"Culture is just imperative. I'd be remiss not to mention how important that is from an innovation standpoint," Shufelt adds. "Leading that and empowering the people on your team to be able to innovate, to reach out to their networks and explore ideas and removing those barriers so that they can do that."

**Eugene Wen**, vice president, group advanced analytics with **Manulife** echoes the sentiment saying it's a major shift to apply a broader innovation or a new technology to make it something the whole company embraces. "It requires a different way of seeing our daily work routines," he says. Shufelt adds that it takes a concerted strategic shift to be able to look at what's coming.

### 2. Set up space.

Some companies, like **Alphabet Inc.** (**Google**) are well known for the time they earmark allowing employees to work on enterprise-related projects completely unrelated to their own position or station in the company. It was noted in the webinar that giving teams – and pan enterprise teams – an extra few hours each week to sit back, look at the bigger picture and actually think about innovation is another tool with which to fuel innovation.

"We've found the best ideas don't come from the technology and digital team, it's from the business team, but it's about facilitating those conversations," says Rustagi. "Bring people that normally don't coincide all the time together to really have tough and big conversations about change, which ultimately leads to innovation."

Shufelt further suggests setting up innovation labs, areas to explore and innovate, while Rustagi discusses the importance of having a project management office (PMO).

"I've noticed a lot of companies might overlook that," he says, adding that a PMO is often necessary to have innovative ideas being brought to fruition in parallel with other initiatives.

"When you start building the culture, you'll have a lot of good ideas. Those ideas will triage up throughout management and throughout the executive team," he points out.

**Michael Fiedel**, managing director and community leader with **InsurTech Ohio**, who moderated the panel, reiterated: "(Having) a PMO, a project management office, to be paying attention to the development of those ideas, their organization, doing something as simple as making sure they get written down and communicated across verticals within the business cannot be underestimated."

### 3. Develop governance structures.

In addition to having a PMO – "having a tight governance structure is very important to ensure that they can all coincide and run in parallel," says Rustagi – the experts also advocate for strong data practices.

"At the end of the day, without a solid data foundation, data governance, structure and data quality practices, everything we work on would be jeopardized," says Wen.

"The privacy concern has always been a key consideration," when using data or advanced artificial intelligence (AI) algorithms he adds. "Because as an insurance company, we owe our consumer the highest confidence. We all know the policy – we protect their interests and we also protect confidentiality and privacy. That's the foundation of our whole industry," he stresses. "There's a need for clear governance."

As for being proactive about working with technological developments, Rustagi points out that this is a good goal but the reality of life as insurance company technologists know it sometimes doesn't allow for fully proactive approaches to new developments.

"I think we all aspire to be proactive. What ends up happening, being pragmatic, (operating from a pragmatic position) we end up being reactive," he says. "That's not the fault of any individual or team or company, it's just the scale and exponential change that we're seeing."

Things, he says, are simply moving faster than anyone is accustomed to. "That's a challenge for all organizations. I think that's just the reality of today's world."

## Scaling up is hard to do

It might be tempting to join the throngs who believe that AI is shiny and new, but experts say it's not. More, new technologies may not always be a challenge to fully implement, but they are and will be a challenge to fully scale.

At Manulife, for example, Wen says its call centres have revamped their approach to the collection of net promoter score data. "Usually only a small percentage of customers would return your survey after a call centre call," he says. "For us, we have developed a model and language model to analyze the call transcripts right after the call." This analysis will highlight concerns managers might wish to follow up with investigation or a phone call to the customer, within a very short period. The technology summarizes each call in a few short sentences, with concerns highlighted.

Managers, he says, can "call that customer right away to address the concern. That would be one example of how we can use the data and also the new AI advantage. Models can better serve customers."

As one of the experts working on this front lines of these developments, he says the next challenge isn't what's new, it's now scaling up what companies know to be working. "Scaling up. For insurers, technologies are already part of life," he says. "How are we scaling up in a safe, a high quality (way) befitting our different lines of business? That scaling up is a new challenge."

CRITICAL ILLNESS INSURANCE

# Post-pandemic awareness and new needs drive sales

The heightened awareness brought about by COVID-19 and the evolving needs driven by new generations have boosted sales of critical illness insurance, which had seen several challenging years.

BY ALAIN THÉRIAULT

The stars seem to be aligning in favour of the individual critical illness (CI) insurance market. Young families are now concerned about more than just life insurance. The COVID-19 pandemic has also made Canadians more aware of the importance of financially protecting themselves and their loved ones in case of health issues. As a result, individual CI insurance sales soared in late 2022 and in the first quarter of 2023, a resurgence not seen since 2017.

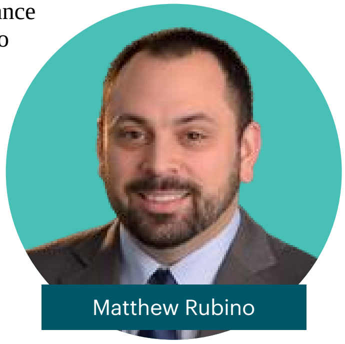
In terms of annualized premiums, sales of this product increased by 3 per cent in 2022 compared to 2021, reaching $134.4 million, according to **LIMRA**'s *Canadian Individual Critical Illness Sales Survey 2022*, which polls insurers on their sales performance every quarter. Over the same comparison period, the report reveals that the number of policies sold in 2022 decreased by 1 per cent.

This seemingly modest growth hides a new trend. After mixed results in the first three quarters of 2022, CI insurance sales suddenly took off in the fourth quarter of 2022. They grew by 10 per cent in terms of premiums, reaching $38.9 million, compared to $35.4 million in the fourth quarter of 2021.

The trend accelerated in the first quarter of 2023, with sales of critical illness insurance in terms of premiums increasing by 16 per cent, versus the second quarter of 2022. Over the same comparison period, the number of policies sold increased by 5 per cent.

Of the 14 insurance companies that participated in LIMRA's *Canadian Individual Critical Illness Sales Survey* for the first quarter of 2023, many stoked this increase. "Over 70 per cent of survey participants reported premium growth, and nearly all reported double-digit increases in premiums," **Matthew Rubino**, LIMRA's research head, told *Insurance Journal*.

This is good news for the critical illness insurance market, which remains a small niche compared to the life insurance market. By comparison, the insurers collected $134.4 million in individual CI insurance premiums in 2022, compared to $1.8 billion in individual life insurance premiums. That same year, they sold 110,611 critical illness policies, compared to 615,223 individual life insurance policies, according to LIMRA. Critical illness insurance was introduced in Canada around 1998.



Matthew Rubino

### Trend or flash in the pan?

At LIMRA, Matthew Rubino is cautious about the growth spurt in the critical illness insurance market. "We have no indicators to tell us whether this will continue or not, but with **Oxford Economics** predicting a significant slowdown in the Canadian economy in the coming months, we might expect less robust growth by the third quarter of 2023," he notes.

However, a recession can impact households' ability to purchase an insurance product. In a bulletin

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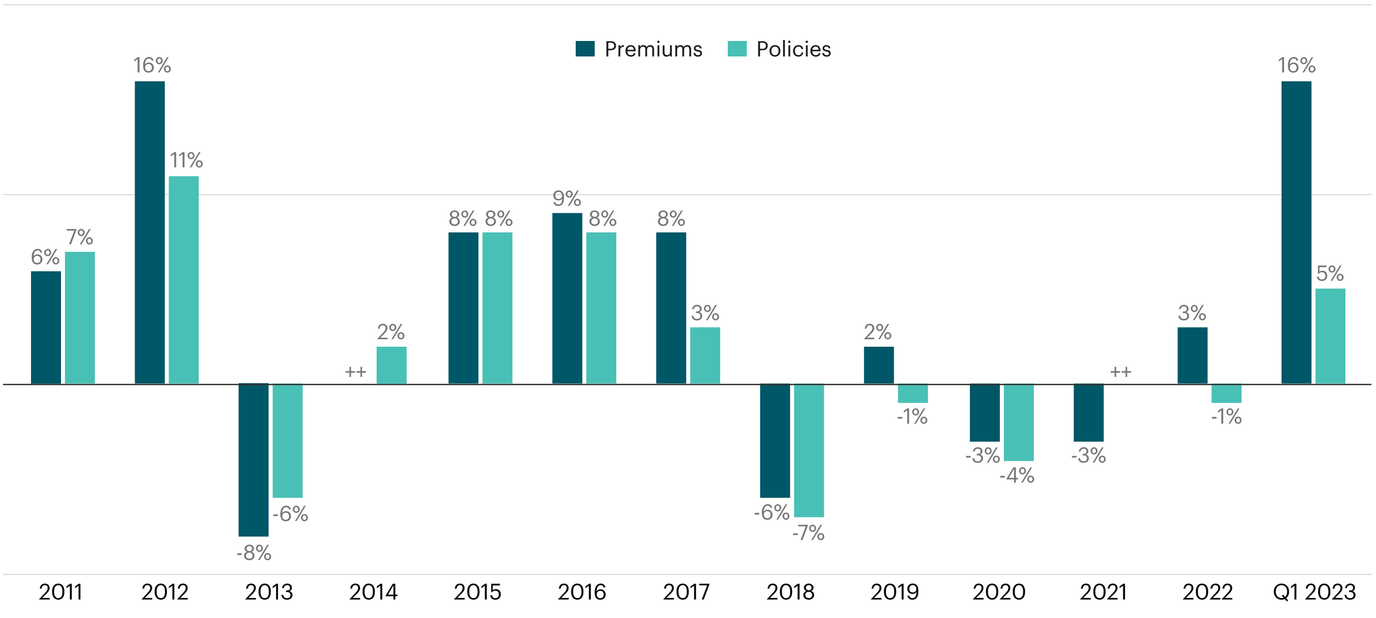
## GROWTH IN INDIVIDUAL CRITICAL ILLNESS INSURANCE SALES




++ Less than 1/2 of -1 percent
Source: LIMRA, 2023 | Chart: Insurance Journal

> The need for life insurance remains important, but people are no longer only concerned about having their mortgage paid off upon their death or leaving an inheritance.
>
> — Philippe Cleary

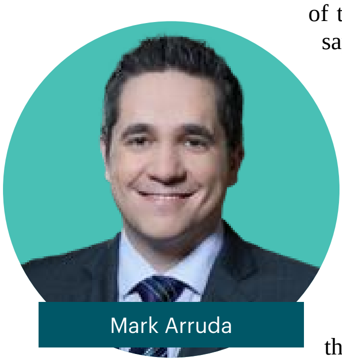
published on July 3, 2023, titled *Regional Outlook – Canada, Office-based job gains to slow across Canadian metros*, Oxford Economics predicted a recession in employment in Canada. "Recent strong growth in office-based employment will come to an end this year across Canadian metros, as many metro economies experience a period of recession," Oxford Economics summarized.

Philippe Cleary

The economic consulting firm estimates that job growth in office environments will not be as strong as before the pandemic for the three largest Canadian metropolises: Toronto, Montreal, and Vancouver. Growth in these jobs will range between 1.3 per cent and 1.6 per cent per year in Canadian metropolises, according to Oxford Economics. The firm expects, among other things, 20,000 job cuts in Toronto between the second quarter of 2023 and the first quarter of 2024.

At press time, LIMRA had not yet published its sales results for critical illness insurance in Canada for the second quarter of 2023. However, insurers have shared their impressions on the subject.

**Philippe Cleary**, Senior Director, Individual Insurance, Savings, and Retirement Products, at **iA Financial Group**, reveals that his CI insurance sales rose in the second quarter of 2023. Cleary believes that the increase in sales is a significant trend and should continue. "This increase is happening both in terms of the number of policies and premiums at iA," he says. The Senior Director claims that iA is a leader in this market, both in terms of premiums and the number of policies (see text → A market lifted by a handful of players).



Mark Arruda

Reflecting on LIMRA's statistics, **Mark Arruda**, Assistant Vice President, Product Management, at **Sun Life**, reveals that his company is among the 70 per cent that saw their sales increase in the first quarter in terms of premiums. "Growth continued in the second quarter," he adds. Arruda notes that Sun Life continues to be the second-largest provider of CI insurance in Canada, based on premiums sold in 2022 and the first quarter of 2023.

"It's a very good start to the year," says **Chantal Gagné**, Senior Vice President, Individual Insurance, at **Desjardins Financial Security** (DFS), about the first quarter of 2023. "This year, we are at 18 per cent growth with this product," she told *Insurance Journal* on June 28, when the results for the second quarter of 2023 were not yet known.

Critical illness insurance has always been a key product in DFS's range, Gagné points out. "We completely revamped our product in 2018 and were pioneers in covering all cancers, at least partially, while keeping the product affordable. This distinction has allowed us to take up more space in this market in Canada in the last five years. Our market share in life insurance is generally 4 per cent, while it is 13.3 per cent in the critical illness insurance niche, because our product is more generous than average," she says.

Philippe Cleary is not surprised to see sales of CI insurance increase significantly. "We have been expecting this for some years," he says, adding that if the industry's expectations did not materialize sooner, it is perhaps "due to people's concerns during the COVID-19 pandemic."

According to LIMRA's statistics, sales of critical illness insurance experienced a brief surge before the pandemic. In terms of premiums, sales increased by 2 per cent in 2019 compared to 2018. They fell back into negative territory in 2020 and 2021.

"As advisors conduct financial needs analysis with their clients and explain the product well to them, they see that it really meets a need. The insurance gap, i.e., uninsured or underinsured people, is even greater in living benefits than in life insurance. So we see a more marked increase in sales. We expect that the growth of the critical illness insurance product will continue to be greater than that of the life insurance product," Philippe Cleary adds.

In terms of premiums, sales of individual life insurance stagnated in 2022 compared to 2021. The number of individual life insurance policies declined by 11 per cent during this comparison period.

## Evolving needs

Other reasons explain the trend. Philippe Cleary observes that Canadians' needs have evolved. He notes that concerns have changed with the arrival of new generations and in the wake of the COVID-19 pandemic.

His view on the evolution of needs convinces Cleary that critical illness insurance will remain an important growth segment. "The need for life insurance remains important, but people are no longer only concerned about having their mortgage paid off upon their death or leaving an inheritance. They wonder: 'What happens if I get sick? If I get cancer or if my child has a serious illness, and I have to move to a city that offers the necessary care?'" he says.

Chantal Gagné believes that the increase in sales in the fourth quarter of 2022 and the first quarter of 2023 is one of the most significant the industry has seen.

It appears difficult for her to isolate a single cause of growth. She outlines one. "I tend to think that the pandemic years we have lived through, with what happened in travel insurance among other things, have revived interest in protection in case of health problems. The increase is mainly attributable to increased public awareness," Gagné explains.

### Avenues for growth

Matthew Rubino mentions that participants in LIMRA's latest surveys did not report any specific factors explaining the current growth in sales of critical illness insurance. His experience has, however, revealed a constant: "When there are notable decreases or increases in premiums, our participants sometimes note that sales of critical illness insurance riders (additional guarantees) are closely linked to sales of term life insurance."

Vice President, Living Benefits, and Associate of General Agent **Groupe Cloutier**, **Claudine Cloutier** says that critical illness insurance aimed at protecting key people in companies has been an important driver of growth. "Sales are going very well for us. What has been most striking since 2022 and continues in 2023 are mainly corporate files. We are talking about shareholder protection, key people," she explains.

Cloutier observes that this segment has stood out and has generated more files than critical illness insurance aimed at families.

"The family market continues to do well," she points out. "When advisors present us with disability insurance or credit insurance files, we will almost always offer to present critical illness insurance to their client. Sometimes the advisor has not thought of it, or the client did not request it in the first place. It's about having the conversation with the client with the idea of more comprehensive protection," Cloutier explains.

The team strongly believes in temporary protection for the family market, according to Claudine Cloutier. "We will add it as a rider on life insurance, in the form of 10-year or 20-year term, for example," she says.

Claudine Cloutier

She explains that these short-term temporary products will be better suited to this market than a level term product to age 75 with premium refunds after 15 years, which is more expensive. CI insurance is also available as permanent insurance, a solution generally more expensive than term insurance.

Insurers confirm the enthusiasm among the corporate market. Mark Arruda spells out Sun Life's sales upswing. "We have seen growth across all customer segments, particularly among affluent clients and business owners," he says.

Philippe Cleary says that the millennial and family clientele are key segments for iA. "Critical illness insurance can also be used by business owners. Our products are adapted to the corporate market," he points out.

### INDUSTRY PREPARES NEW DEFINITIONS FOR CRITICAL ILLNESSES

The rise in sales of critical illness insurance comes as the **Canadian Life and Health Insurance Association** (CLHIA) is preparing a new version of its standardized definitions for critical illnesses.

According to *Insurance Journal*'s sources, the CLHIA aims to further clarify these definitions, which are often weighed down by medical jargon, and to reflect advancements in medicine.

CLHIA spokesperson, **Kevin Dorse**, told *Insurance Journal* that work on the new definitions is well underway. "The CLHIA project group is currently working on rewriting some of the definitions of critical illnesses using simple language to make them easier to understand," he says.

Dorse added that the group is working on developing a consumer guide focusing on critical illnesses. "The revised definitions and the new guide are on track to be published by the end of 2023," he adds.

# A market lifted by a handful of players

According to LIMRA statistics, a select few players have garnered the lion's share of the recent surge in critical illness insurance sales. Matthew Rubino, LIMRA's Research Director, highlights how concentrated this market really is.

BY ALAIN THÉRIAULT

"When our reports have shown premium increases, it's often a variety of participants that have displayed growth. However, the critical illness market is highly concentrated. The top four insurers in our 2022 report accounted for 78 per cent of all reported premiums," reveals **Matthew Rubino**.

## MARKET SHARES OF THE LARGEST CRITICAL INSURERS IN QUEBEC

By average annual premiums for 2016, 2017 and 2018

| Large market share ($20 million and more in premiums) | |
|---|---|
| **Individual insurance** | **Group insurance** |
| 1. iA Financial Group | 1. Desjardins Financial Security |
| 2. Sun Life | 2. Canada Life |
| 3. Desjardins Financial Security | 3. Beneva |
| 4. Manulife | 4. National Bank Life Insurance |
| 5. Beneva | 5. Sun Life |
| 6. Combined of America | 6. iA Financial Group |
| 7. Canada Life | 7. Manulife |
| 8. BMO Insurance | |
| **Average market share (Between $5 million and $20 million in premiums)** | |
| **Individual insurance** | **Group insurance** |
| 1. Empire Life | 1. Canadian Premier Life Insurance |
| 2. RBC Insurance | 2. American Bankers Life Insurance |
| 3. UV Insurance | 3. Chubb Life Insurance of Canada |
| 4. National Bank Life Insurance | 4. BMO Insurance |
| **Small market share ($5 million and less in premiums)** | |
| **Individual insurance** | **Group insurance** |
| 1. ivari | 1. Blue Cross Life |
| 2. Humania Insurance | 2. Assumption Life |
| 3. Assumption Life | 3. Empire Life |
| 4. Foresters Financial | 4. UV Insurance |
| 5. Co-operators Life | 5. Co-operators Life |
| 6. Equitable Life | 6. Humania Insurance |
| 7. Chubb Life Insurance of Canada | 7. Equitable Life |

Source: *Critical Illness Insurance Supervisory Report*, Autorité des marchés financiers (December 2021).

He estimates that a rise or fall in sales from just two of these top four players would be enough to influence "the overall results, regardless of the experience of other participants." What's more, **LIMRA**'s 2022 report states that only 5 out of the 14 participants in its survey experienced premium growth over the past year.

LIMRA consistently refuses to disclose sales results by insurer. The organization explains that participants agree to partake in its sales surveys on the condition that their results will not be disclosed to third parties. *Insurance Journal* thus receives a version of the reports from LIMRA where the industry results are consolidated.

LIMRA's report on individual CI insurance sales for the first quarter of 2023 also surveyed 14 life insurance companies. Alphabetically, they are: **Beneva**, **BMO Insurance**, **Canada Life**, **Combined Insurance of Canada**, **Co-operators**, **Desjardins Financial Security**, **Empire Life**, **Equitable Life Insurance**, **Foresters Financial**, **iA Financial Group**, **ivari**, **Manulife**, **RBC Insurance**, and **Sun Life**.

In its *Critical Illness Insurance Supervisory Report* published in December 2021, the **Autorité des marchés financiers** (AMF) lists the main insurers in the Quebec critical illness insurance market, based on the average annual premium volume they underwrote in 2016, 2017, and 2018 in Quebec.

The top tier of the ranking includes insurers that have underwritten total premiums of $20 million or more. Under the individual life insurance column, eight insurers are listed in numerical order: iA Financial Group, Sun Life, Desjardins Financial Security, Manulife, Beneva, Combined Insurance of America, Canada Life, and BMO Insurance. All participated in LIMRA's Canada-wide survey.

Seven of the eight lifecos are among the top 10 largest life insurers in Canada, according to the ranking published as part of the report on insurers' market shares in 2021 (see page 35 of the October 2022 issue of *Insurance Journal*). The top four are, in order, Canada Life, Sun Life, Manulife, and iA Financial Group. Among other underwriters of $20 million or more in premiums, Desjardins comes in fifth in *Insurance Journal*'s market share ranking, Beneva sixth, and BMO Insurance ninth.

The AMF told *Insurance Journal* that it has not updated its table since the publication of its supervisory report. Nor does the regulator plan to do so, explaining that it was a one-time exercise conducted solely for the purposes of its supervisory report.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# Regulatory authority urges industry to enhance customer experience

The Autorité des marchés financiers' *Critical Illness Insurance Supervisory Report* sent shockwaves through the industry when it was released in December 2021.

BY ALAIN THÉRIAULT

Chantal Gagné

Alarmed by critical illness insurance claim denial rates exceeding 10 per cent, the regulator had urged insurers to find solutions to what it saw as an issue of fair treatment of customers.

"The entire life insurance industry sprang into action after this report," says **Chantal Gagné**, Senior Vice President, Individual Insurance, at **Desjardins Financial Security** (DFS).

The **Autorité des marchés financiers** informed *Insurance Journal* that it had not updated its denial statistics since the report's December 2021 release. AMF spokesperson **Karla Duval** explains why. "This report was based on a specific request we had initiated with insurers. The data, as presented in the report, are not compiled periodically," she says.

However, the report's shockwave had its impact on the industry. "We took this very seriously. All the major players began to adapt their materials, both for customers and advisors, aiming for simplicity and clarity to ensure people understand what they are buying," Chantal Gagné says.

Gagné adds that it is too early to attribute the recent growth in critical illness insurance sales to actions taken by insurers following the report. "Communication efforts are too recent, but the results of the last two quarters can be explained by a combination of these actions and increased awareness," she points out.

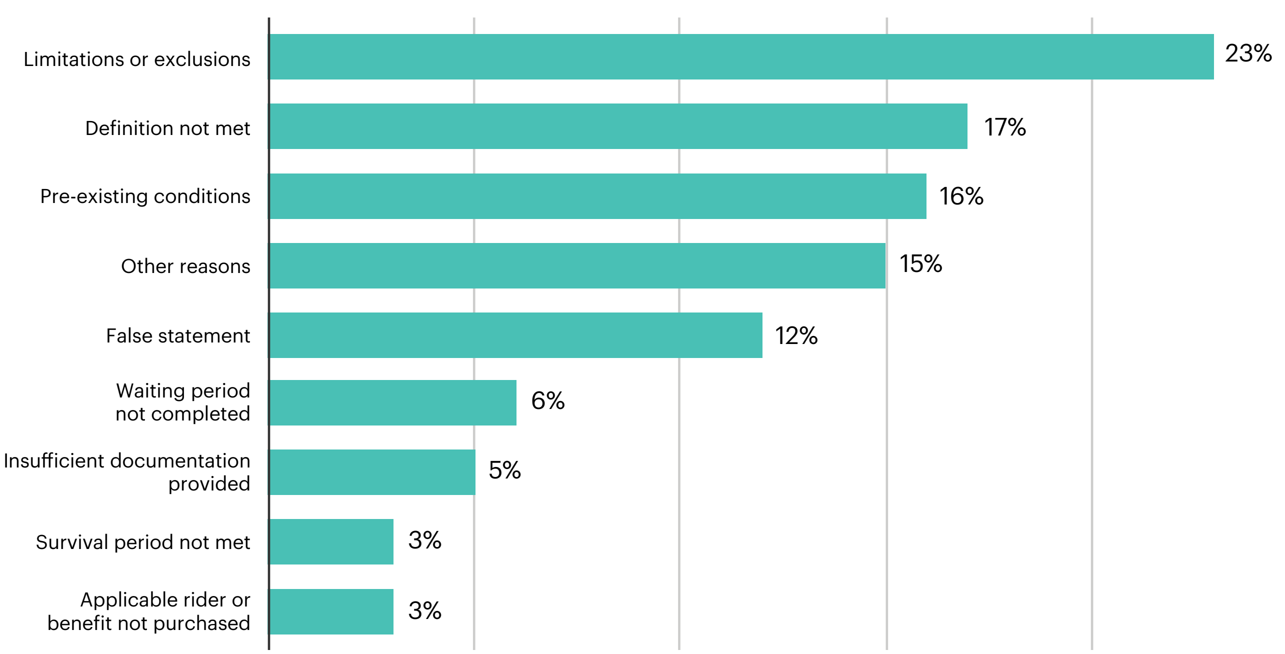
## Improving the experience

Among the actions taken following the report, **Mark Arruda**, Assistant Vice President, Product Management, at **Sun Life**, notes that the insurer no longer uses third-party statistics to inform customers about the importance of having CI insurance.

Arruda adds that the insurer has simplified and improved some claims processes "by focusing on the customer experience." "This will help both customers and advisors better understand critical illness insurance. They can also be more involved in the claims process, thereby improving the experience we offer," he says.

Chantal Gagné believes the industry has also emphasized the advisory role. "The industry has focused on how to better support the distribution network in

### REASONS FOR CLAIM DENIALS BY INSURERS




Calculation based on the average claim denials by insurers from 2016, 2017, and 2018.
Source: *Critical Illness Insurance Supervisory Report*, Autorité des marchés financiers (December 2021). | Chart: Insurance Journal.

> Working on existing business is very promising for improving the customer experience during claims and the denial rate.
>
> — Chantal Gagné

presenting and selling critical illness insurance. DFS has worked extensively on training offered to its individual and group insurance advisors, adding concrete examples to share with customers and members to make it as clear as possible," she says.

DFS is also implementing the practice of sending all its CI insurance customers a reminder note every five years about the coverage they have. "Memory is a faculty that forgets. We want the customer to always know the full potential of their critical illness insurance contract, to remember the protections they have and understand them. Working on existing business is very promising for improving the customer experience during claims and the denial rate," explains Chantal Gagné.

## Product unchanged

Chantal Gagné has not observed any significant changes to CI insurance products in the industry. One option could have been to remove exclusions from the definition of diseases to lower the denial rate, she says. "But that comes with a corresponding increase in premiums, and the product is already quite expensive," she explains.

In any case, the clarity trend following the report will not harm a market that seems to have regained its rhythm. "I am convinced that this will help customers make informed purchases," Gagné says.

## AMF's findings

In June 2023, the AMF provided an overview of the situation, spokesperson **Sylvain Théberge** told *Insurance Journal*, without giving details. "Insurers who received a supervisory report have followed up on the recommendations by submitting an action plan within the agreed timelines," he notes. This plan includes a timeline, a description of corrective measures already taken, or both, he adds.

Sylvain Théberge says the AMF ensures that these actions are adequate and respond to the recommendations made in the supervisory report. The regulator also follows up on the progress of the work and its implementation, he adds.

"The various stages of these action plans are underway, and many have already been completed, including those related to the creation of consumer-friendly tools," Théberge points out. The AMF spokesperson gave a few examples of tools: vocabulary revision, guide, glossary, or summary including examples, explanations of more technical terms, illustrations, timelines with different deadlines, and FAQs.

The AMF's top recommendation concerns insurers' use of statistics on critical illnesses in customer information. In its report, the regulator urges insurers who reference statistics to limit their use to references that are actually related to what is covered by the contract definition of the illness.

## MAGAZINE SUPPLEMENTS

- **Cancer drives surge in claims** For **PRO** Level members
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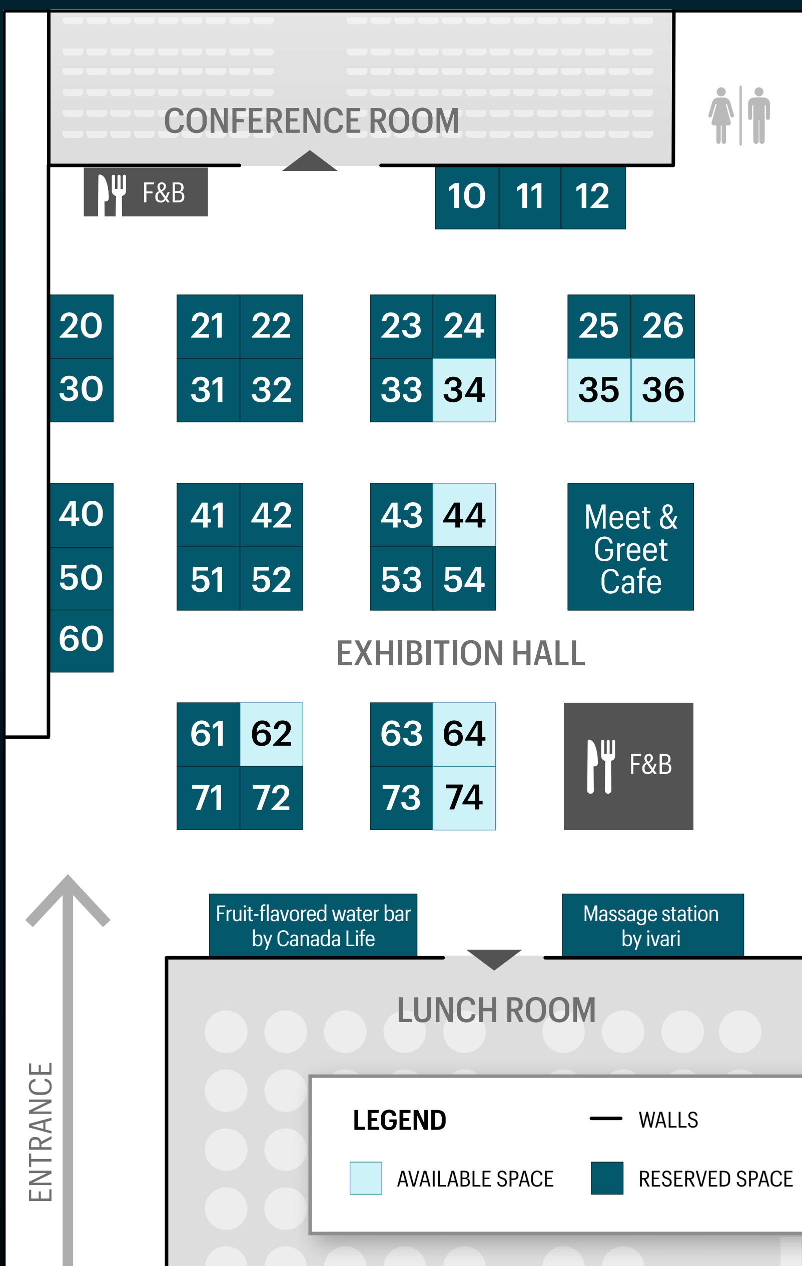


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DIGITALIZATION

# Business processes at your fingertips

More efficient time management, enhanced customer relations, financial gains... in life insurance and property and casualty insurance alike, technology is a game changer.

BY ALAIN CASTONGUAY AND ALAIN THÉRIAULT

P&C INSURANCE

## Real-time underwriting achievable goal for SMEs

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LIFE INSURANCE

## Advisors boost productivity through digitalization

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# Real-time underwriting achievable goal for SMEs

Individuals can get real-time quotes for property and casualty insurance, but the process is more complicated for businesses. Even so, progress is being made.

BY ALAIN CASTONGUAY

The digitalization of distribution in commercial property and casualty (P&C) insurance is advancing slowly but surely. In fact, brokers are finding the pace too slow: they believe they still spend too much time closing files for straightforward commercial risks.

"If we spend as much time closing a $1,200 policy as a $6,000 policy, that's not very productive," **Sonia Mercier**, Senior Vice President at **La Turquoise**, told *Insurance Journal*.

Mercier has overseen commercial insurance at the company since 2015. From 2002 to 2012, she worked at **Groupe Lyras**. Firm owner and her former boss, **Serge Lyras**, was an outspoken advocate for standardizing insurer forms and improving the efficiency of the brokerage distribution network by eliminating the need for multiple entries.

At seminars organized by **Applied Systems** in Montreal and Quebec City last May, Mercier emphasized the importance digitalizing exchanges between brokers and insurers. "I spoke about the instant quote solution developed with some insurers by the **Centre for Study of Insurance Operations** (CSIO) and Applied," she said.

## Pilot project

La Turquoise was one of the firms that participated in the pilot project led by Applied and CSIO to certify the electronic document exchange processes between insurers and brokers for commercial insurance underwriting.

Representatives who use the firm's Broker Management System (BMS) to initiate conversations between the broker and insurers can provide the client with a real-time premium. Applied's system is compatible with the *Policy Works* solution, a commercial insurance policy processing system.

The firm can upload data to CSIO's "information highway," to reach participating insurers. The insurer's digitized underwriting system can then offer a premium more quickly. The platform primarily eliminates the need to enter the same information multiple times when soliciting premiums from different insurers that underwrite the same risk.

Currently, all the brokers use their BMS to draft insurance proposals, Mercier explains. "I attach it as a PDF in an email and send it to 5, 6, or 8 insurers. These insurers sometimes come back to me with questions, sometimes with a quote, and then the ping-pong game begins," she says.

Depending on the case, brokers and their clients may have to wait for the insurer's risk pricing for two days, two weeks, or two months. The pilot project aims to speed up the process to provide an instant premium.

"For example, when I'm on the phone with the client, I enter the information into my system, and send it to the instant quote project. The insurers send me back a premium, and then I can sell my premium and my policy to the client in real-time," Mercier explains.

## SME pool

About 87 per cent of companies in Ontario and 85 per cent of companies in Quebec have fewer than 20 employees, according to recent data provided by the **Canadian Federation of Independent Business** (CFIB). Often, the risk to be insured is not complicated and does not require the broker to go on-site to assess the entrepreneur's facilities.

"The solution is intended for simple, small-scale risks that do not require a human being to read or underwrite; a machine can do it, Mercier points out.

"When the project started with **Northbridge Insurance**, which was a leader in this area, only a few types of companies could be quoted with fairly low limits," she adds. Since then, the platform has expanded to markets and new risks for which brokers can submit digital proposals to insurers.

The pilot project led by Applied and CSIO continued with insurers **Wawanesa** and **L'Unique**. Other insurers like **Economical** and **Promutuel** might also be added, Mercier hints.

"It's attracting attention because it's definitely going to change the insurance world. Quebec is an SME market. Developing and advancing a system like this over a one-to-three-year horizon could take us to a completely different level in terms of productivity and operating costs," Mercier explains.

## The workforce

Digitalization allows each broker to spend less time submitting proposals and closing files. In a labour shortage context, this is not a trivial detail, Mercier notes. "For us, being able to do more with the same team is interesting."

The firm has a team of 14 brokers who handle new business only. For these commission-based brokers, being able to take three more calls a day makes a noticeable difference at the end of their 35-hour week, Mercier says. The firm's business growth prospects are also brighter.

"The solution lets you get the premium and then tell the insurer, 'I'm buying the policy.' We don't

➜

necessarily receive the policy in real-time; sometimes it takes 24 or 48 hours. But once you've concluded with your client on the phone and told them, 'you'll receive your policy,' the bulk of the work is done," she says. After that, the broker can send the virtual document received from the insurer.

If the insurer has provided a premium, the client does not have to worry about seeing changes to the contract after discussing it with the broker. "If we have the premium in real-time, it's because the insurer has done all their investigative work, so there won't be any surprises," she says.

Sonia Mercier

Sometimes the insurer may request an hour or two to do checks, and the client has to wait. This delay would not be enough to prompt entrepreneurs to look elsewhere, says Mercier. "Going to see another broker means they won't have a premium for 24, 48, or 72 hours, or even a week. Quote requests from insurers take a long time. In commercial insurance, there's not much that's instantaneous."

If the client is satisfied with the premium the insurer offers and finds the coverage sufficient, the contract can be finalized quickly. The broker must ensure that the client is comfortable with the proposal submitted. "Otherwise, I can suggest that we explore options with other insurers in the market," says Sonia Mercier. This is because not all insurers are participating in this pilot project.

For simple risks with small premiums, the margins are slimmer. "It's rare for the client to say, 'No, let's go back to the market.' Things are going really well," Mercier adds.

## Slow progress

This significant advancement still represents only a tiny fraction of the market, she continues. Today, real-time digital underwriting accounts for between 3 per cent and 5 per cent of new business, Mercier points out.

"It's still microscopic in our business. It's for specific types of activities, with some guidelines. Each week, we're able to do a bit more," she says.

Mercier hopes that progress in the coming months will simplify life for brokers and small business owners. "There's a lot of effort being put in by CSIO and the insurers. It's a solution that lets them increase productivity," she notes.

Underwriters are also increasingly hard to recruit among insurers, she adds. As a result, their expertise will mainly serve to analyze more complex files with higher premiums, which benefits the entire industry.

Mercier proudly represents her company in this endeavour. "I was pleased that we were called upon for the pilot project because I care deeply about the evolution of the insurance industry. I'm aware that the time I've invested benefits not just La Turquoise, but the whole industry," she explains.

"The current practices in commercial insurance are so cumbersome; if we can do something to help the industry and improve the customer experience, all the better," Mercier adds.

She is displeased with the time disparity required to insure residential buildings. "If individuals can insure their home in 20 minutes, it's not normal for it to take days, or even weeks, to get a premium for an apartment block. It makes no sense," she says.

## The trigger

In commercial insurance, the time-consuming process, prolonged in particular by having to enter the same information each time an insurer, has been a long-standing grievance in the brokerage network. The COVID-19 pandemic forced the entire insurance industry to review its practices.

What was the main trigger for the digitization of exchanges: technological progress or staff shortages? "My opinion is that the technology probably allowed it five years ago, but the effort or intention from insurers came from the labour shortage and pressure on operating costs," Mercier explains.

"With climate change, claims are rising steadily. If we want to keep premiums reasonable, we also need reasonable operating costs. If you spend the same amount of time on a $1,200 policy as on an $8,500 policy, the profits are not the same. This solution is not intended for large-scale risks. It's really aimed at very small businesses," she notes.

Mercier believes that industry partners must use their human resources more effectively. "If you have fewer people with a lot of expertise, you want to focus them on the most important files. For smaller files, it makes no sense to have someone with 20 years' experience handle them if technology can do it automatically," she says.

## A good school

Underwriting commercial risks for SMEs is the ideal training ground for inexperienced brokers, Mercier continues. Escalating demands related to compliance, legal aspects, ethical obligations, and professional responsibility create substantial pressure for people just starting their careers in the profession.

In the solution proposed by CSIO, the coverages offered are included in a comprehensive and fairly generic package. "It's reassuring for a young broker because you're sure you've responded to the client's needs as thoroughly and as well as possible," she says.

She cites the example of Northbridge's SME insurance policy. "It's a fairly complete product for SMEs in the industry. Our young brokers like to sell this product because it's quick on the web in the CSIO solution."

The CSIO project now allows for the underwriting of similar risks with other insurers like Wawanesa and L'Unique. "We are very satisfied with the product, the service, the speed," she says.

Previously, Mercier also worked for insurers. "Digitalizing and automating underwriting is complex. I spent part of my career in the insurer's camp, so I understand the challenges on both sides."

The road ahead is still steep, but Sonia Mercier is optimistic that the pace of digital adoption will

continue to accelerate. “Knowledge and expertise is growing among both brokers and participating insurers,” she says.

The platform is highly user-friendly, and the employee experience has also improved, Mercier notes. Novice brokers “are always surprised to see how archaic the tools are in commercial insurance. It’s excellent news that we’re starting to improve in this regard,” she continues.

In addition, more experienced brokers are now finding value in these digital tools. They can turn to their younger colleagues for help honing their digital skills.

### The massive SME market

However, Mercier does not believe that more complex risks will be underwritten through this digital format anytime soon. “But just focusing on SMEs, that’s huge for Quebec,” she says.

The system can currently handle policies ranging from $1,000 to $3,000. As criteria become more flexible, Mercier hopes that brokers will be able to underwrite slightly higher premiums. “I foresee that happening in the near future,” she says.

The average premium in commercial insurance falls somewhere between $3,500 and $4,000, Mercier continues. “If your solution allows you to insure cases between $1,000 and $5,000 or $6,000, you’re capturing a significant portion of the market. We’ll probably be there within 18 to 24 months,” she adds.

In personal insurance, studies show that the closing ratio for insurance proposals is 10 points higher when the representative can provide an instant quote. “For the brokerage firm, if I can give an instant quote, I improve my sales performance because the clients will make a quicker purchase decision than if I call them back two weeks later with their premium,” she explains.

Entrepreneurs also have limited time to discuss insurance with their broker. The average call may last 20 to 30 minutes, “After that, they’ve stopped longer listening,” she adds.

This is why the customer experience needs to be as user-friendly as possible. Especially regarding insurance premiums, which clients inevitably perceive as too expensive. “If it’s quick and efficient, both the client and employee experience improves,” Sonia Mercier says.

# E-document transmission on the rise

David Larkin of Deltek has teamed up with Estrie-Richelieu Group, a mutual insurance company specializing in agricultural commercial insurance, to integrate electronic documents (eDocs) into the Broker Management System (BMS) and the mutual’s own system.

BY ALAIN CASTONGUAY

**Estrie-Richelieu Group** distributes its policies through a brokerage network exclusively, says CEO **Stéphane Bibeau**. The mutual has accredited about round 143 brokerage offices for this purpose.

The use of eDocs for client and broker contracts benefits distributors more than product manufacturers, says Bibeau. “We used to send out paper policies, and we still do for now. But we give brokers the choice to receive either paper, eDocs, or both.”

Receiving eDocs eliminates the need for the mutual’s staff to handle or even scan the contract before forwarding it to the insured. The brokers select the document format and decide whether to send the digital or printed copy to the client, Bibeau points out. The insurer also provides the mortgage lender with a copy of the document.

If all brokers adopt the electronic version, the insurer will save on printing and postal distribution costs. “But for us, it’s not a real saving; it’s just to simplify things for our partners, the insurance brokers,” says the mutual’s CEO.

Of course, eDocs make it easier for brokers to deal with the insurer, which is good for business development. The quality of service to members and insureds also benefits, Bibeau adds.

Stéphane Bibeau

➜

## Other mutuals

Many other mutuals selling insurance to agricultural businesses use eDocs. In Quebec, **Groupe Promutuel**'s mutuals have not yet adopted this solution, according to data available on the **Centre for Study of Insurance Operations**' (CSIO) website. Most of Promutuel's contracts are sold through a direct network rather than through brokers. Bibeau does not believe this makes a significant difference in the market.

**Deltek** told *Insurance Journal* in May that it added eDocs to the BMS it offers to firms that send proposals to Estrie-Richelieu. "We had excellent cooperation with Deltek," Stéphane Bibeau says.

Since then, the insurer has also certified eDocs with supplier **Applied**. "Already, 60 per cent of our brokers have adopted electronic document distribution," Bibeau points out.

The insurer is waiting for the green light from other firms before completing its transition. "It wasn't everyone's priority this summer," Bibeau says. The insurer's IT experts need to liaise with their colleagues who manage the BMS, and summer vacations slow down the pace of implementation.

Karine Gosselin

> We generally have access to transaction-related documents the next day,
>
> — Karine Gosselin

For underwriters, do eDocs provide an efficiency and productivity advantage? "We process quote requests within 24 to 48 hours. Endorsements are done in 24 hours. At some insurance companies it can take three weeks or a month. We are very responsive," Bibeau says.

The insurer already deals with all brokerage offices that distribute agricultural insurance guarantees. This is why Stéphane Bibeau doubts he will attract more brokers through digitization.

"Firms' volume with us varies. Those located in urban regions may have a few policies or a small turnover in agricultural insurance because only a small part of the territory is in the green zone," he says.

## Broker's perspective

According to **Karine Gosselin**, President of **Gosselin Courtiers d'assurances**, eDocs have been used for several years among most insurers to which the firm submits proposals. "For us, it definitely saves time and boosts productivity. It eliminates manual billing tasks, so for that alone, it's interesting," she says.

The automation of processes also eliminates human errors. "It's very useful for us. Plus, clients appreciate going paper-free," adds Gosselin, whose firm has many clients among agricultural producers. New generations of entrepreneurs use digital channels for all communications with their broker. Electronic signature of documents has also become the norm.

What's more, the electronic document is of better quality than the paper version, which is scanned manually before being sent by email. "It looks more professional," says Karine Gosselin.

The entire process is faster, because the insurer's printing and postal distribution activities took time. "We generally have access to transaction-related documents the next day," she says.

For clients in other commercial sectors, the digitization of transaction processes with insurers is also well received by the firm's brokers. With **Wawanesa** or even wholesaler **April**, real-time underwriting is now more common for certain types of risks. "Clients like receiving service from a provider that reacts more quickly," says Karine Gosselin.

At **Intact Insurance**, the procedure is a bit different for SME risks. The Sprint team handles brokers' calls and can provide a quote very quickly, explains Gosselin. "We adapt to clients' needs. For those who still want a paper copy of the documents, we give them the choice. Insurance contracts are sometimes quite long and complex, so if we print them only when necessary, so much the better."

The firm will soon launch its portal that will let clients securely access all insurance documents concerning them.

"Of course, if we spend less time on small files, we can devote more time to tasks that add more value," Gosselin points out. In personal insurance, real-time quoting has been common for several years.

"We were lagging in commercial insurance. It's slowly improving on that front. The labour shortage is also affecting insurers, so I think they will make an effort to offer us digital solutions," she concludes.

# Advisors boost productivity through digitalization

By digitalizing their operations, they regain a vital resource: The ability to spend more time with their clients more often, and for longer periods.

BY ALAIN THÉRIAULT

The Sigma 6 study **Swiss Re Institute** published in November 2022 found that digitalization of operations will allow the insurance sector to hold its own despite inflationary pressures. Swiss Re Institute forecasts that insurance premiums will fall in 2022 "as the cost-of-living-crisis reduces people's disposable incomes," but advises readers to "expect high interest rates and digital adoption to return premiums to growth in 2023 and 2024."

Half a year later, in July 2023, the reinsurer's Sigma 3 2023 study confirmed that the global economic slowdown has been milder than expected. "We estimate that global insurance premium volumes (non-life and life) will grow by 1.1 per cent in 2023 and by 1.7 per cent in 2024 in real terms, after a 1.1 per cent decline in 2022," it states. Swiss Re Institute observes that inflation remains the main global macroeconomic concern.

Swiss Re Institute does not specify the role of digital adoption in fuelling growth. Yet advisors are convinced of the impact of digitalization on firm productivity.

**Willie Savard**, an advisor from the Alma region who has embraced digitalization both personally and for others, launched fintech **Tchat N Sign** in 2020. Savard, also a shareholder and advisor of **Altura Groupe Financier**, thus significantly reduced his administrative workload. A burden that has been greatly exacerbated by the constant increase in compliance requirements, he told *Insurance Journal*.

One can easily imagine the burden on this advisor registered in personal insurance and mutual fund broker representative. Tchat N Sign targets financial services firms overwhelmed by paperwork, repetitive data entry, and signatures—tasks that divert advisors from their primary goal: meeting clients. Willie Savard initially designed the fintech for his own needs. "The idea was to create a solution for myself that didn't exist elsewhere, and then offer it to the industry," he explains.

A startup launched in beta early in the COVID-19 pandemic, Tchat N Sign describes itself as Software as a Service (SaaS). The tool includes three modules: unified text messaging and email, electronic signature (**OneSpan**), and online fax (e-fax). Additionally, it can connect to Internet telephony and sync with Customer Relationship Management (CRM) software. Savard specifies that his platform commonly interconnects with **Equisoft**'s CRM, *Connect*, and can do so with any compatible CRM.

Client interactions take place via *Microsoft Teams*. Everything said in video conferences or written on the screen or in chat is consolidated into a report. Documents are signed with a few clicks and are automatically transmitted to or from the client. Savard highlights a new feature of his system: the ability to conduct secure transactions via text message (SMS). "Tchat N Sign has positioned itself in a niche that no specialist occupies: internal-external communications through an omnichannel solution for clients," explains Willie Savard.

## 40 per cent reduction

There are still hordes of advisors to convert. Savard's strongest argument : time. "Our clients tell us that our platform has allowed them to reduce their administrative tasks by 40 per cent," he reveals. The advisor-developer admits that there is a learning curve, but support is available. "There are no more 'comebacks' among clients who take the time to use and adopt Tchat N Sign after going through the digital transition journey with us. It becomes the ultimate tool for them," he says.

According to Savard, combining Microsoft 365 (Office Suite), Tchat N Sign, and a CRM is enough to transform a financial services firm into a client-meeting machine. "The firm has automated all the tasks that it can. There are tasks that were repeated four times, like sending an email to the client, filing it in the folder, sending it to the CRM, and then to the MGA. A repetitive task that took 15 minutes to complete now takes 15 seconds," says the financial advisor.

By reducing the administrative burden through task automation, Savard says he recovers time equivalent to the working hours of an assistant. He thinks time is of the essence. He shares a finding from the market study conducted by import-export consulting firm **Serdex International** for Tchat N Sign: "50 per cent of an advisor's time is spent meeting clients, talking to them, and establishing the relationship, and 50 per cent is spent managing paperwork and the administrative side of meeting the client," he reports. It is the 50 per cent of the time that advisors do not spend in front of their clients that is reduced by 40 per cent thanks to his platform, Savard says.

Willie Savard

## Five times more productive

**Jocelyn Laquerre** began implementing IT infrastructures, servers, and networks within companies at age 19. He values efficiency and prioritizes saving time. For the past 15 years, he has specialized in web marketing. Laquerre adds that he has been offering the digital marketing assistant **Go Stickier** for two years, within a community of entrepreneurs with the same specialty. He says this community has raised $100 million to support its initiative. Startup Go Stickier currently has between 30 and 40 clients, the entrepreneur says.

➜

On its website, the company says it offers "an all-in-one technological solution for everything related to operations, sales, and marketing." A $147 per month package includes chat and marketing by text and email, a CRM, voicemail marketing, appointment scheduling, and an automated task manager. Two other packages, available at a higher price, extend capabilities to advanced marketing functions, for example. "The tool is offered in beta to build case studies and identify problems," the entrepreneur says.

The startup founder traces Go Stickier's journey. "Over time, I realized the importance of maximizing my 24 hours, of delegating. My mentors taught me: you automate, delegate, or eliminate tasks; otherwise, you won't become 100 per cent efficient," he says.

Since then, he has focused on this rule and on what he calls IGA, or income-generating action, tasks. These practices produce revenue or contribute to achieving goals. "Working with companies, I saw gaps. People didn't realize that they could automate so many things today," he says.

Skilled in artificial intelligence, Jocelyn Laquerre argues that AI allows for the quick implementation of simple and fast tools to automate tasks. "I've shown startups, SMEs, and solo entrepreneurs as well as large companies how to use these tools that let them save a lot of time. How to do the same things they and their teams did daily, but with three to five times more productivity," he assures.

> You automate, delegate, or eliminate tasks; otherwise, you won't become 100 per cent efficient.
>
> — Jocelyn Laquerre

## Case study

Jocelyn Laquerre admits that he currently only has informal data to support his claims. But the data from his clients' case studies is enough for him: "Humans can lie. But data, numbers, never lie," he says.

Like Tchat N Sign, Go Stickier focuses on support. Its team of marketing experts meets clients to train them and "give them homework," including brainstorming to identify the points they need to work on to enhance their business processes. Other analysis, recommendation, and follow-up meetings allow them to improve. "People see results within the first 30 days," says Jocelyn Laquerre.

His system is used by companies with diverse activities: services, manufacturers, brick-and-mortar retailers. Go Stickier has two clients from the financial services sector: an accounting firm and the personal insurance and financial services firm **Groupe Financier Signature**, an MGA associated with **IDC Worldsource Insurance Network**.

Groupe Financier Signature president **Louis-Xavier Savard** is experiencing rapid growth through acquisitions and advisor recruitment. The partner (one of three) and financial advisor claims that the Go Stickier tool lets him lighten his load to the point of being able to complete between five and ten appointments per day. Some of these appointments are with sellers: Savard says he acquires one book of business per week, averaging 1,000 clients, generally from advisors nearing retirement. He also recruits advisors who are attached to him, for whom the telemarketers of Groupe Financier Signature set appointments. The goal: 10 to 15 appointments per week.

"We use Go Stickier to manage non-confidential information and for task automation, like sending texts and emails on a specific date. It's a tool that can create sales pipelines (stages of sale), all sales funnels, and social media management simultaneously," he says. He appreciates that this platform brings together in one place all the tools he needs to manage his clientele, mentioning *ChatGPT* for automated chat in passing.

The platform reduces the workload of Savard's advisors, he continues. "Go Stickier can save us a good ten hours per week and thousands of dollars per year, per advisor," he says.

## Resistance overcome

**Félix Deschâtelets**, CEO of online life insurance firm **Emma**, observes that the adoption of digital technology has exploded since the COVID-19 pandemic. "Advisors have drastically adapted; the entire industry has adapted to technology," he notes.

Older advisors have also gotten on board, he adds. Some even had a head start on younger colleagues, thanks to the adoption of customer relationship management software, explains Emma's CEO. "Experienced advisors took the time to digitize their documents well before the pandemic," he says.

This movement intensified as early as 2015, "when younger advisors had not yet become aware of all the power that a CRM could have," he adds. Now, recruits are much better equipped when they enter the field, Deschâtelets says. The Emma leader adds that advisors mainly use *Connect*, Equisoft's CRM tool.

## Lived experience

Emma distributes its products through two networks. The insurtech has a network of attached advisors. What's more, in January 2023 it also launched *Emma Pro*, a platform that allows independent advisors to sell its products, including 1-year, 10-year, and 20-year term life insurance.

Félix Deschâtelets shares the performance statistics of an independent advisor recently connected to his *Emma Pro* platform. "He was using his own tools and CRM to handle his clientele. He experienced 500 per cent growth in a single month with Emma."

The CEO compiled a general statistic from the results of several advisors recently connected either through Emma or go through the firm's brokerage platform. "An advisor who sold an average of $1,000 in premiums per week sells an average of $5,000 after a month with Emma, the time it takes to fully adopt the technology and get the right coaching."

Félix Deschâtelets says that 500 per cent growth is achievable within a month because Emma feeds the advisor's business digitally and technologically, for example by providing a marketing strategy.

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# Digital tools for advisors: Usage up, but not at full potential

Two providers discuss the advancements and challenges advisors face in utilizing digital tools.

BY ALAIN THÉRIAULT

**Bruno Leduc**, Assistant Vice President, Advisor and Wealth, at **Equisoft**, spoke about the adoption of Customer Relationship Management (CRM) digital tools during a roundtable at the *Congrès de l'assurance de personnes* in November 2022. He says that approximately 70 per cent of advisors have adopted CRMs and their derivatives.

During the COVID-19 pandemic, the adoption of these and other tools aimed at advisors (electronic proposals, video conferencing, etc.) has been meteoric, he points out. "Adoption will continue to rise. Advisors have realized they can grow their business with these tools," adds Leduc.

Besides Equisoft, **Salesforce** and **iPipeline** are CRM providers frequently cited by our sources.

iPipeline is known for its back-office system for MGAs. **Diana McKay**, Assistant Vice President of iPipeline Canada, highlights the strong penetration of its MGAs' back-office system, *Wealthserv*. iPipeline acquired **Bluesun** in 2018, inheriting its flagship product for MGAs. *Wealthserv* lets MGAs offer digital tools to independent advisors. iPipeline also offers insurance policy administration and customer management products.

Diana McKay

McKay emphasizes the significance of her offering within the independent distribution network. "Approximately 80 per cent of business in insurance and wealth management (mostly in segregated funds) from the independent network goes through *Wealthserv*. This represents over 50 per cent of the personal insurance market in Canada, including captive agents," she reveals. McKay adds that *Wealthserv* also provides the ability to manage mutual fund sales, and its clients are primarily from the personal insurance sector.

> We're seeing sustained growth of advisors accessing our digital tools through their MGA.
>
> — Diana McKay

The productivity gains that *Wealthserv* can generate are hard to measure, Diana McKay notes. "MGAs use our core services, but each operates differently. It's difficult to quantify (the gains)," she says.

iPipeline Canada's Assistant Vice President has noticed a trend among independent advisors. "We're seeing sustained growth of advisors accessing our digital tools through their MGA," she says. McKay adds that the adoption of digital tools has surged over the past three years. "Before the pandemic, advisors used digital tools once or twice a month. Now, thousands use them regularly," she points out.

Diana McKay notes that many advisors log in daily, as well as recurrently, accessing the tools offered by *Wealthserv* multiple times during a week or even a month. "There is a huge demand for our self-service tools," she says. McKay adds that MGAs are striving to get advisors to use these tools. Besides the CRM tool, advisors can have an overview of a client's products or track the progress of an insurance application, from underwriting to policy issuance.

McKay has also noticed that advisors use multiple digital tools in different places, a challenge they have faced for quite some time. "They want to go to one place or fewer places to meet their needs. A place that offers the ability to manage clients, helps them identify their clients' needs, and meets compliance requirements," explains iPipeline Canada's Assistant Vice President.

## Underutilized tools

**Olivier Lafontaine**, Chief Product Officer at Equisoft, highlighted the benefits an advisor can gain from customer management software. Equisoft's CRM is called *Connect*. It has also developed Manage, an administration system for insurers, and *Centralize*, the back-office system for general agents (formerly *AGEman*).

Lafontaine lacks statistics on the productivity gains that *Connect* can achieve. "I can't say it's three times faster or takes three times less effort to serve the client, but it certainly has an impact," he says. *Connect* lets users automate tasks, offers providers and general agents gateways to access client product data, and features a financial planning tool.

"The insurance world is quite manual and sales-based. Much of the efforts of insurers and advisors go into acquiring clients and selling a new policy," he explains. He believes the industry is less well-equipped for what happens after the policy is issued.

Olivier Lafontaine urges advisors not to neglect client follow-up, otherwise "everyone loses." He lists sales opportunities that hide behind client requests stemming from life events: a change or addition of a beneficiary may signal a marriage, birth, or divorce; a higher insurance amount may indicate a salary increase. "If the advisor doesn't have time to handle the request, they lose revenue and the client is not satisfied," he says.

Advisors can equip themselves accordingly, Lafontaine continues. For one, the customer management tool allows overwhelmed advisors to automate

> The number of subscriptions is increasing slowly but surely, by 10 per cent per year.
>
> — Olivier Lafontaine

the sending of follow-up messages when significant dates arrive in their clients' lives. Equisoft's Product Manager gives the example of the client's retirement date or the expiration of their policy.

Olivier Lafontaine is convinced that advisors are not yet using their customer management tool to its full potential. According to his statistics, advisors primarily use their CRM tool to know their client list. "That's the basis of a CRM," he says. Many advisors will also use the gateways to access data streams from providers and update a client's portfolio products. Several will use the ability to synchronize emails, client notes, and the calendar.

Regarding the virtual assistant offered by *Connect*, Lafontaine says that "few advisors automate certain tasks like follow-up emails." "This aspect yields the highest return on investment. Spending a little more time automating repetitive tasks saves effort over a long period," Lafontaine explains. However, it remains difficult to convince advisors to spend 40 hours setting up automation rules now to save 500 hours of work at a rate of a few hours per week over three years, he explains.

All in all, Lafontaine finds that uptake of the customer management tool is growing at a satisfactory rate. "The number of subscriptions is increasing slowly but surely, by 10 per cent per year," he says. "During the pandemic, sales of the CRM skyrocketed. Several advisors started using it to attach a video conference to a client file."

To benefit from the CRM features, advisors must put in some energy, Olivier Lafontaine continues. Equisoft's Chief Product Officer believes that the product's profitability curve is made up of several portions, including the essential ones to configure the gateways and the virtual assistant. "You have to do it to get value from the solution. If the advisor buys it just to keep clients' names, they don't get much out of it. You would achieve the same result with *Microsoft Outlook*," Lafontaine says.

He estimates that 4,000 to 5,000 clients have purchased his customer management tool, either directly or through their MGA. Using *Connect* costs the advisor $1,000 per year, or about $90 per month. For an average advisor earning $30,000 to $40,000 per year, this expense could help them increase their revenue or enhance their portfolio as they approach retirement, Olivier Lafontaine says.

Olivier Lafontaine

## MAGAZINE SUPPLEMENTS

- **MGA creates platform to approach young clients** For **PRO** Level members
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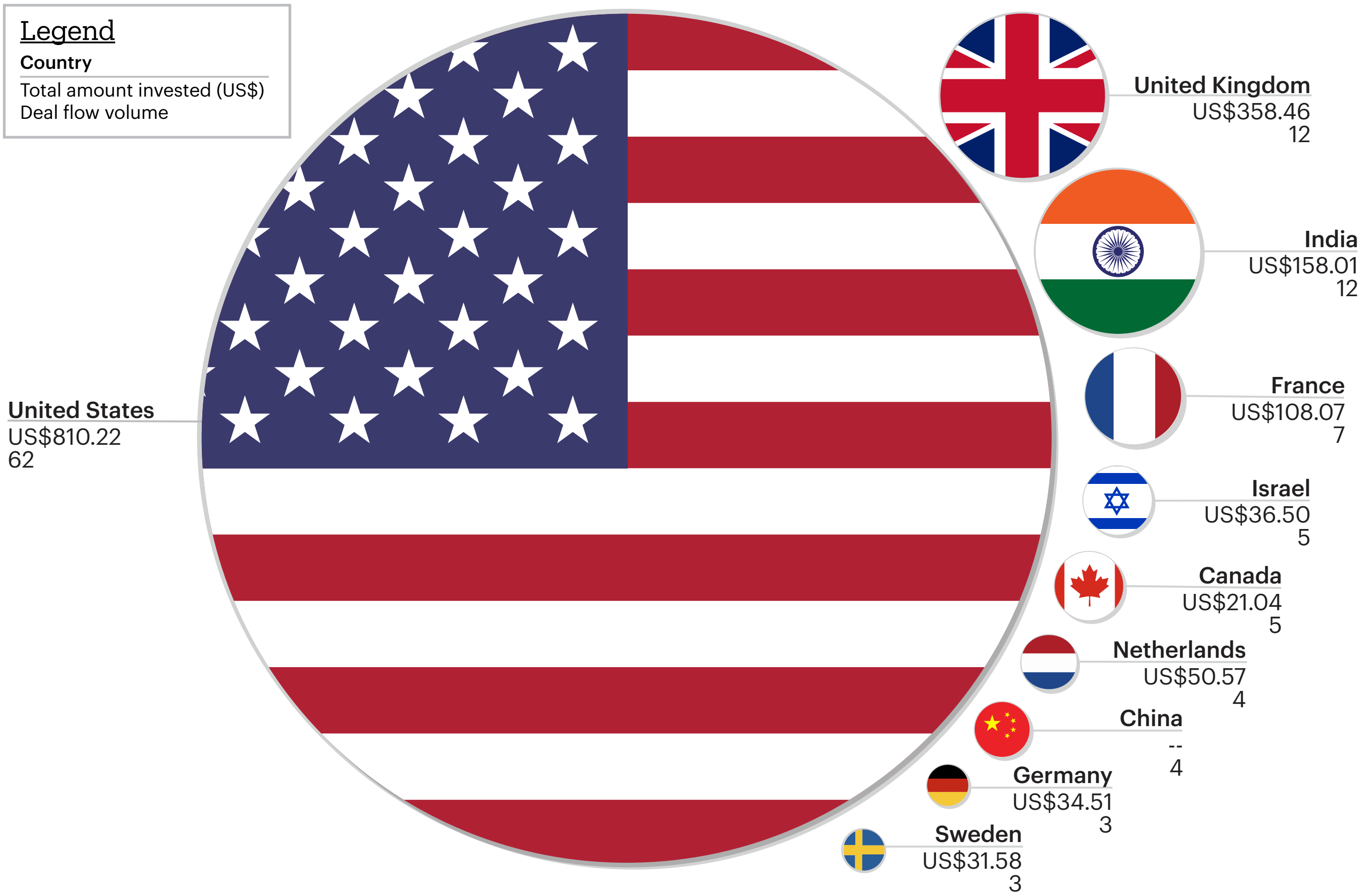
These articles will be available in a few weeks on **insurance-portal.ca**

# Insurtech startups' worldwide funding

US startups leveraging technology to transform the insurance industry leading fund-raisers at the incubation stage.

BY SABRINA FEKIH




Data for 2022 and 2023. The size of the bubbles is based on the deal flow volume.
Source: Gallagher Re Global Insurtech Report, August 2023. Infographic: Marjorie Poirier.

In the insurtech sector, late-stage investments declined in 2023, a **Gallagher Re** report published in August concluded.

The report examined four rounds of funding for Insurtech: early-stage incubation (Series A), early-stage acceleration, mid-stage expansion, and late-stage growth and a view on an exit.

"Up until 2018, final stage round funding into Insurtech was relatively limited," the report notes. Investments subsequently increased as insurtech companies gained prominence in the industry. However, most of the transactions took place at the earliest stage, in Series A.

The distribution of investments varies geographically. The United States dominates in terms of startup-phase funding, with 62 transactions generating a total of US$810.2 million in 2022 and 2023. United Kingdom ranks second with 12 transactions that raised US$358.5 million. India comes in third with the same number of transactions as British insurtechs, but less than half the amount raised, at US$158 million.

Canada ranks sixth with US$21 million invested in five transactions. The report notably mentions **Koios Intelligence**, which raised US$4.8 million from investors such as **Caisse Desjardins des Technologies** and **Canada Economic Development**, and **Quandri**, a Vancouver-based company that raised a total of US$10 million.

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

by **JIM RUTA**

# Starting a Professional Sales Conversation

***This probably seems very basic but sometimes I am afraid to book new client meetings because I'm not sure what to do when I get in front of the prospect. I wing it every time and it's scary. What is the right way to start a professional sales conversation?***

You are not alone. There are many advisors who are afraid to set up new sales meetings because they aren't sure what to do when they show up in person or virtually – which is only worse. Others fumble around with "small talk" and then don't know how or when to make the transition to the sales conversation part of the meeting. Still others just fly by the seat of their pants all the time and never look very professional in the process.

There is another way. While I learned the "small talk" approach to starting a meeting, I have since learned over the years that there is a more productive and efficient way to start a meeting. It's a set approach that you can use every time you meet a new prospect or client and by doing so will become proficient at it. Then, you will lose your fear and be more effective in the sales process. Starting a meeting does not have to be scary.

So, here, borrowed from many advisors over the years, is what you can do to be more confident, professional, and productive when starting a new sales meeting:

1. **Even before you say or do anything else like small talk say: "Before we get started, how much time do we have today?"** Asking about their time constraints shows you are concerned about them first. It also means that you can decide what you can say and do in the time available and by when you must be finished. Staying within the time allotted marks you as a professional who values their time and yours. It also increases your perceived value as an advisor.
2. **Once you have a time limit – that you will stick to, say: "Obviously, "Prospect" you had a reason for agreeing to meet with me today, would you mind telling me what it is?"** When you offer to give your prospect what they want out of your time together and answer their questions first, they know they are important to you and that you will listen to them. This is a key step in building trust. Thinking about your client first is what professionals do. And, whatever their answer to this question, you have a takeoff point that can lead to either an immediate sale or a better outcome for the meeting. Even if they say, "Jim, you've been bugging me for years to talk and I finally thought if we spoke, I could get rid of you", you have a great place to start. You can reply, "So what you're saying Serge is that I had better be very good today if I expect to see you again. Is that pretty much it?" They'll smile and you are on your way. And when your time is up, leave, even if you have nowhere to be. Make them want more time next time.
3. **If they do have a specific reason to talk as a follow-up question. "This is your meeting "Prospect", where do you want to start?"** Despite having a reason, they still may prefer to hear you out first. Maybe they want to know what you have to offer? That's when you must have an interesting concept question to entice their engagement. Professionals always show their value quickly and asking a question that reveals a concept that applies to and benefits them is one way to do it.
4. **Once you have attracted their attention and they have asked for your help with the questions you posed, transition to getting their background information so you can position your concept. You can say, "Of course, prescription without diagnosis is malpractice "Prospect". I'm not exactly sure how I can best help you so may I ask you a few questions?"** This is where you use revelation questions – questions where their answers are the benefits of what you do. So, rather than saying: "If you have mortgage cancellation insurance your family will be able to stay in the home your built for them and that they love." You can ask, "Would you rather leave your family a home or a mortgage?" As they say, telling is not selling but asking gets them to sell themselves is. Use this model to create your own revelation questions.

By this point you are well into your sales conversation and learning if you can help your prospect. Make helping your key goal. If you can help, you are on your way to getting a sale and if you cannot, you move on. But, with a professional starting process you will build better relationships and get your share of new business.

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**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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