INSURANCE Journal

$10 Vol. 27 No. 06 November 2023

RETIREMENT

Cashing out a lifetime of savings: Never without my advisor

Market shares
Musical chairs game persists for property & casualty and life insurers in Canada

Group insurance
Gender transition: Insurers contribute to the dawn of a new era

P&C insurance
The value of insurance brokers rises in times of adversity

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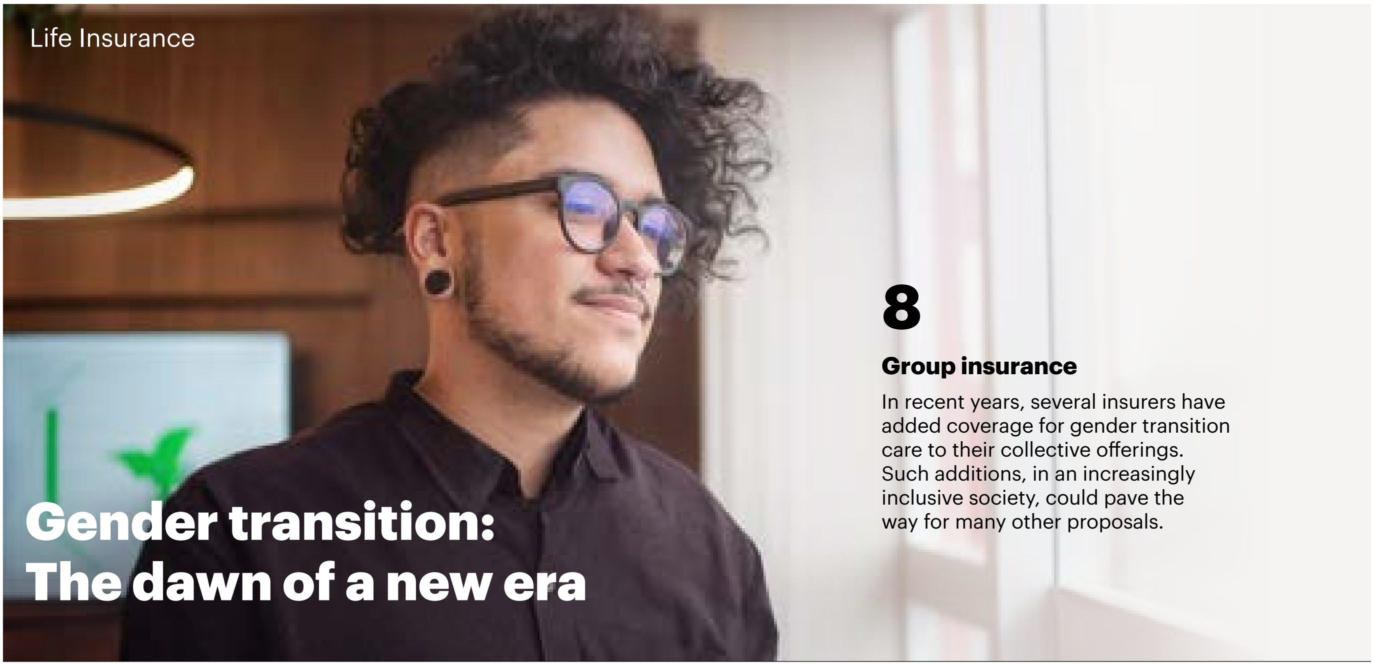

INSURANCE Journal

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Something to think about...

> It is clear that we are seeing an increase in severe weather events. So the broker has an important role in raising understanding, awareness and ensuring that the clients have the proper coverage.
>
> — Peter Braid

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In this issue...

The value of insurance brokers rises in times of adversity

Insurance brokers offer choice and advice to clients, in addition to advocating for their interests. Peter Braid has spent the last seven years emphasizing this.

BY: ALAIN CASTONGUAY

According to **Peter Braid**, CEO of the **Insurance Brokers Association of Canada** (IBAC), the COVID-19 pandemic and the numerous climate-related disasters in recent years have helped highlight the added value of insurance brokers to consumers.

IBAC is partnering with insurers to support its *Broker Identity Program* (BIP). The association aims to raise consumer awareness about the value of insurance brokers' advice.

Peter Braid points out that these partnerships are not only used to fund the national promotion campaign. The agreement also includes funding for other pillars of IBAC's mandate, which are professional development and ongoing training, innovative technologies useful to brokers and their insurers, as well as advocacy for the network's interests with the federal government.

All 18 insurers that were already full partners in the program in 2022 have renewed their support for BIP in 2023, notes Braid. IBAC continues its efforts to convince others. "Obviously, these property and casualty insurers must do business through the broker channel," he adds.

Competition

In a study commissioned by IBAC and published in 2019, **Deloitte** indicated that the brokerage network held 64% of the property and casualty (P&C) insurance market in Canada in 2018. According to Braid, brokers' market share in the country is currently 65%. In Quebec, direct insurers have a larger market share than elsewhere in the country.

Brokers have no problem with the competition from direct insurers, according to Peter Braid. "Brokers have great confidence in their value proposition," he says. "We believe that consumers are better served by the advice and tailored coverage that they receive from a broker," he adds. Peter Braid believes that COVID-19 may have helped highlight the relevance of the broker's work. "The pandemic reinforced to individuals and particularly to business clients the critical role of the broker in serving their best interests and helping them navigate sort of complex situations," he says.

Consolidation in the insurance industry is changing the competitive landscape. Large national brokerage firms are also emerging. The number of brokers is not decreasing nationwide, but there are fewer brokerage firms, he acknowledges. "We are mindful of the fact that the broker channel is evolving, and there are different business models to serve clients, from traditional brokers in rural areas all the way across the spectrum to very sophisticated and advanced digital brokers. We need to make sure that, when we develop our campaigns, we're inclusive of those various business models," he says.

A universal message

For the past six years, IBAC has been working with the same Toronto advertising agency, **Agency59**. Peter Braid emphasizes that when the theme of the promotional campaign is chosen, the organization works closely with the **Regroupement des cabinets de courtage d'assurance du Québec** (RCCAQ) to adapt, not just translate, the message that the national campaign aims to promote among francophones.

He explains that the purpose of this national advertising campaign is "to reinforce to consumers that they are best served by a broker when considering insurance purchases. And that message is universal across the country," says the CEO of IBAC.

For years, most of the advertising budget was used to produce television ads. In recent years, IBAC has revised its promotional strategy to adapt to changes in consumer habits. "Now, we use TV ads to support our digital campaign. Our media buy includes a significantly larger digital component, and digital advertising allows us to reach a different demographic. The power of digital advertising allows you to customize your message to specific target audiences, which is invaluable," he adds.

The climate

Due to climate change, major natural disasters underscore the need for good insurance coverage. In this context, the broker's relationship with clients is of paramount importance, as Deloitte wrote in its 2019 impact study. "It is clear that we are seeing an increase in severe weather events. So the broker has an important role in raising understanding, awareness and ensuring that the clients have the proper coverage," says Peter Braid.

The year 2023 has been particularly tragic in this regard, especially with wildfires affecting various parts of Canada, he adds. "As you know, wildfire is a general peril covered, but for overland flood, earthquake, and other specific natural catastrophes, even including cyber, are not necessarily covered in your standard insurance policy."

Regarding the national flood insurance program promised by the federal government, IBAC has put forward two messages. "First, we believe that the solution should pertain only to the 10% of Canadian residences that currently do not have access to insurance and should not intervene in the low and medium property market," he says.

"The second key message is that any government solution should be a public-private partnership with the industry and should leverage the significant knowledge that brokers have across the country with their local communities and their clients and leverage the existing distribution and claims settlements," adds Peter Braid.

The MP experience

Braid served as a Member of Parliament in the **House of Commons** in Ottawa from 2008 to 2015, representing the Kitchener-Waterloo constituency. Before becoming a federal MP, he also worked for **Sun Life Financial** from 1996 to 2007 in Kitchener.

As a Member of Parliament for the **Conservative Party of Canada**, he chaired the insurance caucus, which brings together parliamentarians from all political parties who are knowledgeable about the industry or represent constituencies where insurers are a significant presence. In 2020, the pandemic put an end to caucus meetings. Peter Braid points out that the insurance caucus was revived in 2022 and is now co-chaired by a member of the **Liberal Party of Canada** and another elected from the Conservative Party. "This is an important channel to allow the industry to speak directly to elected officials," he says.

Braid says that his past as an MP "helps immensely" in his lobbying activities for the pan-Canadian brokerage network. His time in Ottawa has allowed him to better understand how the government machinery works, which helps him propose public policies that can resonate with parliamentarians. "It has been a valuable background to have," he says.

The Bank Act

One of the issues that mobilize provincial insurance brokerage associations is the five-year review of the *Bank Act of Canada*. In 2021, Finance Minister **Chrystia Freeland** announced that she was postponing this review until 2025, when it was originally scheduled for 2023.

Section 416 of the Bank Act prohibits the sale of insurance in an institution where banking or credit activities take place. "This is our main issue that has mobilized the entire broker network for more than three decades. This Section 416 protects consumers," he explains.

Peter Braid

Having been defeated in the federal election of 2015, Peter Braid is well aware that MPs come and go in the federal parliament. The broker channel has no choice but to repeat its plea to maintain Section 416. "We hold an event every year in May in Ottawa to raise awareness among MPs about this issue, and we continue to do so throughout the year in ridings and constituencies as well," he points out.

What does he take away from his seven years at the helm of the organization? Braid first mentions the enhancements made to each of IBAC's four pillars. He then highlights the modernization of the national advertising campaign. "I am particularly proud of the increased effectiveness of IBAC as an advocacy organization on Parliament Hill in Ottawa," he concludes.

GROUP INSURANCE

Gender transition: The dawn of a new era

In recent years, several insurers have added coverage for gender transition care to their collective offerings. Such additions, in an increasingly inclusive society, could pave the way for many other proposals.

BY MARIE-HÉLÈNE PROULX

According to **Statistics Canada** figures published in April 2022, the proportion of people identifying as transgender stands at 0.85% among workers in the 20 to 24 age group, a proportion 7 times higher than in preceding generations. In the midst of a talent shortage, such disruptions are prompting employers and their unions to consider how to implement their equity, diversity, and inclusion policies. This includes revising their insurance policies.

Collective insurance supporting gender transition emerged in the market before the COVID-19 pandemic, with **Sun Life** launching its coverage in March 2019. Several other insurers followed suit, including **Manulife** in 2020, **GreenShield** and **Medavie Blue Cross** in 2021, **Beneva**, **Desjardins Insurance**, and **Equitable Life Insurance** in 2022, and **Canada Life** in 2023.

These collective insurance offerings covering the costs of gender transition are in line with several other societal transformations. Among them, the **Régie de l'assurance maladie du Québec** (RAMQ) has been reimbursing gender transition surgeries (phalloplasty or vaginoplasty) and breast removal (mastectomy) performed in private clinics since 2009. Since April 1, 2023, RAMQ also provides free legal gender change on civil documents or its replacement with the "X" gender marker.

In addition to these structural changes, there have been shifts in attitudes. **Shelley Sjoberg**, Assistant Vice President of Product Development and Support at Canada Life, cites a survey conducted by **ADP Canada** in 2020 as evidence. One-quarter (25%) of respondents stated that they would be "more loyal to their organization if it publicly supported diversity and inclusion." This rate nearly doubled (47%) among young workers aged 18 to 34.

Still a privilege

Despite these findings, those who benefit from this collective insurance coverage are currently a privileged group. To provide some perspective, Medavie Blue Cross found takers for this coverage among less than 1% of its clients, as revealed by **Charles St-Laurent**, the insurer's regional vice president.

As for Beneva, they proudly claim to have reached the most insured individuals in Quebec with this product. Executive Vice President and leader of group insurance, **Éric Trudel**, reveals that they offered it to 160,000 participants in group plans, which accounts for approximately 3.7% of all insured individuals among their Quebec clients.

Collective insurance coverage for gender transition expenses includes various procedures such as nose, forehead, and jaw surgeries, hair transplants, tracheal shaving, voice feminization therapy, and laser hair removal.

Reducing marginalization

Although the names of these procedures may sound like cosmetic treatments, their crucial impact on the mental health of those who receive them has been demonstrated. The **Mental Health Commission of Canada** reports that 67% of gender-transitioning individuals contemplate suicide, but this proportion drops to 3% after they have received the desired transition care, a rate comparable to that of the general population.

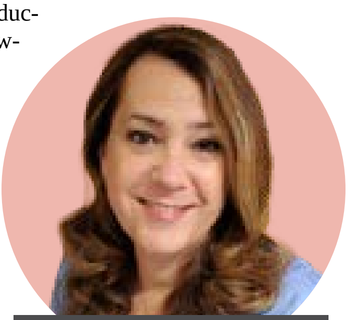

Shelley Sjoberg

Psychologist **Lou-Ann Morin** explains that such care helps individuals avoid the pressure or marginalization experienced by those who do not conform to societal gender expectations: "If we see a trans person who cannot afford hair removal and ends up being perceived as a woman with a lot of hair or a beard, they can face stigmatization."

Non-binary and transfeminine individual and board member of **Trans Outaouais**, **Abigaël Bouchard**, has experienced this distress firsthand. She still feels the remnants of it when she is addressed as "Mister" due to her appearance.

Bouchard also notes that coming out as transgender has not put an end to discrimination and marginalization. However, she has no regrets: "Every step I take in my transgender journey, if it makes me feel good, it means I'm heading in the right direction."

This leads to insurers sometimes mentioning the likely effects of transition care on employees' productivity when promoting their products. They acknowledge that having this coverage can send a much broader message about the principles of inclusivity, diversity, and inclusion that employers want to identify with.


Abigaël Bouchard

Transgender individuals or advocates for sexual minorities interviewed by the *Insurance Journal* mentioned that too many reversals and inconsistencies have made them expect more than just words from companies to be convinced.

According to their statements, an employer can no longer stand out solely by promising to prevent discrimination, as it is their legal obligation. Consistency with these inclusive values is felt more by transgender individuals through concrete actions, such as providing gender-neutral restroom facilities, facilitating name changes, or taking a firm and proactive stance against transphobic attitudes from customers.

Now that gender transition insurance coverage is becoming more widely known, Bouchard expects this willingness to manifest itself in this regard as well: "We say that we want to offer programs for transgender people to feel comfortable in their skin, but then we're told, 'No, we won't take the coverage because it's too expensive.' I think the color of the logo changing to a rainbow is just a smokescreen."

At Beneva, Trudel even acknowledges that this concern for alignment with the company's inclusive policies is one of the main selling points for its brokers and representatives. Among his reasons for launching gender transition expense coverage, Trudel wanted to please clients for whom this better alignment of words and actions would become a priority.

→

Éric Trudel

He also wanted to avoid losing clients: "It is certain that an insurer that has not developed this clause can miss out on opportunities because there are employers who go to the market and, to stay aligned with their policies, will demand it."

Difficult to provide proof

The groundwork was laid for gender transition coverage. Nevertheless, insurance offerings still faced criticism from those they aimed to satisfy. The complexity of obtaining proof to benefit from the coverage raised doubts, as did the understanding of the reality of gender transition demonstrated by these offerings.

Two types of proof required by insurers pose issues:

- Gender dysphoria (profound and persistent distress related to gender, according to diagnostic criteria for mental health).
- Obtaining approval from RAMQ (Régie de l'assurance maladie du Québec) for surgeries covered by the public system.

Insurers only reimburse expenses that are not covered by the public health insurance plan. They argue that these two pieces of evidence allow them to align their reimbursement process with the coverage provided by the public system, with private group insurance acting as a supplement.

Their requirement aims to reserve care for the minority of the population legally recognized as transgender, ensuring reasonable coverage costs, explains St-Laurent at Medavie Blue Cross.

Ideally, the verification process of insurers should only prevent coverage for treatments intended for aesthetic purposes or situations where private and public reimbursements overlap. According to our sources close to the transgender community, the issue lies elsewhere. They argue that the two levels of coverage address different treatments that occur in different and varied journeys, for which a significant proportion of individuals will never reach the stage of genital or breast removal surgeries covered by the government.

Neda Nasseri

St-Laurent also indicates that not being covered by the government program for transition care is the main reason for refusal of reimbursement at Medavie Blue Cross.

However, Bouchard notes that the way several insurers frame the question does not allow the insured individual and their treating physician to easily find the answer needed to proceed with a request for supplementary care. "Let's say it's breast augmentation; here, we're talking about surgery. 'Did the patient request coverage under the provincial health insurance plan?' No, because it's not provided provincially."

Bouchard is not the only one raising this question. **Neda Nasseri**, Product Manager at Desjardins Insurance, goes so far as to call it a "mess," which led her to suggest changes to the form a few months after its production. She also directs all users to **GRS Montreal**, a medical clinic specializing in gender-related surgeries, to fill out the documents.

She recounts a case of genital surgery: "It is GRS that provides this information. We spoke to them several times because clients were saying, 'We called RAMQ, and no one knows what we're talking about!' After that, I think the request for care goes to the **University of Montreal Health Centre**. A team reviews everything and schedules the surgery. Then there was proof of genital surgery coverage, and from there, users had the choice to make the appointment or cancel it."

In addition to government approval, insurers require a diagnosis of gender dysphoria. This is a fairly standard requirement, according to St-Laurent: "We need a diagnosis, regardless of the type of expenses we will cover."

The problem is that the accepted diagnosis corresponds to the one requested by RAMQ, established at the time when the 2013 Diagnostic and Statistical Manual of Mental Disorders (DSM) was published. This manual directly linked the desire to change gender to a pathology. This interpretation no longer aligns with current standards in the field, whether it's those of the **World Health Organization** (WHO) or the **World Professional Association for Transgender Health** (WPATH).

These health organizations take the position that an individual may not feel that the gender reflected in the mirror and by society matches the one they identify with internally, without necessarily experiencing profound distress.

Bouchard is in this situation: "I did not experience gender dysphoria to the point where I was at risk of dying. However, because I am already in transition and for my well-being, I need this surgery... Having to prove that you will die if you don't have surgery and having to cry to demonstrate it is very invalidating."

Guardians of gender boundaries

According to Bouchard, physicians find themselves in a gatekeeping role that can contribute to gender dysphoria. "And here, the famous question: 'Do you consider the procedure to be medically necessary?' What does that mean? What I understood is that these are purely insurance terminologies... But this leaves room for interpretation," believes Bouchard.

According to our sources, it is not easy to persist in a gradual process based on evolution and financial means. It is also not easy to provide evidence of one's conviction to healthcare professionals who are reluctant to fill out forms that involve them in such significant decisions. Decisions they do not always understand.

St-Laurent is aware of these debates and their effects on individuals' lives. He believes that these discussions may contribute to improving the situation: "What we wanted was for these people to feel good, and now what's happening is that we might be stigmatizing them with the diagnosis. It's the opposite of what we want to achieve. So, these are questions we are currently asking ourselves."

When a patient approaches Morin for a gender dysphoria diagnosis, the psychologist provides them with a gender incongruence diagnosis. She explains that the individual is not "suffering enough" to require treatment but is "well enough" to receive it and go through the steps with full awareness. She follows the principles of WPATH.

However, the psychologist is quick to emphasize that she does not assume a role akin to that of a police inspector, questioning the individual's convictions. She states, "The person doesn't have to prove to me that they played with *G.I. Joe* when they were young. It's simply about describing the journey they have taken so far to see where the person is at this moment."

For Lou-Ann Morin, such an approach begins with a positive bias towards the client's perspective. This approach is not just a way to welcome the client consistently according to the principles of her professional order. It is also probably the best way to encourage the individual to have doubts, even if it's just about their ability to handle the reactions of those around them after this stage of transition.

Building this trustful relationship conducive to sharing is crucial during this phase of transition. Data collected by **Trans PULSE** in 2019 reveals that 17% of non-binary individuals and 12% of transgender individuals would not dare to discuss their gender dysphoria, or lack thereof, during their mental health assessment. According to Trans PULSE, 35% of non-binary individuals and 32% of transgender individuals would avoid discussing their mental health issues during this assessment. Trans PULSE is a Canadian community research survey for transgender and non-binary individuals aged 14 and older.

Adaptation and reality

An offering of group insurance that promises to assist individuals whose reality is still not well-understood leads to misunderstandings. It also compels insurance companies to find new balances between their projections and the needs of their clients and beneficiaries. They have sought answers through consultations with experts, focus groups, or potential clients.

Medavie Blue Cross notably relied on the expertise of the **Canadian Council for Equity,** while Desjardins drew more on the local expertise of the LGBTQ+ rights advocacy group Fondation Émergence and the GRS clinic. Neda Nasseri reports that Desjardins went even further. "I know there were focus groups with the transgender population, as well as efforts with certain endocrinologists specialized in gender identity."

Beneva, on the other hand, directly responded to a request from its largest client, the **Fédération nationale de la santé et des services sociaux** (FSSS). The insurer collaborated with this union of 110,000 members to design an offering, which was then proposed to other clients. Among them are the **Fédération des enseignantes et enseignants du Québec** (FNEEQ) with its 35,000 members, **IKEA Canada** with its 8,000 employees, the **Research Institute of the McGill University Health Centre** with its 800 employees, the **Ontario Public Service Employee Union** (OPSEU) with its 500 employees.

Trudel relates that after designing products in the past that were less in line with demand, this approach was adopted to minimize this risk. "We saw that it was quite a challenge to go and sell (the product) to takers who didn't really ask for it. For this reason, we are more aligned with things that are requested by our clients. At that point, we are sure not to make a mistake."

The coverage offered by Beneva depends on the plan selected by the policyholder (the company):

- An annual coverage with a ceiling of $5,000 or $10,000.
- A lifetime coverage that the policyholder can choose in increments of $10,000. The maximum tranche is $50,000.

To establish these amounts, Trudel bases his analysis on the typical costs of covered treatments. "The maximums are set with the idea of providing sufficiently generous coverage to meet the needs of the vast majority but possibly excluding the 20% of extreme cases."

Beneva launched its group insurance coverage for gender transition support in April 2022. Trudel has observed that policyholders most often opt for a lifetime coverage of $10,000. When designing the coverage, Beneva estimated the average premium for this $10,000 lifetime coverage to be $5 per plan participant. He adds that with the current 8% inflation affecting healthcare costs, the average cost would be around $5.40," he adds.

➜

Charles Saint-Laurent

Medavie Blue Cross also offers two types of coverage:

- An annual maximum coverage of $10,000.
- A lifetime maximum coverage of $20,000, $30,000, or $40,000.

Since the launch of its gender affirmation group insurance policy in 2021, the insurer has identified the most common requests to be tracheal shaving, facial surgery, and electrolysis. St-Laurent notes that only a small portion of their insured groups choose to include it, "but for this small portion, it's extremely important," he says. St-Laurent reveals that most of them are large employers with a human resources department, and they are actively considering their diversity, equity, and inclusion strategy.

However, the reality Bouchard faced during her search for care raises questions about these coverage limits: "Just in laser hair removal and electrolysis, I'm already at $7,000. [...] Someone who wants a hair transplant [...] we're talking about $30,000. Facial feminization is $20,000. A nose reconstruction surgery can range from $10,000 to $15,000. Where does $10,000 lifetime coverage get you?"

Discreet support

Another criticism leveled at some insurance companies is that they have reserved this coverage for groups of 500 or more members. However, this number is reduced to 3 at Desjardins. The insurer offers its product by default, with the option to waive it. Small and medium-sized enterprises (SMEs) with 50 or fewer employees make up 85% of their policyholders.

At Medavie Blue Cross, the threshold is set at $50,000 in annual premiums (groups of about 25 employees on average). St-Laurent observes a different response to the offering based on the size of Medavie Blue Cross's clients. He notes that smaller, non-unionized companies are much harder to convince than larger ones, such as unionized companies and those with well-established diversity, equity, and inclusion policies, with dedicated personnel.

"It's true that there's a cost, but there's also an awareness issue that needs to be addressed with employers. Some, especially small employers, will say 'at a glance, this doesn't affect anyone in our company, so we don't think we need it. Why would I change my pricing by 1% or 2% for something we don't need?'" notes St-Laurent.

In Quebec, statistics show the lowest proportions of transgender individuals (0.14%) and non-binary individuals (0.09%), which is less than half of the 0.33% found elsewhere in Canada. This suggests the possibility of underrepresentation, and there may be reasons for this. Data from 2021 reveals that despite higher education levels, transgender or non-binary individuals struggle to secure positions with salaries exceeding $80,000 per year (8% compared to 14%) and are more often (54% compared to 45%) in roles with salaries below $30,000 per year, where less comprehensive coverage is more common.

Representatives from Medavie Blue Cross have been told that they may be talking a bit too much about their new inclusive trends. The team's current approach, according to St-Laurent, is not to overly emphasize this product. "We have said 'it's available. If it meets your needs and you want to hear more about it, we can talk about it.'" But we haven't tried to convince clients that they absolutely need this policy in their benefit strategies," he says.

Testing the waters

For now, the low incidence of transition cases allows insurers to keep the rate for this coverage relatively low. However, these numbers will change as insurers gather data from the field. This analysis could take up to two years, according to Trudel: "There is the time required for people to know that they have the clause (covering transition care). And, from my understanding, it's still a fairly lengthy process," he draws from his experience with insured groups.

Already, some initiatives are helping to convey the message and actively adapt offerings to needs. For example, Medavie Blue Cross has already modified all its documents and client approach protocols to promote its open orientation to diversity. Desjardins offers diversity training as an additional service to groups that request it.

As for Beneva, they have stopped requiring a "doctor's note" from policy participants for treatments like chiropractic or physiotherapy. They have also announced that they allow individuals to go through a sexologist or psychologist, not just the family nurse or doctor, to obtain the letter confirming gender dysphoria.

This expansion allows greater access to insurance for people in transition who do not have a designated family doctor or nurse. Sometimes, things change faster than expected.

MAGAZINE SUPPLEMENT

- **Gender transition in the workplace: Ready for change?** For **PRO** Level members

This article will be available by the end of December on **insurance-portal.ca**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RETIREMENT

Cashing out a lifetime of savings: Never without my advisor

Cashing out hard-earned assets accumulated over decades can feel like a bungee jump. Will the cord hold until the end? As the risk of outliving one's savings grows, the support of a financial advisor has never been more crucial.

BY ALAIN THÉRIAULT

Retirement is on the horizon for millions of Canadians. Advisors will play a crucial role in helping them plan how to cash out their accumulated assets for retirement or consolidate their existing plans.

The number of potential retirees is significant. As of July 1, 2022, nearly one in five Canadians was at least 65 years old, amounting to 7,329,910 people, according to **Statistics Canada**. The average age of Canadians was 41.7 years.

Particularly at risk of outliving their savings are retirees who don't have the benefit of a guaranteed lifetime income, such as an employer's defined benefit pension plan or an annuity. This is what actuaries call longevity risk.

Life expectancy further exacerbates this risk. Canadians who reached the age of 65 in 2021 can expect to live another 20.94 years, up to nearly 86, according to data released on August 28, 2023, by Statistics Canada. Women who turned 65 in 2021 exceed the Canadian average. They can expect to live another 22.28 years, surpassing the age of 87. Life expectancy is shorter for men. Those who reached 65 in 2021 can expect to live another 19.48 years, exceeding the age of 84.

The cash-out phase has already begun for many. In 2022, Canadians retired at an average age of 64.6, according to annual data from Statistics Canada. That same year, women retired at an average age of 63.6, and men at 65.5. Private sector employees retired at an average age of 64.7, while public sector employees did so at 62.7.

Self-employed individuals retired the latest, at an average age of 68.4. Often small business owners, these workers generally do not have access to an employer-sponsored plan and must save on their own. According to data adapted by the Quebec Institute of Statistics, Canada had 2.7 million self-employed workers in 2022, of which 975,300 were aged 55 and older. In Quebec, there were 502,800 in 2022, of which 188,800 were aged 55 and older.

Preparing for the cash-out

Self-employed workers who also own businesses face unique challenges in building a retirement nest egg, according to a recent article published on the **Fonds de solidarité FTQ** website titled *How to save for retirement if you're self-employed*.

One common pitfall is relying solely on dividends. "Some self-employed workers choose to issue themselves only dividends rather than a salary in order to avoid paying certain contributions such as the **Quebec Pension Plan** (QPP). However, earning a salary of $66,600 would mean you could contribute the maximum amount to the QPP in 2023," advises the Fonds de solidarité in its text. FTQ adds in its text that this would allow to benefit from a maximum, guaranteed and indexed pension, regardless of market fluctuations. It describes the QPP as an excellent tool to diversify risk and income during retirement.

Drawing a salary also enables entrepreneurs, like any taxpayer, to reduce their annual taxable income by contributing to a Registered Retirement Savings Plan (RRSP). A report on contribution limits by **GRMF**, a firm specializing in group pensions, states that workers can contribute up to $30,780 to their RRSP for the 2023 tax year. At a marginal tax rate of 50%, the maximum contribution could reduce taxes by $15,390.

GRMF's bulletin highlights a new option that allows RRSP participants to hedge against longevity risk. At age 71, one can use 25% of the funds accumulated in their RRSP to purchase an advanced life deferred annuity (ALDA). In 2023, the ALDA-eligible amount is capped at $160,000, and payments can be deferred until age 85.

Introduced in the 2019 federal budget and effective from 2020, the ALDA is not exclusive to RRSP contributors. It is also available to holders of a Registered Retirement Income Fund (RRIF) or participants in various employer-sponsored plans, such as Pooled Registered Pension Plans (PRPP), Voluntary Retirement Savings Plans (VRSP), Defined Contribution Plans, Simplified Pension Plans, or Deferred Profit Sharing Plans (DPSP).

In preparing for withdrawals, those with diverse retirement income sources will have an edge. They can take advantage of assets that are minimally or non-taxed. Ideally, withdrawals from non-taxable sources like Tax-Free Savings Accounts (TFSA) and non-registered investment accounts should be made in the early years. This strategy allows for delaying or reducing fully taxable RRSP withdrawals.

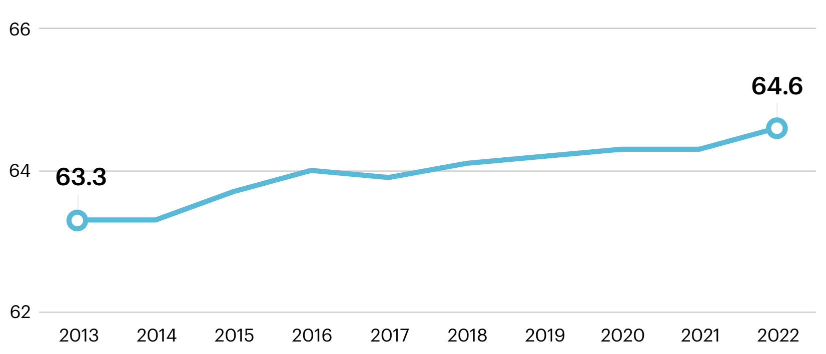
68.9

In 2022, in Canada, male self-employed workers show the highest average retirement age at 68.9 years old.

62

In 2022, in Canada, female public sector employees have the lowest average retirement age at 62 years old.

AVERAGE RETIREMENT AGE OF CANADIAN WORKERS



Source: Statistics Canada, Table 14-10-0060-01, Retirement age by class of worker, annual (2013-2022)

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> The most important thing is to understand what 'retiring' means for the entrepreneur
>
> — David Decary

Canada Life, in its online section on *How to decumulate your assets in retirement*, advises visitors to consult a financial advisor to create a tailored spending plan.

The insurer also emphasizes the need to consider inflation in retirement planning. "In the 1990s, financial planner William Bengen used historical data to determine that, as a rule of thumb, for most people, withdrawing 4% of their retirement nest-egg each year would allow them to enjoy a steady income for 25 to 30 years," it states.

However, Canada Life warns that significant factors, like inflation, can impact the 4% rule. Inflation has been unkind to Canadians since 2022, peaking at 8.1% in June 2022, according to **Bank of Canada** data. Although it dropped to 2.8% in June 2023, it rose again to 3.3% in July and 4.0% in August.

In the face of high inflation, Canada Life suggests that prospective retirees might weigh the pros and cons of delaying retirement by a year or two. "You could contribute more to your savings while the government takes measures to curb inflation and markets correct themselves."

Entrepreneurs: A unique category

Tony Guzzo

David Decary, Director of Accounting Projects, Financial Planning and Analysis (FP&A) at **Lareau Insurance Brokers**, has gleaned valuable insights from his role as a mentor to entrepreneurs. After kick-starting his career in auditing with **Deloitte** and then in American taxation at **Richter**, the Certified Professional Accountant (CPA) says he wanted to engage with everyday businesses by collaborating with the team at the **École des Entrepreneurs du Québec**.

Decary notes a glaring absence of retirement plans among many entrepreneurs. However, he emphasizes that the definition of a retirement plan can vary significantly from one entrepreneur to another. "The most important thing is to understand what 'retiring' means for the entrepreneur. Are we talking about a full retirement where one retreats to a warm country to enjoy their twilight years, or a part-time retirement where one takes on sporadic roles in the sold business?" he illustrates.

According to him, this definition will dictate the planning of how much to save and which savings vehicles to use. "An entrepreneur planning to sell their business eventually and close this significant chapter of their life with a seven-figure capital will not have the same options as an employee who has invested in a traditional investment account," Decary points out.

In the event of a business sale, Decary believes it's crucial not to overlook the entrepreneur's exit plan. The CPA offers some questions that entrepreneurs should ponder to prepare this plan:

- Will they be able to sell the business and demand quick, liquid payments?
- What will be the value of the business and its assets?
- Will they retain shares to earn profits as a passive owner?
- Could they extract more value from the business by signing an agreement to stay on as a consultant? If so, they will need to adjust their planned retirement date.

Decary's insights underscore the unique considerations that entrepreneurs must take into account when planning for retirement, highlighting the need for a tailored approach.

The role of the financial advisor

David Decary suggests that these questions can be discussed with a competent financial advisor, emphasizing the advisor's role as an "expert in asking the right questions." "A good advisor could open your eyes to strategies you wouldn't have otherwise seen," says Decary.

He cites the example of the Registered Retirement Savings Plan (RRSP). "Did you know that to invest in this plan, you must have a salary income? As a business owner, you'll need to juggle your compensation to optimize advantageous investment vehicles," Decary notes. According to him, a blend of dividends, salary, and loans often forms an optimal strategy.

Among tax-advantageous borrowing strategies, one can secure a line of credit backed by the cash surrender value of a permanent life insurance policy or by the value of a property (see *Insurance Journal*, October 2022 edition, page 18). The borrower can gradually use this line of credit to generate non-taxable income.

"The business is also an investment and retirement vehicle," the CPA reminds us. "It's certainly a risky asset but important for the entrepreneur. This must necessarily be assessed and analyzed during this process. A business with significant and tangible assets is often less risky. It's easier to liquidate a building than a patent," he opines on the entrepreneur's retirement planning.

Tony Guzzo, founder of **Expertiz Wealth Management** and also a representative of **Investia Financial Services**, has specialized in advising entrepreneurs for over 20 years. One of the frequent questions from his clients is how to optimize withdrawals in retirement.

One solution could be through the Capital Dividend Account (CDA) of the client's management company, suggests Guzzo. If the CDA balance is positive, the company shareholder can pay themselves capital dividends without triggering personal tax.

If transactions have generated capital gains in the management company, it would then be possible for the client to recover non-taxable dividends.

To illustrate the mechanism, Guzzo hypothesizes an investment of $100,000 yielding a 10% capital gain after one year. If the client sells the investment, they can recover $5,000 as non-taxable dividends, which is half of the $10,000 capital gain. The other half of $5,000 is taxable.

And the liquidity available through the CDA could become significant over the years. "There are entrepreneurs who have never taken money out of their company. This could be much more than a $10,000 capital gain on a $100,000 investment," adds Guzzo.

Accumulation and withdrawal

After more than 12 years at the **National Bank of Canada**, **Alexandre Gougeon** left his position as Director of Equity Derivatives in the spring of 2022 to take a sabbatical year. His goal was to work on a project he had been contemplating for years. By early 2023, he decided not to return to his former employer and instead founded **Finances Go**, a fintech platform that, among other features, allows users to calculate potential tax savings through RRSP contributions.

The platform has been freely accessible online since September 2022. Trained in computer engineering, Gougeon wanted to quickly launch the site to gather user feedback for improvements. "What I've programmed in recent months is inspired by user advisors. I develop my site based on their needs," he shares.

Around twenty advisors regularly use his site for simulations, and individual users are also taking advantage, says Gougeon. He reveals that the average time spent by a user on each site visit has increased from 3 to 9 minutes since its launch. According to Finances Go's statistics, advisors primarily use it to illustrate the tax savings their clients can achieve through RRSP contributions. "People really aren't using RRSPs optimally," his experience suggests.

Alexandre Gougeon

In one of the simulations performed by advisors on his site, Gougeon presents the case of a single mother of two children in subsidized daycare, earning a salary of $60,000. She has the option to make a one-time RRSP contribution of $30,000 for the 2023 tax year. While it may be tempting to contribute this amount all at once to get the highest refund, it's not the best option, according to Gougeon. "If she contributes $18,000 in 2023 and $12,000 in 2024, she will recover $17,000 instead of $13,000, gaining an extra $4,000 compared to a $30,000 contribution in 2023," he illustrates.

While Alexandre Gougeon's platform, Finances Go, offers valuable insights into RRSP contributions, he cautions that the benefits may vary. "The source of such a large sum for RRSP contributions—whether it's an inheritance, a settlement after a separation, or an RRSP loan—is not something I can specify. The

CLOSE MONITORING REQUIRED FOR CAPITAL DIVIDEND ACCOUNT

In a section on its website titled *Capital Dividend Account: What for?*, the **National Bank of Canada** notes that every private Canadian company has a Capital Dividend Account (CDA). «When its balance is positive, shareholders receive a tax-free dividend,» the bank states.

The CDA requires close monitoring, according to information provided by the National Bank. It explains that the CDA does not appear on the balance sheet, although it may sometimes be mentioned in the notes to the financial statements. «Shareholders have every interest in following it closely because it offers them an exceptional tax advantage: to be able to withdraw the company's money without paying any taxes,» adds the bank.

However, shareholders must be cautious not to pay themselves a capital dividend that exceeds the account balance, as this would expose them to tax penalties.

The National Bank emphasizes that the Capital Dividend Account is cumulative. Its balance indicates the maximum amount that can be distributed tax-free to shareholders. The bank lists factors that can increase or decrease this balance:

- Capital gains and losses
- Dividends received from another company
- Proceeds received from a life insurance policy taken out by the company
- Gains and losses recorded on the sale of certain fixed assets

The tax rules for the CDA are governed by the Canadian government. In an income tax folio concerning capital dividends, the government specifies the additional tax that may be incurred by the company for paying dividends that exceed the available CDA balance. It amounts to 60% of the portion of the dividend that is not eligible as a capital dividend, i.e., the excess portion. (*Alain Thériault*)

advantage won't materialize in every situation; it's case-by-case," he notes.

The platform also provides a feature to calculate the tax implications of RRSP withdrawals, particularly useful for those entering the withdrawal phase of their assets. In another simulation, Gougeon illustrates the case of a 60-year-old single retiree with no employer pension or private drug insurance, who also hasn't applied for the Quebec Pension Plan (QPP). "He can receive significant RRSP withdrawal amounts with little tax," Gougeon comments. According to the 2023 tax year scenarios:

- An RRSP withdrawal of $15,000 results in a tax refund of $82.
- An RRSP withdrawal of $22,000 incurs a tax liability of $980.
- An RRSP withdrawal of $39,000 incurs a tax liability of $6,066.

"One of the main requests from advisors is for an automatic and optimized withdrawal strategy, indicating an amount to withdraw each year from each account—RRSP, non-registered account and TFSA. That's my next big project," Gougeon reveals. These requests often focus on tax optimization strategies for contributions and withdrawals over periods ranging from age 55 to 71.

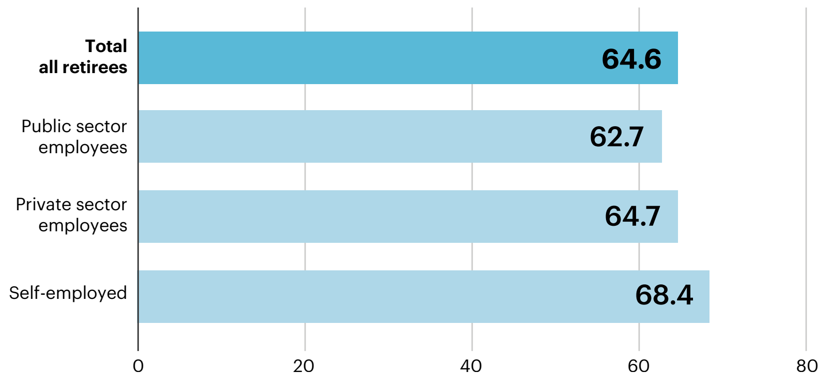
Gougeon's website also get requests regarding the contributions to the tax-free first home savings account (FHSA). Gougeon highlights the tax benefits of the FHSA or future first-time homebuyers. Offered by an increasing number of financial institutions since 2023, the FHSA allows individuals to build a down payment with the aim of acquiring a first home. "You can contribute up to $8,000 per year, with a lifetime limit of $40,000," he recalls.

"At the time of withdrawals, the FHSA combines the advantages of the RRSP and the FHSA," Gougeon notes, referring to the new savings vehicle announced in the 2022 federal budget and implemented on April 1, 2023. Contributions are tax-deductible, like those made to an RRSP, while withdrawals and investment returns are tax-free, like those from a FHSA.

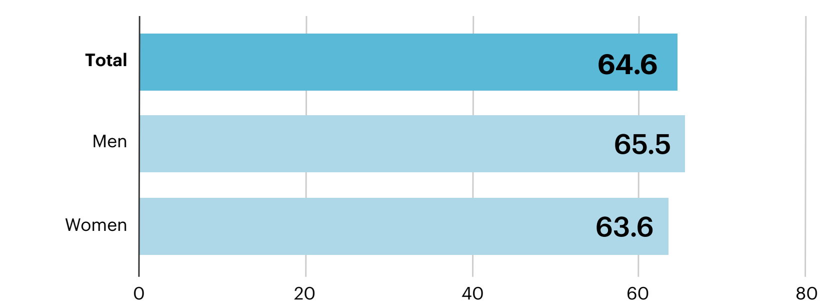
For first-time homebuyers, the FHSA can be combined with the Home Buyers' Plan (HBP), which allows up to $35,000 to be withdrawn from an RRSP for a down payment. "You can contribute $8,000 to your FHSA and withdraw it the same day without paying any tax. Contributions to an RRSP must remain in the RRSP for at least 90 days before they can be withdrawn tax-free," Gougeon explains.

He adds that while amounts withdrawn from a TFSA don't have to be repaid, those withdrawn from an RRSP under the HBP must be repaid over a 15-year period.

AVERAGE RETIREMENT AGE OF CANADIAN WORKERS IN 2022, BY EMPLOYMENT CATEGORY



AVERAGE RETIREMENT AGE OF CANADIAN WORKERS IN 2022, BY GENDER



Source: Statistics Canada, Table 14-10-0060-01, Retirement age by class of worker, annual (2022)

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- **Segregated funds and annuities: Two products for life** For **PRO** Level members

This article will be available by the end of December on **insurance-portal.ca**

MARKET SHARES OF INSURANCE COMPANIES

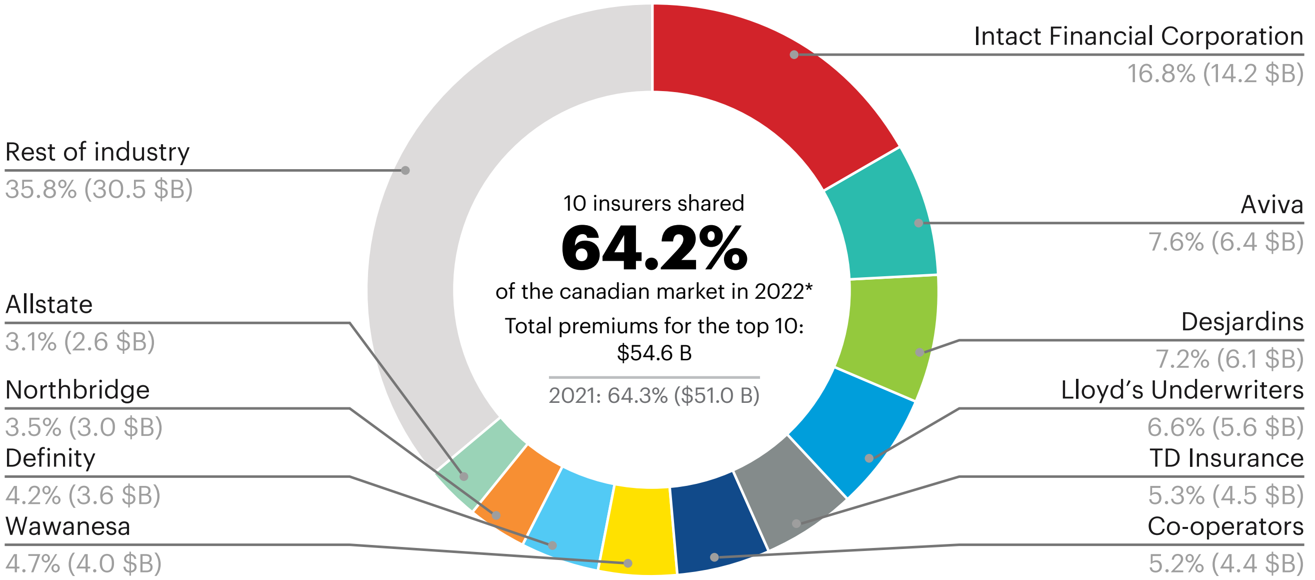
The musical chairs game persists

TEXTS BY ALAIN CASTONGUAY
DATA COMPILATION BY IAN BOLDUC
INFOGRAPHICS BY MARJORIE POIRIER
ILLUSTRATION BY ADOBE STOCK

MARKET SHARES OF THE TOP 10 LARGEST PROPERTY AND CASUALTY INSURERS IN CANADA

Market concentration has remained steady at the national level. Approximately 64.2 per cent of the market, equivalent to $54.6 billion in 2022, was held by the top 10 largest players, compared to 64.3 per cent in 2021. Insurers outside of the top 10 accounted for 35.8 per cent of the market in 2022, totaling $30.5 billion.

Intact Financial Corporation remains the largest player, although its market share has slightly decreased, going from 17.3 per cent in 2021 to 16.8 per cent in 2022. **Aviva** has surpassed **Desjardins** to take the second position, thanks to a premium volume increase of $488 million in 2022 compared to 2021.



Source: MSA Research | $B: billions of dollars. | *As of December 31, 2022 | Market shares presented in the chart have been rounded to one decimal place. As a result, the industry total may not add up to exactly 100 per cent. | Compiled by Insurance Journal.

COMPOUND ANNUAL GROWTH RATE OF PREMIUM VOLUME FOR THE TOP 10 LARGEST PROPERTY AND CASUALTY INSURERS IN CANADA

The compound annual growth rate (CAGR) of premium volume in Canada for **Intact Financial Corporation** is 11.1 per cent over five years, which is higher than the CAGR for the entire industry in the country over the same period, which is 8.4 per cent. Five other insurers have CAGRs higher than that of the overall industry.

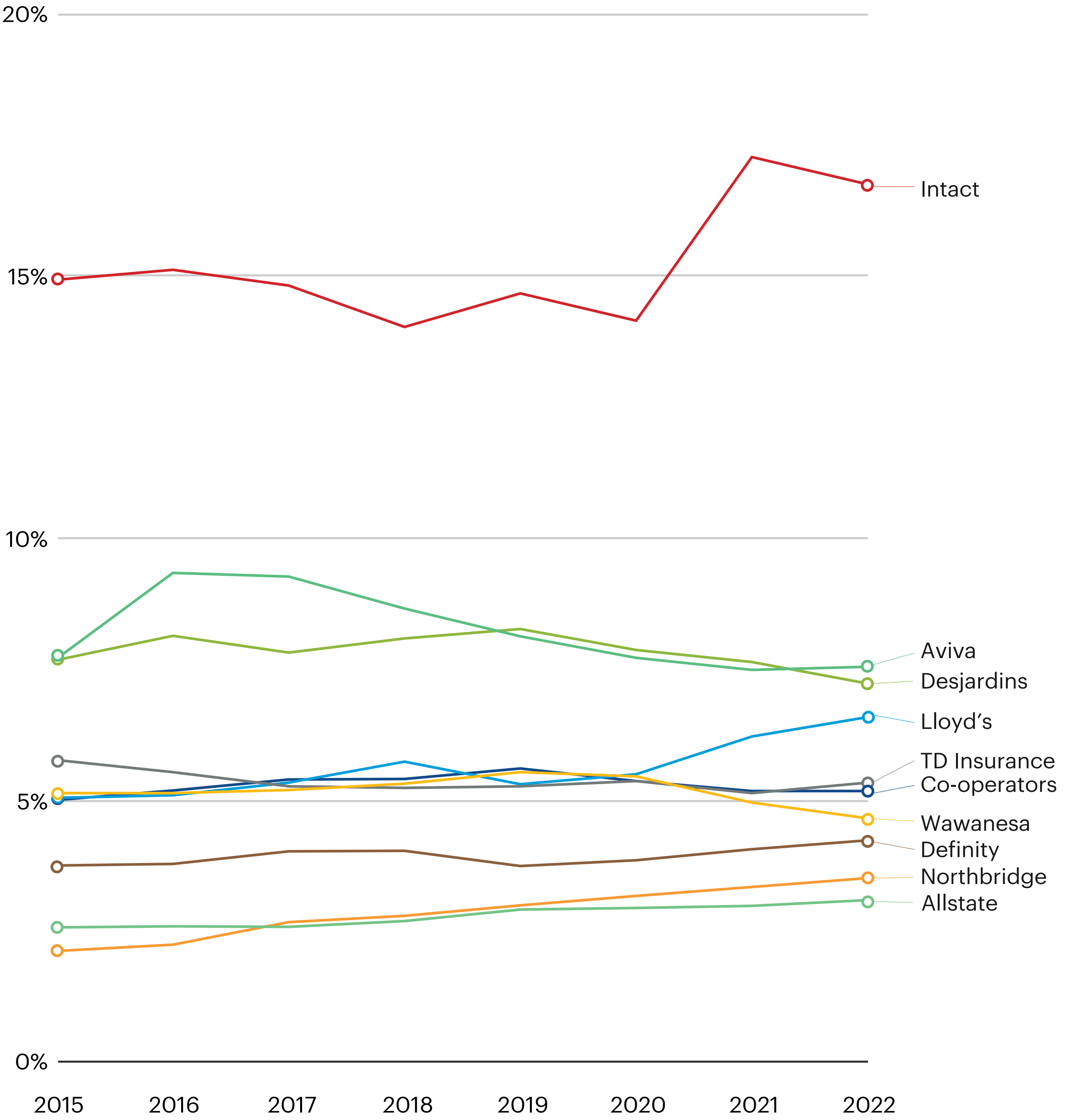
	1 year (2021-2022)	2 years (2020-2022)	3 years (2019-2022)	4 years (2018-2022)	5 years (2017-2022)
Intact Financial Corporation	4.1%	17.6%	13.2%	13.7%	11.1%
Aviva	8.2%	6.9%	5.7%	5.1%	4.0%
Desjardins	1.5%	3.6%	3.5%	5.7%	6.7%
Lloyd's Underwriters	13.7%	18.3%	16.4%	12.6%	13.1%
TD Insurance	11.7%	7.9%	8.8%	9.3%	8.7%
Co-operators	7.3%	6.2%	5.5%	7.6%	7.5%
Wawanesa	0.7%	-0.2%	2.2%	5.2%	6.0%
Definity	11.7%	13.2%	12.8%	10.1%	9.5%
Northbridge	12.6%	13.7%	14.2%	15.1%	14.4%
Allstate	11.5%	10.9%	10.6%	12.6%	12.4%
INDUSTRY OVERALL	**7.3%**	**8.1%**	**8.3%**	**8.7%**	**8.4%**

The top 10 is ranked by 2022 direct premium volume. Some companies in the table are groups.
Investopedia defines the compound annual growth rate as "the mean annual growth rate of an investment over a specified period of time longer than one year."
Source of raw data: MSA Research | Compiled by Insurance Journal.

EVOLUTION OF MARKET SHARES OF THE LARGEST PROPERTY AND CASUALTY INSURERS IN CANADA

The same top 10 insurers as the previous year dominate the market shares ranking in Canada in 2022. However, two companies have slipped a spot, while two others have moved up. **Aviva** has moved from third to second place due to a growth in its volume of over 8 per cent, while **Desjardins** has dropped to third place due to a 1.5 per cent growth in its premium volume in 2022.

TD Insurance has now moved up to fifth place, surpassing **Co-operators**, which dropped to sixth place compared to 2021. Co-operators maintained the same market share at 5.2 per cent, while TD Insurance increased its market share by two-tenths of a point due to nearly 12 per cent growth in its premium volume in 2022.

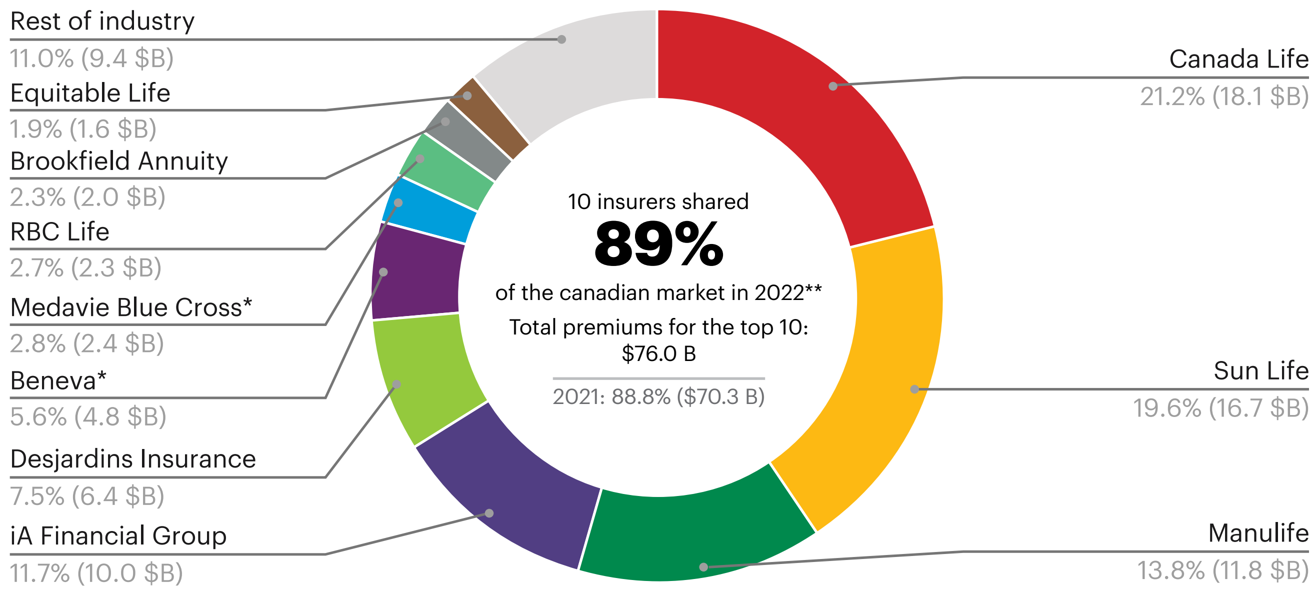


Intact Financial Corporation completed the acquisition of RSA on June 1, 2021.
Source: MSA Research | Compiled by Insurance Journal.

MARKET SHARES OF THE TOP 10 LARGEST LIFE AND HEALTH INSURERS IN CANADA

Concentration has slightly increased in Canada in 2022. The top 10 largest life insurers hold 89 per cent of the market, totaling $76 billion, compared to 88.8 per cent in 2021. Insurers outside of the top 10 account for 11 per cent of the market, totaling $9.4 billion.

The premium volume for the entire industry increased by $6.2 billion in 2022, with the three largest insurers accounting for $3.7 billion of this increase. They held 54.5 per cent of the market in 2022, compared to 54 per cent in 2021.



Source: MSA Research; *Premium volume obtained from the insurance company. | $B: billions of dollars. | **As of December 31, 2022 | Market shares presented in the chart have been rounded to one decimal place. As a result, the industry total may not add up to exactly 100 per cent. | Compiled by Insurance Journal.

COMPOUND ANNUAL GROWTH RATE OF PREMIUM VOLUME FOR THE TOP 10 LIFE AND HEALTH INSURERS IN CANADA

Leading the top 10 life insurers in Canada in 2022, **Canada Life** shows a compound annual growth rate (CAGR) of its Canadian premium volume of 2.4 per cent over five years. For the same period, the CAGR for the entire industry was 5.8 per cent. The insurer has, therefore, been less effective than the industry as a whole in terms of premiums from 2017 to 2022.

	1 year (2021-2022)	2 years (2020-2022)	3 years (2019-2022)	4 years (2018-2022)	5 years (2017-2022)
Canada Life	11.3%	6.5%	3.4%	2.9%	2.4%
Sun Life	6.2%	5.6%	5.8%	5.7%	7.2%
Manulife	8.5%	7.1%	4.8%	3.0%	4.2%
iA Financial Group	5.0%	12.4%	8.9%	10.1%	10.3%
Desjardins Insurance	8.7%	14.4%	9.6%	7.1%	6.9%
Beneva*	3.7%	5.8%	6.4%	7.4%	6.6%
Medavie Blue Cross*	14.1%	11.6%	9.3%	7.9%	7.9%
RBC Life	-4.9%	9.8%	7.3%	3.3%	2.7%
Brookfield Annuity	56.5%	88.8%	44.0%	75.9%	56.7%
Equitable Life	13.4%	13.1%	10.3%	11.2%	12.0%
INDUSTRY OVERALL	**7.9%**	**8.8%**	**6.2%**	**5.6%**	**5.8%**

The top 10 is ranked by 2022 direct premium volume. Some companies in the table are groups.
Investopedia defines the compound annual growth rate as "the mean annual growth rate of an investment over a specified period of time longer than one year."
Source of raw data: MSA Research; *Premium volume obtained from the insurance company. | Compiled by Insurance Journal.

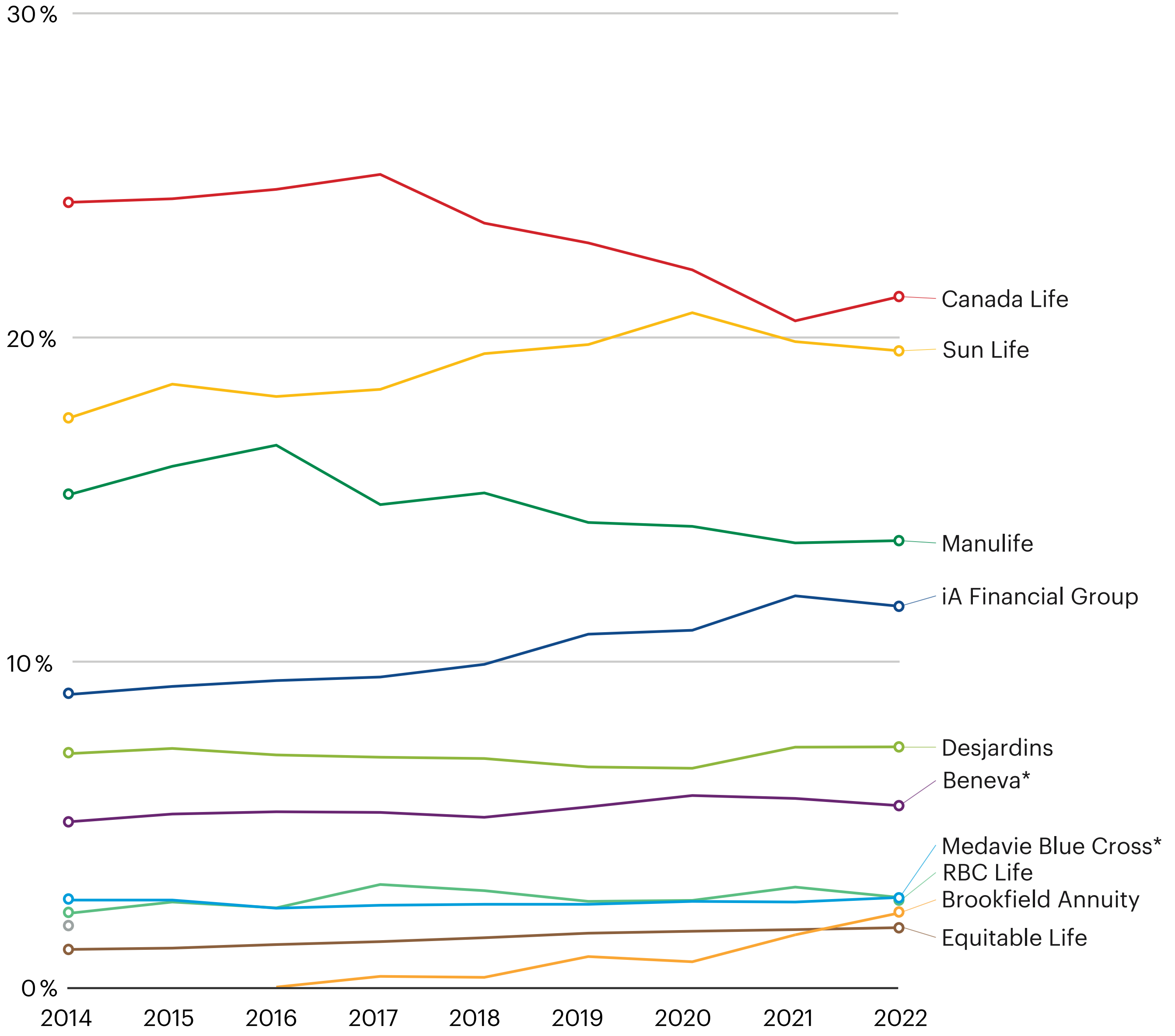
EVOLUTION OF MARKET SHARES OF THE LARGEST LIFE AND HEALTH INSURERS IN CANADA

The top six positions in the ranking of the largest life insurers in Canada were held by the same companies and in the same order in 2022 as in 2021.

With 2.8 per cent of the market, **Medavie Blue Cross** moved up to seventh place, surpassing **RBC Life** (2.7 per cent). **Brookfield Annuity** climbed to ninth place with 2.3 per cent of the market, while the insurer was not even in the ranking in 2021.

Equitable Life remains in tenth place. **BMO Financial Group**, which was in ninth place in 2021, is no longer in the top 10 due to a decrease of more than 26 per cent in its premium volume in 2022 compared to 2021.

At the top of the ranking, **Canada Life** now holds 21.2 per cent of the Canadian market. The insurer achieved a premium volume growth of 11.3 per cent in 2022, compared to 7.9 per cent for the entire industry.



Source: MSA Research; *Premium volume obtained from the insurance company. | Compiled by Insurance Journal.

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- **2022 Market shares of life and health insurers in Canada** For **PRO** Level members **EXECUTIVE** file
- **2022 Market shares of property and casualty insurers in Canada** For **PRO** Level members **EXECUTIVE** file

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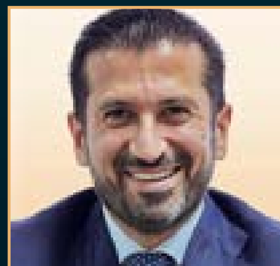

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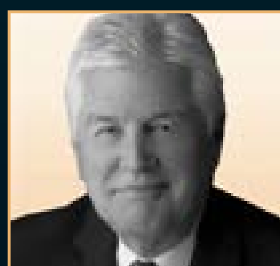

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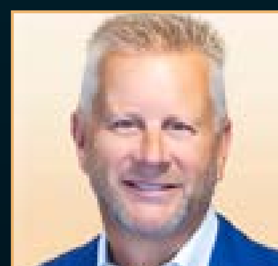

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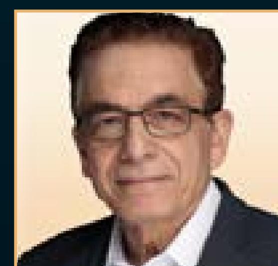

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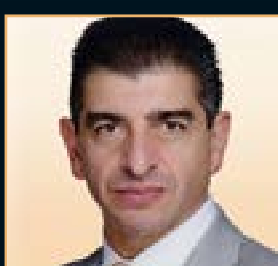

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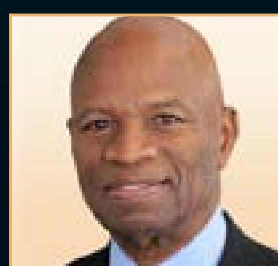

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Here's what participants from last year had to say about their experience:

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"The speakers were wonderful. Refreshing to hear about specific sales ideas instead of product."

– Spencer S., Partner

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What to Say at an Annual Life Insurance Policy Review

Question: I know that annual life insurance policy portfolio reviews are important and can make me money too, but no one ever explained to me what to do. What do I say to get a review and what do I say when I get there?

Congratulations on being concerned enough about helping your clients and being their long-term advisor that you want to know about annual policy reviews. Let me see if I can help you get on the right track.

Annual reviews are important to the client who deserves to be updated on the goings-on around their portfolio, and they are important to advisors who can derive a lot of business and introductions from them. I know of a world-class, veteran, multi-Top of the Table **MDRT** advisor who still gets most of his business by doing them. If it works for him, it can work for you.

A **LIMRA** study once said that 62% of consumers didn't know for life insurance nor why they had it. My observation is that the number might be a little low. Most people don't know what they have but if they do, everyone wins.

The best way to get a review meeting is to ask simply: "Would you have any objection to reviewing your life insurance policies with me?" The magic of this question is that it's a question where No, means Yes. No, I have no objection means Yes, you can review them. Many people say yes to this harmless question. When they do, you are in business.

Here's a format to follow to walk them through their policies and give you a chance to make some recommendations. (*I'll make a few comments in brackets along the way to explain what we are doing.*)

First things first. If all you do at a review is bash their policies and/or their past advisor, your reviews will be a failure. Instead, be encouraging and congratulate them on their wisdom in owning insurance. That will encourage them to do even more. Don't be short sighted. Remember, most people buy life insurance 8 times on average during their lifetime. I guarantee your prospect hasn't bought their last plan.

Insurance policy portfolio review meeting questions and script:

I want to help you understand your insurance so you get best value for the money you invest. May I ask you a few questions?

1. Before we get started, how much time do we have today? (*It's always a great idea to know how much time you have so you can be on time.*)
2. Do you have a will/POAs? Do you know how it relates to your life insurance?
3. What do you know about life insurance? May I help you understand it better? (*Before you start telling them anything, be sure you know what they know. That way you show them respect.*)
4. Do you see life insurance as an expense or as savings? Would you like to see it as savings? (*You want their opinion.*)
5. Would you like to know about how life insurance can cut your tax bill and fight inflation? (*Tax-exempt cash value life insurance can change "always taxed money" into "never taxed money" because, when used as intended, it returns every dollar paid in and then some. You want to know if they like the idea.*)
6. How do you feel about your life insurance? Why? (*You just want to know their essential financial security philosophy*)
7. What do you want your life insurance to do for you? (*They may know what it is, but do they know what it can do?*)
8. What do you think it's doing for you now? Why did you buy "this" policy? (*Is it still working for them?*)
9. How do you feel about Life Insurance for your spouse? (*You're looking for belief.*)
10. How do you feel about life insurance FOR children or grandchildren? (*It's a great topic if they can be interested.*)
11. What concerns do you have about your insurance? (*Do they see possible changes?*)
12. Why have you bought life insurance in the past? Why do you think you would buy life insurance again? *(Let them reveal their motivators?*)
13. How did you decide on how much you would pay? How do you feel about what you pay today?
14. Are these all the policies you have, or do you have others? Why? (*Good to know your competition.*)
15. Do you have any disability insurance policies? What do you want them to do for you? Are you happy with them?
16. Do you have any critical illness insurance policies? What do you want them to do for you? Are you happy with them?
17. Do you have any other questions or comments about your insurance?

Then, you follow up on the discussion that will almost ways lead to new business. It's a simple approach that will help them understand what they want today and in the future. And it all starts with "Would you have any objection to reviewing your life insurance policies with me?".

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For more information on the tools to use to build your brand, check out Advisorcraft.com.

Jim Ruta's mission is simple – to preserve, promote and propel the financial advisor business. A former insurance advisor and executive manager of a 250-advisor agency, Jim is a highly regarded coach, author, podcaster and keynote speaker. He has spoken four times at the MDRT Annual Meeting including the Main Platform. Jim Ruta is an Executive Coach and Keynote speaker specializing in life insurance advisors and leaders. He works with top advisors around the world and re-energizes audiences with his deep insight and passion.

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