INSURANCE Journal

$10 Vol. 27 No. 02 March 2023

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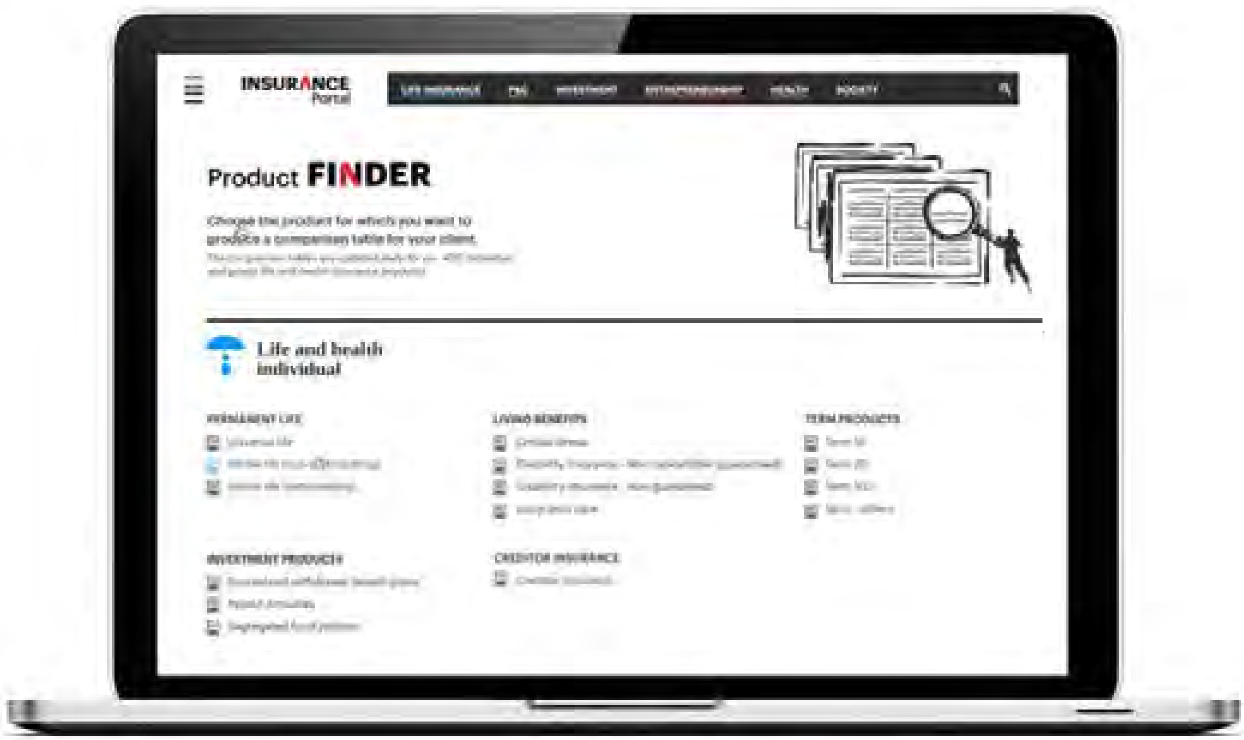

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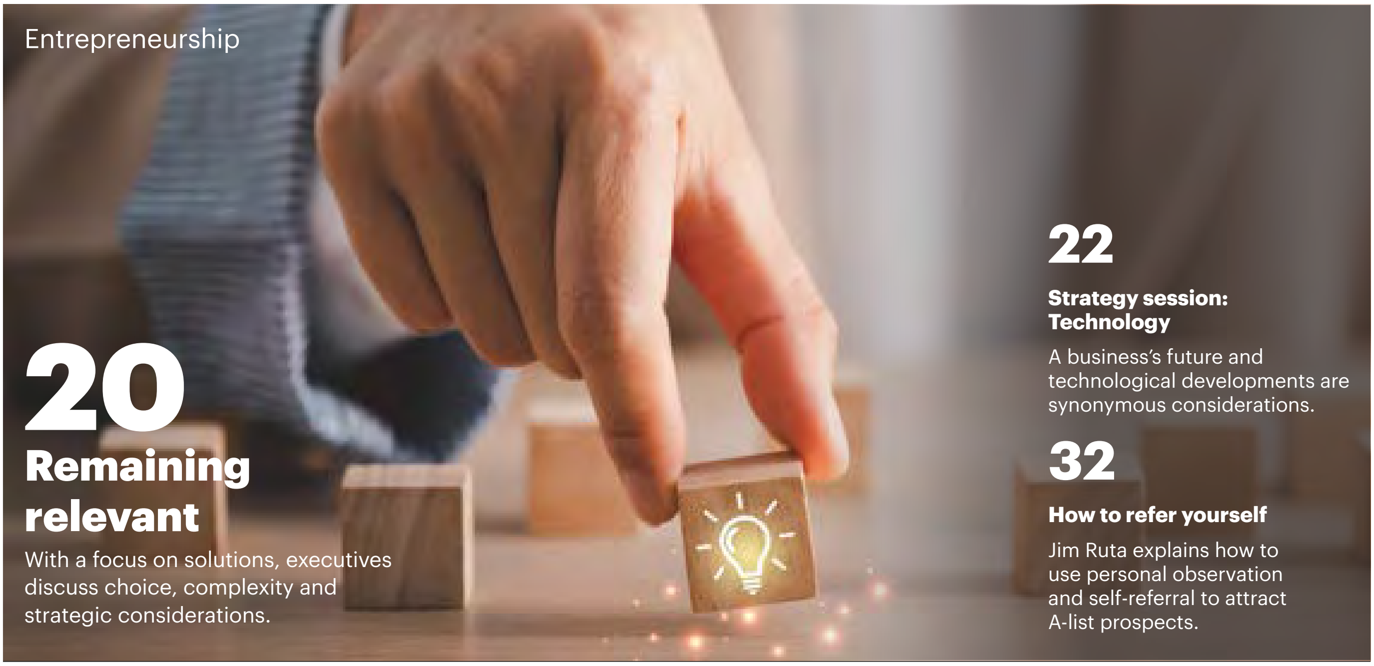

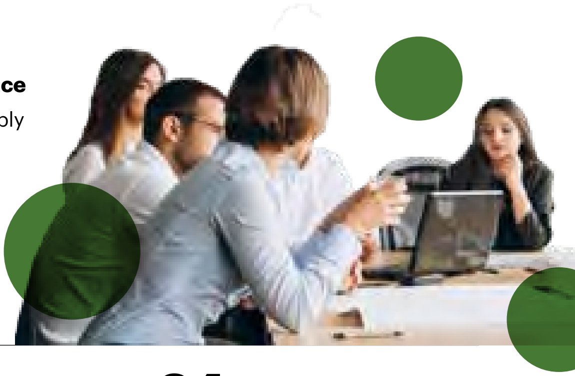

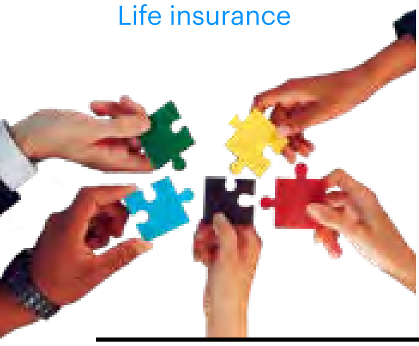

INSURANCE Journal

Vol. 27 No. 02 — March 2023

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CONTACT US

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

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

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

Events
Nelly Wandji
nelly.wandji@insurance.journal.ca
514 289-9595, ext. 246

Subscriptions
insurance-portal.ca
subscriptions@insurance-journal.ca

Advertising — REP Communications inc.
Ghislaine Brunet
Sales Manager
gbrunet@repcom.ca
514 916-5818

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

Publisher
Serge Therrien

Editor-in-Chief
Donna Glasgow

Interim Co-Editors-in-Chief
Danielle Arbuckle, Kate McCaffery

Director, Life Insurance & Investment Products Information
Alain Thériault

Director, Comparative Market Intelligence & Analysis
Ian Bolduc

Production Manager
Myriam Lauzon

Event Manager
Nelly Wandji

Director of Finance and Administration
Chantale Lussier

Digital Growth Manager
Philippe Le Roux

Journalist, digital news desk
Sabrina Fekih

Journalists
Alain Castonguay, Louise-Marie Lacombe, Kate McCaffery, Aurélia Morvan, Jim Ruta, Alain Thériault

Graphic Designer
Marjorie Poirier

Accounting and Client Relations Coordinator
Nedjine Eugène

Photographer
Réjean Meloche

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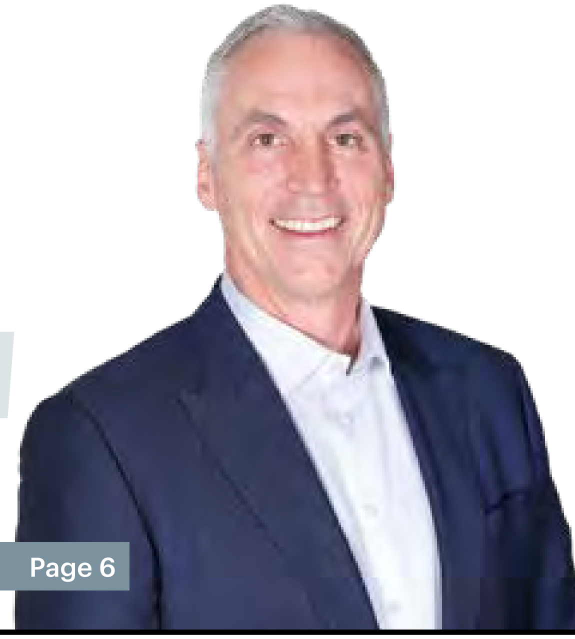
Something to think about...

> We sell trust. We have to live up to that trust as an industry. If people trust us, we should not be shy about driving some of the critical societal changes that we face.

— Louis Gagnon,
President and CEO of Foresters



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The C-Suite
INTERVIEW

Purpose-driven and good at insurance

Louis Gagnon says in today's climate, Foresters' social mission will be a differentiator.

BY KATE MCCAFFERY

The Independent Order of Foresters, also known as **Foresters Financial**, is an entity in that it exists for members, its policyholders, not shareholders.

According to the **Office of the Superintendent of Financial Institutions** (OSFI), "a fraternal benefit society is an institution that has a representative form of government and is operated for fraternal, benevolent or religious purposes, including the insurance of members, or the spouses, common-law partners or children of members, against accident, sickness, disability or death."

This particular fraternal organization is known to acquire and divest businesses like other companies do. It partners with insurtech organizations and manages itself with an eye on the balance between growth and capitalization, but does all of these things with a view that it should always be done in service to the organization's purpose: That is, to enrich the lives of members' families and their communities.

"We've got to make sure that we balance, appropriately, growth with continuing to be a well-capitalized organization," says Foresters' president and CEO, **Louis Gagnon.** "We're a purpose-driven organization and we happen to be really, really good at insurance, and that allows us to deliver on that purpose."

Gagnon is the relatively new CEO of Foresters, joining the organization in January 2021 as chief operating officer before becoming CEO in January 2022. Prior to joining the organization, he worked more than 30 years with **Mercer**, serving as both president of the consulting firm's United States and Canadian businesses and as CEO of Mercer Canada.

This experience as a consultant, he says, serves him well as the leader of the organization because of the mindset consultants must embrace.

Canada Protection Plan

"When you're a consultant for that many years, it's not why can't we do it. The consultant mindset is always how can we do it? How can we make it happen?" he says. "I want to make sure that we've got products, processes, tools that are clearly and uniquely designed to meet the needs of our members. You've got needs that are unmet; that's clearly an area for us to jump in."

He continues, saying it is important for the company to be successful in Canada, its home country. One significant step towards that end was the acquisition of **Canada Protection Plan**, A Foresters Financial Company (CPP), back in October 2020.

In Canada, historically CPP had been a distribution arm for the company. Gagnon says bringing it together with Foresters allows the parent company to further its cause. "It really allows us to do more than just sell insurance products. CPP has allowed us to deliver on our whole purpose," he says.

"There are needs within Canadian communities all over the country. We want to be part of helping those communities and we do this, obviously, through our insurance business." Having CPP in the Foresters fold, "being part of that whole ecosystem with our mission," he says is critical. "We're delighted with what we've been able to do in Canada."

Going forward, he says the company intends to continue use of the CPP brand in Canada.

Prior to that deal, the company also announced in 2019 that it was selling its investment management and asset management businesses, followed by its holding company and annuity business in July 2020.

A simplified organization

The company says those decisions were made to focus on its core business of underwriting fixed life insurance through independent advisors in North America. "As a result, we divested our non-core asset management broker dealer and variable life insurance (businesses)," the company wrote in a recent statement to the *Insurance Journal*.

Repositioning subsequently announced by his predecessor, former president and CEO **Jim Boyle,** is also somewhat complete. Gagnon says this effort was about creating a simplified organization.

"I think the journey that Jim took us on is going quite well. Our organization is focused, our employees are well-focused. We know who we are and we know what we do well," he says. "We are a strong life insurance and financial organization and we take care of middle market families, uninsured and underinsured people. It's important to know what you do well."

The company's digital journey, meanwhile, continues in a multi-part way. In 2023 Gagnon says the majority of the insurer's business is conducted without paper. ➜

Louis Gagnon

> "Our organization is focused, our employees are well-focused. We know who we are and we know what we do well."
>
> — Louis Gagnon, President and CEO of Foresters

The majority of its tools are also delivered digitally. The company is focused on mobile quoting and illustration capabilities for advisors. It also has a focus on the development of insurtech partnerships.

Insurtech ecosystems

"We could look at insurtech ecosystems as a threat," he says, "but we actually look at it as an opportunity to partner with organizations that value the same things we do."

One partnership the company currently has in place in the United States, is with **Policygenius**, a technology platform for insurance shopping and fulfillment which sells Foresters products within that platform. An effort on similar products is also underway in Canada, he says.

That said, the company adds that it will continue to predominantly use an advisory-based model where digitally-enabled advisors work with clients to place their applications. (Generally, consumers in Canada are not able to directly apply for the company's products on their own.)

Foresters, like one or two of its publicly traded counterparts, is trying to rewrite what it means to be an insurance customer – or member in Foresters' case – in an effort to make the company relevant to the end consumer not only when they die, but while they're alive, as well.

In this respect, the company may be well ahead of its competition, having spent its existence working on providing member benefits without having one eye forever on shareholders' concerns.

Any Foresters policyholder has access to member benefits including community volunteer grants, orphan benefits, wills and document preparation services, member deals and more. The company gives grants to employees to disburse to favourite charities. Members' children can receive scholarships. To help communities, the organization also builds playgrounds.

"If you think about life insurance, it's the story of when you die," he adds. "We're trying to rewrite the story of when you die to a story of while you live. We want to be here with our members, and we want to be there in the moments that matter. We do this with our benefits. You can tap into benefits while you live."

One example is the recently launched Foresters Renew program which annually dispenses 375 grants of $1,000 to eligible member applicants who require retraining assistance.

Selling trust

When asked about company mandates, he says there are several, and provides three examples. First, he says the company sells trust. "Whenever you have a new member, you're establishing a trustworthy relationship with that member which could go on for the next 100 years," he says. "So it's pretty critical, first, that we continue to be a strong and well-capitalized organization."

Next, he says the company has a mandate to tell its story more in the future. "It's not a story that is very well known," he says. "We give millions of dollars back into communities every year. For an organization of our size, that's actually pretty impressive. We want to do more."

Finally, he says the innovation agenda is alive and well, another critical mandate, to improve the while-you-live journey for members.

Turning to the challenges facing the industry as a whole, he encourages leaders to effect societal change, make products more accessible and focus intently on the 100-year mission that insurance companies are entrusted to carry out.

Inclusion, diversity and equity

"We sell trust. We have to live up to that trust as an industry. If people trust us, we should not be shy about driving some of the critical societal changes that we face. I think as an industry we should be leaders in concepts like inclusion, diversity and equity. We should be leaders in environmental, social and governance (ESG) concepts. I think that's pretty important," he says.

Pointing to the underinsured and uninsured middle market that Foresters is focused on, he adds that as an industry, companies need to work on making sure the underinsured have access to the product. "We have to make the experience a simple, achievable, and tangible one for everyone," he says. "We need this industry to be there when people need us, so the soundness of the industry is absolutely critical," he adds.

Finally, delivering on the company's mission he says will become easier over time, thanks to the prevailing understanding about ESG and diversity, equity and inclusion concepts. "It's becoming more fashionable," he says of the ESG movement. "Foresters has been a beacon in giving back for 150 years. Now employees are demanding it. Members are demanding it. They want organizations to actually lead on that front. We really feel that our position is going to be a differentiator for attracting and retaining employees and for attracting and retaining members."

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Women in insurance

The quest to increase diversity and inclusion

Women are noticeably underrepresented in the insurance sector. A four-person panel discussed solutions to increase female representation in the industry.

BY LOUISE-MARIE LACOMBE

Why do women steer clear of the insurance sector? What steps can the industry take to boost gender equity?

In November, a panel discussion held at the 25th Life Insurance Convention focused on underrepresentation in the insurance industry. **Serge Therrien**, president of the **Insurance Journal Publishing Group**, moderated the panel tackling the topic.

One of the notable panel members was former politician, union negotiator and public affairs program host **Monique Simard**. In 2014, Simard became the first woman to serve as president and CEO of the **Société de développement des entreprises culturelles (SODEC)**. Although she has spent much of her career defending women's rights, she admitted to knowing little about their status in the insurance industry.

Panellists also included **Christian Mercier**, who also has an atypical background. The CEO of **UV Insurance** since May 2016, Mercier also spent more than 33 years in the military before trading in his uniform for a suit and tie.

Nathalie Bachand, meanwhile, is president and associate with financial planning firm **Bachand et Lafleur** and chair of the board at **ÉducÉpargne**, an organization whose mission is to make Quebecers aware of the importance of developing and maintaining good savings habits.

Finally, lawyer emeritus **Marie Elaine Farley** rounded out the panel. The president and CEO of the **Chambre de la sécurité financière** oversees the organization which regulates 32,000 members working in the distribution of financial products and services in Quebec.

Together, the panel members discussed ideas in an effort to determine what might turn the tide.

DID YOU KNOW?

Across all insurance sectors, women represent only **37.72 per cent** of professionals on average.

Statistics

While women in other professions have been breaking the glass ceiling for several decades, the insurance industry is lagging behind.

The figures show that only one sector, mutual funds, has achieved parity, with women making up 51 per cent of staff. In every other area, the gender gap is staggering. At the extreme, only 15.3 per cent of those working in some brokerage segments are women.

In some roles, female staff is even dwindling. According to *Investment Executive*, the number of female advisors working in banks declined by 3.14 per cent in 2021 when compared with 2019.

Mercier says the pandemic triggered a sharp decline in women's workplace participation. In the U.S., he says nearly 300,000 women left their jobs to home school their children and take over family activities.

To explain both this setback and the lack of female representation in general, the panellists all cited one specific cause: cultural traditions.

The cultural aspect

Bachand, for instance, says she is from the generation of women who remembers that maternity leave was not even a concept not long ago. When women got pregnant, they lost their jobs.

Mercier, meanwhile, points out that sociologists tell us we often recruit people who look like us, and the field of finance has long been a man's domain. Farley adds that there are multiple networks today, such as golf courses, that should intentionally be made more diverse and inclusive.

Change the models

For women to enter the insurance industry and its upper echelons, several processes would have to unfold to change long-upheld patterns.

The problem of female underrepresentation is also not confined to the insurance industry.

In the construction world, for example, the few exceptions where women are represented tend to be in family-owned companies.

In the military, Mercier, who witnessed the systemic segregation of women in the Canadian Armed Forces first-hand, notes that a reluctance to change can represent a formidable hurdle.

In 1992, he says Canada decided to admit women into the military, but leaders lacked the will to change. While this in turn changed in 2010 – there was a real political will that forced a transformation – again the culture was not in place to make meaningful change happen. He adds that the armed forces are going through a major leadership crisis right now with inappropriate behaviour coming to light, all of which could have happened differently.

In business, women may face a much lower level of abuse or harm, but it is the same process that stymies change: Put simply, leaders need to spearhead the shift.

Hurdles

Although some promising initiatives exist, many do not entirely reflect women's realities. Hiring rates remain disproportionate, despite an increase in the number of women in academia. Simard also asked why universities do not promote the insurance and wealth sectors more.

Panellists say parity is lower in business than among entrepreneurs and entrepreneurial businesses.

In many fields, too, the upper echelons are male dominated. Many women are reluctant to venture into these spheres, claiming that the heavy burden of responsibilities would sap their time or availability for all the other tasks imposed by current cultural models.

Work-life balance remains a major issue in a profession that regularly involves reaching clients outside of work hours. What's more, the gains women have achieved are sometimes fragile. Although companies talk about supportive conditions, many have never asked women directly what their needs are.

Lack of confidence

Not only do the traditional models fail to motivate women to develop their full potential, but women are also often held back by a lack of self-confidence.

When women were invited to participate in the conference at hand, for instance, even those candidates recommended by two or three separate sources often declined, saying they didn't think they could be role models.

Bachand explains that women often think they need to be perfect before getting a job – this is also a cultural problem, she says.

Outlining a solution

Obviously, one hour of brainstorming cannot solve all the problems women face in the industry, but the forum also explored possible solutions. The first proposed was mentoring. Farley describes The A Effect as one means of driving change. It's a strategy that rallies industry players together with women, to determine what they need to succeed.

The panellists also emphasized that daring to be creative also plays a key role. They say thoughtful, tailored programs should be put forward, even bold and unconventional ones.

Outside of insurance, Simard recounts an initiative implemented in television production companies, where female producers were numerous and excellent, but none were shareholders. Those who were later encouraged to become shareholders were then viewed differently, even by clients.

Diversity

The discussion took a slightly broader turn toward the end, sparked by Simard, who observed that the room's population was not overly diverse, despite the event occurring in Montreal where half of the population is not born in Canada. It's an issue that she says is not unique to the insurance industry.

Farley also noted that it has been shown that companies with diversity at the board of directors level are more likely to emerge triumphant from crises.

The insurance industry would inevitably gain from looking at innovative solutions that promote inclusion, not only of women, but also of the new demographic face of contemporary Quebec society, the panellists concluded.

Monique Simard

Christian Mercier

Nathalie Bachand

Marie Elaine Farley

DISCOVER THE A EFFECT

Launched by Isabelle Hudon in 2015, The A Effect aims to propel female ambition by offering companies meetings with change experts. It also coaches women in their professional climb to become the leaders of tomorrow. The model has quickly spread to several countries around the world. For more information: **the-a-effect.com**

The entrepreneurial spirit is here to stay at BFL Canada

According to the new president and chief operating officer, the founder's values are an integral part of the company's culture.

BY ALAIN CASTONGUAY

As anticipated, since the arrival of a major institutional investor four years ago, the transition at the helm of **BFL Canada** is proceeding according to plan, with the recent appointment of the company's new president and chief operating officer.

Lisa Giannone, who was appointed to the role in mid-November, took over the position on January 1, 2023. In an exclusive interview with *Le Journal de l'assurance*, she recalls the days and weeks following the investment made by the **Caisse de dépôt et placement du Québec** (CDPQ) in BFL Canada back in June 2018.

Founded in 1987 by **Barry F. Lorenzetti**, the firm is now a large enterprise with 1,200 employees and 24 offices across Canada. Following the CDPQ's investment, a succession committee was created. "This initiative was very important, paramount in fact, as a means for Barry to protect his investment in BFL Canada. The committee was made up of several people, including Barry, and five individuals were identified as potential candidates," Giannone recalls.

Becoming vice-president for the Eastern Canada region in October 2019, Giannone had already completed a number of national-level assignments. "That's one of the reasons I was considered for the position," she says.

Her journey at BFL Canada began 13 years ago, at the end of 2009. "I had a very small team and I helped it grow. I was hired to build the team here in Montreal. After that, I took care of the Montreal office, where our headquarters are located," she continues.

A long process

All five candidates were monitored by a coach and underwent required psychometric testing. Underlying Giannone's selection was her commitment to maintaining the vision of the company's founder. "I've always believed in Barry Lorenzetti's vision, in our business model. The corporate culture, for us, is paramount. We're a private company. Our shareholders are all employees, with the exception of the CDPQ," she stresses.

"Obviously, for Barry, it's a first to have someone other than himself as president. He remains CEO and chair of the board. The president and chief operating officer (role) is separate."

The appointment was announced internally last July. The new COO then spent time with Lorenzetti to analyze the transition plan that was put in place, which included finding a replacement to take over Giannone's former role.

A tour

Immediately following the announcement of her appointment in a press release on November 15, Giannone toured BFL Canada's largest offices. The opportunity allowed her to study the institutions' business plans for 2023 to complete the budget planning.

The tour began in Toronto and continued to Winnipeg, Edmonton, Calgary and Vancouver, before concluding in Montreal.

The second objective of her tour was to take the pulse of employees. During the fall, employees participated in a massive survey where BFL Canada wanted to learn their priorities. "The response rate to our questionnaire was 96 per cent, which is excellent," she says.

At each stop, senior management conducted a "town hall" activity where any topic of concern could be raised. "Mr. Lorenzetti talked about his vision, our business model, our culture and why it matters. Maintaining this corporate culture is our biggest challenge. We're a private firm. A premise of our business model is that employees have access to an ownership stake," Giannone notes.

When the new COO had the opportunity to formally introduce herself and her major direction for the coming years, she says she found an incredible level of commitment across the country. "There was a lot of enthusiasm and questions galore. Throughout Canada, people are upbeat, they're excited, and they're looking forward to the next steps for BFL."

In her view, employees are reassured by the fact that the senior management transition was conducted using a rigorous and transparent process. "It's exciting for employees, I think, because they see that the person who was selected came from within and is a woman," she adds.

Lorenzetti is known for his efforts to support women's entrepreneurship and leadership in the private sector. He and the **John Molson School of Business** at **Concordia University** created the **Barry F. Lorenzetti Centre for Women Entrepreneurship and Leadership**. Giannone is a member of the organization's advisory board.

No letting go

So how is the transition going? According to Giannone, the term "letting go" is not part of her boss's vocabulary. "He's the company founder. The founder is always close at hand. For him, it's important to stay at the top. He's still the CEO, in charge of the company vision. He's still the founder and remains in the thick of things," she says.

➜

Lisa Giannone

"It's going to be my role to manage operations, growth, employee management and strategy execution. Most of all, Barry will be an advisor and a confidante moving forward. I still report to him, but he'll be more of a mentor to me so I can continue to build and grow the company," she explains.

With 1,200 employees, it takes a team to keep the company thriving. "Barry has always said it, and he repeated it last week during our tour: He surrounds himself with people who round him out, who have strengths he's lacking. It's the same for me. We have a great management team; I don't manage alone. I've got all kinds of support."

Lorenzetti had created an office of the president, an executive committee where senior vice-presidents participated in the company's major efforts, a formula that is being maintained by Giannone.

Corporate culture

Giannone emphasizes that an entrepreneurial culture is at the heart of BFL Canada's activities. She adds that the company's 24 locations are run by high-quality people. "They're shareholders in the company; they want to perform and will continue to do so," she stresses.

"I know them well. I've been working at BFL for 13 years. Most of them have been with us for a long time, although we do have several new employees, especially in the offices we've set up and opened in the last few years. I have good relationships with these people. They're all in for BFL. They understand the business model very well indeed."

The company also devotes significant financial resources to the ongoing professional development of its managers. "Growth at our company has always been organic. We don't make acquisitions. We're more in the talent acquisition mode. We invest in people. Why? Because we want to maintain and protect our entrepreneurial culture."

Lorenzetti spoke about his vision for growth shortly after the CDPQ investment. He has completed a few transactions of his own over the years, including one operation in Vancouver 20 years ago that now employs over 200 people.

"We've made a few smaller acquisitions, but they were always very strategic, very niche purchases that complemented our business model," Giannone says. BFL Canada will open its 25th location in March in Moncton, New Brunswick.

Respect, Giannone says, is among the main values held dear by the company's staff and its leaders. "We take the time to share, to discuss professionalism, integrity and giving back to the community. The importance of diversity and inclusion, we've talked a lot about that," she adds.

"Collaboration is key, because with the growth we've had and continue to experience, it's important to work as a team and becoming more so. It's not one person who wins, it's the team, and that's what makes the difference for the client."

She adds that employees want to be knowledgeable and have a good idea of where they can find the information they need to better advise their clients and make a difference. "Insurance is not just a convenience. We're advisors to our clients. It takes thinking outside the box. We need a more advice-based approach."

BFL Canada has grown significantly over the past five years. About 325 people have been hired since the start of the pandemic in the first quarter of 2020. "It's definitely a strength that sets us apart in the eyes of our clients. We transact some $2.3-billion in premiums."

Consolidation

While BFL Canada is not a major player in the consolidation of the insurance brokerage industry, client companies are likely to be involved in mergers or acquisitions (M&A). "We continue to earn and retain the trust of our clients," says Giannone.

"I can say that we've been pretty lucky, because it's our clients who are in M&A mode, not the other way around. We've had a few that have been bought up and it's going to happen again. You always need to have the opportunity to present yourself to the buyer in order to stand out and show them what you can do for them," she says.

The firm is well equipped to help companies manage their risks, including more special or alternative cases. BFL Canada helps entrepreneurs to review their risk sharing through retention, deductibles and limit management.

The digital platform implemented by BFL Canada also facilitates underwriting for professional groups or corporations. "The group member can start the process online, provide the information, obtain a premium online, and eventually obtain the contract electronically. The whole administration segment is removed. It allows us to have brokers who become true advisors. It's our role to advise clients on risk management, including cyber risk, executive risk, third-party liability risk, and the like," she continues.

For nearly 15 years, BFL Canada has also been part of the **Lockton Global** conglomerate, an international group of insurance brokers and risk managers. "It helps us serve our clients who have operations all over the world. We have partners in 150 countries," she says.

"So if we have clients making acquisitions today, or being acquired, our approach is always to show them the added value we bring. We perform due diligence on a transaction; we propose risk transfer methods. It's an approach which distinguishes our proposal from what our competitors are offering," she adds.

The workforce

Recruiting talent is at the heart of BFL Canada's growth, according to the COO. "During our tour (in November), we actually told employees, 'If you're looking for a job, BFL is not the place. If you're looking for a career, BFL is for you.' We invest a lot in our employees," she explains.

BFL Canada is a private company and, with the exception of the portion acquired by the CDPQ, is entirely employee-owned. This fosters entrepreneurial drive and spirit among BFL employees, according to Giannone. "Our business model ensures that when you join BFL, you're not leaving. You're building something here," she says.

Onboarding new employees involves a centre focused on learning and continuing education. "We can teach them all aspects of insurance from A to Z. We always work on the training side. It's a way of learning that they can access at their fingertips. They just have to log in to find the information they need," she explains.

"When fresh recruits come to us, we put them in a training program where they can spend time on different teams, working with customer service, on claims, different segments, different programs, and the like. It's really a rotation that's offered to new employees," says Giannone.

The company also launched a mentoring program in 2022. "We have several initiatives to elevate employee engagement and show them that it really is a career, working at BFL, not just a job."

The company's turnover rate is very low. The company also allows more employees to have access to ownership, not just those who solicit clientele.

In Giannone's view, the people who provide customer service are very important. "It's really our business model to connect leadership with people to maintain a comfortable closeness, engagement and a corporate culture of collaboration and respect."

Lessons learned

What has she learned from working with Lorenzetti? "Barry took a risk when he started the company 35 years ago, and today there are 1,200 employees. The entrepreneurial spirit, especially, is something that Barry has passed on to me," Giannone says.

"The way he makes business decisions, I try to be like him in that regard, to make the right decision for the company and for our people. You have to decide rather quickly, to be nimble, because our business is changing." At the same time, she adds that "sometimes it's okay to take 24 or 48 hours before deciding on something."

Respect and loyalty are paramount at the company, she concludes. "We're still a big family at BFL. We've got each other's back."

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The Future of Insurance

In late Q3 2022, the *Insurance Journal* joined industry participants gathered to hear experts discuss the future of the industry at the Future of Insurance Canada conference, hosted by **Reuters Events**.

BY KATE MCCAFFERY

IN THIS REPORT

Emerging trends, risks and new exposures

Partnerships and innovation needed to offset an ever-growing and evolving set of risks.

BY KATE MCCAFFERY

There is a wide array of current conditions and system risks that even the most seasoned risk thinkers may not be taking into consideration and that risk list would appear to grow and change daily.

Those gathered at the Future of Insurance conference hosted by **Reuters Events** heard from some of the industry's leading thinkers on the subject.

Broken down, the following are just a few of their thoughts about current conditions, tradeoffs and considerations, thoughts about the cyber market, systemic risks, second order impacts (ripple effects) and some potential solutions.

Current industry considerations

- macroeconomic concerns include recession, inflation and inflation's impact on profitability
- climate and natural catastrophe risk
- regulatory risk
- emerging risks
- lingering pandemic impacts
- war

Luke Lichty, interim CEO with **Everest Insurance Company of Canada,** also points to a pending demographic shift that will affect employees, customers and shareholders. More, there are also sentiments which need to be considered that each of those groups hold related to environmental, social and governance (ESG) practices and policies, Lichty says.

Ryan Ho, head of finance, Canada, with **AXA XL Canada**, meanwhile says inflation is probably the most important topic on insurance executives' minds. "Not long ago we really didn't care about inflation. We felt like we never really had to worry about it, at least not in our career."

Times have changed dramatically, he notes. Studying inflation, once just a compliance exercise, suddenly became a very real issue affecting capital management, operational expenses, losses and pricing.

"The future payout may not (be) representative of the past claims experience," Ho says. "We cannot rely on historical data."

Currently the consumer price index is good for tracking inflation but Ho adds that "we must also realize that other indices that exist publicly tell a different story. (They) will show inflation in excess of the base CPI." He notes that actuaries must realize that base CPI is not the best indication to use when making inflation assumptions.

Natural catastrophe risk

In Canada, meanwhile, the frequency and severity of catastrophes has also increased over the last 30 or 40 years, he continues, much of it driven by climate change or population growth. "We're seeing more cats (catastrophes) and more severity as well. More damage being done by each of those cats."

> The future payout may not be representative of the past claims experience...We cannot rely on historical data.
>
> – Ryan Ho

Against this backdrop, customer expectations have also changed notably, as has their awareness about residual and emerging risks related to cybersecurity, car and home sharing and their own respective roles in the gig economy.

Cyber insurance market

Along with intellectual property, described as being one of the largest asset classes on global balance sheets – one that is "extremely underinsured" – cyber insurance struggles to find traction among insurers.

Lloyd's Canada president **Marc Lipman** says in the year 2000, about 50 per cent of Canadians had access to the internet. As of 2021, he says that number sits at 96.5 per cent.

"The internet became an essential service," he says. "It was absolutely essential. And because of that, it became a heightened target for cyber criminals. Lloyd's has a lot of experience in dealing with cyber crime and criminals. We were there at the inception and development of cyber insurance products."

Today, he says Lloyd's underwrites about one-fifth of all global cyber premiums around the world. In Canada, that number jumps to half. "We're pretty well versed in it but it's still an underdeveloped line of insurance. It only accounts for four per cent of premiums globally. What's not underdeveloped are the cyber criminals. They now generate more in illegal proceeds than the global drug trafficking trade. They are organized and they have state sponsors."

He says in 2021 over 86 per cent of Canadian organizations reported being subjected to at least one cyber-attack. "They weren't all successful, but it's astonishing to think that almost everyone got hit once."

Pricing also remains a challenge. Ho describes cyber as being one line of business that consistently has a loss ratio over 100 per cent.

"We're seeing quite a bit of high-rate change in the market, rightly so, to take into account the potential ➜

exposure of cyber insurance. That is continuing to be developed," he adds.

Systemic risks

Lipman also joined the conference in his own presentation. He says Lloyd's regularly looks at the biggest risks clients and economies are facing. "We spend a lot of time noodling on that and trying to figure out what we're looking at," he says. "Right now, our focus is very firmly on what we term systemic risks."

He defines those as risks that are too large for the insurance industry or private industry to respond to alone. "The other thing about systemic risk that is interesting to observe, are what we call second order impacts."

The fact that a health risk pandemic (modelled for in the past) could have such a destabilizing effect on economies and national governments around the world is one example he puts forth.

The pandemic was also the first systemic risk he discussed for the benefit of those gathered.

"The interesting thing about pandemics is unlike other kinds of catastrophic events, they're not limited. Most catastrophic events, let's say, are limited. They're limited by time, and they're limited by geography. A hurricane comes through the Atlantic. It hits a defined portion of coastline. It lasts for a defined period, but then it's over. The pandemic is everywhere," he says. "Unfortunately, we don't really have any clear idea about when it's truly going to end. It's a whole different kind of event."

ESG concerns

At Lloyd's, Lipman says the company speaks about supporting an orderly but urgent transition away from existing, polluting technologies.

"There's often too much talk about naming bad guys and good guys," he says. "I don't think the goal for the industry should be to create cliff edges that our customers or former customers are going to fall off of and be damned into. It's about developing new products, improving our risk advisory services as though we can help all clients, whatever the industry is, feel secure enough to start making that transition," he adds. "We've been working on that a fair bit with some of our clients."

The last systemic risk Lipman discussed was geopolitical conflict. He says these have become more important to the risk discussion recently, because so many governments have become less stable.

"You can see how what you might have thought was going to be a regional conflict, has global economic, social, even environmental impacts that far transcend the physical geography and boundary of where that conflict is taking place," he says. "The second order impacts as a result of that conflict? You now have a litany of global trade sanctions that constrain trade, you have the worst migration and refugee event since World War II. And you have energy prices jumping, food shortages, grain shortages and price inflation because of all of that." The ripple effects, he adds, extend in all directions.

Interconnected events

"I hope you noticed how interconnected these events actually become," he told those gathered. "Climate risks exacerbate political instability. Cyber risk gets amplified by the pandemic. Even now there's evidence to suggest that environmental degradation increases the likelihood of the next pandemic. Things are connected that have enormous impacts."

In striving for solutions, he says the company has focused on innovation and collaboration, both within the industry and with non-insurance industry partners including governments, NGOs and technology companies. "We're going to need some different thinking and different strategies if the insurance industry is to stay relevant in the face of systemic risks."

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Remaining relevant

In a session focused on solutions, executives discuss choice, complexity and strategic considerations.

BY KATE MCCAFFERY

What the industry pays out in damages every year is dwarfed by the number of uninsured losses incurred by different levels of society when an adverse event occurs. Expectations ranging from personalization demands to how companies carry themselves as corporate citizens from all insurance company stakeholders are also changing dramatically.

At the Future of Insurance conference hosted by Reuters Events, **Lloyd's Canada Inc.** president **Marc Lipman** was one of several sounding the alarm about industry relevance.

"We're not going to be able to be an effective partner for our clients, our societies, just by paying claims. We have to do something different. We have to do something more if the industry is going to stay relevant," he told those gathered.

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>
> – Marc Lipman

More, complexity is a challenge. "Expectations about personalization are going to go up in a pretty significant way, in part because I think the financial reality for Canadians is becoming more complex," says **Brady Aarssen**, vice president, group retirement, operations and innovation with **Canada Life**.

To address this complexity, among other suggestions (discussed in some detail below) insurance experts say the industry needs to take on more responsibility for client education, consider emerging and adjacent business models – prevention and resiliency services would appear to be an emerging phenomenon and offering – and really home in on customer needs and marry those to a corporate reason for being.

Focus on education

Aarssen, for one, puts forth consumer education as one area insurers need to work on to drive outcomes.

"The interest in financial education really boomed through this pandemic. People are worried, for a variety of reasons," he told those gathered. "There has been a proliferation and growth of financial education in social media, some of which is good, and some of which is horrific. Really bad advice."

This, he says, reflects badly on the industry. "It's a bit of a condemnation," he says. "In some ways a condemnation on us as insurers or financial institutions of providing inadequate advice, inadequate guidance and planning for the average person to protect themselves."

He adds this gap opened up during the pandemic when Canadians began to take a deeper interest in financial education. "They're more interested in it than they were pre-pandemic," he says. "Because we haven't done an adequate job, others are filling the void inadequately. That will lead to other risks and other decision making that is probably not prudent for the average Canadian."

The pivot that companies can make to provide a better education to their consumers occurs, he says, when companies create a more holistic understanding about client needs.

"I think we can do a much better job of educating consumers," he adds. "We need people to buy insurance versus sell them insurance."

Long a role left to advisors and brokers to fill, he then calls on companies to find ways, aided by artificial intelligence (AI) and other technologies, to better communicate about where insurance fits within larger financial and life plans. "We really do need to find a way to communicate these things more effectively and see ourselves as educators. I think we don't often carry that responsibility and it's easy to deflect it on others," he says.

Prevention – a relatively new direction

A recurring theme at the conference and in the wider industry for some time now, prevention services are beginning to emerge as a service offering which extends into consulting, beyond simply telling individual consumers to install water backup sensors.

"Preventative is just key to where the insurance market is going," says **Empire Life** vice president of group product, marketing and communications, **Vanessa Lycos**. "We've heard a lot over the last couple of days about proactive, predictive and preventive," she adds. "That is really a significant direction. The best adverse event is one that doesn't happen at all. Or if it does happen, then we want to mitigate and minimize. Whether that's an IoT sensor to mitigate a flood or drug data that can help prevent an opioid overdose or a mental health problem that can be treated."

In health insurance, for instance, she points to a small change in how companies cover the dispensation of opioid prescriptions to show how changes can be incremental but still impactful and in line with a larger prevention agenda. She says most opioid prescriptions are written for 18 days. Lycos, however, says acute pain can be dealt with in three. "If you give somebody a prescription for 18 days, they're more at risk of becoming addicted," she says. "Just a small tweak that carriers did was to make the first fill seven days."

Potential solutions

The list of other solutions the executives discussed was wide-ranging. Their suggestions include making an effort to better empower distribution partners using technology, consider different business models, make time for that consideration and thought about what comes next, and plan to reset your strategy a little now that the pandemic is less novel.

- **Have a robust commercial value proposition**

Both internally and externally, a company can benefit from having a fully thought-out value proposition that focuses on the needs of the customer and which then marries those needs up with what makes sense from a carrier or broker's perspective, Lycos says. "We've been accused of perhaps not being so innovative or creative," she says. "We really need to be focused on our value proposition."

Internally too, this is important when guiding teams, as many technology projects in particular are not always going to have a successful outcome. "How many people want to work on a project that's going to fail?" she asks pointing out that it's not a career-advancing ambition for most. "Nobody is going to really put up their hand." (To help, she also suggests running teams the way a coach would run a soccer team which obviously isn't going to win every single game.)

"I think (it's important to) focus on ideation, creativity, and what makes sense to evolve your value prop so it's not being eroded, your margins aren't being compressed," she says.

- **Consider emerging business models, adjacent business models and partnerships**

Look at the internet of things (IoT), the gig and sharing economies and the aging population. "How do we adapt?" asks **Hashmat Rohian**, data scientist, emerging business model expert and vice president with **The Co-operators Group**. Each shift, he says, has forced the industry to really think about risks differently.

- **Become intimately acquainted with customers' needs to develop appropriate products**

"We hear a lot about servant leadership and how we serve our teams and how we engage with our stakeholders inside the company. But maybe we need to be a little better at bringing that mindset to the way we engage with our customers, to those people who are buying our products and services," says interim CEO with Everest Insurance Company of Canada, Luke Lichty. "If our industry wants to remain viable, remain relevant, we need to address our customers' concerns. Really become intimate with them and understand their problems so we're developing products and services to address those problems."

- **Invest in upskilling**

Lichty then asked the delegates gathered what everyone is doing to invest in the skill sets and "variability" different companies possess and need going forward.

"What are we doing today to invest in variability to be successful in the future insurance marketplace?" he asks. "The skills today, the skills of yesterday are certainly not going to be adequate to make our teams and our people successful as we look out into the future."

- **Take time for bigger picture thinking**

Step away from the fray and away from your inbox and spend some time considering what people should be buying and how to communicate that to them.

"Carve out time to look at what the next thing is," says Lycos. "Have that think tank time, which can seem like a luxury when you're in the fray, but it's important to the longevity and the future profitability of your business."

- **Go back to basics, but look to the future**

Does insurance need to be so cumbersome? It's a question put to the group by Rohian. He also discusses embedded insurance and the need to make insurance seamless – invisible in certain circumstances. (At point of purchase or repair, for instance.)

"They want to have prevention and protection at the time of need. They don't want to have to get off of that experience and call you. They don't want to have to go and visit your advisor or broker office. How do you make yourself relevant in their moment of need in the journey they're on?" he asks.

"How do we enable that? Because that's what customers demand of us, and I think we're going there."

- **Promote insurance's value to society**

"People really want to prove the value that the industry can provide to society. I think that's super important," Lichty says. "There's still a ton left to do and a lot of opportunity to really show that value of where we fit into the broader society."

- **Post pandemic, reset your strategy and execution practices**

Finally, Aarssen says in a lot of cases companies have spent the past two years executing old strategies while under fire. "I think we've had a lot of execution without strategy over the last two years," he says. "It's a good time to reset. The pandemic's moving behind us. How do we realign our strategy and execution efforts so that we achieve the optimal direction?" he asks. "This is a great opportunity for us to do that."

Strategy session: Technology

The business's future and technological developments are synonymous considerations.

BY KATE MCCAFFERY

The current situation is this: Technology is likely an insurance company's biggest challenge. "When you think about insurers in Canada, those that have straight-through processing have basically gone through a large, transformational change," says vice president, commercial insurance pricing, **Raza Masood** at **Aviva Canada**.

Other companies, meanwhile, are likely continuing to struggle with legacy technology and business silos. Although a problem, the situation is also an opportunity says Microsoft's global insurance leader, industry solutions, **Sasha Sanyal**.

"Insurers are redefining what is core to them. They are actually creating a lot of cash, they're generating cash, which means they can focus on building out new capabilities, doing acquisitions, buying sets of things that are very specific to their core competencies," she says, adding that many are generally focused on product and service innovation. Omnichannel developments, ensuing costs are managed and the coming development of ecosystems are also on the horizon.

The comments were all made part of presentations at the Future of Insurance conference, hosted by Reuters Events.

"How do we work with insuretechs?" she adds. "Technology is evolving at a very rapid pace. It allows insurers to actually look at ways in which we can digitally transform our value chains."

Technology is currently being used to optimize operations, manage costs and operational risks and to enhance experiences for both policyholders and agents. It is being used in fraud detection and work is being done to explore embedded payments.

Currently, there are concerns about data sharing. "Customers want to know what you are going to do with that data. That is actually becoming the biggest impediment to using sensor technology," she says.

In one successful use case, Sanyal points to the use of sensors in rivers and along riverbanks in North Carolina which automatically notify personnel, generate work orders and alert citizens when water levels rise.

In a separate presentation, Ryan Ho, head of finance, Canada, with AXA XL Canada says P&C companies are at different stages in terms of using big data in their day-to-day decision making. Personal lines insurers are a little further ahead because of the size of their client base. "It's a bit easier to implement some of those strategies," he says. "But commercial insurers are slowly adopting this as well," Ho adds. "Big data and predictive analytics will be a big topic for commercial insurance."

At the carrier level, meanwhile, there has been no shortage of work done to tackle wholesale enterprise optimization and automation, says Brady Aarssen, vice president, group retirement, operations and innovation with Canada Life. "They've been fun little experiments," he adds, "but not many have truly tackled it from a core system, front to back, full source solution. I think that's going to have to happen. There are options for how carriers will tackle that, but I think we will see that start to play out now that some of those experiments have matured and some of the learnings can be derived."

Hashmat Rohian, data scientist, emerging business model expert and vice president with The Co-operators Group meanwhile says "organizations that have had some success in adopting some of these new technologies and new approaches are those that have really anchored it in the client experience." In short, the problems are being solved specifically for clients, employees or partners – and work moves most effectively when working backwards from that starting point.

Horizons and company progress

In her own presentation, Sanyal says all carriers and consultants think about technology development and timelines a little differently. Microsoft orders the considerations into three horizons which Sanyal discussed in some detail for the benefit of those gathered.

Currently, she says the industry is deep in the middle of what she calls horizon one. Horizon one work is focused on optimizing operations. Costs, operation risk, customer and agent experiences, fraud detection, embedded payments and other fintech investments are all part of horizon one.

Horizon two, meanwhile, involves work on embedding artificial intelligence (AI) into all of the above, as well. "Moving from reactive to proactive," she says. "Embedding AI in every customer interaction."

Ecosystems where insurance is embedded, sold alongside everyday purchases and made available when needed, is horizon three work, much of which is yet to be realized by some companies.

"When you buy that engagement ring or TV for your wife, how do you make sure you insure it? It's probably one of the most expensive things you've bought." Similarly, when a client loans out expensive equipment to a friend, they want to make sure, for that period in time, that the equipment is actually insured. "Things of that nature," she says. "It's very much about ecosystems."

Blockchain-based technology is also a consideration in horizon three deliberations. Microinsurance which pays for delayed baggage on a flight, for instance, is another example of possible blockchain-based product development. "It's proactive. It's microinsurance for a very specific problem statement, built on blockchain, which actually proactively pays you the moment your flight is delayed beyond a certain amount of time," she says.

In horizon one cases, she says everyone is thinking about the issues. "People have done it, there are multiple use cases that have been built out. It's industrialized to some extent."

She says horizon two work is currently underway among early adopters, while many others are simply thinking about it.

"I think we are smack dab in the middle of horizon one. Horizon two is being figured out. Horizon three, a lot more thought needs to be put in," she says, adding that a company's digital transformation roadmap will be an aggregation of activity across all three horizons, based on what companies are trying to drive or impact. "The roadmap will be very, very specific to your situation."

Underwriting

In underwriting, meanwhile, as discussed, Masood points out that those who've accomplished straight-through processing of insurance business have undergone a massive transformational change to get there, as legacy technology was never set up for such business processes.

"New digital direct players who have buy-online capabilities, they are just straight-through processing because they're built on newer platforms," he says.

The company offered a few use cases for data at the conference. In one example, he says it was determined that just one broker was responsible for a significant number of calls, all to do with the coverage of wood stoves in New Brunswick. (The company records and transcribes all calls and runs analysis on them.)

"Once you have that insight, you can go to that broker and give them training," he says.

Telematics is another big use case for customer data, he adds. Where traditionally auto insurance premiums are based on averages and postal codes, telematics is a great example of how to use customer data to improve experience.

In underwriting, the usage of technology is particularly notable. He points out that in considering the large, complex risks insured for commercial clients, underwriters can spend days and weeks assessing that risk.

"They will do web searches. They will research their financial position; they would see what limit suits them and the right way to tailor the product. You spend a few weeks and in the end you might not close. It's a big operational inefficiency issue," he says adding that all of this can be tackled through operational algorithmic underwriting.

The Aviva executive continues, pointing out that the algorithm can do the same web investigations, the same financial work, provide pricing and rate the broker's probability of closing the business, based on historical data – not just helping the assessment of risk, but also helping employees to prioritize business.

"You want to maximize your people's time. It's a big issue in commercial, especially large risks," Masood says.

> Clients want and expect more. There's more information available. They're more knowledgeable, they're more informed and their expectations have been heightened.
>
> – Linda Regner Dykeman

Focus on brokers

A growing consensus would also appear to be forming that advisors and brokers require access to data, and in turn need to embrace the data provided, in order to effectively serve clients in the future.

Consumer behaviours have also evolved. **Linda Regner Dykeman**, chief marketing officer, Canada, with **Hub International**, points to research showing wide and growing acceptance of digital channels. "The most preferred interaction with a broker is digital. The vast majority of small businesses as well, not just consumers, said they'd like to interact with a broker digitally," she says.

In order to design products that will appropriately meet customer's needs, and provide personalized experience along the way, she says brokers need to be accessible for more knowledgeable conversations in the future about changes in the client's life or business and the resulting exposures which need to be planned for.

"Clients want and expect more. There's more information available. They're more knowledgeable, they're more informed and their expectations have been heightened," she says, pointing out that virtually everyone in the room knows how to gather information and come in as a sophisticated client when making purchases or consuming services. Clients, she says, are very much the same way.

Interestingly, she adds that surveys have also found that clients still want to speak to a broker to understand and select the right coverages for their businesses – and technology is enabling better product selection through informed choice.

Improved response times

The benefits of working digitally with these clients also include accuracy and improved response times.

"We need to be quick and solution oriented. Our customers tell us that. In order to do that, insurers and clients need to work with the right broker partners who embrace technology and proactively look at better ways of responding and offering choice to the consumer," she says.

New exposures also require a thoughtful and creative approach to coverage.

"Technology creates the efficiency and time for brokers and insurers to work together to develop those new coverages and new products," she adds. "Our industry should not be mechanical. It's not a mechanical process. We need to be innovative and creative. Digitalization allows us to be more specific regarding those emerging risks."

Human resources case study: Demutualization

Building a company culture for a future in flux.

BY KATE MCCAFFERY

Brigid Pelino is a relative newcomer to the insurance industry, but in her tenure as chief human resources officer of **Definity Financial Corporation**, and senior vice president and chief human resources officer of **Economical Insurance** before it demutualized to become Definity, she's overseen the human resources side as the mutual property and casualty insurer transformed itself into a growth-oriented public company.

In 2019, ahead of its initial public offering (IPO) in November 2021, Economical was suffering from some of its lowest employee engagement scores in its history – a problem for a company about to go public.

In a company where 70 per cent of the executive team is new, 50 per cent of senior leadership is also new, and staffing has grown dramatically, the company needed to make changes to support these developments, and quickly. Fast forward, Pelino says engagement has increased 26 per cent, 90 per cent of employees feel that the company's leaders care about them as individuals, 91 per cent feel comfortable raising issues or concerns with their leader and 89 per cent say they get what they need from the company's leadership. "These are incredible numbers," she told those gathered at the Reuters Events Future of Insurance conference.

"North star" mentality

The journey for the company included the adoption of components those in other companies might find familiar – it developed a "north star" strategy to anchor the company and its development in an ideological purpose.

In Definity's case, this ideological anchor or reason for being is to build a better world by helping its clients and communities adapt and thrive. "We're still

infantile in our journey on this," she says, but adds that the sentiment has become fundamentally engrained in everything the company does.

Listening strategy

Next, the company developed a listening strategy, moving from a process of collecting employee feedback every two years to collecting it quarterly and even in an ongoing way in cases. "Why would we not look at our customers and employees in a similar way?" she asked those gathered. "Can you imagine running your organization with customer data once every two years?"

What they found in their effort to look deeply at the company's culture alongside other deliberations necessary in the demutualization process – the cultural review took place over more than a year as the team involved employees, stakeholders and key talent – was that many were disengaged and fearful about what it meant to be working for a public company going forward.

"I believe culture is all about holding onto what is the absolute best about what you do and evolving and pivoting where you need to be better," she says. "That's what we worked on for over a year," she adds saying the effort then grew into a multi-year cultural evolution.

"If we were going to be able to be successful in our IPO and most importantly, if we were going to be able to sustain that success, we had to stop and look at what we were doing around how we were engaging our employees."

In addition to listening and measuring engagement more frequently, the company then undertook to educate its workforce about what it means to be working for a public company.

Employee education

"The first thing that popped into a lot of our employees' minds were cost control cuts, rather than positioning for growth, understanding what it means to be public and access to capital so we can grow the organization. We needed to teach our employees and leaders," she says.

To that end the company held more than 200 sessions over the course of a year which every employee participated in.

Ownership

Around the same time, the company introduced the concept of ownership to its ranks, offering a share ownership program that, at the start of the company's existence as a public company, gave every employee $500 worth of shares immediately. "You behave like an owner when you are one," Pelino says. Today she says 60 per cent of the company's employees are actively buying shares. "You care when you own a piece of it. We wanted our employees to feel that."

Leadership development

Finally, the company implemented a leadership development strategy intertwined with its inclusion strategy.

Inclusion, she says, is difficult to make real and also to make stick in the workplace. "How do you make it something that's actually important to people, not just important when you're talking to the regulators? How do you make it real in people's lives inside the company?"

The leadership strategy adopted to address this involves every executive having either a mentorship or steering committee role. The company's CEO has inclusion-related goals internally in addition to those which are also communicated to the larger community of stakeholders, and employee resource groups are given accountability and budget to make changes happen in the workplace. Pelino says all of this helped the company drive engagement scores to new highs in four short years.

The better employee experience in turn drives a better broker experience, she adds. In closing, she advises the leaders present to own their respective spheres of influence to effect positive change. "Be an advocate for the important things in your culture and own that sphere of influence that you have." ▲

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Industry reacts to latest carrier-MGA acquisition

Independence questioned, but firm says only the parent shareholders have changed.

TEXT BY KATE MCCAFFERY | PHOTOS BY ADOBE STOCK

In late 2022, **Desjardins Group** and **Guardian Capital Group Limited** announced that Desjardins would acquire **IDC Worldsource Insurance Network Inc.**, **Worldsource Securities Inc.** and **Worldsource Financial Management Inc.** for $750-million. Industry watchers say the move was not unexpected, although some did express surprise that it took as long as it did for Desjardins to make such an announcement.

The deal, and the trend of carriers buying managing general agencies (MGAs) in general, would appear to be a benefit for the companies involved but perhaps also for the industry. In Desjardins' case, the would-be parent company of IDC Worldsource understands the industry and an MGA's obligations well. Carriers developing tools for their own recently purchased MGAs tend to share those developments with independent firms as well, and other recent acquisitions by the company, such as the deal where Desjardins Group acquired **State Farm Canada** in January 2015, may have resulted in access to a broader product shelf for those selling in that channel.

There are concerns, of course, both about the deal and about the trend of carriers purchasing some of the last remaining large, independent MGAs in Canada. Among those concerns are worries about companies pressuring advisors to sell the parent company's products over others within their own owned distribution channels, either by quietly changing compensation structures or finding other ways to promote those products.

Those reacting to the news about the sale have opinions that fall into two camps. The first group believes that carriers who own distribution channels couldn't possibly not interfere eventually. The other group believes that the deals are being made with carriers simply acting as shareholders that are more than able, and have proven themselves willing, to stay out of the way and let the firms continue to make money. (Post COVID-19, anecdotally, the insurance advisory business has never been more profitable.)

Regarding the Desjardins deal, those who've worked with the company in the past say the acquisition is no surprise, as the group had been indicating for years now that it wanted to purchase a large, independent distributor.

"When I heard the announcement, I wasn't surprised. I was actually kind of wondering why it took so long. They were talking about it way back, probably in 2017, 2018," says **Nick Giovannetti**, certified financial planner with **Serenia Life Financial** and president of the London, Ontario, chapter of **Advocis**.

Not a surprise

In Desjardins' case, Giovannetti continues, the company once had a large presence in Quebec, but limited or low exposure in the rest of Canada. "They've been acquiring businesses that are national for quite some time," he adds. "They have a large interest in Aviso Wealth, which is affiliated with a lot of the credit unions across Canada. They purchased a data firm to get that exposure. And IDC is no slouch. It makes sense for them to acquire it."

Jim Ruta, president of **Advisorcraft Media Group**, another of the industry's long-time participants and observers, and who also happened to be present at the formation of IDC when it was initially turned into an independent, also expressed surprise that the company took as long as it did. "I think it's ironic to me that the reason MGAs were created in the first place was to get out from under the thumb of these companies," he says.

He continues, saying IDC was created when insurance companies were divesting their career sales forces in the late 1990s. Originally part of **Imperial Life**'s **Connexus**, a national brokerage group created when Imperial Life released their agents to sell other company products, IDC and others then became independent when Imperial was sold to Desjardins in 2002.

"Now they're being sold back to those companies," he says. "I think ultimately we've recreated the system that MGAs were created to get away from."

One reason Ruta says he was unsurprised by the announcement is the fact that regulators are increasingly telling carriers that they remain responsible for compliance, training, suitability and other business functions, whether they download their distribution to MGAs or not. "As soon as that happened, it was obvious to me that at some point they would want to control their distribution," Ruta says. "Why wouldn't these companies want to control distribution? Why would they want to put all their distribution in the hands of somebody else?"

Moreover, he points out that a lot of independent MGAs have never developed succession plans. "They're waiting for a buyout." (In a recent blockbuster deal announced this year, **Hub Financial Inc.**, owned by **Hub International Inc.**, acquired nine **BridgeForce** companies remaining after **Empire Life Insurance Company** bought the first six firms back in 2022. The firms recently acquired by **Hub** included **Achievex Financial Services Inc.**, **W.C.S. Achievex Inc.**, **Allen Wong & Associates Agency Ltd.**, **BridgeForce Financial Group Inc.**, **Cinaber Financial Inc.**, **Ontario East Insurance Agency Ltd.**, **W.C.S Financial Services Inc.** and **Joseph B. Woodyatt Insurance Agencies Limited**. The firms will continue going forward as BridgeForce, powered by Hub, under Hub Financial.) One firm not for sale unless the number offered is "silly" (the deal would need to make sense financially but also cover the value he and his family get from the business) is **Qualified Financial Services** (QFS). Its founder and chair, **Kevin Cott**, says the deal doesn't change the competitive landscape much, except to propel the firm's own position forward as one of the last large independent MGAs in the business.

"I think the return to carrier-owned distribution, obviously, is well underway. For Desjardins, who used to have their own distribution system, this is probably a good way to get back in a very big way," he says.

"We're on a slippery path right now that I don't think anybody really fully understands, including me. ➜

Because if one thinks that Desjardins, as an example, would buy IDC so that they can be the number one MGA with **Manulife**, that does not make sense."

Ultimately, he says these firms are buying distribution to increase business within their own companies. "How that will happen and when exactly that will happen is really the question."

Business as usual

That said, some in the advisory business who are both experienced in being part of such a takeover and who are also still placing their business with a carrier-owned MGA today, say it is not impossible that the firm could be left to its own devices.

Naunidh Hunjan, branch manager and president of **Hunjan Financial Group Inc.**, works with **PPI Management Inc.** and has since 2011 when it acquired the firm he was with previously. PPI was later purchased by **Industrial Alliance Insurance and Financial Services Inc.** in 2018.

"I had 50 advisors working at my firm when PPI got bought by Industrial Alliance. It didn't affect us at all negatively," he says. "We've gotten more support than we had before, more support digitally with their apps, more seminars. It's been great, like nothing happened."

He says the firm has not pushed in the least to promote iA products above others, not even nonchalantly. "I still consider myself as independent as I was before when it comes to work, dealing with clients, training, when it comes to anything. Carrier support, advisor support, it's been exactly the same as before. I can still sell my business to whoever I want," he adds.

Even advisors at QFS and Cott agree that the resources coming to them are not affected by the fact that many carriers have their own MGAs now to bankroll. Cott says the firm and its advisors might even be benefiting to some extent, "because of the commitments that they've made to the independents. If there's something that's going to be done with their own MGA that they own, that will be rolled out to all MGAs," he says. "I don't think that's impacting us in a bad way at all."

As for independence and how the business Desjardins has purchased will be run into the future, **Phil Marsillo**, president of IDC Worldsource, says there is an important distinction to be made, which is that he does not report to the insurance carrier. He and the firm report to Desjardins Group.

"Instead of Guardian being the shareholder, it now becomes Desjardins. Leadership is staying in place, employees are staying in place, our services are going to be the same. We may improve services, as well," he says. "We'll get support from the organization for us to continue our strategy and continue to grow our business and support advisors. That's what we're in business for and nothing changes from that perspective." (He adds that acquisitions by IDC Worldsource will also continue to be part of the company's strategy going forward. "They like what we have and they want to continue to expand," he states.)

Marsillo says that advisors remain independent and continue to have choice. "Advisors will see our actions and the actions of other organizations. Advisors have choice in the companies they deal with and have choice in the MGAs they deal with." He also says the firm won't dictate what company product should be sold. "That's not what's happening. You've got to do what's right for the consumer, first and foremost. Advisors still have choice, and that remains. It's not like you have to sell a company's product. That doesn't happen."

Interestingly, Marsillo is also the upcoming president of the **Canadian Association of Independent Life**

Brokerage Agencies, also known as CAILBA. He is succeeding **Michael Williams**, former BridgeForce Financial Group president, whose own firm, **Life Management Financial Group Ltd.**, was part of the group purchased by the Empire Life Insurance Company back in March 2022 to form **TruStone Financial Inc.** Marsillo says the focus should be on the fact that the advisors contracted to these firms are themselves still independent.

Giovannetti, meanwhile, is one advisor who says he is happy about the firms in question changing hands from Guardian to Desjardins – he had, in fact, been in the process of transferring his business to IDC Worldsource when he heard the news.

Advisor needs, carrier needs

"I was actually quite pleased when I heard what MGA they purchased because I have a lot of respect for IDC and what they've done in the marketplace," Giovannetti says.

"Advisors need good-quality technology. They need really good resources. They need tax planning and accounting and advanced planning specialists as part of the firm they're with, and those people cost big dollars."

He goes on to say that colleagues in firms acquired by other carriers "love and brag about their technology and the access to resources they have." Ultimately, after interviewing several MGAs, he decided on IDC Worldsource because the firm he was with didn't have the resources he wanted for himself and for his clients.

"It's an expensive, hard business to survive. If you are part of an organization that can help you with the very expensive technology to run a practice, give clients that security and a large institution feel, while still not being bound to any manufacturer of a product, I think this is a great thing," he says.

He also cites access to the best technology, without having to pay the prices an individual might pay to access certain platforms, as being another benefit.

Independent insurance broker **Helene Meyer** (her MGA is QFS), though, points out that a wealth of apps and services are available to producers already. She isn't concerned about her competition having fancier tools. "All the insurance companies give you access to the tools. Everything's become digital," she says. "For me, the transition was amazing. I was very thankful for it." She adds that resources such as estate planning consultants and corporate case support are also all available from carriers. "If you're producing the business, you're going to get the support," she says.

"I've been pursued by other MGAs that are bigger and associated with some of the bigger carriers. When I've sat down to speak to them, to see how much more they can really offer me, it hasn't been a better proposition," she says. (Meyer also says she appreciates the flatter management structure and access to decision makers she has with the firm she deals with.)

Cott also suggests that tools alone do not make a good advisor, any more than a fancy set of golf clubs makes the golfer. "Consumers don't buy because of technology. They buy on the basis of an individual's ability to communicate their solutions in a clear way and the relationship they have with the individual," he says.

"You can get better pricing potentially from **Costco** or **Walmart**, or whatever the case may be for the good that you're buying. But that person who knows you and knows what you like and who comes to you with a big smile on their face and says 'I'm here to help you,' that's the relationship that I think is more valuable to many, many people."

Over at IDC Worldsource, Marsillo says he is excited about the next chapter for the company. "The world around us is changing. Cybersecurity is a big risk for all organizations. Technology takes a lot of dollars. You need to have organizations that are solid and stand behind the advisors. I don't see this as a change." He points out that other firms have remained independent despite changing ownership. He also points out that regulations are such that it doesn't behoove firms to push products in any unfair manner. "We all know the regulations have changed for the treatment of consumers. We have to support that, so that's what we'll continue to do," he says.

The Desjardins transaction is expected to close in the first quarter of 2023.

Helene Meyer

CARRIERS BUYING DISTRIBUTION, A TIMELINE

January 2014 – Desjardins Group announces plans to acquire State Farm Canada's business from State Farm. Deal closes in January 2015.

May 2017 – Financial Horizons Group Inc. announces that its majority shareholder, private equity firm Genstar Capital, entered into an agreement for Financial Horizons to be acquired by The Great-West Life Assurance Company, a subsidiary of Great-West Lifeco Inc.

February 2018 – Industrial Alliance Insurance and Financial Services Inc. and PPI Management announce iA Financial Group's acquisition of PPI.

October 2020 – Fraternal life insurer Foresters Financial and Canada Protection Plan (CPP) announce amalgamation plans. CPP continues business as Canada Protection Plan Inc., a Foresters Financial Company.

March 2022 – The Empire Life Insurance Company announces the purchase of 100 per cent of the shares of six financial services firms. The company amalgamated the six companies into one MGA, a wholly owned subsidiary of Empire Life under the name TruStone Financial Inc.

The six purchased agencies included Life Management Financial Group Ltd., LMF Investor Services Inc., Paradigm Financial Advisors (North) Inc., Paradigm Financial Advisors Inc., Dwight Goertz & Associates Insurance Agency Limited and Pacific Place Financial Services Inc.

November 2022 – Desjardins Group and Guardian Capital Group Limited announce plans for Desjardins to acquire Guardian's life insurance, mutual fund and investment distribution networks, IDC Worldsource Insurance Network Inc., mutual fund dealer Worldsource Financial Management Inc. and full-service investment dealer Worldsource Securities Inc.

Navigating digital transformation

Ten technology adoption tips for advisors and firms from Charlie Conron of Life Design Analysis.

BY KATE MCCAFFERY

Charlie Conron has spent at least 10 years officially, and more years unofficially before that, studying the sales processes followed by financial services representatives in Canada.

In the beginning, his firm, **Life Design Analysis Inc.** (LDA) was firmly focused on illustrations, with a mandate to make insurance easy for consumers to understand and to provide information that would help them to make better decisions.

Today, LDA is an all-encompassing, advisor-focused business that also allows quoting, comparison and in-force policy management.

This vantage point has given the president and founder of LDA a unique view of what business advisors and insurance representatives do with their clients. In turn, LDA has allowed firms to transform offices, much like the office of his stepfather back in 2012. (Not very long ago, filing cabinets took up ample room in dusty offices and client files were kept in manila envelopes.)

Ten years, however, is not a lot of time in the grand scheme of things to effect that amount of change. Conron says speed and scale are two of the biggest elements impacting insurance advisory businesses today.

"We need to increase the scale at which we serve customers," he says, referring specifically to mid-tier customers and their service providers. "Advisors need to adopt technology to make it easier for consumers who are either on the fence or who don't have the motivation to make it through a traditional sales approach," he says.

The question, then, is what is an advisor to do in the face of such change? Conron offers a number of helpful and insightful suggestions.

1. Have patience.

First, he says implementation takes time and advisors need to have patience with technological developments in their practices. "Give it the time," he says. "Some of these technology tools, when we're making changes, they're going to feel uncomfortable."

2. Don't be afraid to evolve.

Not only are consumer expectations always evolving as clients touch and make contact with other technologies and conveniences, but regulatory obligations are also always changing.

"Technology is needed to scale up to keep up with these processes while still focusing on what's important, which is serving clients and making sales," he says. "The customer has evolved. Advisors need to evolve their sales practices, one, to keep up, and also to meet customers on their level."

3. Evaluate sales practices.

How advisors can ultimately drive their decision-making and sales pursuits, based on the information available, will depend on a thorough evaluation of their end-to-end sales practices.

4. Map it out.

Do some brainstorming and map out those processes. "It's a great exercise to draw the flowchart out and say, 'these are the steps in my sales process,'" Conron says.

Look for pain points, he adds. "Are there systems out there that can take away three or four of them, recognizing that no one system might do everything?"

He says advisors almost universally find they could benefit from having a global view of their business with the ability to segment by needs, sales concepts, term renewal periods or other metrics. At the enterprise level, too, it can be helpful to know if every agent is doing a needs analysis, for example.

"Something like that can be a challenge for an organization. Are we upholding our compliance requirements?" he asks. Similarly, if a company or an individual is only presenting one product type as a solution to all clients, this can also be uncovered in reporting.

Conron encourages those evaluating their processes to keep it simple, seek a process that is familiar, and then evolve it, make it more accessible and look for ways to make that simple process faster.

"If you think about what an advisor would have done before technology, they would've drawn that illustration on a napkin," he says. "Keep a record of it so that the advisor later, if they have to go back and prove why a recommendation was made, they will always have some system of record or some source of truth to refer to."

5. Check your mindset.

Conron says advisors will often think of a new piece of technology almost as a panacea, rather than part of a greater ontology.

Ontology: A set of concepts and categories in a subject area or domain that shows their properties and the relations between them.

Source: Google, Oxford Languages.

Instead, think of and evaluate each technology based on its own merits, keeping in mind that any change will require work on the advisor's part. "We've built the tools to really help, but again, they do take advisor behaviour to change," Conron says.

Also, not every technology is going to meet every single need in one package. Despite this, Conron encourages those evaluating what's available to think about how each piece fits into the bigger picture. "Build that ontology for yourself," he says.

6. Adopt best-of-breed technologies.

In addition to adopting the best technologies you can, Conron says don't be afraid to reach out and get help.

Moreover, start small – with one piece of technology or one process or one bit of functionality. Master it, build it into your ontology as Conron puts it, and then build on that starting point.

"You don't necessarily have to overhaul the business, but can you use technology to gain more efficiency, increase sales or increase compliance?" he asks. "Can you move the needle? Because it will impact the business."

7. Partner where you can.

"There's a lot of information that can be gleaned when you're organized with your information," he says, adding that distributors in particular who partner to deliver technology can yield some powerful results.

8. Commit to tech processes, use them and believe in the process.

Technology adoption, whether you do it yourself or hire someone to help, is an approach advisors need to commit to and believe in because there is effort that goes into collecting data, but also into organizing and maintaining it.

"Once this in inherent in our processes, it becomes very easy, but again, it's challenging from the start."

Conron encourages those on this journey to adopt processes and have a clear vision, not just about the data they want to collect, but also what they'd like it to do for them. "That's the advisor who will succeed."

Managing data is a process of collection, classification and continuation, he adds. One of the big challenges advisors face is managing and updating latent data, a problem that is solved for larger, enterprise clients where that data is pulled from carriers monthly and classified for sales or service.

9. Focus on top opportunities.

In-force policy data is some of the most useful information at an advisor's fingertips. Conron says the global view of an advisor's block of business is often cited as being the most valuable part of LDA's offering, while the visualization elements – charts and quoting – make insurance fun. "It makes it easy for consumers."

A strong customer relationship manager (CRM) is also valuable to help business owners in navigating nuances of the *Personal Information Protection and Electronic Documents Act* (PIPEDA) and Canada's anti-spam legislation (CASL). (Bonus tip: Not to be a downer, but study up on implied consent.)

"You have all of this data at your hands. If we can organize it, we can build processes (and services) around this that make it easier for regular people to see the value in these products," he says.

10. Advocate for yourself.

LDA comes with a free trial, as do other systems. If you require resources or are experiencing pain points in your business, be vocal.

"Advisors can advocate more for themselves with their MGAs. A lot of these advisors struggle, maybe with that latency issue I talked about. Going to your MGA and expressing that you have this issue – a lot of times carriers need to hear this," Conron says. "A lot of advisors' frustrations are interdependent with carrier limitations," he adds.

"Raising this issue with your MGA, with distributors, really helps a lot of solutions come to light."

How to Refer Yourself

Question: I'm trying my best to find new prospects by working my existing book of business, centres of influence, and of course social media. But I want more A-list prospects better matched to my target market. What can I do to get the right prospects to build the business I want?

Nothing is more critical to your success than finding the right people to help. Except, of course, setting meetings under favourable circumstances with them. Without these meetings, even prospects are useless. *(Calling them meetings rather than appointments makes them easier to arrange.)*

Icon Al Granum defined prospecting in *The Science, the Art of Building a Life Insurance Clientele* as "discovering who measures up on three counts: who has intelligence; who has a deep sense of responsibility; and who has outstanding economic potential."

Most people you can contact and meet are not truly prospects. Do they understand the realities of life as it relates to insurance? Do they feel responsible for the needs and protection of someone or something else like a family or a business? And do they see today as just a takeoff point for what they want to be in the future? If it's "yes" to all three, then you have a prospect. If not, you don't; regardless of whether you see their needs or potential. Even wealthy entrepreneurs, executives, and professionals without these characteristics are not prospects, at least not today.

In my experience the one source of great prospects that is not used much anymore is "Personal Observation" – referring yourself. It targets qualified people.

Personal Observation is the process by which you literally refer yourself to prospects by observing them in your world and then contacting, nurturing, and attracting them with a planned, professional pre-approach system. This approach takes time and means an investment on your part but is absolutely worth the trouble.

Whom do you observe? It depends on your target market, but prospects are everywhere. If you want to work with business owners, they are driving around in their branded vehicles or working in their buildings every day. Maybe you want a subset of business – like contractors, service people, or auto repairs shops? Maybe it's professionals? They have offices right where you live. You literally see these people everywhere including in online media. If you want executives, check LinkedIn for promotions or websites for their specialties. I know a Top of the Table agent who works with municipal and utility workers and has retirement dinner seminar invitations placed under windshield wipers of their vehicles in parking lots. He fills 20 seminars annually that way. Just pay attention for the people you want to work with and that are likely to have Granum's three prospect characteristics. Any target market can be developed into a prospect group.

How do you nurture and attract them? Once you have a name, you can find a postal address for nearly everyone. Why not send them a book that relates to their interest or to your specialty but that helps them out? Many agents will pay good money for leads so why not pay the same money to nurture a prospect on your own? Roughly $30 to mail an inscribed book with an introductory note saying you will call to meet them, is a great tax-deductible investment – and it separates you from the average. Maybe you send congratulations on a new job. Maybe you mark the opening of their new business or location. Maybe you start sending helpful information from your specialty to them so they can learn about you over time – either email or regular mail – and build a relationship slowly. Maybe it's just because you just saw them on the street or at a social, community, networking, or religious event and want to meet them with a good pre-approach letter.

Observe the people you want and then invest in attracting their interest in you and the benefits they get working with you. It's like referring yourself. This may take several attempts over some time, but when you control the quality of prospect, it's worth the investment.

When you want to make on-point phone calls, text or email first for a good time and then use Gail B. Goodman's proven scripts in her new book, *Setting Appointments in the Smartphone World*. Check it out at www.phoneteacher.com.

You need many more prospects than you think. Work on at least 100 at a time for sales that you plan to make over the next couple of years. Don't be that average agent that clutches only half a dozen or so for the next few weeks. Nothing makes this business easier than when you have a long list of prospects.

This is why Granum says that fully 60per cent of your time must be devoted to prospecting and promotion. You might think you are an insurance advisor for instance, but you must be a prospector first. Personal observation allows you to target, work with, and build a clientele of just the right people.

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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.

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

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