INSURANCE Journal

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Managing General Agencies UNDER REVIEW

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Denis Ricard, president and CEO of iA Financial Group, discusses growth opportunities

Life insurance
Clients are craving guarantees in an unstable economy

Practice management
How to build trust with your client

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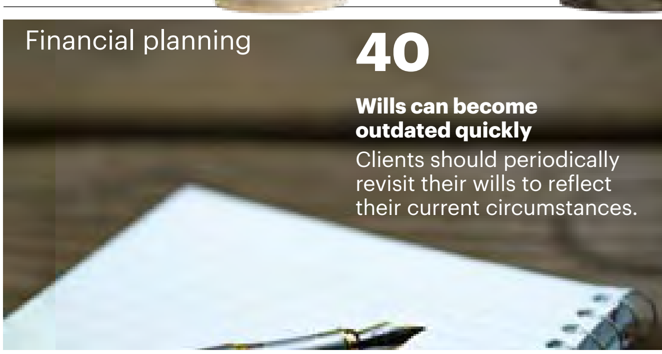
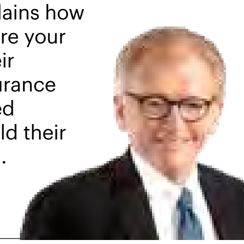
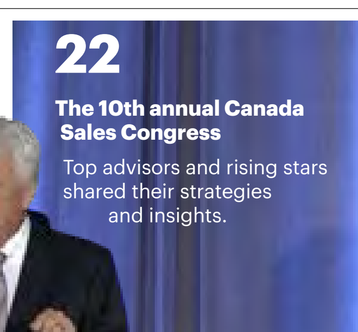




Entrepreneurship

Tom Love



Guillaume Dulude

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Something to think about...

> I think we need a sense of urgency in the industry. The market leaders will be the ones that show speed and agility. They will be much more productive, have a much more engaged workforce and (they will be) the ones that generate the most value.

— Naveed Irshad, President and CEO, Manulife Canada

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In this issue...

The C-Suite
INTERVIEW

The view from iA Financial Group's executive office

Resilient business model, focus on the family market helps to propel sales. Firm must now deploy more than $2-billion in excess capital.

KATE MCCAFFERY

The insurance market in Canada is a mature one but CEOs are still tasked with the job of finding sustainable and profitable areas of growth. The United States is just one of a few areas of focus for president and CEO of **iA Financial Corporation Inc.**, **Denis Ricard**, who says the company has a goal of being a top player in the sectors it operates in.

The latest in iA's story today is that the company has more than $2-billion in excess capital at the ready to deploy in 2023. The company is doing well in terms of profitability, Ricard says, but the excess needs to be reinvested, both in the company and in technology to grow the business.

For every company that the company acquires, however, Ricard says there may be 20 at the table at any given point in time. "For various reasons, the ones you're looking at will not always end up in a purchase."

As for where that capital may end up, the CEO says the United States holds the company's attention, as the markets that it operates in there are fragmented. "There is a possibility or the ability for us to consolidate some of the market. That's an area of growth," he says.

"Capital light" businesses also appeal, particularly those opportunities in distribution, or, he says, in any business that is complimentary to the current business, or which can help the company develop a competitive advantage.

With $2-billion at his disposal, however, Ricard says those paying attention should expect that the company will make a more sizable acquisition at some point. He adds that the company is not actively looking to buy another big managing general agency (MGA) in Canada (iA acquired PPI in 2018).

Strategy when the company acquires another, he adds, has evolved over time, with iA today integrating acquisitions as quickly as possible.

Cybersecurity in particular, he says, is a key thing to consider when acquiring. "We want that company to be at par in terms of cybersecurity because obviously the risk in one area of the organization can affect the reputation of the whole company," he says, adding that technology capabilities are just one area of integration – human resources and finance also being two other areas where the company moves to ensure the new entity is integrated and being served as fast as possible.

Five years ago, Ricard says the company had some business south of the border, but not a huge amount – maybe four per cent of the company's profits were generated by the business, he adds. After investing heavily in the country over the last four years, however, he now says it represents at least 15 per cent of the company's profits. The company's ambitions include growing that proportion to 20 per cent by 2025.

"In Canada we are growing but Canada is a more mature market," he says. "Just the sheer size of the U.S. allows us to really move the needle when we invest there. So that's what we've been doing lately and that's what we're going to do going forward." He adds that in addition to the extended warranties business in the U.S. the company also has an individual insurance business there which has also been growing well.

The U.S. market, he adds, is not at all consolidated. "Although we're not the main players, there's a potential for us to become top five at some point. We think we are maybe in the top 10. This is certainly an area where we can be dominant going forward."

The excess capital, in part comes from changes to accounting standards, and the implementation of International Financial Reporting Standard (IFRS) 17.

On IFRS 17

Long outspoken about IFRS 17, Ricard says the changes resulting in a different recognition of profits and capital will be positive for the company. He says the previous regime allowed an organization to use additional prudence in balance sheets in ways that are not allowed under the new standard.

"For us it adds to the capital. Like I said, there's going to be a lot of excess capital at the transition of the two regimes. Because we have put a lot of prudence in our balance sheet in the past and that's not going to be allowed anymore, it will flow into the excess capital," he says.

The rapid transition aside, Ricard says he's been vocal about the implementation of IFRS 17 because his belief was, and to some extent still is that IFRS 17 is a huge change that won't result in much benefit to the industry.

"This whole exercise is costing a fortune for the whole industry," he says. "It doesn't change the fundamentals of the business. It doesn't change product. It doesn't change the way we're going to manage the organization, it's really (just) the recognition of profit over time that is being changed."

Pandemic results and recovery

In discussing the company's results at a very high level, Ricard says 2020 and 2021 were challenging years. "The macroeconomic environment wasn't a good one," he says. In 2021,

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Denis Ricard

however the company enjoyed improvement in a number of areas – claims being one of the first that comes to mind as customers weren't driving as much.

"Our business model has been very resilient during the pandemic," he says, adding that 2022 has been a continuing story about macroeconomic volatility. "We've been able still this year to withstand this," with some very good results, he says. "It's a continuation of our strategy in terms of growth. We've grown during the pandemic, and we are continuing to grow."

Resilient business model

The company's investment in technology, beginning in 2018 and 2019, served it well once the pandemic hit and a 10-year learning curve was shortened to just a few months. (In 2019 the company stated that it would spend over $500-million over four years as part of its four year plans ending in 2023.) Coupled with a business model that includes a strong focus on distribution, Ricard says this actually allowed sales to increase while business in virtually all other parts of the world shut down.

"When I talk about the resiliency of our business model, I'm talking about the fact that we sell through distributors. They are human beings, there to make a living, and they found a way to reach their clients," he says. More, his producers were even more productive during this time, meeting clients virtually, sometimes working three virtual meetings or more into a time that would normally be occupied by only one meeting, plus travel.

More, tools that had been developed for this group, many of which weren't being used very widely at the time, suddenly became indispensable. "I was very surprised at the pace at which they and we were able to use them. Basically our sales did not suffer with COVID. In fact, they even increased. I was stunned by that," he adds. "I was really really impressed by their capability to adapt to this environment."

The only thing he might do-over again given the opportunity? He says he would've made a different decision about implementing a hiring freeze when the world did first shut down. Although the decision made sense at the time and a quick realization that sales were continuing allowed for a reversal of that decision, he says the company still should've started hiring again more quickly. "We had to catch up and it took some time for that and to be able to serve our clients properly at the time."

Future transformation and strategy

Among Ricard's relatively recent appointments to the company's executive ranks is the appointment of Pierre Miron as chief transformation officer back in August 2021, a role that did not exist in the company before it was announced.

Ricard says one of the reasons he created the position was to send a strong signal, both internally and externally, that the company was serious about transformation – a formalization of efforts which had been underway for some time.

The group under Miron is now working and focused on four areas: Customer experience, digital strategy, culture and the development of company culture in the post COVID environment, and operational efficiency.

Ricard adds that the group is working very closely with the heads of business to make sure that change is managed in all sectors of the company.

Under customer experience, the company has a goal of being a leader in the digital tools it offers to clients and distributors. Culture is a focus, with a particular emphasis on the reality of the post-pandemic employment. Finally, in operational efficiency he says the company aims to be a leader in unit cost.

"We are in the mid-market, the family market, and to be successful in that market you need to operate at the low unit cost," he says. "We're thinking about 200,000 policies a year. You need to be very efficient to be able to issue them very quickly."

In looking at the industry's pressures, Ricard points to the need for continual and significant investment in technologies to keep pace with would-be industry disrupters. "That's something that each player in the industry should pay attention to at this point. Nobody has really found a recipe to disrupt the industry, but the industry needs to invest significantly."

He also addresses ever increasing customer expectations, saying it is necessary to make things very easy both for customers and distributors given that most clients, and employees too, do not have the same patience they used to have for cumbersome processes.

Regulation, however, is one of the biggest considerations today for companies in the industry. "Really, the regulatory burden is quite significant," he says. In addition to the new accounting standard companies must implement, the country's regulators continue to turn out new policies and changes across the country. Privacy is another concern.

"One by one, all of these initiatives all make sense, but it's the sum of all these changes, all at the same time, that is putting a lot of pressure on all players in the industry."

Across the industry, the fair treatment of customers and all related initiative is a related sphere to consider. "The regulators in Canada are more and more of the view that they are like the consumer protection office," he says. "You can see that the regulators in Canada are taking the view that they have a big mandate, a huge mandate to protect consumers. They're much more activist than they used to be in the past and it translates into a lot of new rules and new directives."

Distribution and advice "here to stay"

Finally, Ricard says the company continues to believe strongly in the value of advice. Although some think there is an opportunity for the client experience to become a completely digital one, he says "we believe that advice is here to stay."

He adds that although there may be a tranche of clients that do want to move to a 100 per cent digital experience without the help of an advisor, he says this could happen, but the company doesn't expect the movement to be significant. "Certainly not in the short term or midterm," he says. "For us, distribution is really the basis of our companies."

The biggest trend afoot today, he says is ongoing work on the capability of organizations to build relationships with distributors. "We are in the relationship business. For us, it is important to give our distributors the best tools to serve clients."

As for who the company does business with, Ricard says the company will continue to focus on the full spectrum of distribution – a competitive advantage as it allows the company to be present in many different markets. "That's been our strategy in the past and this is still our strategy going forward," he says.


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Journal

Managing General Agencies under review

Long an area without a lot of regulatory oversight, this segment of the distribution channel is now under scrutiny. Multi-level marketers are on notice, as are their suppliers, while the rest hope not to be painted with the same brush by regulators.

KATE MCCAFFERY

The managing general agency (MGA) channel is under an increasing amount of regulatory scrutiny in several jurisdictions, with Ontario's **Financial Services Regulatory Authority of Ontario** (FSRA) taking the lead in the most recent, in-depth review of MGAs, announced in late September 2022.

It is a multi-year, multi-jurisdictional effort lead by the Ontario regulator.

Started with FSRA's launch in June 2019 when it officially succeeded and took over operations for the **Financial Services Commission of Ontario** and the **Deposit Insurance Corporation of Ontario**, the regulator then announced in subsequent annual reports that it would focus on this aspect of insurance distribution. Just prior to FSRA's official launch, the inter-jurisdictional **Canadian Council of Insurance Regulators** (CCIR) and the **Canadian Insurance Services Regulatory Organizations** (CISRO) also jointly published the *Guidance Conduct of Insurance Business and the Fair Treatment of Customers* (FTC Guidance) in 2018.

Multi-jurisdictional effort

A follow-up report on the insurer and MGA relationship, the *Insurer-MGA Relationship Review Report*, was published in Ontario by FSRA in July 2021, before it was announced in September 2022 that it would specifically review the multi-level-marketing (MLM) structure, and the practices of three MGAs in particular. FSRA lead this effort with help and active participation from Quebec's **Autorité des marchés financiers** (AMF) and the **New Brunswick Financial and Consumer Services Commission** (FCNB), for the CCIR, on behalf of six jurisdictions.

In a statement to the *Insurance Journal*, the CCIR states that the thematic review was conducted to assess and address emerging market conduct risks. "The areas of focus for thematic reviews may include the sale of certain types of insurance products and particular distribution models and methods," they write. "Cooperative supervisory examinations are conducted with a national perspective."

The most recent review of MGAs examines a business structure not widely used – in several places FSRA repeats that MLM (also called a tiered-recruitment business model, network marketing or tiered-level model) does not appear to be standard practice among life and health MGAs.

That said, concerns do exist, as the regulatory group has said it will enhance the MGA regulatory framework (read: change or draft new rules and guidance). One concern is that a broad-brush approach taken by regulators could impact others in the industry, as well. A draft interpretation and guidance is expected from the regulator in the fall of 2022. As of late November, its representatives add that the work to create that guidance is ongoing. A proposed rule is also planned for public consultation in 2023.

Scrutiny and a review of MLM MGAs

The *CCIR cooperative MGA-focused thematic review, Consolidated observations report*, was published in September 2022 at the same time FSRA announced its investigation of **Experior Financial Group Inc.**, **Greatway Financial Inc.**, and **World Financial Group Insurance Agency of Canada Inc.**, along with **ivari** who sponsored the most agents with two of the three reviewed MGAs, and **Industrial Alliance Insurance and Financial Services** who conducted the most business with the largest MGA being reviewed.

The report looking at the tiered-recruitment business model where agents are paid for the sales they make, but also for the agents they recruit and the sales they in turn make to clients, found that all the MGAs reviewed had a high proportion of newly sponsored agents with less than two years of experience as licensed agents. The agents sell relatively complex products, mostly permanent universal life insurance products, often selling overfunded policies to execute insured retirement plan (IRP) strategies. In at least one case, the firm's main strategy was to sell the overfunded polices to a client base of individuals, often immigrants, with annual earnings between $40,000 and $50,000.

Supervision – the responsibility of insurers themselves – was in turn delegated by the MGAs to upline agents who were expected to train their own downline agents. Mandatory training materials were also found to be inconsistent with FTC principles: Some of the

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MGA SCRUTINY, A TIMELINE

September 27, 2018: The Canadian Council of Insurance Regulators (CCCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) jointly publish the *Guidance Conduct of Insurance Business and the Fair Treatment of Customers* (FTC Guidance). Subsequent, follow-up report, the *CCIR Cooperative Fair Treatment of Customers (FTC) Review – Consolidated Observations Report* is later published in October 2021.

June 8, 2019: Financial Services Regulatory Authority of Ontario (FSRA), established in 2016, officially takes over the functions and operations of the Financial Services Commission of Ontario and the Deposit Insurance Corporation.

February 28, 2020: FSRA publishes its *2020-2023 Annual Report*. In it, the regulator announces its intention to develop a regulatory framework and supervisory approach for distribution channels reliant on MGAs after determining how distributions channels, including those that rely on MGAs, are functioning and whether the public interest is being well-served.

January 1, 2021: FSRA announces it will use the CCIR-CISRO FTC Guidance to supervise the conduct of insurers and other entities FSRA regulates. "The FTC guidance applies to all intermediaries, including MGAs," they write in that year's *Insurer-MGA Relationship Review Report*.

July 28, 2021: FSRA publishes the *Insurer-MGA Relationship Review Report*.

September 28, 2022: FSRA announces efforts to review multi-level-marketing managing general agencies (MGAs) on behalf of six jurisdictions, with the help of the Quebec's Autorité des marchés financiers (AMF) and the New Brunswick Financial and Consumer Services Commission (FCNB). At the same time the regulator also publishes the *CCIR cooperative MGA-focused thematic review, Consolidated observations report*.

HUSTON LOKE

firm's mandatory training not only encouraged the omission of key disclosures, but also recommended agents recruit clients to be agents themselves following a sale.

The rapid growth of the MLM MGA was an area of particular interest to the regulators, as was the sale of relatively complex products by newly licensed agents. Coupled with training and supervision that was found to be lacking, FSRA expressed repeated concerns about the increased risk and possibility for consumer harm. More, they say there was little to no formal reporting back to insurers about the functions contractually delegated to the MGAs.

Rapid growth of MLM model

To demonstrate just how quickly this business model has grown, and to explain the Ontario regulator's interest in the segment, FSRA also puts numbers to paper in the report. It not only discusses the number of reviews conducted by MGAs and insurers in the segment – just 0.1 per cent of agents contracted by the affected MGAs were reviewed in 2019 and 2021 – it also documents the explosive growth in agent recruiting enjoyed by the firms.

As of 2021 the three MGAs being reviewed, together had approximately 27,000 agents in Canada – nearly 40 per cent more than they had in 2020. "Overall, the MGAs experienced considerable growth in agents, between 67 per cent and 160 per cent in Canada, from 2018 to 2021," they write. Under the model used, the review found that some top agents sold few to no policies themselves.

In just Ontario alone, the three MGAs together had approximately 11,000 agents – a considerable proportion of the province's total agent population. "Between 2020 and 2021, these MGAs grew their number of agents by approximately 50 per cent to 70 per cent. Overall, the MGAs experienced considerable growth in agents, between 55 per cent and 191 per cent, in Ontario, from 2018 to 2021."

Future regulation

"When FSRA first launched we said we were going to look at distribution because we believe that how products are sold and how they're distributed makes a huge difference in treating customers fairly," says FSRA's executive vice president of market conduct, **Huston Loke**. "We think the individual who's sitting across the table making the sale should be appropriately trained and should give the customer the right information so they can make the best decision for their lives and their families."

He adds that MGAs and others in the industry have asked for greater clarity about what is expected by regulators from the various parties involved in insurance business transactions. "We think that by following up with a proposal for consultation on what compliance responsibilities exist at different levels of distribution, we think will improve the dialogue, will increase certainty and will form the basis for fair treatment of their customers."

He adds that anyone involved in insurance distribution, those involved in compliance and training and governance will be particularly interested in the proposals.

A look at earlier reports, the *Insurer-MGA Relationship Review Report* notably, also suggests the framework could be more generally applicable to all MGAs as well. That report states a number of concerns about MGAs in general.

Earlier reviews inform future regulation

That report, published in July 2021, summarizes FSRAs observations specific to life and health MGAs in Ontario, where they say a regulatory framework specific to MGAs does not exist. "This may create perceived regulatory gaps and result in supervisory challenges," they write.

The thematic review to understand the relationship between entities in Canada found that agreements between the two often lacked detailed expectations and requirements related to delegated screening, training

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TERRI BOTOSAN

ERIC WACHTEL

and monitoring, and did not appear to provide reasonable assurance that MGAS understand and fulfill their delegated responsibilities, particularly when those functions were delegated entirely. They add that insurers generally do not proactively risk assess their agents contracted through MGAs, "nor do they conduct a meaningful volume of agent reviews."

In discussing the most recent review results published in September 2022, Loke discusses how all of the findings will likely inform the development of future regulation. "We published our findings in 2021. I think what you're seeing is a continuation of that work," he says of the subsequent joint regulatory report on the three MLM MGAs. "The proposals that we intend to publish are intended to address the concerns that we see. We want to consult. We want to hear from the industry. We don't have the next chapter written," he says.

Regulators receptive to feedback

MGAs that are *not* MLMs agree that FSRA's been receptive to feedback – a theme repeated often by FSRA itself, as well.

"It's a complicated problem to solve," says **Terri Botosan**, **Hub International** regional president who oversees employee benefits, retirement and life – including **HUB Financial Inc.** in Canada. "It's a delicate balance I think the regulators are going through right now."

In speaking specifically about the Ontario regulator, Botosan says it has been very open to hearing different thoughts and views. "They've really approached this in a very collaborative way," she adds, describing her working group experience and experience with meetings FSRA has conducted with MGA industry participants. "They understand what they're looking at and I think they want to collaborate to make sure that the outcome is best for Canadians and the long-term viability of the industry."

As for how the scrutiny of MGAs is being felt among other players in the industry, **Eric Wachtel**, chief compliance officer with **IDC Worldsource Insurance Network** says currently MGA oversight by insurers is done primarily through the Compliance Review Survey (CRS) that insurers conduct with contracted MGAs annually. "Insurers use the CRS to assess the risk-based monitoring of advisors, policies and procedures that the MGA has in place," he says. "Certainly the intensity and depth of MGA CRS reviews is increasing with insurers wanting to see evidence of MGA structure and documented policies and procedures. They also look for evidence that these procedures are being carried through in day-to-day operations." (Among its observations, FSRA states that it understands that insurers rely on CRS to ensure MGAs have policies and procedures in place, but it did not find that insurers confirm those policies and procedures are then followed.)

Wachtel adds that the industry may eventually need to more widely implement the use of technology tools like **APEXA** and add compliance elements to electronic insurance applications to improve FTC.

"Screening and risk-based monitoring of advisors takes time if you do it right. Helping an insurer investigate a client complaint can take a lot of time that could be saved if the insurer asked for more compliance information up front when underwriting a product purchase instead of asking for this information years later if a client complaint occurs," he says.

STEVE MASNYK

PROPERTY AND CASUALTY MGAS DISTINCTLY DIFFERENT

In property and casualty (P&C) insurance, there is often misunderstanding about what a P&C managing general agency (MGA) does. **Steve Masnyk**, executive director of the **Canadian Association of Managing General Agents** (CAMGA) says unlike life and health MGAs, a P&C MGA does not interact with the consumer.

In this part of the industry MGAs don't manage brokers, they underwrite business for carriers. "A carrier can do one of two things – they can employ an underwriter directly by the company who does all the underwriting activities, or they can outsource that activity to a property and casualty MGA," he says.

As for the regulatory landscape and its impact on P&C MGAs, Masnyk says it's become necessary in the past two years to make the distinction between company models quite vocally with regulators. "P&C MGAs do not have any kind of interaction with the consumer, the insured. That's the responsibility of the broker. The only fiduciary responsibility a P&C MGA has is to the carrier."

He adds that his association which represents about 90 per cent of the P&C MGAs in the country, has also introduced a code of conduct for its member companies to eliminate the uncertainty brokers and carriers had about the standards in existence for companies of this description.

He says the industry's organized voice is needed to clear up and make the distinction that the MGA model is not the same as that used by the life and health industry. "The P&C MGAs do not interact with the consumer," he says, adding that other discussions with regulators include whether or not P&C MGAs should be licensed as brokers themselves. "We are trying to tailor something very appropriate for the sector. How that looks remains to be seen."


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PERMANENT LIFE INSURANCE

Clients craving guarantees in an unstable economy

Inflation, rising interest rates and volatile financial markets are dragging Canadians' morale lower and lower. Permanent life insurance is a lifeline during this turmoil: Sales are growing steadily.

BY ALAIN THÉRIAULT

Volatile financial markets are causing uncertainty, and rising interest rates are putting the most indebted households in jeopardy. At press time, the high cost of living is showing no signs of abating: the **Bank of Canada** announced headline consumer price inflation of 6.9 per cent in October 2022, unchanged from September.

Even so, some permanent life insurance products have surged considerably since the start of the pandemic. This growth intensified in 2021 and the first quarter of 2022. A **LIMRA** analysis for the period from 2010 through the second quarter of 2022 finds that sales growth (based on new annualized premiums) of participating whole life and yearly renewable term universal life (YRT UL) has been vigorous since 2020.

Participating whole life sales have been advancing since at least 2010, a few dips aside. Following the financial crisis of 2008, this product became a safe haven for clients burned by the financial market crash because of its guaranteed premium and participating account dividend rate. This rate is often more generous than long-term interest rates, which have been falling since the crisis.

What's more YRT universal life insurance has seen a rapid upswing since 2020, LIMRA's analysis shows.

According to other data prepared for *Insurance Journal* by LIMRA research analyst **Matthew Rubino,** whole life insurance sales climbed 35 per cent from 2020 to 2021 for all products.

The 2021 numbers Rubino provided show that universal insurance sales across all products grew 29 percent in 2021 compared with 2020.

Based on LIMRA's analysis from 2010 through the second quarter of 2022, sales of the remaining permanent products, that is, non-participating whole life and level cost universal life, have been declining since 2021.

Philippe Cleary, Director, Actuarial Services, Individual Insurance, Savings and Retirement at **iA Financial Group**, offers a few reasons for the slump in popularity of level universal life insurance. "In terms of premiums, level UL was the top seller in Canada 10 years ago. Over the years, interest rates have fallen constantly until very recently, when the trend reversed. Insurance companies have started to sell this product at a higher price, and it has become less attractive to the customer, who has to pay more for the same coverage," he explains.

Because level cost UL insurance guarantees the cost of insurance for life, the insurer invests the premiums received in long-term, secure investments such as bonds. When interest rates fall, the insurer must charge a higher premium to provide this guarantee. YRT universal life is affected only slightly by long-term interest rates because its cost of insurance is similar to that of a one-year term product.

Impact of rising rates

Andrea Frossard, Senior Vice-president of Participating Insurance Solutions at **Canada Life**, says she has already seen a downward pricing adjustment in the market for interest-sensitive permanent products due to the recent increase in interest rates. Level universal life is one example.

The rate increase is also boosting participating whole life, she adds. "It's helpful, especially given the mix that we have at Canada Life for our par account. We have 70 per cent fixed income and 30 per cent non-fixed income. When we see the increases in the interest rates, that's a positive for the dividend scale over time," Frossard explains. She stresses the words "over time" because Canada Life reinvests 10 per cent of its fixed income assets each year. The insurer's reinvestment rate thus tops the industry average of three years. "It will still take some time to roll over all of the fixed income assets into an increasing interest rates environment," she points out.

In contrast, rising interest rates will put pressure on non-fixed income assets, whose returns are tied to financial market performance. Given the current volatility, Andrea Frossard emphasizes that both types of assets should be considered when determining the dividend scale of the participating account.

Philippe Cleary

As the popularity of level universal life has waned, that of participating whole life has grown, Cleary notes. Participating whole life is one of the permanent products where the client can get the most value for their investment right now, he adds. "In a whole life product, clients pay a higher premium rate for a given insurance amount. In return, they are entitled to receive experience dividends. Insurers redistribute these dividends on their profits to clients," Cleary explains.

He mentions that these dividends placed and managed in a policy's participating account can be used to grow the cash value or the guarantee amount. "Clients participate in the (mortality) experience, risk and profit. For a $100 premium, they will get a larger portion back than on the level UL or non-participating whole life side." On a premium basis, sales of non-participating whole life insurance have been stable since 2012, Cleary comments, referring to LIMRA's analysis.

Based on the number of policies and the coverage amount, term insurance products sell the most, Cleary points out. "That's always been the case," he says.

Andrea Frossard

Universal life gains second wind

LIMRA's 2022 second quarter report on individual life insurance sales in Canada sends mixed signals. For all products combined, new whole life premium sales slipped 4 per cent in the second quarter of 2022 versus Q2 2021. They were down 3 percent in the first six months of 2022, compared with the same period in 2021.

In addition, UL sales stagnated in the second quarter of 2022 compared with the second quarter of 2021 for all products. However, UL sales jumped 10 percent in the first six months of 2022, versus the same period in 2021.

In terms of premiums, universal life sales at YRT have been fairly flat since 2010, says Philippe Cleary, citing LIMRA's analysis of the period from 2010 through the third quarter of 2022. "There is now

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Chantal Gagné


Taylor Stavenjord

momentum. The product is starting to appeal to clients again. It gives them a little more flexibility and more accumulation options [than does whole life]," he says.

Andrea Frossard also highlights the flexibility of universal life insurance. She believes that clients appreciate being able to manage their investment strategy within these policies. Among the options available, clients can profit from the current rise in interest rates by choosing the daily interest investment option, for example. The fact that current interest rates are outpacing long-term interest rates makes this option more appealing, says Frossard.

In general, rising interest rates give UL insurance an edge over participating whole life insurance. "In a rising interest rates environment, once the current rates available in the marketplace exceed the rate of the dividend scale interest rates, than you'll see people start to be more interested in universal life rather than par life," Frossard says. She explains that par funds' performance lags because it cannot fully capitalize on rising rates in the short term.

Chantal Gagné, Vice-president, Individual Insurance, at **Desjardins Insurance**, foresees a partial upsurge in the popularity of UL products due to rising interest rates. At the same time, participating whole life insurance may represent an opportunity to provide clients with protection against inflation "which may well continue," she notes.

"We're expecting maybe a little bit of a shift in the mix of products compared to what's being sold today. We've been watching the recovery in UL since early last year," she says. She also believes that rising interest rates could dampen interest in the participating product in the short term. "But it's hard to predict whether the rates we're seeing now are here to stay," she adds.

THE MAIN PERMANENT LIFE INSURANCE PRODUCTS

Advisors offer two main permanent life insurance products in Canada: whole life insurance and universal life insurance. Each of these products has two sub-products to meet different needs:

- Non-participating whole life insurance (cash value; no participating account)
- Participating whole life insurance (cash value; participating account managed by the insurer)
- Universal life insurance with yearly renewable term (increasing premiums; accumulation fund managed by the insured)
- Level universal life insurance (fixed premium; accumulation fund managed by the insured)

T100 life insurance is considered a permanent product despite its name. Like whole life, this term product offers guaranteed lifetime protection in exchange for a fixed premium, also guaranteed for life. Yet unlike whole life, the T100 policy generally has no cash value. It is the most economical permanent insurance because cash value has a cost.

If the insured reaches age 100, some contracts provide for the insurance amount to be paid out. Others state that insured retain their coverage without having to pay a premium from then on.

Article: *Insurance Journal*

Sources: Autorité des marchés financiers; Soumissionassurancevie.ca; Desjardins

Universal life for the 21th century

With the launch of *Equitable Generations* on September 26, 2022, **Equitable Life of Canada** wanted to ride the wave of renewable rate products with "A new UL for the 21th century," the insurer states on its website. This product is only available in a YRT version.

Taylor Stavenjord, Assistant Vice-President, Individual Product and Marketing at **Equitable Life of Canada**, admits that participating whole life insurance largely leads sales in Canada, based on premiums. "But we are seeing movement in UL, and Equitable Life wants to participate in that space with a robust product proposition. We've seen in the course of history swings between UL and whole life."

Stavenjord says the team greatly emphasized cost transparency in designing and launching the product. As a result, the new UL collects only the investment option management fee from its clients. There are no contract fees (often called policy fees).

"We thought a lot about where we could be innovative. The number one aspect was the cost. Today, clients are more cost sensitive. They value transparency even more. First we stripped as many fees we possibly could. And we really tried to simplify the product," Stavenjord explains.

Another key focus of Equitable Life has been to provide flexibility and choice, Stavenjord continues. The product has 34 fund options, 18 of which are new. There are also three sustainable investment options based on environmental, social and governance (ESG) criteria, as well as target date funds. "We thought a lot about how to make UL more modern, thinking about clients' needs. The clients for which UL would be a good fit will purchase it for its flexibility and the choices it offers. It's the investment options that make this universal a 21st century product," he says.

Stavenjord gives the example of index-based investment options, which are very attractive. He believes that ESG, or responsible ,investment options will become even more important in the future. "People don't want to sacrifice impact for the sake of income, necessarily. If you can do both at the same time, that has value," he explains. The launch of target-date funds was a real innovation in the investment side of the *Generations* product, Stavenjord adds. A target date fund automatically rebalances to a more conservative asset allocation as the client's retirement approaches.

The new UL product comes in three versions: insurance protection, wealth accumulation, or a combination of both. The product also offers the *KIND*™ program at claim time. Services include living benefits, bereavement counselling, snap (instant) advance and compassionate advance.

Taylor Stavenjord points out that among its advantages, the new product is supported by e-app technology, as are other products. For example, Equitable

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Life's automated underwriting system *Plus* can automatically qualify 50 per cent of applicants, he adds. In permanent life, the insurer also offers participating whole life insurance and universal life insurance with *Equation Generation IV*.

Reassuring dividends

Guaranteed lifetime premiums, cash value and high dividend rates draw customers to participating whole life, our sources claim. These qualities drive sales of these products and set them apart from universal life. Andrea Frossard points out that interest rates are a very important part of the dividend scale paid to policyholders. This account is managed to ensure good, stable returns over the long term, she points out. "In an environment like we are in, with a lot of volatility, uncertainty and inflation, one of the benefits of par is just having more stability," Frossard says.

On July 1, 2022, Canada Life raised the dividend scale on its policies to 5.25 per cent. According to Bank of Canada statistics, the two-year Government of Canada bond issued on November 16, 2022, had a yield of 3.84 per cent, the highest rate at that time. The yield on the same series of 10-year bonds was 3.04 per cent.

Another feature that sets the participating account apart is that dividends credited to the account are vested, Canada Life's Senior Vice-President, Participating Insurance Solutions says. "Once policyholders' dividend is credited to the policy, they aren't negatively affected by future experience. With an environment like the one we're in today, with all the volatility in the market, it's something that people really like," she notes.

Andrea Frossard also lauds the flexibility of whole life, a quality shared by universal life insurance. With whole life, the policyholder can pay up a portion of the insurance amount with the premium payment, she says. Then there is the additional deposit option. Available in both *Wealth Achiever Plus* and *Estate Achiever Plus*, the option allows for additional premium payments to purchase additional paid-up life insurance, Frossard explains.

Because this option helps clients increase their paid-up insurance and cash value, Andrea Frossard says it gives them more tax-sheltered growth in the policy. What's more, clients can access their cash value without terminating their policy. For example, they can ask the insurer for a loan on the cash value of the policy. They can also borrow from a bank and leave their policy as security for the loan, she explains.

Canada Life has a long history of offering participating whole life insurance. "Part of my team is working on universal life products, but our focus is more largely on par life products," Frossard says. In fact, the insurer has offered par life for over 170 years. Canada Life also has the largest participating account in the country, at $49.5 billion at December 31, 2021. This amount represents the cumulative total of 1.5 million participating whole life policies, Frossard adds.

Needs analysis essential

Andrea Frossard underlines that it is important to offer both products, because each addresses different needs: "Universal life provides the customers with the opportunity to manage the investment strategy within their own insurance policy. Par policies are more focussed on guarantees, and the investment portion is managed for the policyholders," she says.

Philippe Cleary believes that permanent life insurance allows the insurer and advisors to position themselves on several levels. The Director, Actuarial Services, Individual Insurance, Savings and Retirement at **iA Financial Group** stresses that only a comprehensive financial needs analysis by the advisor can determine which product is best for the client. "Everyone needs at least a base of permanent life insurance, to cover funeral expenses, the tax bill and debts at death," he says.

Cleary points out that participating whole life, in its wealth-based version, will be used to increase the amount of money available for the estate. For companies that want to cover an insurance need and strengthen their balance sheet without reducing their cash flow, he thinks the value version of participating whole life is the most appropriate. Another advantage of policies with large cash value is that clients can use it to fund a project or generate additional retirement income, he adds. "They can get insurance protection and access to cash at the same time," says Cleary.

Universal life has more of an insurance and investment dimension. "We promote YRT universal life because it maximizes both flexibility and accumulation in the policy. High net worth clients can use it to maximize tax-sheltered accumulation of value while minimizing their insurance costs," Cleary says.

In contrast, non-participating whole life is well suited to parents and grandparents, who want to offer low-cost life insurance to their children or grandchildren, Cleary points out. Over time, the cash value accumulated in the policy will let the children finance a major purchase, he adds.

Payable in five years

Desjardins Insurance says it is the first in the industry to launch a five-year participating whole life insurance product. Vice-president of individual insurance Chantal Gagné emphasizes that the new product allows clients to pay off their policy faster. “This product gives our clients the opportunity to secure their family’s future sooner, so they can stop thinking about their life insurance and start enjoying life,” she says.

Desjardins Insurance’s new whole life product also lets clients withdraw a portion of their cash value, while keeping a portion of the policy in force. This offer applies to all of the insurer’s participating and guaranteed products. If the capital decreases, the insurer will pay the corresponding proportion of the cash value. Gagné gives an example: “If clients reduce their death benefit by half, Desjardins Insurance would pay them 50 per cent of the cash value available at that time. Their future premium would be reduced based on the lower death benefit.”

What’s more, the new Desjardins Insurance product can help clients achieve several financial goals, including providing their children and grandchildren with a financial foundation, supplementing their retirement income, and diversifying their assets and managing risk if they are business owners, Chantal Gagné points out.

The product follows on the heels of solid growth in participating whole life. “In the last few years, we have not been very active in universal life and have put a lot of energy into our participating products to improve them and making their dividend scale more competitive. We have achieved 50 per cent growth in sales of the participating product in the last year,” Chantal Gagné says. She adds that the Desjardins Insurance dividend scale credits a rate of 5.75 per cent to the participating product account.

GROWTH BY MAJOR PRODUCT CATEGORY FROM 2012 TO 2021 - PREMIUM SALES

	Universal Life	Whole Life
2012	-14%	25%
2013	-17%	14%
2014	2%	10%
2015	8%	13%
2016	37%	53%
2017	-30%	-20%
2018	-15%	-10%
2019	-8%	16%
2020	-10%	-4%
2021	29%	35%

Source: LIMRA

Take the value and keep the insurance

Guillaume Fauteux, Vice-President, Business Development and Marketing, Individual Insurance and Investment & Retirement at **UV Insurance** discussed the insurer’s new non-participating whole life insurance product. Launched in September 2022, *Whole Life High Values* is available in 20 annual payments for policyholders aged 0 to 75. This life insurance product provides substantial cash value at age 65, hence the name.

Whole Life High Values is available in a simplified issue version, as is the other non-participating whole life product, *The Adaptable*. The simplified version of the new product allows clients to purchase insurance amounts from $50,001 to $150,000. Based on regular selection, individuals can purchase up to $2 million without the need for head office approval.

The new high value product offers various options, including the ability to stop paying premiums and keep a reduced paid-up life insurance policy. Insured have access to guaranteed cash value, either partially or in full, starting on the policy’s 10th anniversary. “The value represents 50 per cent of the insured capital when the client reaches age 65,” says Guillaume Fauteux.

He explains that the goal was to launch a product that was simple and fast, with an affordable premium and high value. The product responds to a need for stability, he adds. “After the momentum we saw during the pandemic, where people suddenly had a lot more liquidity, there now seems to be a need for security. We’ve seen that this year in guaranteed investment certificates (GICs). It’s not just because of rising interest rates. People are going to be looking for some guarantees. We’re going after that segment of the population that wants to guarantee 100 per cent of their contract,” says Fauteux.

Guillaume Fauteux

The *My Universe* electronic platform, rolled out in May 2020 by UV Insurance, has greatly facilitated this launch, Fauteux continues. “We have been on a roll since *My Universe* was released. Each new product is a success. We feel the interest following the repositioning of our term insurance rates. The word is spreading quickly, as is our popularity and awareness. Our high value whole life is truly putting us on the map,” he says.

He mentions that UV Insurance sales are increasing, as are calls to its centre. The team is growing as a result. “I appointed a new director of business development in Quebec in June 2022: **Mike Mainville**. Mike has taken over the territory from **Chantal Marquis**,” says Fauteux. Marquis is now focusing on Ontario and Western Canada. “Appointments are imminent in the individual insurance and investment & retirement sales team,” he says.

Lessons from the best to help you achieve greater sales success

Several of the life insurance industry's top advisors and rising stars shared their insights at the 10th annual Canada Sales Congress.

BY SUSAN YELLIN, PHOTOS BY PHOTOVISIONS DIGITAL

Van Mueller is on a crusade. As a long-time advisor and **Million Dollar Round Table** (MDRT) Top of the Table (TOT) qualifier for the past 32 years, he's seen how inflation, taxes and the topsy-turvy markets can affect clients, both emotionally and financially.

And he has set out to help as many people as possible develop strategies that will allow financial advisors to help people stay in control.

Mueller told the **Canada Sales Congress** that the biggest weakness in the financial services industry is that most advisors don't get in front of enough people to help them.

"Our job is to get clients to take control of taxes, benefits, inflation, cash value life insurance and longevity," said Mueller who is a financial services representative at **Westpoint Financial Group** in Wisconsin. "Our job is not to teach. Our job is to inspire people to take action. And we do that, not by talking about ourselves but by asking them very powerful and compelling questions."

Those questions revolve around how people can take control of their taxes, ensure their benefits won't drop and counter inflation by getting cash value life insurance, a death benefit that replenishes the money used while the client is still alive, he said.

Sim Gakhar of Markham, ON has already made it to the Top of the Million Dollar Round Table (MDRT), which represents not only increased earnings, but the ability to feel like a true professional rather than an "insurance agent."

Although she was doing well before, Gakhar wanted to change her approach, so she collaborated with specialists who knew the corporate insurance market; then she hired a couple of coaches, a mentor and five assistants to help her reach her next level of production. She learned the importance of the difference between "who" not "how" and the reputation of becoming a solution solver and a niche developer.

"I'm not selling," said Gakhar. "I'm providing solutions."

Sim Gakhar

Sandro Forte

A positive mental attitude

After more than 50 years in the industry, **Bruce Etherington** knows that always having a positive mental attitude is key to thriving in the business. Etherington said having a process, looking for people who love other people and sharing why you do what you do will help fellow advisors prosper.

He suggested advisors get a top 20 list of clients and a full calendar of meetings. "And if you see them, again and again, great things are going to happen. If you don't see them nothing's going to happen."

Etherington suggested advisors have different buckets of clients – one for prospects who can be educated – and a second one for long-time clients.

Author and Managing Partner at **Forte-Financial LLP** in West End, England, **Sandro Forte** said some advisors surround themselves with what he called "the discouragement club," but suggested to those attending the conference that they immediately remove themselves from this group.

Set the bar high

Instead, Forte said advisors need to learn to be successful by developing a belief system that sets a high bar for themselves.

"We may not necessarily get to our destination but if we set that bar really high there's a very good chance we will exceed our initial expectations."

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That starts with world-class communication. While product knowledge is good, it's not the key to getting clients. Rather, said Forte, success depends on the advisor's ability to speak to people in client language.

For example, trainers and managers have told him to put 10 "appointments" in his diary; but if he changes the word to "meeting" he was more likely to get to talk to a potential client. Similarly, Forte was always told to ask for "referrals," but when he changed the word to "personal introduction," this gave him a better chance to talk to the person.

Focus on the process

Whatever words are used, he said advisors should focus on the process and be consistent, a trait that will allow clients to trust your brand, said Forte.

Julie Sarkis didn't have a financial background when she started in the industry. In fact, she had been a teacher at her own Montessori school for 30 years. But when she decided to trade in the emotional and physical development of children to helping people with their finances, she immediately began to study for her LLQP and use market surveys as her stepping stone to a new future.

Her manager explained to her that performing market surveys was a great way to get started and build up trust. "Just do it. Don't doubt it," became her mantra. Whatever number of surveys her manager asked her to do, she multiplied the number, with a minimum of at least 10 a week.

When doing the surveys she told the people she only needed to talk to them for a few minutes, wouldn't ask any personal questions and that she was not selling anything. She did ask for introductions to others.

"I took this simple, non-invasive, trust building survey process and turned it into a successful sales process," said Sarkis, a financial security advisor at **Desjardins Financial** who is licensed in Ontario.


Julie Sarkis


Elli Schochet

While she has learned much since she started, one of her biggest takeaways was that the more she helped, the more she sold: a benefit for herself.

Succession planning

Succession planning is a key aspect of the financial world, especially for those who have a business that is probably one of the most valuable possessions that they own, said **Elli Schochet**.

Schochet, who became a partner at **Al G. Brown & Associates** in 2016, said advisors need to ask themselves the same question they ask prospective clients: what would happen to your family and/or business if you were no longer around.

"Bad things don't only happen to our clients, they happen to advisors too," noting that his partner in the company passed away, relying on staff to make sure the business continued to run.

"Don't forget about the vultures. They're out there. They're circling. Don't be the vulture. If someone passes away, be the bigger person – don't be the one to scoop up business."

Schochet said it's important to tell clients about the passing of a partner or owner because clients need to know that they are still being looked after.

He suggested that if other advisors end up in the same position he was, they should learn to delegate, collaborate with other professionals, put themselves on the payroll and have a positive mental attitude.

Micheline Varas

Collaborative work opportunities

Some financial advisors like to specialize in collaborative work opportunities. **Micheline Varas**, a senior partner with **Customplan Financial Advisors**, said fewer than 20 per cent of advisors sell income replacement insurance (disability).

But working with other advisors to build relationships and help them fulfill their needs will help more people formulate a plan, said Varas.

"We can analyze alternative strategies while understanding that client goals reach far beyond us as individual practitioners," she said. "By building collaborative, multi-disciplinary practices we can promise the best and deliver the best."

Those working in this industry study disability income to become experts, or work with an expert to best position themselves with positive results, said Varas.

"Compliance and collaboration: it is our fiduciary responsibility to ensure our clients are looked after in the event they live too long, die too soon, become critically ill or disabled."

A TOT member, Varas said she can now work internationally, opening up new horizons.

"Our most valued gifts are communication and time. Collaborative work allows us to spend less time working while delivering and earning far more," she said. "So narrow your focus, broaden your scope, build a larger practice and a smaller world and open your new horizons to living benefits."

Life insurance is another way advisors help their clients, but there are many different ways the insurance can be used, said **Andy Kovacs**, president of **Andy Kovacs Insurance and Financial Solutions**.

COVID exposed vulnerabilities

Vulnerabilities were exposed during COVID-19 – everything from health to financial security, said Kovacs. Understanding the concept of essential financial security helped position financial plans for his clients.

He said clients should have family and lifestyle coverage, enough to build "a stash of cash" for emergencies or opportunities. Term life insurance can be used as short-term, tax-free cash on the life of a person, while non-participating whole life or universal life can be used to pay for capital gains, charities, medical and funeral expenses.

Kovacs said he uses participating whole life cash value insurance to create lifestyle income.

Generational tax-free cash

Generational tax-free cash for families will help change the financial comfort level and financial trajectory of a family for many years to come, he said.

"Life insurance is not so much about what you need, it's about what you want."

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Andy Kovacs

Mark Halpern

Many people don't have philanthropy as part of their estate planning, but **Mark Halpern**, president of **WEALTHinsurance.com** said it has now taken off, for the benefit of both the policy owner and the cause for which they leave money.

Halpern said about 85 per cent of successful business people are so busy looking after everyone else that they don't have basic planning, including estate planning and tax-minimization strategies that can be converted into charity.

He gave the example of well-to-do clients who start collecting **Canada Pension Plan** (CPP) when they turn 65. That turns out to be about $26,000 a year for a couple. They don't need the money and when they die the CPP goes as well. He suggested that the couple take the $26,000 a year to create a $1.4-million life insurance policy. Or, they can take the CPP and donate the $1.4 million when the couple dies, saving their estate on taxes of up to $700,000. Another option is for them to take the CPP and buy a $1.4 million life insurance policy with the grandchildren being the beneficiaries.

Halpern said it takes a sense of responsibility to look after next generations, but once clients do that, they are pleased they have made the commitment.

Lucky to be in the business

With 52 years of being an advisor under his belt, **George Sigurdson** said financial advisors are lucky to be in the business.

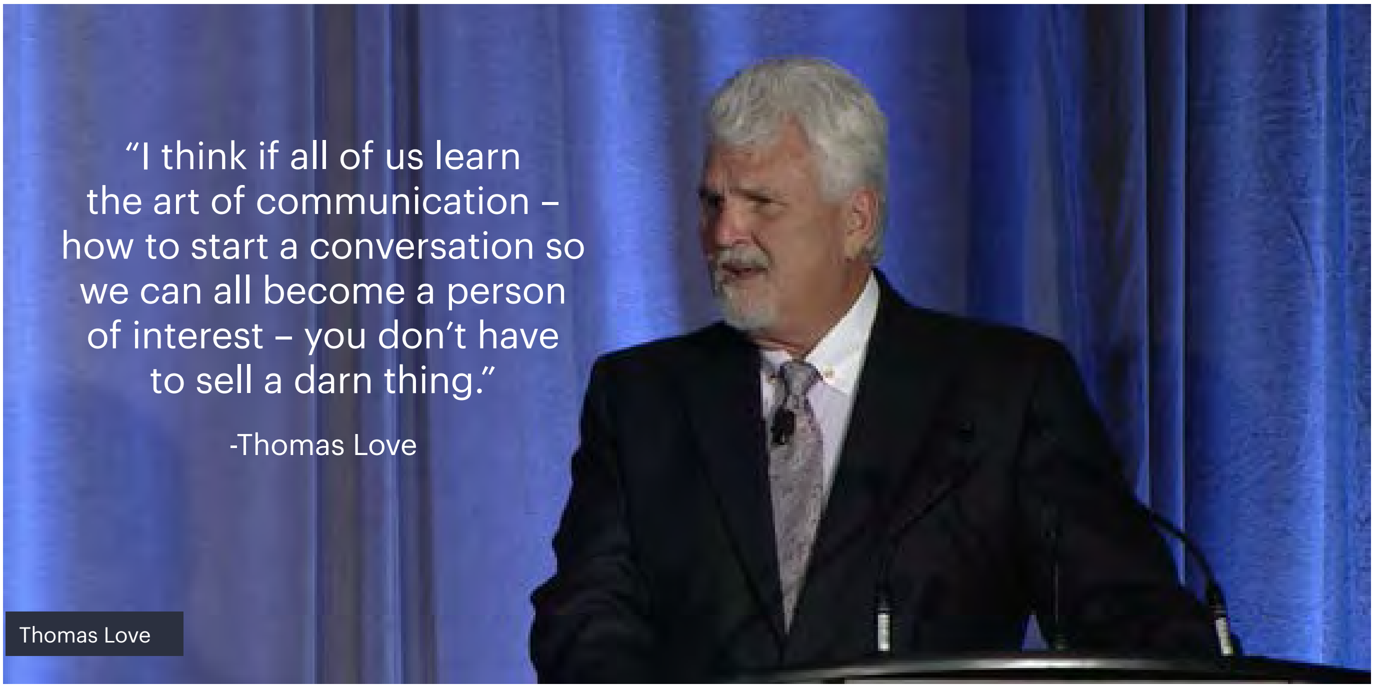
Sigurdson, president of Winnipeg-based **Sigurdson Financial Group**, said selling life insurance, specifically whole life, is the greatest financial, non-managed tool many clients will buy in their lifetimes.

But he is also a big proponent of term insurance, income replacement insurance, disability and long-term care insurance. He said he bought three long-term care policies prior to going into the hospital not long ago and the insurer sent him $10,000 a month. He had also purchased critical illness insurance and when he got cancer he received a cheque for $350,000.

"We're all going to get something – no matter how many salads you eat," he said, adding that when a person is young a CI policy isn't that expensive.

Sigurdson said all his clients have a complete financial analysis done, a relatively uncomplicated process.

"I have trust in the system; I have trust in the people



Thomas Love

that we deal with and all we have to do is see the people. The bottom line is: yes, you can make a ton of money, but what other profession in the world delivers what we can deliver to people? We help families … and they look at you and they trust you."

In all aspects of selling insurance, communication is key, said sales coach and author **Thomas Love**.

For example, Love said there is a difference between an "elevator pitch" and an "explanation of services." The elevator pitch, he said, is short and usually doesn't result in anything, while an explanation of services demands action.

What the consumer wants to hear today, he said, is a problem solved that they didn't even know they had.

"I think if all of us learn the art of communication – how to start a conversation so we can all become a person of interest – you don't have to sell a darn thing."

In a heartfelt video, **Andy Freeman**, Regional Vice-President, **Canada Life**, talked about how insurance helped his brother Dave's family after he was diagnosed with a deadly blood cancer in May 2020. Dave, an airplane pilot, gave his brother a note reminding him that Andy was his executor and "not to invest in anything risky."

Dave's wife said he always believed in insurance and had been well covered before his illness and neither had to worry about how they would make do financially.

Andy Freeman said his brother always wanted to make sure there was a lot of money coming in and that his wife didn't have to return to work. After getting the life insurance payment, Andy said his sister-in-law will now have an income for life.

Use a proven formula

Wayne Cotton, a 40-year member of the MDRT who develops training tools and programs for other advisors, said there is a large gap between some advisors and success.

Cotton equated the insurance business to a batch of formulas. "I believe that most advisors can make two to five times as much revenue, not work as hard with way more time off with a lot less anxiety and a better personal life by using a proven formula."

The one thing holding back advisors is what he called the "age of mass distraction," with many people in chaos. "We need structure, strategy, formulas and principles."

Cotton said advisors need to determine who they want as clients. He suggested advisors replicate the best service they can to their top-10 income-generating clients, then sell the rest of their clientele to other advisors.

He said successful advisors have slowed down, simplified certain processes and are specialists in what they sell. "So many things are good when you have the formula right." ▲


Wayne Cotton

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Bruce Etherington


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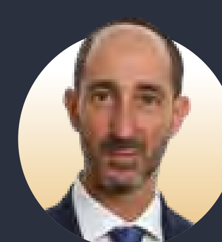
Elli Schochet


Wayne Cotton


Julie Sarkis


Van Mueller


Sandro Forte


Micheline Varas


Sim Gakhar


Andy Freeman


Tom Love


Andy Kovacs

STRATEGY

Life insurers look to the future

Whether it's digitization, regulation, or expansion, insurers have plenty on their plate as we head into 2023.

ARTICLES BY ALAIN THÉRIAULT AND KATE MCCAFFERY
IMAGES BY FREEPIK

Don't regulate to the point of discouraging recruitment

Recruiting and digital support for advisors will dictate life insurers' actions in 2023, according to a recent executive roundtable discussion.

BY ALAIN THÉRIAULT

Red tape must not slow down the recruitment of advisors, affirmed life insurance executives during a roundtable discussion at the ***Congrès de l'assurance de personnes 2022*** (2022 Life Insurance Convention) organized by the ***Insurance Journal*** at Montreal's *Palais des congrès*, on Nov. 15.

In addition to recruitment issues, the roundtable participants discussed their desire to provide increasingly advanced digital tools to enhance advisors' productivity by enabling them to meet more clients.

On the occasion of the 25th anniversary of the Convention, roundtable participants took a critical look at how the profession has evolved over the past 25 years. They raised and discussed issues that will dominate the financial advisory profession. Participants included **Denis Ricard**, president and CEO of **iA Financial Group**, **Michael Aziz**, chief distribution officer and co-president of **Canada Protection Plan**, and **Robert Dumas**, president and CEO of **Sun Life Quebec**. **Serge Therrien**, president of the Convention and of the *Insurance Journal*, moderated the roundtable.

From 2000 to 2010

The consolidation movement of the 2000s stands out particularly for Denis Ricard. This was the time of demutualizations, followed by major acquisitions. "Foreign insurers left the market. We went from about 160 insurers to about 100. That cleaned up the market," recalled Ricard.

The 2010s, meanwhile, were the years of low interest rates. "I started working at Industrial Alliance in 1985 and I had a mortgage at 14 per cent," said Ricard. "The drop in interest rates has had a profound impact on our industry," he added. He said it put pressure on insurers' balance sheets and transformed products. Sales have shifted from guaranteed products to more temporary products.

From 2020 to today

Since 2020, the pandemic has led to changes in behavior. "Advisors have massively adopted digital tools to meet their clients and close sales remotely," said Denis Ricard. Clients have changed, too. "They're willing to meet with you virtually," he told conference attendees. "I'm not sure they would have been as open to virtual meetings before the pandemic."

At Canada Protection Plan, Michael Aziz said he believes that technology has been the most important driver of change in the industry. "Before, you had to motivate advisors to use electronic methods. Now, if you don't have a good electronic application, you don't exist," he said.

He said customers are ready for this kind of relationship and even prefer it. The customer no longer has to clean his house before the advisor visits, and the advisor doesn't have to commute, he added. "We meet on Teams or Zoom, and when the meeting is over, we sign electronically!" said Aziz.


Denis Ricard

From salesperson to coach

Robert Dumas said he believes that the role of the advisor has changed. "Before, we used to say that insurance could be bought or sold. Today, we provide support," he said. He added that the client is now someone who suspects he or she has certain insurance needs. "The advisor must meet with them, analyze their needs and develop solutions together with them, rather than simply presenting products. It's a big change that puts the advisor's role at its best," Dumas said.

He said he believes that advice empowers clients. "The client who understands is interested in taking action. A lot of progress has been made in this regard over the last 20 years, and a lot of it is due to the quality of the advisors. They're no longer people who sell; they're people who present and explain how things will happen," he said.

The landscape has become more complex

Life insurance is no longer just protection. It has become a balance sheet asset that is part of wealth management, said Dumas. Products that share in insurers' profits, such as participating whole life, have become more important, he said. In health insurance, critical illness insurance has become extremely popular, he added.

Dumas said this decompartmentalization of products has gone beyond insurance. Bancassurance has accelerated in recent years. He pointed to the arrival of non-traditional players such as **Wealthsimple**, and new products such as exchange-traded funds and cryptocurrencies. "These are more things for advisors to be aware of. They don't necessarily have to distribute all of these products, but they should be prepared to discuss them with clients," Dumas said.

Another trend that confirms the importance of the advisor's role: employers dropping their group insurance plans or limiting the scope of coverage. According to Robert Dumas, the advisor's role is to make the client aware of the consequences of his or her choices. "Often, the individual may not realize that they have lost something with respect to their group insurance choices. The advisor is there to discuss this with their client," he added.

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One of the things Dumas said he has noticed is that group life sales and in-force coverage have been declining in recent years, and drug coverage is going in the same direction. He said he believes that the role of the advisor will be even more important in the future, to ensure the sustainability of plans.

Regulatory middle ground

Regulators are getting more involved. The industry has seen this with the concept of fair treatment of consumers," said Dumas. It's an issue that he said requires finding a middle ground. "Extremes are dangerous. Dialogue between manufacturers, distributors and regulators is extremely important in order to arrive at a solution that is acceptable to all," he said.

Michael Aziz

Some jurisdictions are more progressive than others in Canada, and Quebec is one of them, Dumas said. "Being at the forefront is positive, but you also have to listen to the people on the ground to get these ideas out there. It's easy to be dogmatic, but we also have to be operational in our approach to make it happen," he said.

Ultimately, the industry will have to pass on to the customer the bill created by the regulatory burden, said Denis Ricard. For example, privacy obligations differ from province to province, making it particularly complex for entities operating in more than one province. In Quebec, those regulated by the **Autorité des marchés financiers** have specific privacy and cybersecurity obligations, in addition to the provisions of the *Act respecting the protection of personal information in the private sector*. "We need pan-Canadian coordination, otherwise it's a bit of a mess," said Ricard.

Denis Ricard said he sees a second regulatory issue in the fact that there are a great number of changes occurring at the same time. "It's getting difficult and expensive for the industry. There is a danger of unintended consequences when you want to move too fast," he added, citing the example of the upcoming regulation of segregated fund commissions.

Robert Dumas

In the summer of 2022, the **Canadian Council of Insurance Regulators** (CCIR) and the **Canadian Insurance Services Regulatory Organizations** (CISRO) launched a consultation paper on commissions paid on the sale of segregated funds. As of February 2022, they encouraged insurers to stop charging deferred sales charges on the sale of segregated funds. They said they expect a transition to the complete cessation of these fees by June 1, 2023.

"It's normal for a regulator to protect, but if the change transforms the industry's business model too much, it may be more difficult to recruit. This is a problem Canadians are experiencing: there are not enough financial advisors," he said.

If there is a shortage of advisors because of the difficulty of entering the profession due to regulatory changes, seen as positive on an individual basis, the industry will find itself in a situation where not all Canadians are being served, said Ricard. "That's where dialogue becomes important, with listening happening on both sides. It's sometimes difficult..." he said.

A return to career networks?

Denis Ricard said he believes it is important to have a network of exclusive advisors (called "career networks" at iA) among his distribution channels. He said that the number of advisors has increased in iA's career network. He added that this has been achieved despite the low unemployment rate, and the extensive training that recruits must undergo to meet clients' financial needs. "The average age of people in our career network is 43, and its diversity is representative of the population," he said.

With regards to recruitment, Michael Aziz also noted the contribution of cultural communities, both domestically and in the industry. "We've seen a lot of immigration to Canada and we'll continue to see a lot of immigration," said Aziz, who is the chief distribution officer and co-chair of Canada Protection Plan. A **Foresters Financial** company, Canada Protection Plan deals solely with the MGA channel.

Like iA, Sun Life distributes through both a proprietary advisor network and the independent MGA channel. "We are proactive in hiring," said Robert Dumas. He added that the average age of advisors in Sun Life Quebec's exclusive network is late 40s, while 37 per cent of his advisors are women and 10% are from the Asian cultural minority. "It's enriching for us," he said.

Dumas said that the number of advisors in his proprietary network declined, only to start increasing again. "We have invested a lot in the last two to three years. You have to realize that (technological) change is sometimes difficult to accept, and there has also been attrition. With the tools we have in place, we have a great offering for prospective advisors," Dumas said.

Harnessing IT to see more clients

Dumas said he remains realistic: "We can't escape the labour shortage nor the aging population. What we can do, other than hiring advisors, is make them more productive," he said. "The key will be technology, not to replace, but to support every advisor," Dumas added. He pointed out that all insurers have made significant investments in technology since the pandemic began, "and we are seeing productivity start to increase."

Advisors working in rural and remote areas tell Dumas that they have never had more time to visit clients. Platforms like Zoom allow them to do away with long car rides, he said. Beyond customer-facing technology, back-office, and online apps that speed up response time, Dumas stressed the growing importance of data intelligence, which will help simplify interactions.

No future under $50,000

How much should an active advisor earn at five years in the business or more? Michael Aziz said it's very difficult to calculate the average income of advisors in an independent network, which is often characterized by extremes. "You'll have advisors making $300,000, for example, and others making $0 because they have a contract with an MGA, but don't place business there," he explained.

Aziz said he prefers to talk about opportunities. "A lot of potential clients don't know about insurance. I've

had clients tell me they have insurance for three times their salary. But that's group insurance; it's not something you own. Robert (Dumas) mentioned that there is less group insurance being sold. Do Uber drivers have group coverage? No! They need insurance," said Aziz.

This gives advisors opportunities to increase their pay, he said. "You have to be willing to work, make calls and use technology. With social networking and the lists you can generate, young people don't have to knock on the door anymore," Aziz said. He added that he sees opportunities through customer leads. "A lot of people are searching the Internet for life insurance. They don't know where to go."

Sun Life's Robert Dumas said it's difficult to compare the average revenue of the career network to that of the independents, "because their products and client segmentation are quite different." He said that the average sale per advisor is higher in the independent network than in his exclusive network. He added that the independent network has access to a clientele that is difficult to reach directly through the exclusive network.

Meanwhile, iA said it is striving to equip its two networks with comparable technological tools. In the independent network, the insurer owns PPI, an MGA whose advisors do business with entrepreneurs. "These tools allow us to work in all niches," said Denis Ricard. He praised the vision of his specialists who foresaw that technological tools would come to the forefront. "From the beginning (of the pandemic), we were able to continue selling. I've had sales managers tell me that they were able to recruit advisors from our competitors because they didn't have these tools. In both networks, these tools make advisors much more productive than they used to be. The best ones are making more money: they're using multiple tools and meet with multiple clients a night."

When asked about a living wage for a five-year advisor, Robert Dumas said it depends on whether the advisor is late in his career or a rookie. "For advisors in our career network, we decided to give them a monthly stipend for the first three years, so they don't start from scratch," he said. He explained that this program helps attract new recruits and gives them time to develop.

Sun Life also wants to make it easier for advisors who are nearing the end of their careers to transition their business to other advisors. Dumas added that the advisor model is changing. The old "advisor and assistant" model no longer works, he said. "Advisors need to work in groups, to amortize their compliance and technology expenses. We'll see more of these groups," he said.

Dumas said he believes that the need for expertise is another reason that will drive more advisor groupings. "With support advisors, you can go out and get other expertise. The client wants to have a holistic experience: they want to talk about wealth, and also about protection. With the complexity of products, regulations and certification, it's becoming cumbersome to do both."

Denis Ricard offered an optimistic message for recruits. "It doesn't take that long to make $50,000 a year. Once you get there, you're on a roll," he said, noting that many will go on to earn much more. "You can't really survive in the industry on less than $50,000 a year," he added.

Replacing deferred charges

The aging sales force is inexorably eroding the advisor cohort in Canada. In another headwind, the deferred sales charge ban is making it even more difficult for new mutual fund advisors, and soon segregated fund advisors, to get established. How do we get out of this vicious circle?

"There will be client segmentation and many ways to serve people. Some of it will be served through call centres or digital platforms. An advisor cannot serve clients with little protection and few assets in the same way as those with additional wealth," said Robert Dumas. Therefore, an assisted service will give the client access to an advisor who is not attached to them. Next a service will come along that will allow them to access an advisor dedicated to them, Dumas explained. He called this a "multi-channel" approach.

Robert Dumas said he is relying more on productivity enhanced by digital tools than on the compensation model to get more clients served.

It takes time for an advisor to meet a client and understand his or her needs," said Denis Ricard. He is concerned that changes in compensation by regulators will prevent advisors from seeing some clients. "The majority of the time, the client will not go online to get their coverage," he said. While the hope is that clients will take the initiative, they generally won't, Ricard added. "More and more people will not be protected. For the population at large, it takes human intervention," he said.

Technology and health in 2023

"Expect organizations like ours to continue to invest heavily in technology to help you be more productive," Denis Ricard said. He added that he expects there will be innovations every year. "Expect to use technology even more than you already do."

Robert Dumas brought the discussion back to the main challenge: accepting changes. Because of the economic environment, they will come even faster," added Dumas.

Michael Aziz said he believes that compliance and technology will be very important in 2023. People will do research before they get insurance. "You have to be on social media and have a website," he added.

While advice should touch all facets of a client's life, Dumas said that the broader conversation has been more about life insurance and investing to date. Eventually, health will be added to comprehensive advice, he said. In light of the problems that have arisen in seniors' residences in recent years, Dumas said he believes that planning for the last years of life will emerge. This will grow, given the baby boomer wave and decumulation aspects: "This will be a very important entry point for advisors," he said.

As to whether long-term care insurance will come back from the brink in Canada, Dumas said it should be addressed by wealth management rather than insurance.

Beneva expects to complete integration in 2024

The insurer's CEO says there will be fewer technology systems at the end of its program than La Capitale and SSQ Insurance originally had.

BY ALAIN THÉRIAULT

Jean-François Chalifoux

Jean-François Chalifoux, president and chief executive officer of **Beneva**, says he is preparing for **SSQ Insurance** to become Beneva in January 2023. Beneva will then be three-quarters of the way through its integration program, he says. Ultimately, the integration will ensure that Beneva has state-of-the-art technology systems, says Chalifoux.

"In 2023, the continuation of our integration program will focus our energies. We expect to fully integrated SSQ's operations by Jan 1, 2023. There is still a lot of work to be done in our (technology) ecosystems. Next step: we expect to have all new business systems integrated by January 1, 2024. We will then convert our in-force legacy business systems to new systems by 2025," he says.

Chalifoux says they are modernizing what he calls technology ecosystems. "At the end of our program, we will have fewer systems than we had at **La Capitale** and SSQ before the integration, and they will be the most modern in the industry."

He will also place a high priority on customer experience. "In 2023, the focus will still be on integration. We want it to be as invisible as possible to our customers, which we have been able to do so far. We want the customer experience to be second to none. To achieve this, in 2023 we will develop digital systems to support customer relationships. Insurance processes will be more modern, and the digital approach will focus on customer experience and after-sales service. We want to arrive with an end-to-end digitalized front office," he says.

Market share

According to the October 2022 *Journal de l'assurance*'s life and health insurer market share report, Beneva's market share declined in Quebec between 2020 and 2021, while it remained stable for the rest of Canada. Chalifoux explains that Beneva still has a high proportion of its premiums in Quebec, across all products. More than 73 per cent of the insurer's life and health insurance premiums are concentrated in Quebec.

In the chart below, Beneva reported the proportion of premiums in Quebec and outside Quebec, for its various products and lines of business. The insurer used consolidated data from the 2021 financial results table that it provided to the *Insurance Journal* in May 2022, for the report on insurers' financial results published in the June 2022 issue (see pages 10-14).

Chalifoux adds that the data gives an overall picture

DISTRIBUTION OF BENEVA PREMIUMS IN 2021 IN QUEBEC AND OUTSIDE QUEBEC

DISTRIBUTION 2021	QUEBEC	OUTSIDE QUEBEC
Life and health insurance - Direct premiums		
Individual life	70.0%	30.0%
Group life	69.1%	30.9%
Individual annuities	68.8%	31.2%
Group annuities	50.8%	49.2%
Individual accident and illness	51.0%	49.0%
Group accident and illness	77.4%	22.6%
Life and health insurance - Total premiums	73.3%	26.7%
General Insurance - Direct premiums	91.7%	8.3%
TOTAL — Life and health insurance and General insurance	**78.8%**	**21.2%**

Source : Beneva

of life and health insurance business activities. "Our share declined in 2021 because of our group annuity business, in which we have not invested much energy since 2020, 2021. Our competitors have made significant gains in that niche," he says.

"In our target niches of property and casualty insurance, individual life insurance, individual savings and group insurance, our shares have been maintained or even increased. It is remarkable and exceptional that our strategic niches are all growing, even though we are in the middle of the largest integration in Quebec," says Chalifoux.

P&C, inflation and shortages

In property and casualty insurance, inflationary pressures fueled by labor shortages and supply chain disruptions are impacting results in 2022 after "two exceptional years" due to the COVID-19 pandemic and the economic downturn, Chalifoux says.

"While our property and casualty results are excellent, we are feeling this pressure. Even though auto claims frequency is lower, the average cost of claims is increasing significantly compared to past experience," he says.

Weather also came into play as a spoiler in 2022. "High-impact weather events took place in Quebec, in May in the Laurentians and in September in Montreal, which put pressure on our results." For example, on May 21, a line of thunderstorms called a *derecho* caused considerable damage in the Laurentian region, with trees falling on power lines and buildings. On Sept. 13, heavy rains dropped more than 50 millimeters of water in two hours on the Montreal metropolitan area, flooding many basements.

Expanding across Canada

Accelerated business growth is expected in 2024 for Beneva, says Chalifoux. "We are still rooted in Quebec. Post-integration, we want to conquer Canada. We want to grow our footprint," he said without specifying a number. The priority will be Ontario, Chalifoux added. "It's close to Quebec and it's also the largest insurance market in Canada." Chalifoux says that he is banking on the reputation Beneva already has in that market.

The insurer is preparing itself. In November 2022, it appointed **Shirley Marquis** as Beneva's vice president, sales, brokerage network. In announcing the appointment, **Michael Rogers**, national brokerage vice president, stated that Marquis will lead sales development and growth with broker channel partners nationwide.

Marquis has over 20 years of industry experience. After leaving La Capitale Advisory Services in 2015, Marquis held key positions in the **SFL Wealth Management** network, where she managed the **Gatineau Financial Centre** since 2021.

Winning in Canada is a key focus for Manulife

With most shareholders residing in Canada, Manulife places particular emphasis on improving the Canadian customer experience and growing earnings at home going forward.

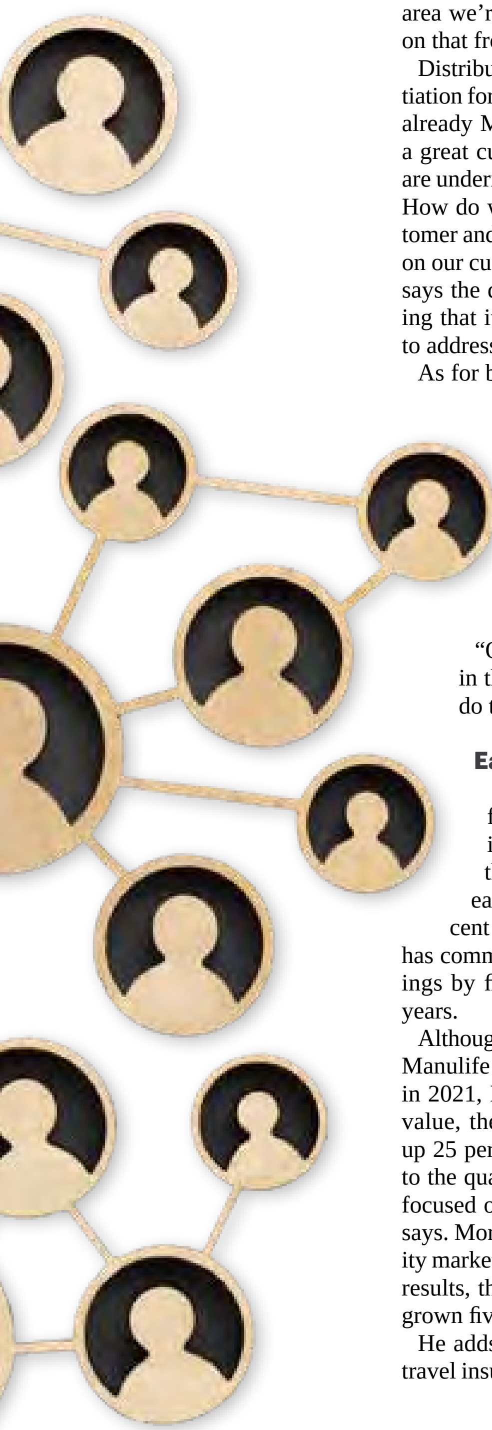
KATE MCCAFFERY

Manulife Canada's President and CEO, **Naveed Irshad**, has been tasked with the job of winning in Canada. Less than half a year into the job when he spoke with the *Insurance Journal*, he says some of the strategies he plans to use are still being formed, but his mandate from the company's leadership and board of directors is clear: Manulife shareholders generally reside in Canada, and their experience with the company is through their interaction with **Manulife Canada**. Winning in the company's home country will be a theme much used in the coming months.

Digital developments

One focus for the company in the present and into the future will be on digital developments. It has a number of programs it also says are differentiators in the market – these include Vitality, to which the company recently added an enhanced paid membership in addition to the basic free version it offers its members. Another program he says is a company differentiator is Health by Design, a preventative care model integrating pharmacy, wellness and disability programs. "The demographics are such that this is a

Naveed Irshad



win-win," he says of Health by Design. "This is an area we're really going to invest in. You'll see more on that front."

Distribution, meanwhile, is another area of differentiation for the company, as one in three households are already Manulife clients in some fashion. "We have a great customer base, but we know that Canadians are underinsured. There may also be a retirement gap. How do we leverage our scale and our existing customer and member base, and the information we have on our customers to bridge those gaps that exist?" He says the question is not an easy one to answer, adding that it will require different creative approaches to address.

As for being a digital leader, the company invested more than $900-million since 2018 to improve the speed of client experiences. Vitality falls into this area of focus, as do efforts to work with an artificial intelligence tool for individual insurance he says has so far resulted in a 15 per cent year-over-year increase in the number of non-complex polices making it through straight through processing.

"Our desire is to be the digital customer leader in the marketplace," he adds. "There's work to do to get there."

Earnings target

In addition to this, another objective put forth by the larger organization's leadership is to grow the amount of earnings and sales that Canada contributes to overall company earnings. Today the business makes up 20 per cent of overall earnings and sales. The company has committed to growing the Canada segment earnings by five per cent per annum over the next few years.

Although the *Insurance Journal* recently reported on Manulife's declining premium volume market share in 2021, Irshad points out that overall new business value, the profitability of new business, is actually up 25 per cent year-over-year, which he says speaks to the quality of the sales being made. "We're really focused on making sure they're profitable sales," he says. More, he points out that if a non-recurring affinity market transaction is removed from the company's results, the individual insurance business has in fact grown five per cent over the prior year.

He adds that people are travelling again, boosting travel insurance sales, and the group benefits business continues to have sales growth. "We're quite confident that will continue," he says.

Speed and agility

To win in Canada, then, he says will require the company to be nimble. To that end it is planning initiatives in small chunks – a different way of working as an organization – and changing internal processes to take being nimble to another level. "The speed of change will be fast," he says. "I think we need a sense of urgency in the industry. The market leaders will be the ones that show speed and agility. They will be much more productive, have a much more engaged workforce and (they will be) the ones that generate the most value."

He adds that winning at home, in Canada, is not only important to himself, but also extremely important to the larger company's senior leadership team around the world, and to the company's board of directors, as well.

His own skillset backing this effort is notable. The president and CEO of Manulife Singapore before becoming the global head of in-force management and head of Manulife's North American legacy business, he says operations in Asia required quick execution, while the longer-term legacy business gave him tremendous insight into how the business plays out over time.

Lessons learned

"With essentially closed blocks of business, you get a lot of insight in terms of lessons learned on these businesses. How did the assumptions, the pricing and interdependencies play out over time?" he adds. "I gained some tremendous insights in terms of learning from that."

In Singapore, that part of the company under Irshad's tenure increased its market share to nearly 20 per cent, up from two per cent. Although the paradigm has since shifted, he adds that the opportunities there are "just staring you in the face." Instead of simple execution, he says the Canadian market, being more mature, will require more creativity.

"I've been in the role for five months so the strategies are still shaping themselves, but that's the challenge," he says of the company's ambition to grow the segment's earnings. "At the same time, we'll be focusing on core elements like digital, making it easier to do business with us, leveraging our artificial intelligence and automation and continually improving the experience for advisors and customers."

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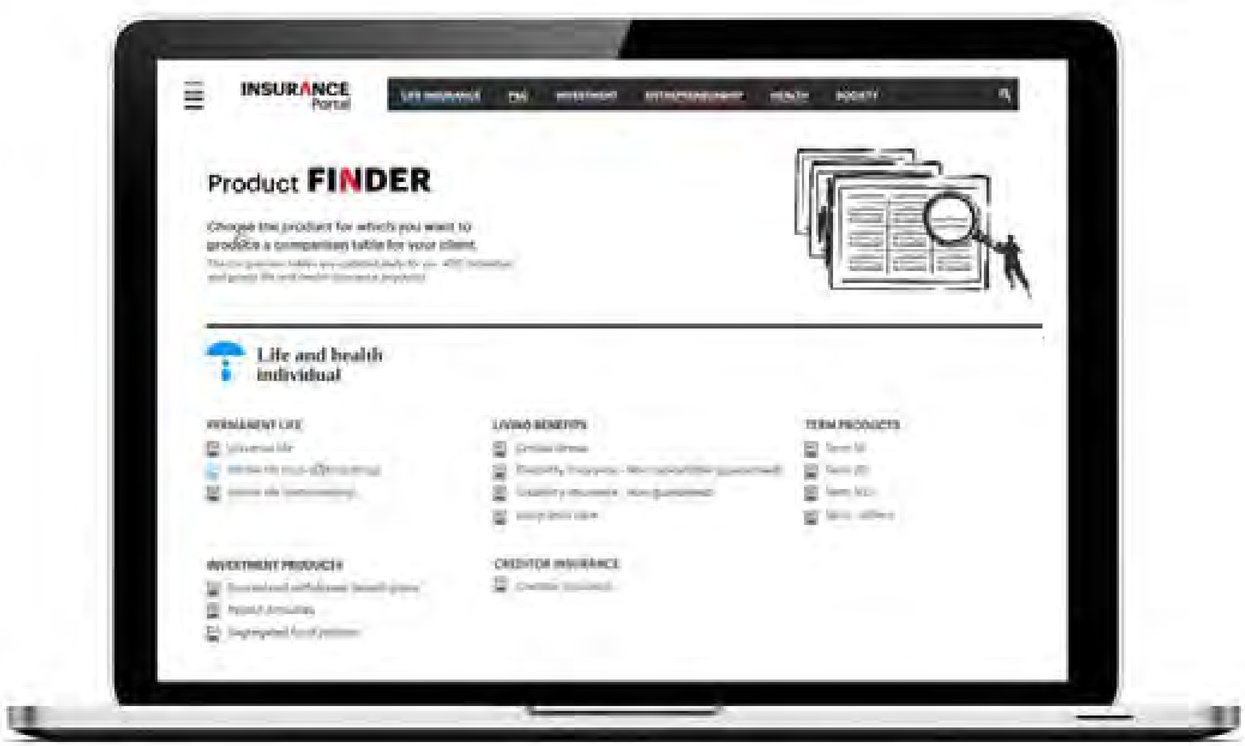

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Wills can become outdated quickly

Clients should periodically revisit their wills to reflect their current circumstances.

BY SUSAN YELLIN

It doesn't matter whether you are single or in a relationship, young or older, working or retired: putting together a will – and then updating it as life and circumstances change – is one of the best things you can do for your family, your business and any charitable organization that you hold dear.

Many people think of putting together a will as a one-time event, but **Margaret O'Sullivan**, founder and Managing Partner of **O'Sullivan Estate Lawyers LLP** in Toronto, says creating a will is an organic process, one that has to grow and change with the client and periodically visited to fit their current circumstances.

"It's just like your landscaping – you've got to keep it up, you've got to cultivate it, you've got to trim it – the whole plan becomes outdated very quickly," said O'Sullivan. This can easily happen as children get older and have different needs and wants, or as clients' estates become larger and more complicated than when they first sat down with an estates lawyer, she added.

"So, what was fine in more simpler days may be quite inadequate now and will not give them optimal results – sometimes inappropriate or bad results."

Numbers vary as to the percentage of Canadians who have an updated will: a recent **RBC Royal Trust** survey indicates more than half of Canadians don't have a will, while two years ago, **LawPRO** conducted a survey in which 29 per cent of Canadians said they didn't have a will.

A thought-provoking journey

O'Sullivan said some people may be holding back on getting or updating a will because they find the process a little intimidating while others feel that talking about death is a cultural taboo. However, she said that once people get involved in the process, they discover it can be a thought-provoking journey.

"I think they will find they have many interesting questions and issues and the bonus at the end is that once they get it all done, they feel much better," she said. "We find that most people who walk out of our boardroom and have signed it all up have tremendous peace of mind because it's something they've been wanting to do – they've just been putting it off."

Not having a will can present disastrous situations. A number of famous individuals, including **Pablo Picasso**, **Jimi Hendrix**, **Howard Hughes** and even **Abraham Lincoln**, did not put together wills – situations that can lead to potentially costly and lengthy legal battles.

While Canadians don't pay inheritance taxes, the **Canada Revenue Agency** taxes the gains on the deceased's assets before the remainder can be divvied up to those named in the will. Investments like a second home, stocks and mutual funds can have capital gains which are 50 per cent taxable and added to the deceased's income. On death, RRSPs and RRIFs are also included as part of the deceased's income and are taxed at the deceased's personal income tax rate.

Reducing tax liabilities

Putting together a will also gives the person time to find ways they can legitimately reduce or eliminate tax liabilities through proper planning while they are still alive.

O'Sullivan said many people don't have any idea what happens to their estate in the event that they don't have a will. It gets even murkier and complicated in the case of a business or a second marriage.

"And to die intestate will give you a very inappropriate result in the distribution of the estate and there are often taxes that could have been saved or minimized; there could be additional legal expenses that your estate will incur after death…but we end up sometimes with families quite unhappy and there are disputes and litigation. I think the price tag for not doing the planning is huge both financially and emotionally for the family members who are left behind and now have to deal with the situation."

Not having a will means the court will appoint someone to administer the estate. There is a process for an intestacy, said O'Sullivan, but the results may not be optimal and can mean a number of problems if there is dissension among family members.

"Perhaps the deceased should have thought about that – that by not doing the planning if an unexpected death should occur, they are really leaving a mess behind."

O'Sullivan and the team at her law firm are authors of *Trust and Estate Essentials: Achieving Success in Family Succession*. (A second edition has recently been printed.)

This updated book deals with issues like planning a will, understanding powers of attorney and dealing with children who live in the United States. It also discusses the issue of seniors who have assets in different countries, like a winter home. That may mean these individuals have to start planning for what happens if they become incapacitated in this second jurisdiction.

The book also talks about the needs of each person being unique and that smart estate planning also includes probate fee and tax planning and thinking ahead.

"I think there needs to be more education on these issues," said O'Sullivan. "I think we have a lot more issues today than we had 20 or 30 years ago in terms of estate planning, but it is a lot more topical. We do find that more people are quite motivated to keep their affairs up to date; there are many issues that spur people to think about what they would like to do and that's all good. I think generally because people have acquired more assets, they realize they need to do something."

Building trust with your client: be yourself, observe and listen

By quickly detecting signs of anxiety and tension in a client, an advisor can turn a conversation that started off badly into an opportunity. The advisor must recognize non-verbal signs that can inhibit a relationship… sometimes in a split second.

BY ALAIN THÉRIAULT

Guillaume Dulude is an entrepreneur, neuropsychology expert and lecturer with a passion for communication. He has been studying, practicing and teaching communication psychology for nearly 20 years. Dulude has a BA in communications and business administration and a PHD in neuropsychology and clinical psychology from the **Université du Québec à Montréal** (UQAM). He is the founder of **Psycom**, an organization dedicated to communication for leadership, which applies a method inspired by experiences and encounters around the world (*Influenced by his experiences around the world*).

In front of an audience of over 400 advisors, Guillaume Dulude invited two advisors to the stage. Each re-enacted a difficult situation they had experienced with a client. Their unconscious missteps did not escape the coach's attention, who helped them get discussions with the client back on track, before the relationship turned sour. For example, he showed them how to avoid traps that derail communication through detecting tension and anxiety in certain clients. This groundbreaking coaching took place at ProLab 2022, an event held last summer by the **Chambre de la sécurité financière**.

According to Dulude, when two strangers want to communicate, it's "because there's a potential connection." But there is also the risk of failure: "In a conversation, we always take risks. Unconsciously, some of our actions prevent the relationship from being established," he observed during thousands of filmed experimental interviews. These actions will create in the respondent defense mechanisms. "These unconscious operations end up inhibiting the relationship, despite best intentions," he said.

Communication begins before words, Dulude said, citing experiments that measured retinal movements. "The eye moves with brain activity. Don't even try to hide anything from the other person. Everything that happens in your head causes visible microvibrations. The other person will detect everything that happens in our face, and form an opinion of us in 10 milliseconds. That's fast!" While the brain picks up the facial expression of the respondent in such a short time, consciousness, on the other hand, only kicks in after 100 milliseconds, he said.

He described the act of communication as two brains working together, and compared it to the interaction between two spider webs: "If you pull a thread, the web comes undone." Is a person doing something in their head? The eye picks it up immediately. Someone changes their attention span? This will have an impact 50 milliseconds later on the internal behavior of the other person. "And this, even before the first sentence or the first breath!

Guillaume Dulude invited advisors to raise their level of awareness to see these clues in the face, to know if the conversation bodes well or poorly. "If you can see new things, a world opens up and you can get back on a dime," he said.

"If you can't see anything, your brain won't have a strategy to follow," he added.

Among the signs to decipher, a shifty gaze reveals that a client is looking for a way out or that an advisor doesn't inspire confidence. "Lateral eye movements are always correlated with anxiety," said Guillaume. You can't combine positive verbal valence (e.g., the phrase "It's going to be okay!") with negative nonverbal valence (lateral eye movement). You can't mechanically reassure the client and expect to create trust."

Dulude said he believes that contradictions between verbal messages and nonverbal language hinder relationships. It's easy to contaminate a customer relationship," he said. It can't be established if the other person sees a risk.

Playing tennis or paddle ball?

Dulude said he acknowledges that success in a conversation is not a given. "If you get your first 30 seconds right in a communication exchange, you can go on and copy and paste the underlying processes."

Otherwise, the situation is beyond repair, he added. "If it crashes and the mechanisms aren't in place after three seconds, it means you're playing the wrong game."

Conscious attention

Conscious attention is the first thing an advisor must master if he or she wants to "stop screwing up business," said Guillaume Dulude. The neuropsychology expert refers to this as the attention that allows us to understand "what two humans do together: communicate." Conscious attention allows us to detect an impasse and redirect the conversation to avoid a monologue "in which two brains are working against each other," he explained.

Conscious attention is like a laser, he said. "You have to have one target. If there are two people, you have to alternate between one and the other, and that's very energy intensive. If there are two targets, you lose attention."

He compared conscious attention to tennis. "There's only one target. Both people are looking at the moving ball. If there's more than one ball, there's no more tennis. It's called paddle ball: there's no interaction in paddleball. It's intentional alternation. Your job is interaction, and paddle ball doesn't create interaction." (Paddle ball is a game which can be played individually consisting of a flat wooden paddle with a small rubber ball attached to it by an elastic string.)

"The customer sends you an objection, and you respond alone, because they're not listening." That's how he described interacting with a customer who has negative emotions. "With that customer, it will feel like paddle ball. If you don't know that, you'll be eaten alive by the competition because you won't create value," he said.

Is your client in go or no-go mode?

After conscious attention, the second most important cognitive mechanism to engage is joint attention between you and the client. "When do we know that attention is being returned to the other side? Communication is a sport. You need the right cues to make the right interpretations. Know the go and the no-go [opening and closing]. The go creates forward behavior, because there is compatibility between the target and a need. The person is interested and absorbs the information because they give you credibility. They nod their head."

On the other hand, the signs of a no-go indicate that your customer is not ready to listen to you. The no-go customer says he'll think about it. He smiles when it's not the right time to do so. He stops blinking. His eyes are wide open, but unmoving. "If it's a no-go, there's no point in continuing the conversation in the same direction. Your credibility is not based on what you say, but on whether you activate the go or the no-go. The priority is not to get your arguments out; it is to know which one is activated!"

Two conversations that did not start out well

The objective of coaching is to understand what prevents a personal relationship from taking hold," said Dulude. To discover the moment when the impasse is created, he invited two advisors to re-enact a conversation with one of their respective clients.

In each case, Dulude interrupted the conversation when he felt it was going in the wrong direction. He analyzed what had caused the relationship to stall.

In the following exchanges, the underlined passages are the triggers that derailed the communication.

The two advisors

- **Antoine Chaume** is the founder and president of the financial services firm **Waltr.**, which offers employees of its client companies benefits such as reduced monthly mortgage payments. Chaume acts as a financial security advisor in personal and group insurance. He is also a group savings representative with **Assante Wealth Management** and a financial planner with **Lafond Services Financiers**. He specializes in technology executives and entrepreneurs.
- A financial planner, tax specialist and broker representative with **Investors Group Securities**, **Jean-Philippe Vézina** took over the family business of **Jean-Maurice Vézina - Équipe Conseil en planification financière** in January 2022. He chairs the training and professional development committee and represents financial planning on the board of directors of the **Chambre de la sécurité financière**.

Case 1

Antoine Chaume experienced this case two years ago. His client's spouse wanted to open an account to invest, but the client objected to Chaume asking his spouse questions to better understand her needs. Jean-Philippe Vézina played the role of Antoine Chaume, and Chaume, the role of the client.

- Client: "We've been together for 20 years, and she's never been interested in this. I've always managed the finances; I want to keep it that way."

➜

- Advisor: "I understand, but we're talking about someone opening an account here and I need to know her better. We've been working together for many years and I've asked you a lot of questions (about the sale of your business, etc.). It is now your spouse's turn to open an account and it is my professional duty to ask her questions."
- Client: "I understand, but..."

Case 2

Jean-Philippe Vézina had to deal with a client who was frustrated with the decline in his investments: he had sold his property at the peak of the real estate market, in 2021, and quickly reinvested the proceeds of the sale to take advantage of the rising financial markets. In 2022, the financial markets retreated. Jean-Philippe Vézina stepped into the shoes of his client, and Antoine Chaume took on the role of advisor.

- Advisor: "When we met last year, you had two goals: to buy a new property with a down payment, and to follow a financial plan spread over several years.
- Client: "Yes, but I have to stop you there. I lost 30% of the value of my investment. Had I known!"
- Advisor: "I understand, but the reality of the matter is that you are currently at minus 5% year-to-date, which is really exceptional!"
- Client: "I should have put that on the (new) house. I would have paid cash for the house. Now the interest rate is going up."
- Advisor: "We had this conversation last year, and your goal was to invest the principal."

Analysis and coaching

Case 2

Dulude immediately addressed the second case, in which he said the client is looking for someone to blame for his poor decisions. Arguing doesn't help: the client is defensive and wants to explain to the advisor that he is right, the coach said. "If you use arguments to build trust, you won't succeed. I understand that the intention is good, but the client doesn't care about arguments. (The client) is in no-go mode; he isn't listening to you. Look at the pressure you're putting on yourself," he told Antoine Chaume.

Dulude suggested that the advisor transfer the pressure to the client. "The client has been interrupting you

FIVE PERSONALITY TRAITS TO KNOW YOUR CLIENT AND YOURSELF BETTER!

Guillaume Dulude presented personality traits to the audience. The advisor can draw on his own and adapt his approach according to the traits he detects in the client. "You need to know the advantages and disadvantages of your personality traits," he said. A person can have more than one trait.

Neuroticism

- These people are more emotional and experience negative emotions, anxiety. If the financial markets are volatile, they will look mostly at short-term results and call their advisor more often. They are the most dissatisfied clients.

Open-minded

- These people are curious, but less attentive, less structured. They tend to jump from one project to another.

Extraversion

- These people have a lot of positive emotions and reach out to others. They are enthusiastic. They have an opinion, like to be leaders and see themselves as such.

Agreeableness

- In the advisor's chair, these people tend to help the other person, for example by reducing their negative emotions. "If you're too agreeable, you'll just fit in with the other person," said Guillaume Dulude. These people are very strong in relationships, but have difficulty staying on track.

Awareness

- These people are precise, meticulous. They are organized and prevent distractions from interfering. These people are goal oriented. They are very responsible and reliable.

According to Dulude's presentation, certain personality traits are conducive to leadership. He characterized them by the color blue. Others are detrimental to leadership and are characterized by the color red. Black represents a neutral trait in terms of leadership.

Neuroticism occupies the red part of the spectrum. "The more negative emotions are out of control, the more difficult it will be to establish authority with that client," said Dulude.

Openness tends toward the black, as its correlation is neutral to leadership.

Extraversion tends toward blue and is conducive to leadership. "It's important to be assertive, to be enthusiastic."

Beware of agreeableness, warns Dulude. It can both tend towards black or red. "If you're extremely agreeable, it will wreck your leadership. You'll enhance the negative emotions of the person you're talking to, which can hurt your career and performance. Adapting to every fluctuation in your client's emotions is not a winner, in the long run."

Awareness, he said, is key, as the advisor must be aware that his profession is that of a leader: "When faced with a client with negative emotions, you must put forward the long-term goals of the plan and lead the client back to that plan."

The advisor must overcome all sorts of interference to build a long-term plan, Dulude said. "We like some personalities, others less so. You can't let these traits confuse you.

He provided the example of the client portrayed by Jean-Philippe Vézina. This client is looking for managers after investing the proceeds from the sale of his house during a down market. "People who have a high degree of neuroticism will tend to look for someone else to blame. If you are agreeable, you will take that responsibility. You will affect your credibility because you have agreed to take on a burden that is not yours," Dulude warned.

from the beginning, and you're working very hard. You can't take responsibility: it's his life, his choices. There is re-education to be done so that the client values your interventions. Hit the ball into his court!"

Chaume resumed by saying to the client, "I understand!" Dulude agreed with this change in tact. He added that the advisor must demonstrate understanding by nodding and blinking. Then, he or she should offer solutions only when the client shows interest. "Anything worthwhile should only be said when the person is in go mode. Money is a form of energy, as are emotions and trust."

Case 1

The other case, in which the client objected to his spouse opening an investment account, follows a different trajectory, Dulude said. "The client is telling you what they are going through, whereas in the other case, the client wanted to prove their advisor wrong."

In the role of the advisor, Jean-Philippe Vézina said to the client, "How are you doing?" The client replied that he was fine, but that there was a problem:

- Client: "I have always managed the family finances. My spouse is absolutely not interested, and I don't think it's right for her to take on that responsibility."
- Advisor: "So you really don't want your spouse to touch this?"
- Client: "I want to keep control of the finances and I think this will yield a better result because my spouse has never been interested."

The advisor listened to his client's explanation, blinked and nodded. Further discussion revealed that each spouse had specific responsibilities in the relationship. The advisor then asked his client about their teamwork.

Dulude welcomed this question, which allows the advisor to avoid settling the issue with arguments. However, he still has to wait before intervening. "Wait until the client is more receptive," suggested the coach. He's still in no-go mode. As long as the client doesn't show you that he wants you to talk, he'll talk. He'll go on and on about his problem until he's exhausted and gives you a cue."

At one point, the advisor reiterated to his client about teamwork:

- Advisor: "Can you tell me more about that? In what context do you not want your spouse to do more with investments?"

"Right now, the client is listening to you! That's the right vibe!" the coach said, encouraging the advisor to keep at it. "An effective intervention doesn't move fast on the issue, but it goes fast in terms of energy because the client is engaged." When communication progresses very smoothly, the relationship develops, Dulude said. "There are no components that hold it back. Keep digging until the client asks you, "What do you think?"

Be yourself

A conversation between two people does not have an independent component. "Two brains are working together," Guillaume Dulude said. "Even when things are negative, you can build something," he added about the two cases analyzed. You can turn it around with the right strategies. "When you understand what's going on, you can create a relational bridge, even when emotions are negative," the coach said, while acknowledging that it is "clearly more work."

To the advisors gathered in the room, he quipped, "When your market is saturated, the competition is fierce, and the products are the same, you can't distinguish yourself anymore. It takes something else."

That little something that's essential to the relationship are special moments with the client that will make them say they can't get better service anywhere else. Those moments come before the numbers, even though the numbers are essential, too. "These moments are created second by second. Every moment should be a calculation. Be yourself! You will apply a strategy without having to change your personality," said Dulude. ◘

INFLUENCED BY HIS EXPERIENCES AROUND THE WORLD

For the past 18 years, Guillaume Dulude has been analyzing the elements that allow a relationship to develop between two people – and the missteps that cause it to fail.

Also an entrepreneur, the PhD holder is not your typical university lecturer. Over the past 15 years, Dulude has traveled to more than 100 countries, living in remote communities to develop his method and his business. A series of 10 reports on the French television channel TV5 called shows him communicating with nomadic communities without knowing their dialect. In the first episode, we see him succeed in gaining acceptance from the Hadzabe of Tanzania. The members of this community communicate through a unique language of "clicks", sounds produced with the tongue.

"My passion is to connect with the last nomadic tribes in the world to understand how they manage to survive," he said at the outset of this first episode. Dulude described the Hadzabe as one of the only peoples who still live as hunter-gatherers. He describes them as semi-nomadic. During the program, we see him bring a chicken to offer during a first meeting. The researcher explained that bringing food is a sign of respect in these communities.

Through his human experiences, the neuropsychology expert has developed **Psycom**, a method and a company that aims to develop human potential and leadership in the workplace. He specializes in cognitive processes, often called mental operations.

Guillaume Dulude plays many parts: interpersonal communication strategist, business consultant, trainer, speaker, university teacher, documentary filmmaker and director. He speaks nine languages and relies on a hands-on educational approach to enable individuals to quickly integrate their new communication tools.

A look at holiday gifts for clients

Showing up regularly with little gestures, just one way to build connections.

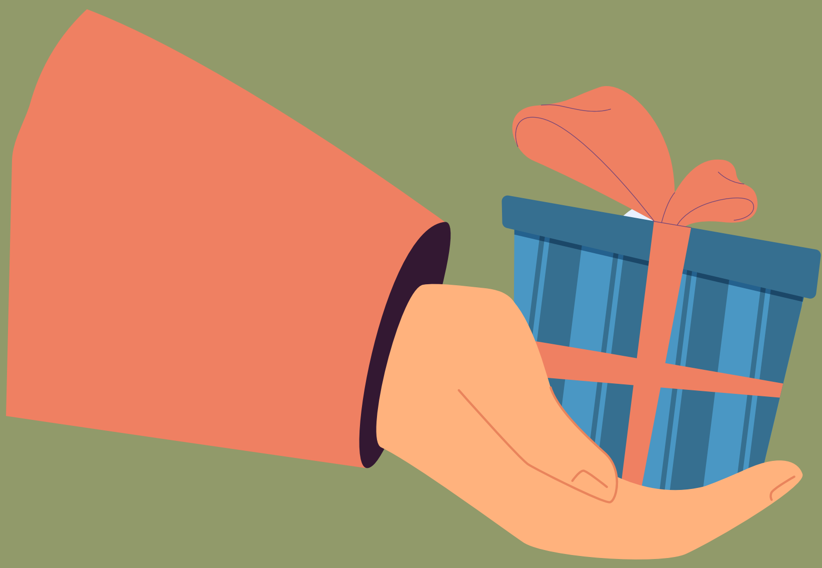
KATE MCCAFFERY

Do you have your client holiday gifts in order? Tis the season. If you're reading this now, you might be thinking you're a little too late to the party to make it this year. And you might be right, but not quite. (We have ideas.)

Client gifting, appreciation gestures in December and January don't need to be extravagant, or ultra creative. In fact, those who make such gestures a habit or regularly scheduled thing in their practices say some efforts are simply tried and true: A gift basket goes a long way. Tickets supporting local talent are popular, and even the custom printed business calendar works as well today as it did 20 years ago. (Hint: They're by far more affordable to print today too.)

If you'd like to make an effort to improve this part of your business, but just wish you had more time, do yourself a favour and start next year's efforts now – put a reminder into your calendar to start thinking about gifts in October, and put a follow up reminder to place that custom printing order a few weeks later.

Certified Financial Planer (CFP), **Michael Morrow** is known for his gifting program. The author of four books, including *The Loyalty Edge* and owner of Thunder Bay-based **Morrow Financial Inc.** has long made an effort to remember birthdays. He takes clients out for breakfasts or lunches on the regular, and he is known for his gift baskets. At the higher end he's also the same advisor who gives custom made policy boxes to clients. Newspapers from the day a client is born and sport autographs too, are also treats he's been known to present to clients at significant milestones in their lives.



December holidays and Canada Day, however, are the two times of the year when the office is busiest with gift baskets. When clients were locked down after March 2020 too, COVID baskets full of locally made goods including masks and hand sanitizers, were added to that repertoire.

And while the expense of a basket of locally sourced chocolates and cheeses, wines and beers may seem a little extravagant, Morrow points to the lifetime value a client brings to his practice. When viewed through this bigger picture lens, the $40-$100 basket is simply a reinvestment.

In addition, he makes a point of supporting most events taking place at the local community auditorium and local theatre. "We try to do as much local as we possibly can," he says. "Especially with our employee benefits clients. We're a local company and we appreciate the fact that they're dealing locally, so we're (in turn) supporting local companies. We don't have to say that, they figure it out."

He adds that he makes a point of going out for breakfast or lunch with clients regularly. "None of this that I'm talking about right now is magic," he says. "Most of our clients have been clients for a while. We do our very best to be friends with our clients – it's really hard to fire your friends," he jokes.

When looking at items to include in client appreciation offerings, he also looks for items with a long shelf life. "If I've given you a bottle of wine, or a box of chocolates or take you out for lunch, we appreciate that, but then it's done and over with," he says. Including a coffee cup in the experience, a baseball hat, a sweater or something that will stick around for some time, is key. (He says even the calendars are popular, with the majority of clients receiving a simple calendar from the office displaying it prominently in their homes.)

And while the wooden policy box is an extra special effort to be a part of clients' lives, he says even three sentences in a greeting on the holiday's eve is an important effort – one you likely still have time to accomplish. (Pro-tip: Thank your clients for their patronage and donate to a local charity.)

"You're demonstrating that you pay attention to detail, which is what your ultimate goal is. It's not a matter of giving a super unique gift. We're looking at the big message that we're trying to send to our clients."

The Insurance Journal team wishes you a

good health, happiness and prosperity in 2023

by JIM RUTA

How to plan while protected

Question: My insurance and financial planning process takes about 3 months to get a good, final report of recommendations for my prospect. That time delay makes me worry about what would happen if something were to happen to them while we were still planning. It keeps me up at night. How can I fix this?

We are all just one heartbeat away from immortality. Or just one step away from morbidity too. This reality is driven home to me every time hear about or see advisors taking months and months to plan their prospect's life insurance needs. All that work to come up with what they believe to be the exact right amount of life insurance that their prospect needs, what the right policy ownership should be, what the best plan is for them in their circumstances, who the right beneficiaries should be on the policy and how much they should and can pay could all be for nothing. Doing all that planning before we know if they qualify for coverage at all is like thinking they have a lease on life, and theirs won't possibly be over or compromised until we're through all the nitty gritty details. And when we are wrong, and something does happen, it's a horrible mess. But it doesn't have to be that way.

Here's the thing. The exact amount of life insurance anyone needs is truly just a guess. No one knows for sure because there are so many variables in the calculation. Now, yours may be a very educated guess but it is still just a guess.

Think about it. What the exact costs to an estate might be, what the exact income taxes payable will be years in the future on that vacation home or investment property, what their family needs will be when the time comes, what interest rates will do, and where the financial markets will be decades in the future is speculation of the highest order. That's before you get to the whole idea of knowing when the insurance proceeds will be needed – no one knows that either. All of this makes thinking you can guess precisely is arrogance of the highest order. All we can do is guess.

We don't have to be arrogant and suppose we can see the future. We can plan around some standards for essential financial security and ensure that your prospects are planning while protected, not planning while exposed to insurable threats to their life and lifestyle.

What is certain is that some amount of coverage of some kind will be needed to meet the wants of your prospect every time you sit down to do your calculations. If you are "planning" you know that there is something to be done. That means that being on the safe side and getting some basic requirements protected is not only prudent, it's responsible – for you and for them.

The solution is to build an EPP into your planning process – an Emergency Protection Plan that creates basic emergency coverage of a ballpark amount that will provide for the basic needs of your client while you are planning.

Prudent advisors give all their prospects the option to plan while protected, not plan while exposed to insurable threats like a health disaster or death of a major player in the planning. One unexplained pain or lump and all your planning could be for nothing. It might even test out your professional liability coverage.

The solution to this problem is a simple EPP Assessment. These can vary depending on the market but for an upper-middle income family that assessment can put you in the right coverage ballpark by totaling these basic needs and approximating their coverage:

- Outstanding Residence Mortgage Value plus 5% (cancelling a mortgage always costs money, be sure it's available)
- 20 times the breadwinner's income to provide a taxable 100% of their income for life to survivors based on a 5% return on proceeds invested – providing money for life allows for an inflationary increase when required, unexpected extras and consequently improved essential financial security
- Add a factor for final medical, funeral, and burial expenses

So, for a breadwinner with a $100,000 income and a $500,000 mortgage the EPP amount would be 20 x 100k = $2 Million plus $525K plus $50,000 = $2,575,000 of short-term insurance with excellent conversion options to give you flexibility. You can always change on delivery or later.

The price for this emergency only term allows you and your prospect to plan the exact amount, type, premium and details without the impending doom pressure of an illness, injury, or death leaving the family with nothing but a fancy plan they couldn't execute.

If they turn you down on the EPP coverage even after you explain it clearly, then you don't have to lose any sleep regardless of what chance brings. You'll know you made the effort and have the recommendation to prove it. It's the professional solution.

More likely though, you'll help a family or business be ready for anything. Regardless of how long the financial plan takes.

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

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