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Regulatory Update – CAFII Board of Directors and Executive Operations Committee
25 June, 2019
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Federal / National

Canadian Council of Insurance Regulators (CCIR) and Centre for Study of Insurance Operations (CSIO)

CCIR Presents to CSIO Board on its Strategic Vision for a New CCIR Fintech Advisory Hub

Canadian Underwriter reported on 14 May, 2019 that the Board of Directors of the Centre for Study of Insurance Operations (CSIO) recently hosted the Canadian Council of Insurance Regulators (CCIR) representatives, who shared the strategic vision of the new CCIR Fintech Advisory Hub. Expected to launch in Fall 2019, CCIR's Advisory Hub will be an information centre to help insurance providers/other fintech businesses understand the licensing and regulatory environment for insurance in Canada.

As an organization whose mandate is to advance technology in the P&C insurance industry, CSIO was excited to hear about CCIR's objective to facilitate a more open and transparent approach to licensing for products, services and businesses.

The purpose of the CCIR Fintech Advisory Hub is to:

- provide a common access point to all jurisdictions, giving ease of access to all regulators, for fintechs and other entities;
- increase industry awareness of regulations for insurance businesses; and
- provide an initial resource for technology-enabled entities to get clarification and direction about the insurance sector and regulations, prior to launching in individual jurisdictions.

The role of the Advisory Hub will be to facilitate introduction between businesses and the provincial regulators who approve and license their activities. Insurance providers are encouraged to take advantage of the Advisory Hub to facilitate one-window access to information about the licensing and regulatory requirements for new and innovative insurance products and services across jurisdictions.

"Discussions with key stakeholders like the CSIO Board of Directors are very valuable, and we expect ongoing communications to benefit both of our organizations," says Hélène Samson, Chair of the CCIR Fintech Working Group and Director, Prudential Oversight of Financial Institutions, Autorité des marchés financiers.

"CSIO supports the development of a regulatory framework that encourages innovation and aims to facilitate communication between regulators and industry partners on regulatory requirements for new technology solutions in the insurance space," says Sean Christie, CSIO Chairman. "We look forward to furthering a productive relationship with the CCIR Fintech Advisory Hub."

Canadian Securities Administrators

Louis Morisset, Chair, Announces Canadian Securities Administrators (CSA) Co-operation Agreement With UK Financial Conduct Authority

The securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Québec and Saskatchewan (participating jurisdictions) announced on 18 April, 2019 that they had entered into a co-operation agreement with the United Kingdom Financial Conduct Authority (FCA).

The agreement extends the work of the CSA Regulatory Sandbox Initiative and the FCA Innovate project. These innovation functions provide a controlled environment for businesses to develop and test innovative solutions that promote efficiency and consumer choices in the financial sector.

“This co-operation agreement with the FCA is in addition to agreements we have reached with other regulatory organizations,” said Louis Morisset, CSA Chair and President and CEO of Québec’s Autorité des marchés financiers. “Since FinTech businesses are not constrained by national borders, it is in our best interest to share views and exchange information in connection with their activities so we can evaluate market trends and adapt our regulatory framework appropriately.”

CSA members have also signed agreements with the Abu Dhabi Global Market Financial Services Regulatory Authority, the Australian Securities and Investments Commission and the French Autorité des marchés financiers. Co-operation agreements are subject to the domestic laws and regulations of each authority and do not modify or supersede any applicable laws or regulatory requirements in force in, or applicable to, any such authority’s respective jurisdiction.

The CSA, the council of the securities regulators of Canada’s provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

The Financial Conduct Authority is the conduct regulator for 56,000 financial services firms and financial markets in the UK and the prudential regulator for over 18,000 of those firms.

Canadian Life and Health Insurance Association (CLHIA)

CLHIA Warns that Pharmacare Plan Could Hurt Access to Drugs

The Canadian Life and Health Insurance Association said in response to the recommendation of a government expert panel to create a single-payer national pharmacare plan to cover every Canadian, that millions of people could risk losing access to certain drugs under even the most comprehensive government-run pharmacare plan. The advisory council, tasked by the federal government to look into the issue, called on Ottawa to work with the provinces and territories to create a national plan to replace the current patchwork of private and public prescription drug plans and save taxpayers an estimated $5 billion annually. The industry association noted that private workplace health-benefit plans provide thousands of pharmaceuticals not provided by public plans and an estimated 7.7 million Canadians could risk losing access to drugs for conditions such as cancer, depression and diabetes.

"We believe there is an achievable and affordable path forward that ensures all Canadians are able to access the medications they need without putting at risk what's working today," said the CLHIA President and Chief Executive Stephen Frank in a statement. "In our view, government plans and insurer-based plans should co-operate to negotiate lower drug prices for all Canadians."

Innovative Medicines Canada, which represents Canadian pharmaceutical industry players, said the recommendations put forward by the advisory council have the potential to improve access to medicine for those who are uninsured or underinsured. However, it added that "the continued existence of the private market for drug coverage is critical to help to ensure that patients' standard of care is not disrupted if their medications are not listed" on a national list of prescription drugs, known as a formulary.

Meanwhile, National Bank of Canada Financial Markets analyst Gabriel Dechaine said a government-funded pharmacare program would displace private insurance plans offering prescription drug benefits, and eat into insurers' profits.

"The Advisory Council's report has indicated that private insurers could provide coverage for co-payments, as well as coverage for drugs that are not on the national list," he said in a note to clients. "In our view, a system that requires the private sector to 'adapt their business models to the new reality' implies a much smaller business for the lifecos."

Travel Health Insurance Association (THIA)

Travel Health Insurance Association (THIA) Launches Online Travel Insurance Program (TRIP)

Insurance Journal reported on 21 May, 2019 that the Travel Health Insurance Association (THIA) has launched the Travel Insurance Program (TRIP), an online training module. Developed by the THIA's education committee, the program was created "by the industry for the industry," Association spokesperson Adrienne Simic told *Insurance Journal*.

It should take each participant 10 hours to complete the nine interactive capsules that TRIP comprises. The program covers travel insurance products, pricing and underwriting, sales and distribution, assistance and claims, compliance and regulation, and ethics and fraud.

The Association says that the studies are intended for travel insurance professionals such as life insurance advisors, travel agents and professionals in travel assistance, or students and individuals who are interested in joining the travel industry.

People who complete the training and pass the final exam will receive travel insurance certification. This certification is not an official license to practice. Rather it is a tool for professionals who want to certify their knowledge and earn travellers' trust. "We want this certification to become a superior standard in the travel insurance industry. We want consumers to know that they can buy travel insurance from a certified vendor," Simic explains.

Enrolment costs between $99 and $285, and participants can earn continuing education credits in select provinces. TRIP is currently available in English only.

Provincial

Prince Edward Island (Consumer, Corporate and Financial Services)

PEI Issues Guidance on the Conduct of Insurance Business and Fair Treatment of Customers.
On April 8, 2019 PEI's Consumer, Corporate and Financial Services issued a Guidance on "Conduct of Insurance Business and Fair Treatment of Customers." The Guidance notes that "In September 2018, the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurances (sic) Services Regulatory Organization (CISRO) jointly published Guidance: Conduct of Insurance Business and Fair Treatment of Consumers."

The Guidance goes on to say:

> *The Guidance was developed to align with the International Association of Insurance Supervisors (IAIS) Insurance Core Principles. This is vital in satisfying the International Monetary Fund that Canada maintains a stable financial sector. As a member of the CCIR, the province's Office of the Superintendent of Insurance participated in the development of the Guidance.*
>
> *The IAIS core principles set requirements for the conduct of the business of insurance that ensures customers are treated fairly. The Guidance established that the fair treatment of customers is integral to sound market conduct practices, and fundamental to the reputation of insurance industry participants and consumer confidence in the financial system.*
>
> *It is the expectation of our Office that insurance licensee's (insurers and intermediaries) will adopt the principles as outlined in the Guidance and ensure that measures are in place to abide by them. These expectations span the licensee's conduct throughout all stages of the life cycle of the product, including design, sales practices, servicing and claims settlement.*
>
> *Most, if not all the expectations, are already contained in existing legislation or are part of accepted industry best practices.*
>
> *Our Office expects licensees to adopt the Guideline based on the nature, scope and size of their respective businesses. Licensees can assess their current practices against the Guideline, and develop plans to address any gaps.*

Ontario

Globe and Mail: Financial Services Regulatory Authority of Ontario (FSRA) to Oversee Insurance, Mortgage and Deposit Taking Institutions

Clare O'Hara reported on 10 June, 2019 on the launch of FSRA, a new independent financial regulator is up and running in Ontario to oversee insurance, mortgage and deposit taking institutions.

The Financial Services Regulatory Authority of Ontario (FSRA) assumed regulatory duties on June 8, replacing both the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corp. of Ontario (DICO).

The new regulator – led by financial services veteran Mark White – will oversee Ontario's financial services providers, excluding securities, which are regulated by the Ontario Securities Commission. In particular, the FSRA will regulate Ontario's insurance sector, pension plans, loan and trust corporations, credit unions and caisses populaires, mortgage brokers and service providers that invoice auto insurers for statutory accident benefit claims.

Mr. White assumed the role of CEO of FSRA in May, 2018, and has spent the past year helping in the transition of FSCO and DICO. He brings almost 20 years experience in the regulatory, financial and legal sectors. Prior to joining FSRA, he was vice-president and head enterprise risk at Bank of Montreal. Mr. White also held the position of assistant superintendent and head of regulation sector at Canada's bank and insurance regulator, the Office of the Superintendent of Financial Institutions (OSFI).

"Our mandate is quite broad but it centres around making sure there is financial safety, financial fairness and financial choice for people in Ontario," Mr. White said in an interview.

Part of that transition means FSRA inherited 1,100 pieces of guidance from former regulators. Mr White said they will spend the next year looking at how they can pare back that number by either "eliminating, combining or refreshing" the regulations.

"We will look at how the regulation can work more effectively for the public, the industry and the regulator," he added.

Key priorities for the FSRA include, among others, the provincial government's focus on reforming auto insurance to increasing access and affordability for drivers, and to establishing title protection for financial planners and financial advisers.

"Our government recognizes that making Ontario open for business means making sure financial services are efficient, responsive to consumers and businesses – FSRA will play a vital role in helping businesses grow while protecting consumers," Finance Minister Vic Fedeli said in a statement.

Several main concerns posted on the regulator's website on Monday afternoon address questions on whether the "age-old distinctions" between personal auto insurance and commercial insurance are still relevant; ensuring company pension assets held in trust are managed under fiduciary standards; and the concern around new products and services coming to market daily and how quickly should regulatory approval be given.

Mr. White said these are issues they plan to examine over the next year.

The Ministry of Finance will continue to administer FSCO's Dispute Resolution Services until June 30, 2020. During the transitional period, all open cases will continue; however no new proceedings will commence.

As of July 1, 2020, any remaining cases will be extinguished, with parties able to start a new proceeding with the licence appeal tribunal.

Alberta (Treasury Board and Finance)

Alberta Announces Adoption of CCIR / CISRO Fair Treatment of Customers Guidance

Alberta's Treasury Board and Finance announced in June, 2019 that it was adopted the CCIR / CISRO Fair Treatment of Customers Guidance. The announcement, signed by Darren Hedley, Superintendent of Insurance, and Joanne Abram, Alberta Insurance Council, read as follows:

> ***PURPOSE***
> *The purpose of this Interpretation Bulletin (Bulletin) is for the Superintendent of Insurance (Superintendent) and the Alberta Insurance Council (AIC) to inform all insurers and insurance intermediaries (intermediaries) carrying on business in Alberta of their expectations for how insurers and intermediaries conduct insurance business and what constitutes fair treatment of customers based on the Guidance Conduct of Insurance Business and Fair Treatment of Customers (Guidance). This Bulletin is issued by the Superintendent pursuant to section 792.1 of the Insurance Act (Alberta) (Act) and with the cooperation of the AIC.*
>
> ***BACKGROUND:***
> *The fair treatment of customers is a top priority of insurance regulators both in Canada and internationally. The Guidance is modelled after international standards for insurance regulation developed by the International Association of Insurance Supervisors. In order to increase regulatory and supervisory harmonization in Canada, a joint effort of the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) resulted in this formal Guidance document. The Superintendent and the AIC, as members of CCIR and CISRO respectively, played an active role in the development of the Guidance, which is available online at Guidance Conduct of Insurance Business and Fair Treatment of Customers.*
>
> ***EXPECTATIONS:***
> *As Alberta's insurance market conduct regulators, the Superintendent and the AIC consider the fair treatment of customers fundamental to sound market conduct practices and expect insurers and intermediaries to use the Guidance in the conduct of the business of insurance to ensure the fair treatment of customers. The Superintendent and the AIC expect insurers and intermediaries to use the principles set out in the Guidance to inform their policies and procedures and to apply the Guidance based on the nature, scope and size of their respective businesses. We understand that a transitional period is needed for organizations to review and incorporate the Guidance. It is our expectation that implementation of the Guidance principles will begin immediately, and that they be meaningfully embedded throughout organizations by January 1, 2020. Future regulatory reviews conducted by our offices will look for alignment with the Guidance. The Superintendent and the AIC will consider the principles of the Guidance when interpreting*

what are unfair practices pursuant to section 509 (Unfair Practices) of the Act and its associated regulations.

PENALTIES FOR NON-COMPLIANCE:
Insurers and intermediaries are obligated to comply with the requirements of the Alberta regulatory approach, including the requirements of the Act and its associated regulations. For insurers, the Superintendent confirms that where the Superintendent is of the opinion that an insurer has contravened section 509 (Unfair Practices) of the Act, the Superintendent may require that insurer to pay an administrative penalty of up to $25,000 for each contravention. In the alternative to the administrative penalty, and pursuant to section 780 of the Act, an insurer that contravenes section 509 of the Act is also guilty of an offence for which the insurer may be subject to a fine of up to $200,000 (and if of a continuing nature, each day or part of a day constitutes a separate offence) if convicted. The AIC has confirmed that insurance intermediaries (meaning insurance agents or adjusters holding a certificate of authority under the Act or its associated regulations) who contravene section 480(1) of the Act may have their certificate of authority revoked, suspended, or renewal refused. In addition, intermediaries who contravene Section 480(1)(a) of the Act may be subject to a penalty of up to $5,000 per occurrence of contravention. An intermediary who contravenes Sections 480(1)(b), (c), (d), or (e) may be subject to a penalty of up to $1,000 per occurrence of contravention.

Thought Leadership/Research/Domestic and International Developments

U.K. Financial Conduct Authority (FCA)

Financial Conduct Authority Encourages Consumers with PPI Complaints to Log Them and Potentially Get a Refund

The U.K.'s Financial Conduct Authority (FCA) has a campaign underway to refund consumers who were sold Payment Protection Insurance (PPI) and have complaints about it. The FCA explains how to make a complaint on its website, with a deadline for complaints of 29 August, 2019. The website explains the process to complain and get a refund, and has been made very simple for consumers. To see the relevant section of the FCA site, visit https://www.fca.org.uk/ppi/how-to-complain

In an effort to galvanize consumers, the FCA is rolling out a series of advertisements to run beginning 17 June, 2019. The ads feature the animatronic head of Arnold Schwarzenegger, featuring him in a hydraulic press, urging people to take action on PPI before it's too late.

On its website, the FCA states that "Payment protection insurance (PPI) was usually sold with products that you need to make repayments on, like a loan, credit card or mortgage." The site further states that

> *PPI was designed to cover repayments in certain circumstances where you couldn't make them yourself. These include if you were made redundant or couldn't work due to an accident, illness, disability or death.*
>
> *As many as 64 million PPI policies have been sold in the UK, mostly between 1990 and 2010, some as far back as the 1970s.*

But we found that PPI was often mis-sold. More than £33bn has already been paid back to people who complained about the sale of PPI.

The website notes that

If you had PPI, there are 2 reasons you might be eligible to claim back money you've paid for the policy:

PPI was mis-sold to you

The bank or other provider earned a high level of commission from the sale of PPI, but didn't tell you this when you bought it

In addition, the FCA has recruited its own 'Pressure's on Panel' of ambassadors. The panel will remind consumers that they need to make a decision on PPI before it's too late.

To date, more than 3.9 million users have accessed the PPI website, and the complaints have resulted in £35.3bn ($56.5 Billion Canadian) paid out to date. With the advertising campaign and other initiatives underway to publicize the ability to complain and potentially get a refund, it is expected that this number will increase substantially.

Scotia Life Financial

Scotia Life Insurance Company Sells Life Insurance Business to Chubb

Insurance Journal reports that after having shed its group insurance activities early this year, Scotia Life is now selling its individual life insurance business to Chubb Life.

Scotia Life (SLIC) has applied to the federal Minister of Finance for a reinsurance agreement with Chubb Life that covers "substantially all of the risks undertaken by SLIC in respect of its policies." Scotia Life requested that the agreement take effect on or after June 11.

"In particular SLIC proposes to transfer to Chubb Life the policy liabilities in respect of the individual Term 10, Term 20 and Term 100 contracts of life insurance and individual Guaranteed Life and individual Accidental Death insurance policies issued by SLIC," the *Canada Gazette* states.

Scotia Life confirmed to *Insurance Journal* that it plans to sell its life insurance business to Chubb Life. "As we continue to evolve our business and focus on areas where we can add the most value for our customers, Scotia Life Insurance Company has made the decision to restructure its life insurance operations. The assumption reinsurance notice was related to Scotia Life's intention to sell its individual life, accident and sickness insurance business," Scotia Life spokesperson Patricia Hsiung explained.

The agreement between Scotia Life and Chubb Life is still subject to approval by the Federal Finance Minister, she added.

At press time, Chubb Life had not yet granted *Insurance Journal* an interview. Hsiung declined to make additional comments, specifically regarding the date of the sale, the transaction amount and volume of insurance business remaining at Scotia Life. She did mention that the company chose to partner with Chubb Life "because of their commitment to provide superior customer service and innovative solutions for customers."

Royal Bank of Canada Insurance and IPSOS

RBC Insurance Study with IPSOS Finds that Half of Canadians Have no Disability Insurance

Investment Executive reported on 28 May, 2019 that an RBC Insurance survey found that half of working Canadians (50%) would have liked to take time off for a disability but felt they couldn't afford to do so. That figure is up five points from a year ago, the survey said.

Part of the problem is that disability coverage has declined. The survey found that half of Canadians have no such coverage, either through workplace benefits or personal insurance—a decline of five points compared to 2018 when 55% had coverage.

"It's troublesome to see an inverse trend between the number of Canadians who need to take time off for a disability, and those who have the coverage in place—or the finances—to do so," said Maria Winslow, senior director of life and health at RBC Insurance. "With half of the working population without disability coverage, many Canadians are exposing themselves to financial risk."

Most survey respondents were aware of that risk: 67% said serious financial implications would result if a disability impeded their ability to work for three months. Among those who took time off for their own disability, 56% said they were forced to return to work early due to financial reasons, an increase of five points from 2018.

Not surprisingly, 91% said proper financial support was critical when recovering from a disability. Advisors who address disability with clients should also consider that many families aren't discussing the issue. Less than half of survey respondents (43%) said they've discussed with their families how to handle the financial impact of not being able to work for an extended period.

PriceWaterhouseCoopers (PwC)

Kai Lakhdar, Partner, PwC Presents to CAFII on "Using Machine Learning Technology to Improve Clients' Health & Wellness - and Produce Better Outcomes for their Life & Health Insurers"

Kai Lakhdar, a Partner at PwC, made a presentation to CAFII at the reception held at Manulife following the 4 June, 2019 CAFII Board meeting. In his presentation, Mr. Lakhdar noted that chronic disease rates in Canada are rising, and are a major cost for both public and private payers of healthcare. He noted that 44 percent of Canadians have at least one chronic ailment (hypertension 25%; osteoarthritis 14%; mood and/or anxiety disorders 13%; osteoporosis 12%; diabetes 11%.)

The impact to Canadians is significant. These illnesses represent $190 billion in annual costs to the Canadian economy. More than 70% of disability costs are driven by one or more chronic conditions such as mental illness or diabetes. Over 50% of claims expense are from chronic illnesses, and 67% of all deaths in Canada are caused by cancer, diabetes, cardiovascular diseases, and chronic obstructive pulmonary disease.

In response to the financial and other costs of these increasingly prevalent trends, health insurers and the health industry are making changes to address these issues. Insurers have an opportunity to improve member health and productivity by enhancing their approach to disease management, including by changing health behaviours, genetics, clinical care changes, and by addressing social and environmental factors.

Mr. Lakhdar also noted that advances in artificial intelligence will also play a role in improving industry efficiencies. Together with other technology advances, this has the potential to allow industry to understand people's health and behavioral characteristics to identify poor health drivers, project future health issues, and identify the highest risk groups. Predictive analytics can be used to forecast future health risks and target those at risk with evidence-based preventative, wellness programs. Behavioural science can also be used to optimise the right interventions to help activate individuals through highly- relevant, contextualized interactions.

Mr. Lakhdar used a specific case study based on an analysis of over 1 million patients in the Greater Toronto Area, that showed that for drug claims the concentration of costs by claimants in the top 5% drove more than half the costs. The study also showed predictors of costs, giving industry the ability to address those predictors to try to drive costs down. Mr. Lakhdar concluded his presentation with some examples of how these principles could be applied in real-life cases.

The Mandarin

Public Sector News Source Says the Australian Royal Commission will Change Expectations of Regulators

Claire Noone suggests in a 6 June, 2019 article in the Mandarin, a newsletter geared to those in the Australian public service, that the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* will fundamentally change the expectations placed on regulators:

> *But less understood is the extent to which the royal commission is fundamentally altering the relationships between regulators and the regulated in industries far and wide.*
>
> *From food safety to privacy protection to telecommunications provision, every form of regulation has stakeholders that need to rethink the way they operate in the light of the royal commission Regulators that previously used a light touch in overseeing industries will now face a growing expectation of enforcement, while regulated entities that previously took a casual approach to compliance will find a far less sympathetic environment.*
>
> *Regulators and industries that fail to respond to the shift may soon find themselves facing immense social, political and economic pressure to act.*

She further states that

> *When he delivered his recommendations in February 2019, Justice Kenneth Hayne was unsparing when it came to the key regulators in the banking sector, particularly the Australian Securities and Investments Commission.*
> *…*
> *It is also imperative that regulators are prepared to enforce the law. Too often legal enforcement is used as a last resort when all other options have failed. Instead, regulators should treat legal enforcement of responsibilities as a starting point, and only when there are good reasons to not proceed should an alternative be sought. Justice Hayne recommended (6.2) that ASIC should adopt an approach to enforcement that takes as a starting point the question of whether a court should determine the consequences of a contravention. A watchdog unwilling to bark is of little use.*
> *…*
> *Fundamentally, the culture of an industry can be shaped by regulatory action – and inaction. Through a reluctance to enforce regulations, ASIC had unwittingly encouraged the industry to continue to push the boundaries of what it could get away with, and thereby enabled a risk-seeking culture.*

The Wall Street Journal

<u>Startups are Disrupting the Life-Insurance Business</u>

To get a glimpse of where the life-insurance industry is heading, try answering this: What is a fruit that vegans avoid eating? That query is part of an online quiz created by tech startup Health IQ Insurance Services Inc. to assess whether self-identified dieters, athletes, cyclists and weightlifters are worthy of discounts on life-insurance policies. Get a passing grade, and you could ultimately save thousands of dollars in premiums over the life of your policy, the company says.

Health IQ belongs to a select group of new companies that believe the future of the industry isn't one of startups replacing insurers, or one of big carriers completely untouched by the benefits of innovative algorithms and data-driven analysis. What's happening instead is that startups in these areas are joining forces with old-line carriers to complement the way they're doing business. Health IQ, for example, is in partnership with two big insurers. It offers the quiz to prospective customers, then sells them coverage on behalf of the insurers.

If smartphones and digital apps could shake up the way people hail rides and rent hotel rooms, they would seemingly have a field day with stodgy life insurers. Most policies continue to be sold as they have been for decades, through agents, face to face, and are still based on mathematical tables of mortality risk. The application process, meanwhile, generally remains tedious, typically requiring blood, urine and other medical analysis. All of this made life insurers seem like sitting ducks to Silicon Valley whiz kids and their algorithms.

But as insuretech ventures, as they are collectively known, have raked in growing sums of investment over the past couple of years. a nondisruptive business model has emerged as a path to success in life insurance. Newcomers have their sights on big dollars, including $3 billion in new annualized premiums for term-life policies, according to industry funded research firm LIMRA. Term life is a popular option that pays a specified amount if death occurs in a specified number of years.

“We’re not here to disrupt anybody, which is very un-Silicon Valley,” says Health IQ Chief Executive Munjal Shah. “We found that collaboration was the easier answer in this, and that was a bit antithetical to what a lot of other people were trying to do.”

The typical Silicon Valley approach to a stodgy business model is to make it as easy as possible for consumers to buy the newcomer’s product. But that is problematic with life insurers, as less-healthy Individuals could swarm to an insurer with the least-restrictive screening process, tanking profits.
To speed up the application process, data scientists have experimented with replacements for taking blood and urine samples. But insurers generally have found that higher premiums must be charged in the absence of such tests. Also, while most startups get instant feedback from app-store ratings, it could take years for alternatives to prove themselves.

“The challenge with life insurance that we found is, to prove out a hypothesis, it could take a decade of data,” says Max Chee, a technology investor at Aquiline Capital Partners, which invested in Health IQ in May. Remora fish Kweilin Ellingrud, head of the life-insurance practice at McKinsey & Co., likens the partnerships that have arisen between insuretech companies and life carriers to the symbiotic relationship between sharks and remora fish that eat harmful parasites on the sharks’ skin. “They help each other,” she says.

The industry seemed poised for a radical overhaul “given decades without much change in products or distribution and the pain of legacy IT systems,” she says. But venture investors and entrepreneurs who have looked at the life-insurance industry find that the capital requirements mandated by state regulators translate into lower returns on equity compared with the “hit-it-out-of-the-ballpark” expectations for other tech investments. Life insurers typically post modest 8% to10% returns on equity. That is where companies like Health IQ come in.

Yaron Ben-Zvi, Haven Life’s founder and CEO, says a benefit of linking with a well-established carrier is that there are huge amounts of data to be mined to develop algorithms for online issuance of policies. MassMutual developed the underwriting model used by Haven Life based on nearly 20 years of historical data and more than one million old applications, Mr. Ben-Zvi says. “Disruption in the life-insurance industry is probably not the right word,” Mr. Ben-Zvi says of the rise of new companies and adapting of new technologies. “Maybe increased pace of change.”

Sanofi Canada

Canadian Employers Misjudge the Magnitude of Chronic Disease Threat

Leo Almazora reports that Sanofi Canada has released the latest edition of the *Sanofi Canada Healthcare Survey*, which shed light on threats that are underestimated by Canadian employers as well as changes in employees' preferred menu of health benefits under their workplace plans.

"Providers of workplace health benefit plans can use these results to help drive new benefit offerings and wellness initiatives that focus on supporting plan members with chronic disease," said Sanofi Canada President and CEO Michael Mullette. "The past few years have seen positive growth in supports for mental health, which can serve as a model for other major chronic conditions such as diabetes and cardiovascular disease."

Based on the survey, plan sponsors estimate that 39% of their workforce lives with a chronic condition. But 54% of plan members in the survey have reportedly been diagnosed with at least one chronic disease or condition; the number is higher (69%) among those aged 55 to 64. Focusing on chronic pain, the results found 67% of employees had a condition that can impact their productivity and result in repeated workplace absences.

While employers and workers are far apart in assessing the prevalence of chronic conditions, they were closer in terms of their desire to solve such problems. Eighty-seven per cent of employees with a chronic condition said they'd like to know more about their condition and how to treat it, while 82% of employers said they'd like their benefit plan to do more to support employees with such conditions.

Turning to respondents' preferences for health benefits, the survey found that 74% of employees would agree to undergo pharmacogenetic testing to let physicians prescribe more effective medications for them; 65% of employers expressed interest in providing coverage for such services. Sixty-five per cent of employees said they were open to receiving health information based on their personal use of benefits, while 74% of employers would like the carrier of their benefit plan to send such targeted health messaging to employees.

There was also a rise in the number of employers who agreed that medical cannabis should be part of their workplace health plans, from 34% in 2018 to 45% this year. Employees had a stronger positive stance, with 64% thinking medical cannabis should be covered.

The survey also found a deficit in the understanding of drug plans among employees and employers, with both groups significantly underestimating the number of drugs covered in workplace drug plans while overestimating the number covered by provincial plans. There was also a lack of awareness on the possible national Pharmacare program, with 77% of employees and 52% of employers having low or no knowledge on the subject.

But in spite of their lack of awareness, both employees and employers expressed high levels of support (87% and 84%, respectively), for a Pharmacare regime that fills gaps in coverage for Canadians with inadequate or no insurance, and that does not affect workplace drug plans.

Appendix A

CAFII Alerts April 26 2019 – 28 June 2019

Date of Email Alert	Topic of CAFII Alert
6 May 2019	Ontario Moves Ahead With Elimination Of Out-of-Country Reimbursement For Medical Expenses, Effective October 1, 2019
6 May 2019	THIA Launches "TRIP" Travel Insurance Education/Certification Program; and Travel Insurance "Innovation Summit" in Toronto on Monday, September 9/19
14 May 2019	CISRO Releases 2019-2022 Strategic Plan
14 May 2019	FCAC's Financial Literacy Newsletter – May 2019
14 May 2019	Financial Consumer Agency of Canada's Two Most Senior Staff Executives Both To Depart Agency By End Of May
16 May 2019	Links and Copies of the Final Version of the Regulation on Alternative Distribution Methods; and the Accompanying Notice
17 May 2019	Summary Note on the Media Pickup of CAFII's Press Release on OHIP's Plan to Eliminate Coverage for Ontarians Traveling Out-of-Country, with Media Articles Attached
21 May 2019	Toronto Star Editorial -- CAFII Quote
23 May 2019	Online Insurance Sales in Quebec: Conditions Evolving
24 May 2019	Manitoba government says brokers must be involved in online auto insurance sales
24 May 2019	CAFII Quoted in Editorials in the Hamilton Spectator; and the Waterloo Region Record
7 June 2019	CLHIA scraps compensation disclosure effort; Association withdraws guidance after hearing advisors' concerns
7 June 2019	FCNB Restructuring Produces New Leadership Role For Angela Mazerolle; and Appointment of Jennifer Sutherland Green As Director & Senior Legal Counsel, Pensions and Insurance
7 June 2019	Insurtech creates risks for consumers and regulators alike; Report examines insurers' use of AI and social media to assess risks
7 June 2019	Wells Fargo agrees to pay $385 million to settle insurance scam
10 June 2019	Ontario's new era for financial regulation dawns; The new independent regulator replaces the FSCO and DICO
10 June 2019	FSRA Ready. Set. Launch!
12 June 2019	FICOM Releases Insurance Fee Consultation Paper For "Industry Self-Funding" Of BC Financial Services Authority (FSA), New Independent Crown Corporation Regulator To Be Launched Later This Year