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Regulatory Update – CAFII Board of Directors and Executive Operations Committee
30 April 2019
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Federal / National

Office of the Superintendent of Financial Institutions (OSFI)

OSFI Promotes Ben Gully to Assistant Superintendent, Regulation Sector

The Globe and Mail reported on 24 April, 2019 that OSFI Superintendent Jeremy Rudin had appointed Ben Gully as Assistant Superintendent, Regulation Sector, one of the most senior posts for the federal banking regulator. The job is coming open as Carolyn Rogers, its current occupant, prepares to move to Switzerland to serve a three-year term as the first Canadian Secretary-General of the Basel Committee on Banking Supervision (BCBS).

Mr. Gully is already a member of OSFI's executive committee. With the promotion, he will play a central part in policy-making, including setting capital standards for domestic banks and helping craft legislation and regulations that govern the financial sector. He will also replace Ms. Rogers as OSFI's representative on the BCBS when Ms. Rogers leaves OSFI's employ in June, 2019.

Mr. Gully joined OSFI in 2001, and has worked there ever since but for a two-year period where he left OSFI to work for Australia's banking regulator, the Australian Prudential Regulation Authority, where he was Chief Risk Officer.

Canada Life

Great-West Lifeco to Consolidate its Three Canadian Life Insurance Companies under the Canada Life Brand

Insurance Business Canada reported on 3 April, 2019 that Great-West Lifeco Inc. is consolidating its three Canadian life insurance companies under a single brand. The Winnipeg-based company says the Great-West Life Assurance Co., London Life Insurance Co., and the Canada Life Assurance Co. will come together under the Canada Life banner.

The amalgamation of the three company brands under one banner, and a new logo, will allow for more efficient communication with its customers using one "strong voice," as interactions occur more via digital and social channels rather than face-to-face, said Paul Mahon, head of the Winnipeg-based financial services holding company.

In addition to the brand unification, Great-West Life, London Life, Canada Life, and their holding companies Canada Life Financial Corporation and London Insurance Group Inc. have also begun the process to formally amalgamate as one company. Both moves are not expected to result in any job losses, Mahon said.

"To a large extent, this is really a growth play," Mahon said in an interview. "This is us positioning ourselves for stronger and faster growth in the marketplace, because we fundamentally believe that we can be more focused, we can be faster to market and we can invest more in innovation."

Toronto Finance International

Toronto Finance International Releases a Report: "Seizing the Opportunity: Building the Toronto Region into a Global Fintech Leader – Update 2019"

Toronto Finance International has released "Seizing the Opportunity: Building the Toronto Region into a Global Fintech Leader – Update 2019," a report which finds that Canada's largest fintech ecosystem, in the Toronto-Kitchener-Waterloo corridor, has continued to grow in recent years and has a significant opportunity to increase its share of global deals.

This year's report found that fintech investment in the Toronto region has grown dramatically during the past five years, from $24M and eight deals in 2013 to $221M and 25 deals in 2018. Yet despite this accelerated growth and impressive concentration of innovation hubs, the region still has a smaller share of global fintech investment in terms of the number and size of deals than do other major financial centres.

"We have one of the highest investment growth rates globally, with a compound annual growth rate of 118 per cent since 2010," said Jennifer Reynolds, President and CEO of Toronto Finance International. "While this is a much smaller absolute investment base than that of global hubs like London, New York and San Francisco, we have the opportunity to leverage North America's second-largest financial centre, combined with its third-largest tech cluster, and use this momentum to become a global fintech leader."

Swiss Re

Swiss Re: Holds its 34th Annual Canadian Insurance Outlook Meeting

Insurance Business Canada reported on 5 April, 2019 on Swiss Re's 34th Annual Canadian Insurance Outlook Meeting, held in Toronto. The Conference participants noted that emerging risks and innovations like cyber liability, tech-related exposures and climate change are disrupting the global insurance marketplace and creating exciting new challenges and opportunities for insurance leaders to wrap their arms around.

Monica Ningen, President and CEO, Canada & English Caribbean Swiss Re, stated that "the current landscape is forcing the insurance industry to consider new approaches and new ways of being prepared in addressing emerging risks."

Ningen went on to say:

> *New technology and data have transformed and will continue to transform how we engage with our customers and how we conduct business. Mobile devices are changing how we communicate and share information. The emergence of data and data analytics is helping us use and extract very profitable consumer insights.*

There are advances in AI and predictive analytics that are creating opportunities for innovation throughout the value chain. The digital world is unlocking new opportunities and we need to make sure that we're properly harnessing new advancements that enrich those connections, that improve risk analytics and connect with consumers.

Canadian Life and Health Insurance Association (CLHIA)

CLHIA Announces Lists Its Top Priorities: the National Pharmacare Plan and Guidelines on the Fair Treatment of Customers

A 9 April, 2019 article in Insurance Journal reported that CLHIA has decided to sideline its primary distribution firm (lead MGA) project. Its current priorities will instead be the debates surrounding the national pharmacare plan and the guidelines for the fair treatment of customers.

CLHIA CEO Stephen Frank noted that the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) published the joint "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" in September 2018 . This will be an exercise in understanding the regulators' expectations of the industry, Frank says. "It will take a few years before we reach the end of this journey," he continued. "We're just starting to live with these new guidelines and we notice that expectations are not clear in some cases."

Compensation disclosure is one of the means regulators had envisioned to ensure fair treatment of customers, Frank said. "Guideline 19 (G19) was an important element contributed by the CLHIA. We started it before the CCIR had put the finishing touches on its own guidelines."

RBC Insurance

RBC Uncovers Link Between Disability Claims and GDP

Life Health Professional (LHP) reported in a 9 April, 2019 article that RBC Insurance has predicted that long-term disability (LTD) cases will fall by 3.6% this year from 2018 because of the slowdown in the Canadian economy.

Using a proprietary algorithm, called The RBC Insurance Group Long Term Disability Forecast, RBC discovered that new LTD claims are linked to Gross Domestic Product (GDP) growth rates; and it believes this information can help businesses prepare for future claims costs, ensure adequate staffing during critical seasons, and ensure employees get the help they need.

The hypothesis suggests that during challenging or uncertain times, workers can become concerned about job security and performance, creating significant mental and/or physiological stress. As the economic outlook brightens and GDP growth accelerates, workers may feel more secure but, counter-intuitively, that pent up anxiety can take its toll and makes them more likely to succumb to illness and take a leave from work.

John Carinci, Vice President, Operations and Client Experience, RBC Insurance, told LHP that the company has been trying to identify the relationship between LTD and other macro-economic indicators for six years. Initially, it was thought to be random but now, after examining more than 300,000 data points and clients, it has uncovered a link with GDP growth.

He said "when times are good, you aren't necessarily going to know – the average Canadian, for example, won't know what the GDP numbers are at any given point in time but they will know the health of the company they work at.

"When times are hard, there is an element of stress. Working in these kinds of environments, there is a sense of wanting to stay and work through a minor disability, a minor case of depression or anxiety, or a nagging bad back. People work through that because there is a degree of uncertainty that exists in that working environment. There may not be a role waiting for them when they get back."

The flipside, he said, is that when work becomes more comfortable, the body and mind relaxes and all that pent up stress comes to the surface. Carinci added: "It's like a prolonged adrenaline rush and during that time, what may have begun as a case of depression or anxiety becomes more complicated and/or severe. It's the same with that bad back, which now becomes untenable.

"This dynamic actually plays out in life but we never really call it out. This is a statistical model, an algorithm that proves it."

Carinci said the findings are not related to the sale of any product, but that RBC Insurance is more concerned about getting the information to business owners, so they can better predict when bigger claims costs may occur.

The findings may also help determine when the best time is to assist employees and provide them with the framework they need.

"We are using it as a reminder that this is the time when you want to help change the dynamic and provide the tools when employees need it the most. Also, it's important to recognise that you should expect these things to increase during times of expansion, and plan and help get that extra buffer of staffing levels."

TD Insurance

TD Insurance Creates an Advisory Board on Climate Change

Insurance Business Canada reported on 10 April, 2019 that with the goal of better addressing the issue of climate change, TD Insurance had created an Advisory Board on Climate Change – a first for the Canadian insurance industry.

The Advisory Board will be comprised of experts from Engineers Canada, as well as from five leading Canadian universities with expertise in fields related to climate change, severe weather, and its effects on people and the planet, a release said.

The Advisory Board, together with TD Insurance executives, assembled March 28 for the group's inaugural meeting. "Our employees, customers, and partners have increasing expectations that the corporations they deal with are at the very least active, if not leaders, on issues that are of importance to them," said TD Insurance executive vice-president Kenn Lalonde. "TD's environmental leadership is a source of pride and we are building on this great legacy to inspire confidence in our future for our customers, our colleagues, and our communities."

A release from TD Insurance said that Canada last year saw $1.9 billion in insured damage from severe weather. Lalonde commented that TD Insurance has "an incredible opportunity . . . and responsibility" to take action to address how to better protect and insure Canadians, as well as to better support the insurance industry, as severe weather events continue to increase in frequency and severity.

TD Insurance has also expressed to CAFII an interest in exploring the impact of climate change on life and health insurance, including the role of climate change on mortality and morbidity.

CUMIS / Co-Operators

Alec Blundell Appointed EVP and COO of Co-operators Life; and Takes Helm of CUMIS

Insurance Journal recently reported that Alec Blundell has been appointed Executive Vice-President and Chief Operating Officer of Co-operators Life and as President and Chief Operating Officer of CUMIS, effective March 18.

"Alec is an exceptional leader who has played a critical role in developing and growing the individual insurance business and guiding our continued efforts in product development, distribution, pricing and financial analysis," said Rob Wesseling, President and CEO, The Co-operators, in a March 11/19 announcement. "His expertise and commitment to our business, our values and to our clients, have been invaluable and he is well-positioned to lead our life, group benefits and wealth business into the future."

Blundell is a Fellow of both the Canadian Institute of Actuaries and the Society of Actuaries. He holds a mathematics degree in actuarial science with a minor in statistics from the University of Waterloo. He sits on the board of The Edge Benefits and AZGA Services Canada.

"I'm excited to take on this new leadership role and look forward to navigating what will be a very exciting future for the insurance industry and for The Co-operators," said Blundell. "My past experience gives me unique insight into the challenges and opportunities facing the life industry and I'm looking forward to focusing on continued growth, profitability, and most importantly, the financial security of Canadians."

Co-Operators Expands its Insurtech Investment by Introducing a Fund to Facilitate Partnerships with Insurtech Firms

Insurance Journal reported on 10 April, 2019 that the Co-operators is expanding its Insurtech investment by introducing a fund to facilitate partnerships with insurtech firms.

The investment fund reflects the organization's commitment to address the unmet insurance and financial services needs of Canadians participating in an ever-changing digital economy. "Innovation is key to providing financial security for Canadians and communities," said Rob Wesseling, President and CEO, The Co-operators. "We're collaborating with insurtechs that offer cutting-edge technology and solutions to meet the changing needs and preferences of our clients."

In support of the organization's innovation strategy, the fund focuses on investment priorities aligned with three key themes: meeting emerging and underserved insurance needs, enriching the resiliency of Canadians, and adapting to the changing nature of transportation.

Provincial

British Columbia
FICOM

Province Recruiting For Founding CEO of BC Financial Services Authority, the New Crown Corporation to Replace FICOM

BC FICOM's website contains a 12 April, 2019 media release from Dr. Stanley Hamilton, its Chair, which announces the following:

> *The board of the Financial Institutions Commission (the Commission) is pleased to announce that recruitment for the CEO of the new BC Financial Services Authority (BCFSA) is now underway. International executive search firm, Odgers Berndtson, has been engaged to manage the recruitment process and applications are now open. A bill to create the BCFSA has been tabled and is now making its way through legislative readings. Bill 26 will authorize the board of the BCFSA to appoint a CEO with statutory powers over BC credit unions, insurance and trust companies, pension plans and mortgage brokers. The new CEO will also perform the duties of Superintendent of Financial Institutions, CEO of the Credit Union Deposit Insurance Corporation, Superintendent of Pensions, and Registrar of Mortgage Brokers.*

Ontario
FSRA
FSRA Appoints Tim Bzowey as Executive Vice President, Auto/Insurance Products
The organizational chart on the FSRA website now includes Tim Bzowey, as Executive Vice President, Auto/Insurance Products, and profiles him as follows:

> *Tim Bzowey is an innovative, strategic senior leader with extensive global expertise and experience in the insurance, wealth management and banking industries, who has an aptitude for consumer and industry engagement and collaboration. Widely recognized for his ability to unite and inspire high performing teams, Tim will provide thought leadership and oversight for the regulation and supervision of FSRA's insurance industry products, including auto insurance rates and products, to protect the interests of consumers while supporting industry evolution and innovation.*
>
> *Throughout his career, Tim has held senior leadership positions with significant weightings in Ontario auto insurance, and brings a business leader's perspective on product cost drivers, rate making and approval processes. He joined FSRA from his most recent position as Senior Vice President, RBC Partnership, Aviva.*
>
> *Highly attuned to customer perspectives and expectations, Tim has been invited to speak at industry conferences and events on a variety of topics including automated vehicles, customer centricity and data and analytics. Tim holds a Masters of Business Administration and was Vice Chair and Director with the Canadian Association of Direct Relationship Insurers (CADRI).*

Quebec
Autorité des marchés financiers (AMF)
Frédéric Pérodeau, Superintendent, Client Services and Distribution Oversight of the Authorité des marches financiers (AMF) Gives a Speech on the Incoming New Regulations on Selling Insurance on the Internet in Quebec
FlashFinance.ca, a French subscription subsidiary of Insurance Journal, reported on 22 April, 2019 on a recent speech given by Frédéric Pérodeau, Superintendent, Client Services and Distribution Oversight of the Authorité des marches financiers (AMF) at the *Journée de l'assurance de dommages 2019* on the incoming new regulations on selling insurance on the Internet in Quebec. FlashFinance notes that industry has expressed many concerns about the new regulations, including that the final version has not been published even though the new Regulation Respecting Alternative Distribution Methods (RADM) is intended to be in-force as of 13 June, 2019.

To those who opposed the sale of insurance products on the Internet, Mr. Pérodeau responded that "the internet is here to stay. A large percentage of the population wants to buy products of this kind using a technological channel, and that proportion is increasing over time." Mr. Pérodeau reminded participants that three grand principles were laid out by the relevant legislation with respect to the RADM:

- any company offering products, including insurance, on the internet must do so through a firm that meets all the necessary government requirements;
- the firm offering products on the internet must conform to all existing obligations that apply to a representative selling insurance, including offering advice; and
- the firm must take all necessary means to ensure that a licensed representative of its own is readily available for a client who desires that personal contact.

Several industry submissions requested that certain activities on the internet should be excluded from the Regulation. As a result, enrollment sites for group insurance, annuities, or pension plans are excluded from the Regulation. As well, non-transactional sites such as sites which allow for products to be compared, are not subject to the Regulation. "Only a digital space *("espace numérique)* which allows for the sale of a product will be subject to the Regulation. This refers to transactional sites as opposed to sites that allow for product comparisons and which are not transactional" Mr. Pérodeau added. As well, Mr. Pérodeau noted that in the Regulation the term "platform" had been replaced throughout by the term "digital space" *("espace numérique).*

While some industry representatives requested a delay in the in-force date of the new Regulation, the AMF has instead opted for a transitional period for its implementation. However, Mr. Pérodeau clarified that "only the need to display written policies and procedures for the management of digital spaces will benefit from the transitional implementation period." He specifically emphasized that the availability of a representative to speak to a consumer who expresses such a desire is not subject to the transitional period. He added that the transitional period "really applied more to the requirements for Distribution Without a Representative as opposed to the sale of insurance on the Internet."

The modification of Article 27 of the Quebec Act on the Distribution of Financial Products and Services has created concerns among licensed representatives, Mr. Pérodeau noted. He emphasized that the role of a licensed representative would not change with the new Regulation. Furthermore, the modification of Article 27 permits a non-certified person or a technological tool to collect "factual information" from the client going forward.

"The representative who chooses to use information collected by a non-certified person, or a technological tool, remains responsible for the collection of this information if they decide to use it," he added. "They must inquire about the client's situation, and propose a product appropriate for their needs. They must also ensure that the person or tool that collected the information only engages in that activity and does not offer advice."

Mr. Pérodeau added that the non-licensed person or those managing the tool collecting information could not be compensated based on whether a sale has occurred or not.

Thought Leadership/Research/International Developments

LIMRA / LOMA

Vikram Kamath, Senior Data Scientist and Director of Analytics at LIMRA, Addresses the CAFII 16 April, 2019 Post – Board Meeting Reception on "The Power of Analytics—How Data is Changing the Life Insurance Industry"

Vikram Kamath, Senior Data Scientist and Director of Analytics at LIMRA, spoke to about 80 CAFII Board and EOC members, and invited guests, at an 16 April, 2019 CAFII Reception. His address focused on the impact analytics would have on the life insurance industry.

Mr. Kamath's presentation was very accessible with a focus on practical and implementable analytic concepts. He began by defining key concepts: Analytics is "A scientific discipline for building statistical models from data to describe what has happened, predict what will happen, and recommend how to respond"; Big Data is "The huge volume of data available for analytics: Billions of records, millions of variables, complex algorithms, and impressive computer power"; Machine Learning is "A technique where you give the computer a data set and allow it to find correlations, trends, and unexpected relationships without explicitly telling it what to look for"; and Artificial Learning is "A broad term covering several related fields, but for our purposes, a computer that can learn from its environment in order to match or exceed human capability at specific tasks."

Mr. Kamath explained that these capabilities were becoming increasingly influential in business because of the tremendous expansion in availability of data combined with the exceptional increase in computational power. This combination was leading to an "analytics revolution." This was particularly relevant for an industry such as life insurance, with access to enormous amounts of data and the ability for those able to mine that data successfully to distinguish themselves from their competition.

Mr. Kamath said that analytics was relevant to life insurance in many areas, including marketing (Advertising, Channels, Messages); Prospecting (Leads, Likely Buyers); Distribution (Agent Production and Retention); Underwriting (Automation, Triage); Claims (Fraud); and In-force Management (Red Flags, Lapses, Options).

Mr. Kamath concluded his speech by giving an example of a research project that analyzed the answers provided by 5000 U.S. participants to over 100 questions, in a national survey to determine the personal characteristics that are most likely to lead to the purchase of life insurance. The research found that the following were the characteristics that were correlated with the highest probability of buying life insurance: being young to middle aged, being upper middle class, having high income and assets but also high debt, being employed full time, having a financial advisor, owning one's own home, being married with children, holding a college degree, and having had a significant life event in the last two years.

Nearly Half of Americans More Likely to Buy Simplified Underwritten Life Insurance
Insurance journal reports that a recent LIMRA study found that almost half of Americans (47 per cent) say they are more likely to buy life insurance using simplified underwriting, versus traditional underwriting approaches, according to new findings from the 2019 *Insurance Barometer Study*.

The *Insurance Barometer Study* tracks the financial perceptions, attitudes and behaviours of consumers in the United States, with an emphasis on life insurance.

To broaden their reach and address declining ownership numbers, many life insurers have leveraged advances in technology, such as advanced analytics, Big Data and artificial intelligence, to streamline the underwriting process and better meet the needs and preferences of today's consumers.

Simplified underwriting, which generally means getting coverage more quickly and without a medical exam, may impact a consumer's likelihood of buying life insurance, according to the study.

The study found that nearly two-thirds of those who are interested in purchasing life insurance through simplified underwriting are drawn to the speed and ease that it offers. "Two-thirds of Americans recognize they need life insurance yet many do not have adequate coverage to protect their families. As the industry continues to find innovative ways to improve the speed, ease and transparency of the life insurance purchasing process, we hope it will encourage these individuals to purchase the coverage they need to protect their families," said James Scanlon, senior research director, LIMRA Market Research.

The market for life insurance products that combine other benefits, such as long-term care provisions, is still growing. The study found that 53 per cent of Americans are at least somewhat likely to purchase a combination life insurance product. One in five (roughly 42 million Americans) say they are "very" or "extremely" likely to buy a combination product.

Australia Herald Sun

Banks, Financial Institutions May Face Criminal Legal Action from Banking Inquiry Before May Federal Election
In a 28 April, 2019 article, Jeff Whalley of Australia's Herald Sun reports that major financial institutions including banks are bracing for possible criminal legal action over scandals unearthed by the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry - and they are not ruling out facing the first of these before the imminent national election in Australia.

The corporate cop — the Australian Securities and Investments Commission (ASIC) — has a shopping list of more than 20 matters it is looking at in the wealth management area in which criminal offences could have been committed.

ASIC chief James Shipton has tipped a more aggressive approach by the regulator after claims at the commission it was too timid. Financial institution insiders talked to by the *Herald Sun* said they were not ruling out seeing some criminal claims coming before the May 18 national election.

In his February 4, 2019 final report, commissioner Kenneth Hayne recommended two large institutions to ASIC for possible criminal charges, joining another already before ASIC. These were not named. AMP and National Australia Bank came off particularly badly from revelations about their handling of scandals. If criminal charges are lodged by ASIC during the election campaign, it is believed it could set off a battle between political parties over getting tough on the already unpopular finance sector. “We haven’t seen legal action yet — but we will,” one bank insider said.

At the same time, politicians were warned not to go light on the banks and financial services sector. Berrill and Watson principal John Berrill, who worked on cases that prompted the Royal Commission, told the Herald Sun that the public were so angry they would not forgive parties that let corporate bosses off the hook this election. “The politicians had better fix the corporate wrongdoing identified in the Royal Commission.

“Otherwise the voters will take to them with baseball bats,” Mr. Berrill said. “It is crucial that in the lead up to the election the plight of the thousands of victims of poor behaviour by banks, insurers and advisers is not forgotten.”

Mr. Berrill said there has “already been some back-pedalling” on implementing the recommendations of the Royal Commission around things like mortgage broker reform. Treasurer Josh Frydenberg said the additional $550 million in the Budget for ASIC and APRA would help stamp out misconduct, including with possible criminal convictions.

“Furthermore and for the first time, the jurisdiction of the Federal Court of Australia will expand to include corporate crime, with the Coalition providing more than $35 million in the 2019-20 Budget to support this expansion. “The expansion and funding will ensure that those who engage in financial sector criminal misconduct are prosecuted and face the appropriate punishment for their actions in a timely manner.”

Opposition financial services spokeswoman Clare O’Neil said Labor would consider referrals to ASIC “carefully”, but added she wanted to see bankers who steal from Australians punished with prison terms. “When Australians steal from a bank, they go to jail, but many Australians feel that if a banker steals from them, they get a pay rise and a promotion,” she said.

Meanwhile, it is believed the total compensation that will be paid by banks and others to consumers over the "fee for no service" scandal would climb even higher. Analysts have already estimated the big four banks plus AMP and IOOF will pay remediation to customers that will exceed $7.4 billion over the scandal which was at the heart of last year's Royal Commission.

NAB recently revealed another $749 million of compensation while Westpac announced a further $260 million compensation hit. But insiders say more is to come as banks trawl customer files. The spotlight will turn on the banks again soon with ANZ, NAB, and Westpac all reporting their half-year results by May 6/19.

The bank results expected to show some of the lowest revenue and profit figures since the global financial crisis. AMP also faces a crucial shareholder vote at its upcoming annual meeting. If shareholders vote against the company's corporate pay package, it could lead to moves to oust its current chairman David Murray and the rest of the Board.

AMP copped a "strike" from shareholders last year; and a second one this year, under Australian corporate rules, would trigger a vote to oust the Board. The *Herald Sun* can reveal the nation's biggest super fund Australian Super is expected to vote for AMP's pay package for bosses. It is a move which could save the current AMP board the embarrassment of a removal motion.

Eyes will then turn to NAB soon thereafter, amid rumours it could reveal a new chief at its annual meeting. Departing Royal Bank of Scotland boss Ross McEwan is shaping up as possible boss at NAB, after chief Andrew Thorburn resigned after the Royal Commission's scathing assessment of the lender. McEwan was once in the running for the top job at the Commonwealth but instead ended up running RBS in the UK. McEwan surprisingly quit that job last week so now people think he is in line for the NAB job. "You could not rule it out," one banker told the *Herald Sun*.

Avibra

<u>New Insurtech Avibra Aims To Be the Netflix of Life Insurance</u>

Digital Insurance reported on 25 April, 2019 that a New York-based insurtech is trying to solve life insurance's sales doldrums by avoiding the product overall. Avibra's vision is to "offer a Netflix-type subscription for overall well-being that automatically provides an opportunity to bundle longevity services and a mortality product—life insurance—along with it," says Avibra's Yogesh Shetty.

"We are not in the business of selling life insurance. We're in the business of selling a longevity service. We're offering something unique that can bring tangible benefits to users' day-to-day lives," Shetty continued.

Simply by downloading the Avibra app, customers automatically receive $10,000 in term life insurance coverage. The coverage is guaranteed and non-discriminatory and there is no medical underwriting involved. Avibra partnered with Amalgamated Life and Life of the South to underwrite the product.

After that, customers can then bump up the coverage in one of two ways: they can review and interact with Avibra's updated-weekly in-app content, which is developed by industry experts and designed to improve individual financial, physical, and career well-being.

"People can educate themselves by taking quizzes, meditating or watching educational videos on quitting smoking or reducing screen time, for instance, and they are rewarded with small coverage increases," Shetty notes. "Instead of rewarding people with gift cards or cash, we bundle in life insurance."

Users can also agree to connect their credit cards and bank account information, plus their wearables and other personal data sources, and Avibra's proprietary data and analytic engine mines the data and automatically increases coverage when the system detects positive actions. The combination of smartphone technology and real-time data from wearables powers Avibra's life insurance product. "The app operates like the Digit app, but while Digit looks at cashflow and transactions and automatically moves money into a savings account, we reward users with micro life insurance coverage if transactions improve users' well-being," Shetty pointed out.

Appendix A
CAFII Alerts January 4 2019-April 30 2019

Date of Email Alert	Topic of CAFII Alert
January 15	New Bill will give greater penalty powers to ASIC; Australian regulator gets enhanced enforcement capabilities
January 17	Financial Services Regulatory Authority of Ontario (FSRA) Appoints Inaugural Leadership Team; and Draft FSRA 2019-20 Budget and Priorities To Be Posted Next Week For Consultation Until February 8/19
January 22	Financial Services Regulatory Authority of Ontario (FSRA) Publishes Draft 2019-20 Priorities and Budget For Comment Until February 8/19 (and related Investment Executive coverage)
January 24	Saskatchewan Insurance Legislation Update: The Insurance Amendment Regulations, 2019
February 4	The final report from the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has been released
February 12	BC FICOM Issues Follow-up Survey Inquiry To Insurers On Bulletin INS-15-002: Creditor's Group Insurance
February 12	Eric Stevenson Appointed Quebec's Assistant Deputy Minister of Finance
February 13	Federal Government Advises Spring Break Vacationers To Secure Travel Insurance
February 13	Toronto Star Business Columnist David Olive (February 11/19) On Potential Impact Of Australian Royal Commission Final Report Upon Canada
February 20	What Clients Need To Know About Trip Cancellation Insurance
February 25	BC FICOM Extends Deadline For Responses To Its Follow-up Survey Of Insurers On Bulletin INS-15-002: Creditor's Group Insurance By One Month To April 25, 2019
February 27	Proposed BC Legislative Amendments Include Prohibition On Sale Of Creditor Insurance On Payday Loans
February 27	FCNB's Pensions and Insurance Division To Use CCIR/CISRO's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" As Standard For All Future Market Conduct Exams
March 8	Winter 2019 CCIR Communique Newsletter; and CCIR Fintech Working Group February 2019 Newsletter
March 11	(X2 Re Travel Insurance): Canadians Still Confused Regarding Travel Health Insurance; and How This Woman Won $10,000 By Reading The Fine Print In Her Travel Insurance Contract
April 23	AMF Tribunal Fines Advisor $440,000 For Practices Linked To Distribution Of Insurance Products Intended For Credit Card Holders
April 24	Ontario Government Proposes To Eliminate Out-of-Country Medical Reimbursement Effective October 1, 2019
April 25	Ontario considers OHIP cuts, citing high administration costs
April 26	A New Guide to Canadian Insurance and Reinsurance Law and Practice, Authored By Stuart Carruthers of Stikeman Elliott, Available For Free Download

Appendix B
McKinsey Study: "Bancassurance: It's Time to Go Digital "

A March, 2019 report by McKinsey entitled "Bancassurance: It's Time to Go Digital" makes the key argument that "as customers and banks shift to digital technologies, bancassurers need to rethink their distribution model." The report states that "overall, the bancassurance industry has seen strong premium growth around the world. From 2011 to 2017, the growth of the bancassurance channel outpaced other channels in both life and non-life products," although most of that growth is due to successes among European companies.

The report goes on to state that

> *Banks have been slow to move their bancassurance products down the path toward digitization, however. Complex sales processes for insurance products, as well as competing priorities with other banking products, may be to blame. Still, in the face of record-low interest rates, many banks see the potential non-interest income that bancassurance can offer and have been seriously considering their bancassurance strategies. Enabled by digital processes and analytics, three essential components—personalization, superior customer experience, and omnichannel engagement— will shape the winning formula for sustained bancassurance growth.*

The McKinsey report also notes that

> *Banks in many markets—particularly Asia–Pacific and Latin America—have been clearly focused on the bancassurance channel for selling life insurance products, which tend to have higher average sale prices and profit margins than most non-life products. Indeed, life products fit particularly well into the bancassurance framework. They are related to financial products—credit life products skyrocketed with the credit boom of the 2000s, for example. And where banks have access to their clients' personal financial assets, they often work to promote life policies with built-in cash value as an alternative form of investment, citing tax benefits.*

The McKinsey report argues that banks should do more to find non-life insurance sources of insurance revenue:

> *In contrast, many banks have been deterred from putting much effort into marketing non-life insurance products, which have lower average sale prices and commissions. Few banks have meaningfully increased sales penetration of auto and commercial lines, though many banks have done reasonably well coupling home insurance with mortgage products. More*

> *recently, banks—reacting to historically-low interest rates—have been on the hunt for new sources of non-interest income. And as a result, they have started to recognize the potential of stand-alone non-life product sales.*

As part of this strategy, the report argues that a digital strategy is critical to successfully expand these other bancassurance revenue sources:

> *While every bank follows its own path toward creating a winning multichannel model, few have mastered the game and excel digitally. Most banks continually evolve their digital strategies and review the "core" of their digital offer. In this process, however, banks often treat bancassurance products in a tactical, rather than a strategic way. As a result, banks tend to insert these products into other offerings rather than making them a discrete part of their digital channel strategy.*
>
> *In short, fewer customers visit physical bank locations, and banks have been slow to make up for lost branch sales by implementing a comprehensive digital model for bancassurance. The lack of such a model becomes even more relevant when considering many banks' renewed focus on lending products sales. The combination of fewer visits and an increased emphasis on lending products diminishes opportunities for selling non-lending products—such as bancassurance. Therefore, it is pivotal that banks find smart ways to sell bancassurance digitally.*

To achieve success, analytics is critical, the Report goes on to state, as follows:

> *To boost growth, bancassurance leaders around the globe should … revisit their own commercial models, especially regarding distribution. They should focus on three elements: boosting personalization by making the most of unique banking data and analytics, tapping the potential of digital to offer superior customer service, and mastering the omnichannel game. Banks and insurers that neglect these steps will only find themselves falling further behind—and quickly.*

The Report then provides some specific examples of these strategies. For example, on the issue of personalization, McKinsey states that:

> *Bancassurers need to explore the potential of the rich banking data available to them as well as the sophisticated analytics for developing more relevant and timely offers for customers. Combining information on event triggers (for example, change of address or the birth of a child) and interaction data (for example, information browsed or call center connected) with propensity models can boost outcomes by 20 to 40 percent. In addition, banks can harness contextual information—and*

> *subsequent insights—when offering relevant insurance products to customers. For example, targeted web or mobile messages after customer card transactions, money transfers, and georeferencing may offer simple travel insurance or an assistance product in a timely manner.*

The Report emphasizes as well that a simple, customer-focused approach is critical to success in the direct-to-consumer channel:

> *Bancassurers need simple, fully automated, and end-to-end processes that reduce barriers to sales in digital channels as well as barriers to relationship managers. In addition, they need to improve the customer experience and conversion along the sales funnel.*
>
> *These processes should employ digitally enabled, real-time quoting and contracting that eliminates an overreliance on paper and minimizes manual underwriting. Prepopulating applications with data from the bank, the insurer, or other sources can enhance simplicity. The processes should also foster engagement and transparency—for example, by including behavioral nudges that encourage customer action, such as peer reviews.*

The Report suggests that an omnichannel presence that is integrated and coordinated is also a critical ingredient to success:

> *The first step is to make insurance sales available across channels—secure site, public site, and mobile app—often in a sequenced rollout. Banks have traditionally started with the secure site, but the Finalta data show that the public site can generate as much as 50 percent of the opportunities. Furthermore, as many banks continue to scale up their remote advisory teams, call centers will continue to be an important consideration in strengthening omnichannel offerings, particularly for products marketed to affluent customers who expect more personal human interactions.*
>
> *Customers today also increasingly expect offerings to be seamlessly translatable across channels—for example, initiating a quote online and finishing it at the branch—but banks and insurance companies lag behind on connecting their data to meet this expectation. Quotation saving and retrieval are essential for cross-channel interaction to avoid the frustration of repetitive data entry. Proactive engagement with customers requires physical, as well as digital, channels—from initial contact to spark interest to follow-up on incomplete applications.*
>
> *To enhance their value proposition, key bancassurers in different markets are focusing on improving their servicing experience beyond sales. Examples of this include a digital wallet—a single access point to all client*

policies for service support—and an integrated app for submitting and tracking claims through the various stages of its journey.

Building an omnichannel system typically requires creating a joint team of both bank and insurer employees empowered to bring together all the functions involved in the effort in an agile way.[5] *This new team should work on a target model that both the bank and the insurance provider use as a means of supporting bold moves and providing full transparency. In addition, the team should be empowered to constantly prioritize and adjust initiatives based on continuous feedback gathered along the way from functions such as analytics, campaign design, and management.*

In conclusion, the McKinsey Report argues that the bancassurance industry has huge growth opportunities, but not all institutions will reap the reward. Those that are able to best take advantage of emerging technological capabilities and shifting customer expectations will be the biggest winners:

There are incredible growth opportunities for bancassurance, however, the key to capturing them lies in digital and analytics capabilities that will enable personalization, a superior customer experience, and an omnichannel offering. As growth champions have demonstrated, the reward for pursuing digital bancassurance is significant—and across the globe, the spoils will go to those who get there before their competitors.