The Canadian Association of Financial Institutions in Insurance | L'association canadienne des institutions financières en assurance

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CAFII ALERTS WEEKLY DIGEST: April 8-12, 2024

April 8, 2024

The CAFII Alerts Weekly Digest is intended to provide a curated compendium of news on insurance, regulatory, and industry/business/societal topics of relevance to CAFII Members – drawn from domestic and international industry trade press and mainstream media – to aid in Members' awareness of recently published media content in those areas.

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GOVERNMENT/LEGAL/REGULATORY/ BUSINESS DEVELOPMENTS

Critical Gap In Creditor Life Insurance Coverage Among Canadian Homeowners: CAFII Study

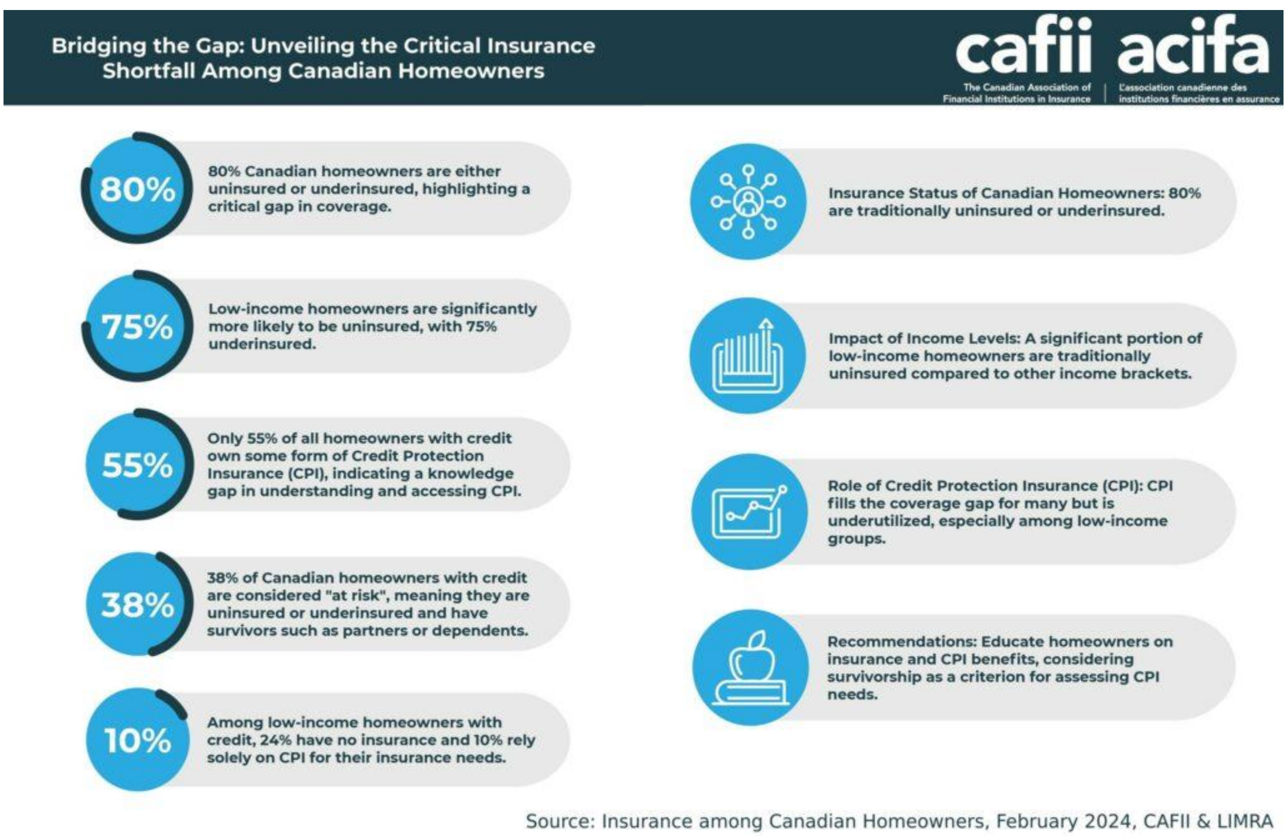
By Insurance-Canada, April 01, 2024

https://www.insurance-canada.ca/2024/04/01/cafii-limra-gap-creditor-life-insurance-coverage/

New research conducted by LIMRA on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII), sheds light on the insurance landscape among Canadian homeowners. The study's primary objective was to reveal the prevalence of insurance products, with a particular focus on Credit Protection Insurance (CPI), among homeowners. The results have raised significant concerns about the financial security of numerous Canadian families.

The report set out to address pivotal questions regarding the insurance environment among Canadian homeowners. It sought to ascertain whether individuals with lower incomes prioritize credit protection insurance (CPI) over others and whether CPI plays a significant role in the market for homeowners. The study surveyed 1,175 Canadian homeowners, placing a specific emphasis on those with mortgages or home equity lines of credit (HELOCs).

This comprehensive survey explored various aspects, including insurance ownership, financial attitudes, coverage, and demographic factors.



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Key Findings:

1. **Uninsured or Underinsured Homeowners:** The study found a concerning trend among Canadian homeowners: a significant 80% lack sufficient insurance coverage, being either uninsured or underinsured with CPI or traditional life insurance. This shortfall in coverage leaves many families inadequately protected against unforeseen life events. Underinsured is defined by FCAC as Canadians with insurance coverage of less than 7-10 times their income.

2. **Income Disparities:** Low-income homeowners are significantly more likely to be uninsured compared to those in higher income brackets. Of those who are insured, 75% of low-income homeowners are underinsured, meaning they lack sufficient coverage to protect their financial well-being.

3. **Role of Credit Protection Insurance (CPI):** Despite the alarming rate of underinsurance, only 55% of all homeowners with credit own some form of CPI. This discrepancy is even more pronounced among low-income homeowners who have notably less CPI coverage compared to their high-income counterparts. This suggests a substantial knowledge gap, in understanding and accessing CPI, highlighting the need for increased awareness and education about this form of insurance.

4. **Importance of CPI for Homeowners:** While 80% of homeowners are underinsured or uninsured, among low-income homeowners with credit, 24% have no Insurance and another 10% rely solely on CPI for their insurance needs, which is significantly more than other income groups and highlights the importance of this form of protection for financially vulnerable households.

5. **"At Risk" Homeowners:** A significant portion of Canadian homeowners, 38%, fall into the category of "at risk." These are homeowners with credit, who are uninsured or underinsured, and have survivors such as partners or dependents. This group is particularly vulnerable to financial hardship in the event of unexpected life events.

Given the stark findings of this report, LIMRA offers the following recommendations:

- **Educational Initiatives**: Collaborate with regulators, government, and community groups to increase awareness about insurance and credit protection, addressing the knowledge gap among 45% of all Canadian homeowners in the sample who feel financially uninformed.

- **Priority Access**: Credit Protection Insurance (CPI) serves as a crucial safety net, addressing the protection shortfall for 78% of Canadian homeowners with credit who are underinsured or uninsured. CPI is essential in securing their financial stability.

- **Consider Survivorship:** Consider survivorship (having a partner and/or dependents) as a critical reason for CPI to ensure that those with financial dependents have access to this vital protection. This is especially crucial for the 61% of homeowners with credit who are traditionally underinsured or uninsured and have survivors who would be at risk of losing the home they live in.

With 80% of Canadian homeowners lacking sufficient insurance coverage, it's imperative to educate them about insurance and credit protection.

CAFII Executive Director, Keith Martin, emphasized the report's significance, stating, "The findings of this report underscore the urgent need for Canadians to assess their insurance needs and coverage. We must ensure that all Canadians, regardless of income, have access to affordable insurance solutions that protect their financial well-being."

This study commissioned by CAFII highlights the need for urgent action to improve the financial security of Canadian homeowners. "By addressing these issues, we can ensure that more Canadian families have access to the protection they need in times of adversity" stated Keith Martin.

CISRO Names New Chair

Patrick Ballantyne Brings Over 30 Years Of Experience To The Organization

By Freschia Gonzales Wealth Professional, March 15, 2024

https://www.wealthprofessional.ca/investments/life-and-health-insurance/cisro-names-new-chair/384578?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240409&_hsenc=p2ANqtz--lfpACMvbxHDtIjefZR_NTdpwLMqmDUCliz60DrkfsqniUYgoQzpNHSy36C5vT9T6nRsn4R77286ajZf3npOQGH6mUBw&_hsmi=301890149&utm_content=&utm_source=

The Canadian Insurance Services Regulatory Organizations (CISRO) has announced the appointment of Patrick Ballantyne as the new CISRO chair.

As the CEO of the Registered Insurance Brokers of Ontario (RIBO) since 2016, Ballantyne brings to CISRO more than three decades years of leadership experience in legal and regulatory compliance within the financial services industry.

He was called to the Ontario Bar in 1987, marking the beginning of a distinguished career in the field.

Upon his appointment, Ballantyne thanked the outgoing chair, Eric Jacob, for his commendable leadership.

"I would like to thank [Jacob] for his steady and professional leadership as CISRO Chair. Under Eric's leadership, CISRO has invested in important activities to strengthen the organization while pursuing initiatives in close collaboration with the Canadian Council of Insurance Regulators to enhance the fair treatment of customers," said Ballantyne.

He emphasized the honour he feels in taking up the role of CISRO Chair and his enthusiasm for working with CISRO members to advance the organization's Strategic Plan.

Ballantyne's appointment signals a continued commitment to excellence in regulatory leadership within Canada's insurance sector, aiming to uphold and enhance the fair treatment of customers and strengthen the industry's regulatory framework.

OTHER CAFII MEMBER-RELEVANT NEWS

Women Made Up Just 14% Of New FI Chief Execs In The Last Year, Report Reveals

Pension Funds Are Leading The Way To Gender Parity, But It's A Slow Journey

By Steve Randall, Wealth Professional, April 10, 2024

https://www.wealthprofessional.ca/news/industry-news/women-made-up-just-14-of-new-fi-chief-execs-in-the-last-year-report-reveals/385292?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240410&_hsenc=p2ANqtz-_u812-PrPlXYwpHEndmnllpfimAZKGFS716Z7Oduw2Pc3CAzIEvMPobn6YcFWwXjJ7m-0Qq0IOK5pr-uuZwFL6HXEltw&_hsmi=302019112&utm_content=&utm_source=

There may be a will but no clear way to gender parity in global financial institutions and central banks, according to a new report backed by Franklin Templeton.

The Official Monetary and Financial Institutions Forum's Gender Balance Index for the second quarter of 2024 reveals that despite efforts to address the gender imbalance in the industry, there remains a long way to go.

The analysis of almost 400 institutions in the financial sector including central banks, commercial banks, public pension funds and sovereign funds found that of 63 new CEOs appointed in the past year, just nine were women.

Overall, pension funds appointed the highest share of women leaders at 22% ahead of central banks (18%), while commercial banks and sovereign funds added none. Pension funds also lead for overall share of female CEOs across the sample at 28% and is ahead on overall gender parity with an aggregate score of 48.

"2023 was an opportunity to move the dial on female leadership, however, it was missed in many instances," said Clive Horwood, managing editor and deputy chief executive officer at OMFIF.

The Gender Balance Index has improved across several segments of the industry with more women in senior positions across central banks and top financial institutions this year with female representation at senior staff level above the 30% threshold for the first time (at 31%) up from 29% in 2023. But again, commercial banks are underperforming with the share of women across C-suite positions down to 15% from 18% in the previous year.

Jenny Johnson, president and CEO at Franklin Templeton says promoting gender diversity at every opportunity is key to addressing the imbalance.

"I believe you need to lead by example – something I strive to do daily. In many ways, it starts at the top, so I've made it a priority that DE&I is embedded into our corporate strategy," she said. "I've also appointed a chief diversity officer as a direct report to me and invested in a team of seasoned global DE&I practitioners. DE&I is also reflected in the core values we instil throughout the organization."

Johnson added that partnerships with external organizations and strong board representation of women and other underrepresented groups is also important.

Could Microinsurance Be The Key To Bridging Canada's Insurance Gap?

Co-Operators Keen To Explore Solutions

By Gia Snape, Insurance News, April 09, 2024

https://www.insurancebusinessmag.com/ca/news/breaking-news/could-microinsurance-be-the-key-to-bridging-canadas-insurance-gap-484418.aspx?hsmemberid=83982452&tu=&utm_campaign=&utm_medium=20240409&_hsenc=p2anqtz-901in80ia6m5hydzfzyo4wllwrut3fbjucudsbmqkf5t1nj_19kpobx-pp-xabssufvrpmu83xpbxbteusc9_q7bjsqq&_hsmi=301881989&utm_content=&utm_source=

The insurance gap continues to widen among vulnerable groups that face a plethora of economic and systemic barriers to accessing coverage. Could microinsurance – a financial tool helping marginalized communities in developing countries – bridge this gap?

It's a question that one Canadian insurance provider is seriously mulling on the back of a United Nations-backed funding initiative.

"Microinsurance is a solution for enhancing the financial resilience of people, especially women, in developing economies," said Chad Park (pictured), vice president of sustainability & citizenship at Co-operators.

Co-operators recently committed $410,000 to the Insurance Innovation Challenge (IIC), which will help scale four microinsurance projects in India, Kenya, Malawi and Sri Lanka.

However, Co-operators' involvement isn't just about financial contributions. Park emphasized the desire to learn from these initiatives and explore potential applications of microinsurance with CAMIC, the Canadian Association of Mutual Insurance Companies.

"There are marginalized, vulnerable communities in Canada that face challenges accessing traditional insurance," Park told Insurance Business.

"It's partly because of what we've witnessed with ICMIF on the international scale that we've thought, what could we take from that? What are the needs we're seeing in Canada where we could apply some of the same lessons? It might be through that organization (CAMIC) that we could evolve some offerings in a Canadian context."

Why Should Insurers Get Involved In Microinsurance?

What's the broader significance of insurers getting involved in such initiatives? Park pointed out that it's not just about doing the right thing—it's also good business.

"The industry needs to address challenges related to rising risks and affordability. Being involved in these initiatives helps us understand potential solutions and adapt to changing needs," he said.

"The industry needs to address challenges related to rising risk, related to the affordability and availability of insurance. There's no silver bullet to these challenges but being involved in programs like this helps us get a more robust sense of the solution or combination of solutions we need to consider."

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Co-operators' commitment to learning and adaptation also extends beyond microinsurance. The Canadian co-operative is actively exploring opportunities to invest in resilience and adaptation initiatives.

Park highlighted its focus on private sector involvement in addressing challenges like climate change.

"We believe that, as insurers, we have a role to play in catalyzing private investment in resilience and adaptation infrastructure," Park said.

"For both the inherent purpose of insurance and the more hard-nosed business reasons, it's important for us to have our eye on these issues and to contribute and learn as we do."

Encouraging Insurance Innovation In Canada And Worldwide

The International Cooperative and Mutual Insurance Federation Foundation (ICMIF) and the United Nations Development Programme (UNDP) Insurance & Risk Finance Facility selected the projects taking part in the innovation challenge.

The projects address some of the most significant challenges facing low and middle-income communities, including health, well-being, gender equality, and sustainability.

Each project will receive US$100,000 through the IIC and technical assistance from ICMIF members, which includes Co-operators.

"The cooperative model makes it possible to empower real change, and partnerships like this showcase the importance of cooperative collaboration on a global scale," said Co-operators president and CEO Rob Wesseling, who also serves as the chair of ICMIF.

"Our longstanding partnership with the ICMIF paved the way for this collaboration," said Park. "ICMIF has a track record of supporting microinsurance as a solution to address financial resilience in developing economies. It's about contributing to the broader goals of health, well-being, gender equality, and sustainability."

Looking forward, Co-operators is committed to supporting innovative insurance initiatives, both internationally and domestically. The co-operative is looking to support the IIC over three years.

"We're prioritizing programs that align with our values and contribute to the broader goals of sustainability and resilience," Park told Insurance Business.

BMO Expands Sustainable Bond Framework

BMO Updates Its Framework To Include Nuclear Energy And Broader Green Financing Categories

By Freschia Gonzales, Wealth Professional, April 05, 2024

https://www.wealthprofessional.ca/investments/socially-responsible-investing/bmo-expands-sustainable-bond-framework/385194?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240405&_hsenc=p2ANqtz-_XsjvuPijP4Zp6XFsOEgn1ufhiYpl06PATHO8RvhaWTE46DRiFOMsRlrn1mdbTCNUGRBHkOjj-91225adcYwRBDYTqhA&_hsmi=301375451&utm_content=&utm_source=

BMO announced enhancements to its Sustainable Bond Framework, initially launched in 2019 and previously known as the 'BMO Sustainable Financing Framework.'

The updates include broader criteria for green and social use of proceeds, incorporating financing activities related to nuclear energy, low-carbon fuels, electrification of industrial activities, climate change adaptation, and initiatives under the BMO EMpower initiative, among others.

With the updated framework, BMO can now issue four types of sustainable bonds: Sustainability Bonds, Green Bonds, Transition Bonds, and Social Bonds.

This framework, which achieved a 'Very Good' Sustainability Quality Score (SQS2) from Moody's in its Second Party Opinion, spans eighteen categories of use across these bond types.

The proceeds from each bond type are designated for financing or refinancing, wholly or partially, new, or existing assets.

These assets must align with the core components of the International Capital Market Association's (ICMA) principles and guidelines, including the Green Bond Principles (2021), Social Bond Principles (2023), and Sustainability Bond Guidelines (2021), as well as the Climate Transition Finance Handbook (2023) by ICMA for transition bonds.

In acknowledgment of nuclear power's significance in the energy transition, BMO has classified nuclear energy as a qualified activity for green financing within the framework.

Eligible nuclear energy activities encompass the deployment and operation of nuclear energy-producing technologies, the construction and operation of new nuclear power plants, and the life extension and refurbishment of existing facilities.

Sharon Haward-Laird, general counsel at BMO Financial Group and chair of the BMO Climate Institute, expressed enthusiasm for the updated Sustainable Bond Framework.

Haward-Laird highlighted the inclusion of nuclear energy and transition-related uses of proceeds as part of BMO's commitment to innovative and practical sustainability solutions.

"BMO has advised corporate and government clients on their sustainable bond frameworks and, in doing so, we recognize the importance of innovation and a practical approach to sustainability," said Haward-Laird.

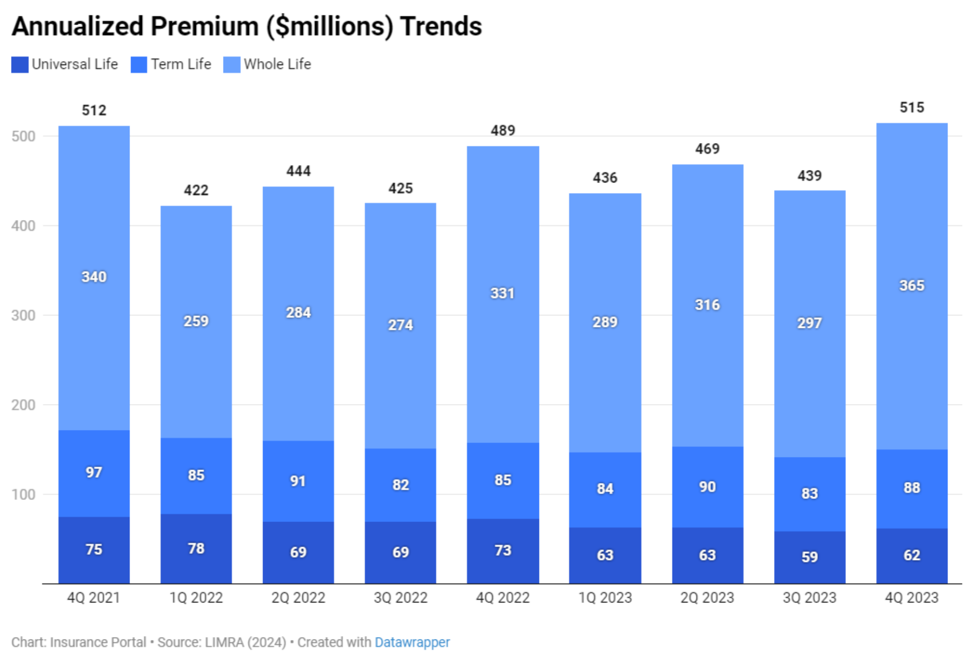
She affirmed BMO's ongoing commitment to transparency and the annual reporting of asset allocation and project impacts within their sustainability reporting suite.

Whole Life Sales Drove Growth In The Life Insurance Market In 2023

By Kate McCaffery, Insurance Portal, March 29, 2024

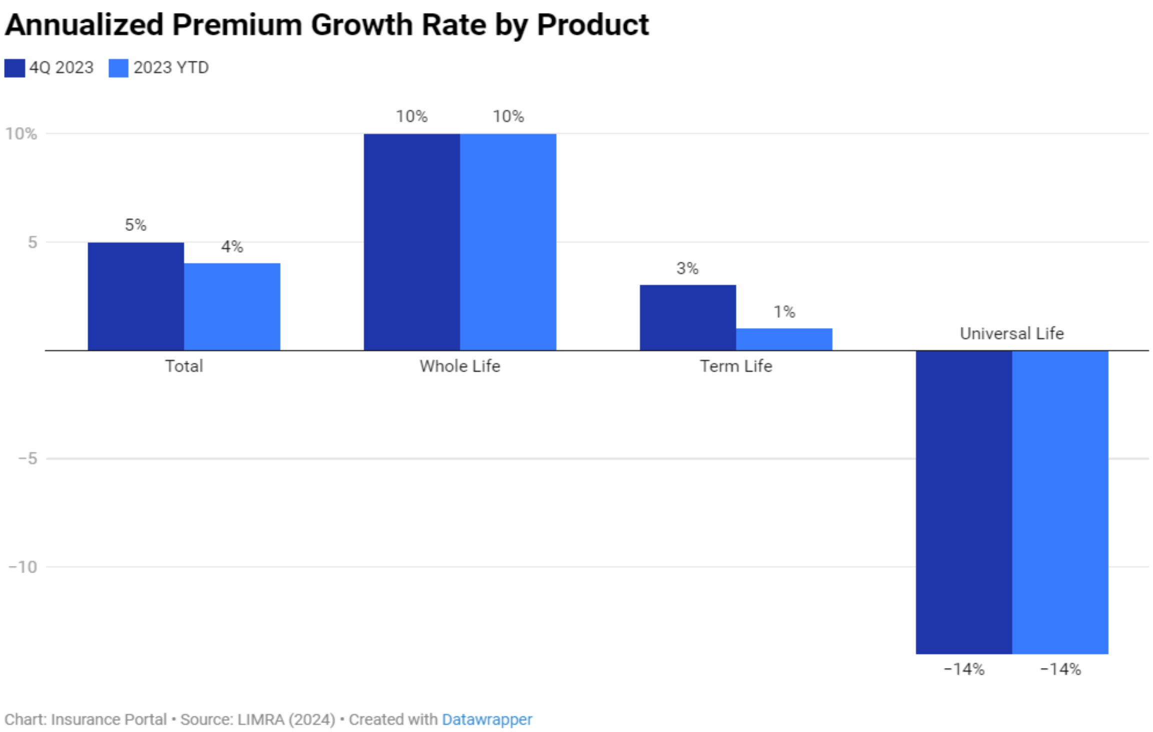
https://insurance-portal.ca/life/whole-life-sales-drove-growth-in-the-life-insurance-market-in-2023/?utm_source=sendinblue&utm_campaign=weekly_flash_202404-01&utm_medium=email

New research from LIMRA, the Canadian Individual Life Insurance Sales Survey, has found that new annualized premium in Canada increased four per cent in 2023 to $1.86-billion. "This is the highest sales ever recorded in the Canadian market since the survey was established in 1993," LIMRA researchers write. In the fourth quarter, total life insurance new annualized premium in Canada rose five per cent year-over-year to $516-million.



Whole life premiums grew the most, both for the fourth quarter of 2023 and for the full year. Representing 68 per cent of the life insurance market in Canada, whole life new annualized premium was up 10 per cent year-over-year in the fourth quarter and also up 10 per cent in all of 2023. Policy counts increased four per cent in both the fourth quarter and the full year measures. LIMRA says participating whole life premium jumped 12 per cent in 2023, driving overall growth in the market.

Term Life Premiums
Term life premiums, meanwhile, increased three per cent year-over-year in the fourth quarter and one per cent over 2022's results. Universal life new annualized premium fell 14 per cent in the fourth quarter and recorded the same drop for all of 2023. Term products made up 19 per cent of new annualized premium in Canada, while universal life represented 13 per cent of the total in 2023.



In the fourth quarter, term life policy counts rose three per cent, while universal life policy counts dropped nine per cent. For the full year, the number of term life products sold dropped two per cent, while the number of universal life policies fell eight per cent.

It's Time For Insurance To Introduce Data Standardization

Re/Insurance Group Pushes For Industry-Wide Collaboration

By Gia Snape, Insurance Business, March 21, 2024

https://www.insurancebusinessmag.com/ca/news/breaking-news/its-time-for-insurance-to-introduce-data-standardization-482263.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240322&_hsmi=299433958&_hsenc=p2ANqtz--eIG-PwkVsX0i90Xq-IU0w4azffjqz8gnKwY44uFvwSHJ6JidVVjXlHwbmjqiN0_t1npriVjJRoh9GhwHJ41gpqq2LIQ&utm_content=&utm_source=

As sustainability moves further into the spotlight for insurance stakeholders and customers alike, the industry must establish data standards to improve the quality of environmental, social, and governance (ESG) disclosures by insureds.

That was the rallying call at a forum organized by global re/insurance group Chaucer in late January. Chaucer's sustainability experts have emphasized that uniform measurement and reporting methods would enhance progress tracking and foster greater trust among stakeholders.

"Our key message was to corral the industry towards thinking about data standardisation, to ensure we create a more sustainable market for all," said James Wright (pictured), chief risk officer at Chaucer.

The call for standardized ESG metrics also resonates with concerns about the burden placed on brokers, who face a barrage of disparate questionnaires from various insurers.

Wright emphasized the need for collaboration to address the challenges of data standardization and to streamline processes to alleviate inefficiencies and client frustrations.

"Standardising sustainability-related information would benefit clients, brokers, and carriers alike," he told Insurance Business.

Sustainability– The Challenges And Opportunities

Aside from data standardization, Chaucer's Sustainability Forum tackled a spectrum of other pertinent industry issues related to sustainability.

The discussions encompassed the evolving landscape of ESG regulations, their impact on performance metrics, and the complexities surrounding carbon offsetting and decarbonization efforts.

One point highlighted during the forum was the significant hurdles to achieving industry-wide standardization. For instance, sustainability metrics are subjective, and quantifying certain data points, such as social impact or an entity's carbon footprint, can be challenging.

"There is no definitive definition of what is 'good' in sustainability or ESG. Different stakeholders prioritize different aspects," Wright explained. "Some firms are heavily interested in the environment and its importance. Others are more focused on social causes. How do you turn that into data? It's incredibly difficult. So, we think there will be a core set of information and data that we fully expect the vast majority of stakeholders to be interested in."

The Role Of Data Quality In ESG Disclosures

As for the role of technology in sustainability efforts, Wright acknowledged its potential but emphasized the importance of data quality and reliability.

"While technology can aid data collection, ensuring robust and reliable data remains a challenge. Stakeholders must prioritize data accuracy to avoid pitfalls like greenwashing and regulatory challenges," he said.

"When we talk about data, it isn't just about standardizing the data; it's also about improving the quality and robustness of that data to help us make informed decisions."

Navigating regulatory challenges is another critical aspect of sustainability initiatives. Industry players must stay abreast of regulatory developments to ensure compliance and strategic alignment.

"Regulatory demands are evolving, albeit fragmented. Expectations for harmonization and expanded regulatory scope are on the horizon," said Wright.

Finally, Wright addressed the growing focus on decarbonization.

While reducing carbon usage and using carbon offsets to achieve net-zero targets is critical for organizations, he cautioned against overlooking the risks associated with carbon offsetting projects and advocated for robust risk management strategies.

"Offsetting (carbon emissions) is crucial, but understanding the associated risks is equally important. We are exploring insurance solutions to mitigate risks associated with offsetting projects," said Wright.

What's Next For Chaucer After Its Sustainability Forum?

Reflecting on the next steps, Wright outlined ongoing efforts to standardize data and foster more collaboration and engagement within the industry. Alignment between brokers and carriers will be crucial because brokers can provide a realistic perspective on achievable goals and "bring a sense of pragmatism" to the debate.

"We've seen significant improvement in this regard, with engagement from major brokers in standardizing approaches," Wright commented.

Moving forward, Chaucer will continue to engage with market groups and stakeholders, advocating for standardized approaches and transparency. Wright also highlighted Chaucer's partnership with Moody's for the ESG Balanced Scorecard, which provides a standardized framework for evaluating sustainability performance, as a significant part of its efforts.

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The scorecard uses up to 158 unique data points to assign scores across various ESG factors – including on the disclosure of greenhouse gas emissions, health and safety of workers and boardroom diversity – to give underwriters better visibility of a client's current ESG performance. It is also adaptable to evolving sustainability priorities over time.

"The Balanced Scorecard allows us to align our sustainability objectives with the UN Sustainable Development Goals, providing a unique framework for assessing ESG performance," he said.

Ultimately, better data quality and data standardization is a journey that the entire industry must undertake together.

"Several peers I spoke to are wrestling with the same problems Chaucer has in getting good data," Wright reflected. There's no one out there who's knocking it out of the park when it comes to this. We're only really going to be able to get better as a marketplace."

UPCOMING CAFII-RELEVANT WEBINARS & EVENTS; AND RELATED EDUCATION CONTENT

LIMRA and LOMA Canada Annual Conference

Time: Wednesday, May 1, 2024
Location: Manulife, Toronto, ON

The world is moving fast. Each industry is very different today than it was 10 years ago. The change 10 years from now will be even greater. Where will these changes take place in the life insurance industry and what are the critical success factors for winning companies? David Levenson, CEO and President, LIMRA and LOMA, will share our organization's research and best thinking to guide companies on how to expertly navigate what's ahead.

Register Here
Early bird rate (by April 1, 2024)
LIMRA/LOMA member: CD$725 + HST
Non-member: CD$950 + HST

Regular rate (after April 1, 2024)
LIMRA/LOMA member: CD$950 + HST
Non-member: CD$1,175 + HST

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THIA's 2024 Annual Conference

Date: May 22-24, 2024
Location: Quebec City, Canada

THIA's conference is the highlight of the Canadian travel insurance year and for the first time we are hosting this special event on Canadian soil. We expect to welcome many returning attendees and, by holding our premier event in beautiful Quebec City, we hope to meet many first-time attendees as well.

As always, you won't want to miss:

- Engaging insights from industry experts
- Networking opportunities with peers and prospects from across the globe

A chance to participate in scheduled professional and leisure activities

Register Here **-** *'Early Bird' registration for THIA and UStiA members is $1,025 CAD until March 31, 2024.*