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CAFII ALERTS WEEKLY DIGEST: April 14 – April 21, 2023

April 21, 2023

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 DEVELOPMENTS

AMF's Incentive Management Guideline Is Now In Effect

By Alain Castonguay, The Insurance Portal, April 17, 2023

After conducting a consultation until February 18, 2023, the Autorité des marchés financiers published its "*Guideline on the Management of Incentives*" in its weekly bulletin of March 16, 2023.

Similar rules have been published by all insurance regulators in Canada. A national directive on the *Management of Incentives* was released on November 30, 2022 jointly by the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organisations (CISRO).

The AMF's new Incentives Management Guideline complements its *Sound Commercial Practices Guideline*.

"Financial institutions should design incentive mechanisms that allow them to treat customers fairly. They should also put in place risk management procedures and control mechanisms to meet their obligations in this regard," reads the introduction.

In the first section on governance, the principle is as follows: "The AMF expects the financial institution's authorities to place the fair treatment of customers at the centre of decisions relating to the management of incentive arrangements."

On this element, which is the theme of the second section, "the AMF expects that the incentive mechanisms put in place will be managed in such a way as to enable the financial institution to meet its obligation to treat customers fairly."

With regard to the identification and assessment of the risks of practices that may affect the fair treatment of customers (third section), "the AMF expects the financial institution to identify and regularly assess the risks of practices that may affect the fair treatment of customers that may result from incentive mechanisms."

With regard to control mechanisms, "the AMF expects the financial institution to have control mechanisms in place to detect inappropriate customer practices that may result from incentive mechanisms."

The document provides examples of information and indicators, characteristics of incentive mechanisms, and targets and performance criteria.

Feedback

The AMF also published a summary of the comments received during the consultation period. In particular, it refers to the theme of the shared responsibilities between financial institutions and intermediaries.

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In particular, insurers have imposed "unrealistic expectations" on their financial institution partners. "It is the responsibility of the firms to monitor sales and representatives," the insurers said.

According to them, it is “necessary to qualify the expectations regarding the enhancement of financial institutions' obligations towards intermediaries in accordance with the nature of their partnership, the principle of shared responsibility and that of non-interference in the affairs of others.”

The AMF states that the concept of shared responsibility between financial institutions and intermediaries has been clarified in sections 3 and 4 of its *Sound Commercial Practices Guideline*. As a result, the content of the *Guideline on the Management of Incentives* has been revised to reflect the expectations set out in Sections 3 and 4 of the *Sound Commercial Practices Guideline*.

As for the examples presented in the appendices, the AMF clarified that they were intended to identify elements that increase the risk of practices that could undermine the fair treatment of customers resulting from incentive mechanisms, which allows risk-based controls to be established. The AMF added that these examples are not exhaustive and do not necessarily apply to all types of products and services offered.

RCCAQ Reaction

The president of the Regroupement des cabinets de courtage d'assurance du Québec (RCCAQ), Maryse Rivard, reacted to this publication through a blog published on Tuesday, April 11.

The *Insurance Portal* then noted the publication of the AMF’s *Guideline on the Management of Incentives*, which was not the subject of a press release distributed to the general public.

"Reading this guideline, one can only agree with the principles stated. I believe that the firm and brokers must, in order to fulfill their obligations, be free to offer the best product at the best price to their clients," wrote Ms. Rivard.

"In addition, brokers need to work to minimize the risks which their clients face and advise them well. In this way, the firm and their brokers not only protect their clients, but also contribute to improving the profitability of their insurer partners," she added.

"In this context, the cornerstone of our incentive plans, particularly profit-sharing plans, should be established exclusively on the basis of the quality of risk and the profitability of insurers," said Ms. Rivard.

In the coming weeks, the RCCAQ wants to meet with insurers to see "how they intend to reflect the principles of this guideline in their partnership with brokerage firms," she concluded.

Read Story (Subscription Required): *Incentive Management Guideline in effect - Insurance Portal (portail-assurance.ca)*

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Student Associations-Offered Health Benefits Insurance: AMF's Injunction Upheld Upon Appeal

By Alain Thériault, The Insurance Portal, April 12, 2023

The torch has been burning for a while between the Autorité des marchés financiers and two student Associations representing about 14,000 students. In a judgment rendered on November 15, 2021, the Q**u**é**bec Superior Court upheld the AMF's arguments to require student Associations to stop selling insurance to their members. The Associations then appealed the judgment.

However, a decision rendered by the Quebec Court of Appeal on March 31, 2023 upheld the Superior Court's decision to force the two Associations to cease these activities.

Origin Of The Injunction

The Superior Court had granted the application for a permanent injunction by the Autorité des marchés financiers against two UQTR student Associations. According to the injunction, the Association générale des étudiants de l'UQTR (AGEUQTR) and the Association générale des étudiants hors campus de l'UQTR (AGÉHCUQTR) were to cease all insurance activities referred to in section 21 *of the Insurers Act*. They then had three months to do so.

Section 21 of the Act provides that "the Authority's authorization is necessary for the carrying on of the activity of an insurer in Québec as long as it constitutes the carrying on of a business, regardless of the other activities that the operator may carry on."

The Superior Court also ordered the group insurance firm Groupe Major to cease acting as a third-party administrator with respect to the self-insurance plans set up by the two student Associations, within three months of the judgment.

The Superior Court also ordered the two Associations to report to the AMF on all sums accumulated in their optional and supplemental group health and dental insurance plans. The Court noted, in passing, that the offer of insurance to their student members had benefited the Associations. In 2020, the AGEUQTR had a net balance of more than $500,000, and the AGÉHCUQTR a net balance of more than $100,000.

Solid Analysis

The decision rendered by Justices Guy Gagnon**,** Geneviève Marcotte**,** and Stéphane Sansfaçon, of the Court of Appeal, confirmed the decision of the Superior Court, District of Québec, rendered by trial judge Claudia P. Prémont.

In the Court of Appeal judges' view, the Associations (the appellants) could not show that the trial judge had erred in refusing to treat their activities as those of self-insurance plans whose operation is not subject to the Authority's authorization. The Court of Appeal thus supported the trial judge's analysis of classifying the group plans of Associations as insurance contracts within the meaning of *the Insurers Act*.

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Similarly, the judges of the Court of Appeal considered that Justice Prémont did not err in concluding that the plans of Associations are an insurer's activity constituting an organized economic activity, and therefore the operation of a business within the meaning of article 1525, paragraph 3, of the *Civil Code of Québec*.

No Self-Insurance

The Court of Appeal found that the trial judge also did not err in finding that the plans in question did not offer self-insurance, since the student members transfer their risk to their Association, which insures them in return for the payment of a premium.

"The amounts accrued by the appellants resulting from premiums paid by student members under the plans are used in part to compensate them when they submit a claim for extended health or dental care covered by these plans," reads the Court of Appeal's decision.

Profits At The Discretion Of Student Associations

The Court of Appeal also agreed with Justice Prémont, who found that the Associations had not shown that they had constraints on how to use the surplus. The Court of Appeal's decision notes that "the agreement between the appellants and the respondent Groupe Major expressly provides that the appellants may withdraw the profits generated by their group plans following a decision of two-thirds of their board of directors, without circumscribing the purpose of their use."

According to the Court of Appeal, the profits generated by the Associations' plans as a result of the collection of premiums constitute a profit directly attributable to their activity as insurers. "They are therefore operating a business within the meaning of case law and doctrine," the Court of Appeal added.

Clients Rather Than Members

The Court of Appeal also upheld the trial judge's conclusion that the 14,000 student members of the Associations and their dependents could be considered clients. They become clients because they are invited to subscribe to the extended health and dental insurance products offered by the Associations.

Student Association Plans To Be Standardized

In response to questions from the *Insurance Portal*, AMF spokesperson Sylvain Théberge noted that the injunction had not ceased to be in effect, "but we had agreed on interim measures with the Associations during the appeal proceedings."

That agreement ended with the judgment of the Court of Appeal, he added. "We are waiting for an action plan from Groupe Major for the future. The goal is for the plans to be regularized as quickly as possible," Théberge said.

For its part, a spokesperson for Groupe Major told the *Insurance Portal* that it has no comment to make at this time. "The student Associations involved are currently reviewing the judgment and evaluating their options," the email said.

[*Read Story*]() (Subscription Required): [*Student Association Insurance: Injunction Affirmed on Appeal - Insurance Portal (portail-assurance.ca)*]()

Quebec Court Upholds AMF Contention That AppleCare+ Plan Can Be Investigated

By Charles Mongeon, The Insurance Portal, April 17, 2023

Extended warranty or insurance contract? The AppleCare+ protection plan can now continue to be investigated by the Autorité des marchés financiers (AMF).

On April 3, the Quebec Court of Appeal refused to overturn a Superior Court judgment that established in November 2021 that the AMF is well-empowered to investigate the *AppleCare+* plan offered by the electronics giant Apple to Quebec purchasers of its products.

Arguing that *AppleCare+* is an extended warranty and not an insurance contract, Apple Canada had been challenging for two years the decision to investigate made by the AMF in March 2021. In particular, Apple argued that this approach did not fall within the jurisdiction of the agency responsible for protecting the public in matters of insurance and financial products.

Decision To Investigate ... Challenged

The initiation of an AMF investigation against Apple Canada on March 3, 2021, was followed by the sending of two *subpoenas*, in March and May 2021, asking the multinational giant to provide the AMF with "certain information and documents relating to the AppleCare+ plan" offered in Quebec when purchasing various Apple products.

In those subpoenas, the AMF stated that it wanted to verify and determine whether the plan complies with the *Insurers Act* and the *Act respecting the distribution of financial products and services*, two acts whose application and enforcement the AMF is responsible for.

It should be noted that a decision to investigate means that the AMF collects and analyzes information, an approach that may or may not lead to statements of offence. It cannot be concluded at this stage that the company under investigation has contravened any law.

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Refusing to comply with the *subpoenas*, Apple re-applied, on June 11, 2021, by filing an application for judicial review of the AMF's orders by Quebec's Superior Court. Apple then asked that the decision to investigate be set aside by the Court, that the *subpoenas* be suspended, and that the Tribunal declare that the AppleCare+ plan is not an insurance contract, but an extended warranty, which would therefore exclude any reasonable grounds for the AMF to conduct an investigation.

The suspension of the *subpoenas* was rejected, so Apple complied in the summer of 2021 and provided the AMF with the requested documents. But the Superior Court heard from the parties on November 10, 2021 on Apple's application for judicial review and its application for a declaratory judgment.

In her judgment rendered on November 23, 2021, Justice Marie-Anne Paquette first rejected the AMF's argument that since a decision to investigate was only administrative in nature, the organization could not be subject to judicial review.

Justice Paquette noted that the AMF, as a public body, "is subject to the general power of judicial review of the Superior Court with respect to all decisions it makes." However, this power of judicial review can only be exercised if the AMF exceeds its jurisdiction, Justice Paquette argued.

"The AMF could not, for example, decide to launch an inquiry into the colour of industry players' stockings and remain exempt from any review of the legality of such a decision, on the grounds that it is an administrative decision and not a judicial or quasi-judicial decision," said Justice Paquette.

Reasonable Or Unreasonable?

In terms of judicial review, the Justice recalled, the fundamental question to be asked is whether the impugned decision, in this case the Authority's decision to investigate, is reasonable.

Yes, the Court ruled. The judge cited the Act respecting the regulation of financial services as requiring the AMF to investigate any enterprise or person if it has reasonable grounds to believe that a breach of the Act respecting insurance *or the Act respecting the distribution of financial products and services* has been committed.

In addition, the Justice referred to a Supreme Court judgment which stated that "where a court of law reviews the legality of an administrative decision, the standard of reasonableness is presumed to apply." Contrary to Apple's contention, there is no need to apply the correctness standard, which would require the Court to rule on the legal status (insurance or extended warranty) of the AppleCare+ plan before the Authority can initiate an investigation.

"We are at the embryonic stage where the AMF collects and analyzes information for future study," said Justice Paquette. This investigation may or may not lead to statements of offence, which Apple will have every opportunity to contest, if necessary. [...] To determine whether Apple distributes insurance products, the AMF must be able to conduct its investigation and have the relevant information to study the issue. It is for this purpose that it uses its investigative powers here."

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Apple's contention that such an investigation by a public protection organization would cause it harm was also rejected by the Court. "The risk of flight is always possible, but this risk alone cannot justify the absence of an investigation whose purpose is to protect the public," said Justice Paquette. Thus, the Court intervenes in the AMF's investigation process only if it appears that the AMF is acting illegally, if there are serious questions about the legality of the appointments or the ongoing investigation process."

The Court also dismissed Apple's application for a declaratory judgment, holding that "it cannot be used here to circumvent the restrictive analytical grid imposed by the review of the legality of the decisions at issue by way of an application for judicial review."

Apple was therefore unable to convince the Superior Court to rule on the legal content of its AppleCare+ plan.

Apple Dismissed On Appeal

This judgment was appealed by Apple Canada. The hearing took place on January 17, in the presence of Chief Justice Manon Savard and Justices Geneviève Marcotte and Patrick Healy.

The Court of Appeal found that the trial judge was correct in establishing as reasonable the AMF's decision to investigate and the *resulting subpoenas*.

"The AMF's decision to investigate resulting from the exercise of its discretion is consistent with the purposes for which it was granted," the Court of Appeal confirmed.

It also ruled against Apple in its claim that the Authority required documents that are not essential to establishing the truth. Apple has not demonstrated that the two *subpoenas* issued constitute, in the words of the multinational that were translated by the Court, "an unreasonable search and seizure in violation of section 8 of the *Canadian Charter of Rights and Freedoms*."

As for the sensitive and exclusive aspect of the information and documentation provided by Apple to the AMF, the Court of Appeal saw no prejudice in the context of an investigation conducted *in camera*, validating the trial judge's position.

"Apple's apprehension with regard to potential harm related to a possible administrative decision is purely hypothetical at this stage," the Court of Appeal said.

AMF's Reaction

Will the Autorité soon complete its investigation? "We never comment on the terms and stages surrounding an ongoing investigation**,"** Sylvain Théberge, Director of Media Relations for the AMF, told the *Insurance Portal*. He declined to comment.

Apple Canada was represented in this matter by McMillan lawyers Éric Vallières**,** Joséane Chrétien, and Emmanuelle Solenn Nohad Khoury.

What Is AppleCare+

The AppleCare+ plan extends Apple's one-year limited warranty and manufacturer's support service for a period of time following the purchase of a product. The consumer can take advantage of it for the number of months or years which he or she desires, at monthly or annual costs that vary depending on the device acquired.

The AppleCare+ plan also allows the member to benefit from an unlimited number of repairs in the event of accidental breakage, a service that is, however, subject to the application of fees that some describe as a deductible. For example, accidental damage to an iPhone's screen resulting from clumsiness during handling will be repaired by Apple for a fee of $39 claimed from the member. For an iPad, a service fee of $49 applies to any repair resulting from accidental damage.

Read Story (Subscription Required): *Apple Canada fails to cancel Autorité des marchés financiers investigation - Insurance Portal (portail-assurance.ca)*

Evolving Interest Rate Environment Drives OSFI's Risk Outlook

Housing Market, Bank Liquidity, And The Commercial Real Estate Sector Top The Regulator's List Of Concerns

By James Langton, Investment Executive, April 18, 2023

Evolving rate environment drives OSFI's risk outlook | Investment Executive

Given fast-rising interest rates and the slowing economy, the banking sector is facing an array of risks driven by tighter financing conditions. But so far, Canada's federal banking regulator is surprised by how well the industry is weathering those risks.

In its second annual risk outlook report, the Office of the Superintendent of Financial Institutions (OSFI) detailed the major threats facing the financial system in the year ahead, with the housing market, liquidity and funding concerns, and the commercial real estate market at the top of the list.

Those risks have risen in recent months as financial conditions have tightened and the economic outlook has deteriorated.

"The financial system is adjusting to a higher interest rate environment. Given the rapidity at which interest rates globally have increased, the risk has grown that such an adjustment may not be completely smooth," the report noted.

OSFI flagged the housing market as its top risk, given its importance to the overall financial system and the increased stress in that market due to higher interest rates.

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"This is a growing concern from a prudential perspective," the report said. "Mortgage holders may not be able to afford continued increases in monthly payments or might see a significant payment shock at the time of their mortgage renewal, leading to higher default probabilities."

Given those risks, the regulator said that its oversight work is focused on ensuring that banks' risk management practices and lending standards are meeting expectations.

"We will continue monitoring mortgage asset quality closely for signs of credit deterioration," it noted.

Peter Routledge, OSFI's superintendent, said that he's been surprised with how well asset quality has held up so far, despite the sharp rise in rates.

One reason for this, he suggested, is the resilience of the economy and the strength of the labour market, which has meant that many households have been able to absorb the rising cost of debt.

While he cautioned that this may yet change as the effects of higher rates continue to work their way through the economy, the fallout from rapidly rising interest rates has, so far, been "more benign" than he would have expected, Routledge said.

Additionally, OSFI noted that the banks are much better prepared to face tougher financial conditions than they were going into the financial crisis in 2008, largely thanks to reforms to bank regulation in the wake of that episode.

Measures such as OSFI's mortgage stress test are also expected to help ease the adjustment to tighter monetary policy, he noted.

"We will be intensifying our focus on supervisory assessments of [financial institutions'] capital, liquidity, and risk profiles to ensure they remain prudentially sound," the regulator said, adding that it will "respond early and proactively to address vulnerabilities."

While the housing market is OSFI's top concern, those same forces could create risks to banks' liquidity and funding conditions, the report noted. As a result, OSFI is stepping up its focus on firms' deposit stability, access to funding, liquidity, and counterparty credit exposures, it said.

And commercial real estate is another top concern, given the lingering effects of the pandemic, such as reduced demand for office and retail space, and ongoing supply chain issues.
Here, too, OSFI has increased its monitoring for vulnerabilities.

The regulator also noted that the recent implementation of post-crisis reforms included higher capital requirements for riskier commercial real estate exposures, which should help ensure that banks can ride out these risks.

Alongside the top three risks, OSFI listed other concerns including the possibility of stresses spilling over from the shadow banking sector to the mainstream industry, corporate credit risk, climate risk, outsourcing risk, and cyber risk.

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Each of those areas are attracting their fair share of attention from the regulator, but the ongoing fallout from the tighter financial environment remains its top supervisory priority for the months ahead.

Implications Of Artificial Intelligence Studied In OSFI/GRI Report

By Kate McCaffery, The Insurance Portal, April 18, 2023

The Office of the Superintendent of Financial Institutions (OSFI) and the Global Risk Institute (GRI) jointly published a report on April 17, on the ethical, legal, and financial implications of artificial intelligence (AI) for financial services institutions.

After creating the partnership, OSFI and GRI convened the Financial Industry Forum on Artificial Intelligence (FIFAI), a panel of financial services and AI experts who met in a series of four workshops to discuss support for safe AI development.

"The rapid growth in digitalization and usage of AI across the financial services industry highlighted how current AI risk management frameworks must adapt to remain relevant, forward-looking, and responsive to industry needs," the organizations state in an announcement about the publication of their report, *Financial Industry Forum on Artificial Intelligence: A Canadian Perspective on Responsible AI*.

"As the use of AI technologies continues to evolve, the need for guiding principles became apparent. The FIFAI discussions then led to the development of *EDGE principles – Explainability, Data, Governance and Ethics*."

The report itself points out that data and governance are already part of institutional frameworks and have been for years, while explainability and ethics have only more recently come to the forefront.

OSFI's Superintendent of Financial Institutions Peter Routledge said "recent advances in machine learning represent a great opportunity for financial organizations. However, balancing regulation and innovation is essential."

The report, a summary of the FIFAI workshop discussions, says that capabilities and usage have evolved faster than regulation. It adds that an enhanced *Enterprise Model Risk Management Guideline* will be released for draft public consultation later in 2023.

Read Story (Subscription Required): *Implications of artificial intelligence studied in superintendent's report - Insurance Portal (insurance-portal.ca)*

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OTHER CAFII MEMBER-RELEVANT NEWS

New Canada Life Insurance Product For Charitable Donations Could Minimize Philanthropy Risk

Canada Life Product Addresses Insurance-Trafficking Concerns That Have Previously Dogged Donations Of Life Insurance Policies

By Melissa Shin, Investment Executive, March 30, 2023

[*New insurance product for charitable donations could minimize philanthropy risk | Investment Executive*]

Canada Life has launched a participating life insurance product designed to be donated to a registered charity and that seeks to resolve concerns around insurance trafficking.

The insurance product is called My Par Gift and is the first of its kind, the company said. Upon purchasing the policy, a client pays a single, lump-sum premium, thus fully paying for the policy. The client receives a tax receipt from their chosen registered charity for the premium payment, and that charity then becomes the policy's owner and beneficiary.

Andrea Frossard, senior vice-president, Par Insurance Solutions, with Canada Life, said ideal clients for the product are philanthropic high-net-worth people, as the minimum lump-sum premium is $10,000.

"We decided for this product, rather than going with a minimum death benefit, we would do a minimum premium amount because that's how people think of donations," she said. The death benefit would then be determined based on the premium paid.

Frossard said there are benefits to using donation dollars to purchase an insurance policy over giving the same amount as cash, even though cash is more immediate.

A donor has "leveraged their donation, for one," she said, since a $10,000 premium would yield a higher death benefit. And, because the policy is participating, the charity may receive annual dividends that can be used to buy additional coverage — thereby growing the death benefit — or taken as cash. Since My Par Gift is a non-exempt product, cash dividends would normally be taxable, but registered charities are exempt from paying tax.

"As a donor, you're giving the charity a lot of flexibility," Frossard said.

"The social good this product will do for Canadian charities cannot be understated," said Ruth MacKenzie, president and CEO of the Canadian Association of Gift Planners (CAGP), in a release. "Life insurance has always been a powerful tool for Canadians to protect their families, and now that impact can be extended to support their most-loved causes, while also taking advantage of Canada's favourable tax, financial and estate planning system."

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Donations of life insurance have traditionally been challenging in the many provinces that prohibit unrelated parties from purchasing life insurance policies, also known as trafficking. The regulations exist to protect desperate policyholders who may be pressured to sell their policies at a deep discount to face value.

In a 2021 notice, the CAGP warned that while regulators do not generally consider philanthropic donations of policies to constitute trafficking, provincial insurance regulation is "very broad, and as such, donors, charities and insurance advisors must act carefully to ensure compliance."

For example, the CAGP's best practices for insurance donations recommend that there be "a clear relationship between the donor and the charity prior to the gift being made," such as a history of volunteering and/or previous gifts. Further, a red flag is when the size of a policy's death benefit "is very large relative to the donor's and/or charity's financial situation."

Nonetheless, following best practices does not guarantee that a donation of life insurance would be risk-free, the CAGP stated.

Frossard said that because My Par Gift is non-exempt, the underwriting process involves anti-money laundering due diligence, which should address most of the CAGP's best practices. Furthermore, Canada Life will only underwrite the product if the charity is registered with the Canada Revenue Agency. (This means donor-advised funds also qualify, she said.)

However, the product does not require a previous history of donation to the chosen charity. "We've had extensive conversations both internally and with our reinsurers, feeling that if somebody's willing to make a $10,000 donation to a registered charity in Canada, that was sufficient evidence that there is connection to that charity," Frossard said.

In 2019, concern arose about whether B.C.'s insurance legislation prevented charitable donations of life insurance policies, as well as the solicitation of policies by charities. The following year, B.C. clarified that "donating and accepting insurance policies as a result of proper estate or financial planning is considered acceptable."

In 2022, the Superintendent of Insurance of Alberta also clarified its position on donations of life insurance. It said that donating using one of the following three methods would not be considered trafficking:

1. If new policy is taken out in the name of a bona fide charity and the insured receives a tax receipt for the premiums paid.
2. If an insured names a bona fide charity as the beneficiary of an existing policy, the charity receives the benefits at time of death, and the estate receives a tax receipt.
3. If an insured transfers ownership of an existing policy to a bona fide charity and receives a tax receipt for the cash value of the policy.

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The Canada Life product would more than satisfy method number one, Frossard said, because the registered charity becomes both owner and beneficiary. Canada Life did not consult with provincial regulators when developing the product, she said.

Frossard said insured people with term policies may be able to convert them to My Par Gift. She also confirmed the product is priced similarly to comparable ones within the company. However, since the full premium is paid up front, that amount "has the ability to accrue interest, so you'll see the policy looks better than a traditional one when you look at illustrated values."

Emma Finds That Women Dominate Life Insurance Buying Decisions

By Alain Thériault, The Insurance Portal, April 13, 2023

Online life and health insurance firm Emma finds that in most couples, women are the ones who decide to buy life insurance. The firm has compiled data on policies sold since September 2018, when its Emma.ca platform went live.

Emma CEO Felix Deschâtelets co-founded the firm with his brother Jacomo Deschâtelets**,** who acts as CMO**.** The executives made this assumption early in their financial planning. The forecast trend has now been confirmed: "72 per cent of Emma life insurance policies sold to date have been purchased by women," Felix Deschâtelets told *The Insurance Portal,* backing his claim with statistics. He says these statistics come from a few thousand clients.

Financial Security First

Deschâtelets shared his statistics with *The Insurance Portal* to dispel "the pre-conceived notion that the man manages the couple's finances."

Based on his analysis of the data since 2018, the CEO concludes that men tend to think about financial prosperity before financial security, while the opposite is true for women. "We had noticed that the dad talked a lot, asked questions and was very invested in the meeting, but always looked at his spouse when it came time to make the decision," Felix Deschâtelets says.

"We see that women initiate the financial security process and it seems that they are the ones who decide," Emma's CEO adds. When the wife does not attend the meeting with Deschâtelets, the spouse's role is often limited to expediting a process whose outcome is pre-determined, he notes.

A Female-Oriented Model

Emma's business model reflects this reality, starting with the choice to confer a female first name on the brand, the CEO points out. "There's also a feminine touch to our brand with the choice of colours, the experience. Financial education of customers permeates our whole process. We give people as much information as possible without overwhelming them, to guide them through the insurance purchase," he says.

Chat, an integral part of Emma, is a much more popular mode of communication for women than for men, Deschâtelets continues. “They use this tool to start their communication with a company. Men are more comfortable answering questions in the form or asking them over the phone.” He adds that the system offers different paths depending on who is using the platform.

More Riders ...

This decision-making role that women occupy is a state of mind, observes Félix Deschâtelets. "The woman will more often take out a child insurance rider, to really act as a family protector. This difference in behaviour is notable between the two types of platform users,” Deschâtelets says, citing his statistics.

Emma’s statistics also show that, on average, women purchase life insurance at a younger age than men do. Felix Deschâtelets and his wife are particularly aware of this issue: they are expecting a child. "It's a way to put some security in place, when you become a parent and ensure the safety of a being who depends on you."

Deschâtelets notes that Emma is a platform “very much focused on the life event of having a child.” “It's often at these moments that conversations about insurance get started,” he adds. Emma’s CEO explains that childbirth and the purchase of a first home are the two main factors that set the insurance purchasing process in motion.

... Less Savings And Debt

In contrast with life insurance purchases, Deschâtelets has noted that requests to meet about investments are about equally divided between men and women.

Emma's statistics also show that, on average, a man’s investment portfolio is “often three times larger than a woman’s,” the CEO adds. Women tend to have lower salaries and higher mortgages. At the same time, they have less non-mortgage debt.

Read Story (Subscription Required): *Emma finds that women dominate life insurance buying decisions - Insurance Portal (insurance-portal.ca)*

Strong Increase In Humania Assurance's Profit In 2022

By Alain Thériault, The Insurance Portal, April 20, 2023

https://portail-assurance.ca/personnes/forte-hausse-du-benefice-dhumania-assurance-en-2022/?utm_source=sendinblue&utm_campaign=daily_complete_202304-20&utm_medium=email

Humania Assurance posted net income of $9.89 million in 2022 compared to $7.96 million in 2021, up 24%.

"There are many reasons for our positive performance, such as our insurance solutions, our partnerships, the strong return of the travel industry, the diversification of our assets, as well as the rise in interest rates," said Marc Peliel, President and Chief Executive Officer of Humania Assurance, at the annual general meetings of Humania and La Survivance mutual management. The meetings took place on April 6, 2023.

Humania's equity growth reached 29% at the end of the same comparison period.
The insurer pointed out that its solvency ratio reached 137% in 2022. This is the ratio of the *Life Insurance Capital Adequacy Test (LICAT),* implemented by the Office of the Superintendent of Financial Institutions (OSFI) in 2018.

Revenue

Humania Assurance saw its distribution and other revenues increase from $950 million in 2021 to $1.04 billion in 2022, an increase of 9.5%.

Humania's investment income declined to -$4.1 million in 2022, compared to a positive result of $13.2 million in 2021.

Insurance Summit

Humania Assurance achieved an increase in gross premiums (before reinsurance) of $196.7 million in 2022, compared to $167.2 million in 2021, an increase of 18%. Net premiums (after reinsurance) increased by 20% to $154.1 million in 2022 compared to $128.5 million in 2021.

Individual insurance sales have reached an all-time high, according to Mr. Peliel. "We have evolved our service offering by developing and improving several insurance solutions to make insurance even more accessible," he said. For example, in 2022, Humania Assurance added the individual disability product *Accident and Sickness Payment Insurance* to its *Prosanté* platform. Also in 2022, Humania extended access to *Insurance Without Medical Examination* (ASSEM) to certain types of diabetes.

"Our travel subsidiary had an exceptional year. The strong enthusiasm for travel in 2022 as well as several relaxations and withdrawals of health measures in a vast majority of countries have been favourable to this rise," Mr. Peliel said.

First Signing As Chair Of The Board

Joanne Vézina signed her first annual report this year as Chair of the Board of Directors of Humania Assurance. In April 2022, Humania appointed Ms. Vézina to that role. She replaced Jacques Martineau. In its 2022 annual report, the insurer noted that Ms. Vézina "becomes one of the first women to chair a board of directors in the insurance industry in Canada." Ms. Vézina had been Vice-Chair of the Board of Humania since 2019 and a director since 2005.

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IFRS 17

During the meetings, Marc Peliel highlighted the collaboration of his teams with respect to the entry into force on January 1, 2023 of the new IFRS 17 accounting standard for insurance contracts. "This is a great example of large-scale work in which several departments of the company have pooled their strengths to ensure its success," he said.

Life Insurance Is Profitable Again, But Too Late For Many U.S. Insurers

By Leslie Scism, Wall Street Journal, April 17, 2023

The Federal Reserve's efforts to fight inflation through higher interest rates have given life insurers an opportunity to make a profit after 15 years of low interest rates that made it harder to sell life insurance.

Some of the largest publicly traded U.S. insurers, however, are likely to miss the opportunity as they no longer sell life insurance to American consumers.

LIMRA reports that 52% of American adults have life insurance now, down from 2011's 63%, and many households are relying on employer-provided life insurance policies, which often offer less coverage.

According to AM Best, the average net yield of life and health insurers' investment portfolios fell from 5.92% in 2007 to an estimated 3.92% last year.

Some experts warn that major insurers are unlikely to re-enter the life insurance market unless interest rates rise to around 5%.

Read Story (Subscription Required): *Life Insurance Is Profitable Again, but Too Late for Many Insurers - WSJ*

The Rapid Development And Potential Impact Of Artificial Intelligence On The Insurance Industry

By Laurene Garden, The Insurance Port, April 20, 2023

The rapid development of artificial intelligence (AI) was the subject of two conferences during The Insurance Portal's 12th edition of its Damage Insurance Day, held on April 13 at the Palais des congrès de Montréal.

In a feverish atmosphere, four specialists applied themselves to the task of answering questions about artificial intelligence. They were accompanied by the main interested party, the ChatGPT robot.

Serge Therrien, President of Éditions du Journal de l'assurance, moderated the opening conference entitled "*Artificial intelligence: the revolution begins now!"* and he raised many questions about the capabilities of AI. The discussion with the four specialists lasted one hour.

The main question was the impact of developments in artificial intelligence, such as ChatGPT, on insurance professions. The use of AI in industry, and more specifically in property and casualty insurance, has been around for a long time. However, the situation changes with the arrival of ChatGPT, said the panelists. From now on, we will see developments of functionalities more and more quickly, they said.

Data Automation

Thanks to the integration of chatbots into the insurance world, certain administrative tasks that are sometimes repetitive and tedious can be automated. For Isabelle Girard, Senior Vice President and Chief Data Officer of the Intact Data Lab, the integration of chatbots at Intact will provide more support to brokers.

"I think we have to see these tools as a human tool that can automate certain portions of the work, but especially to make the work of several people much more efficient in certain aspects. But clearly, tools like ChatGPT can speed up some of the work," she said.

The chatbot acts as a virtual assistant for humans, allowing them to focus more on customer service and refine their ways of working, the panelists said.

Improved Customer Advice

Artificial intelligence also makes it possible to centralize documents and analyze big data. Information is becoming more accessible and visible. The broker who is the last link in the chain will therefore have easier access to the information.

This centralization of documents will allow the broker to focus more on his client and develop better personalization in client advice. "The integration of the chatbot at Intact will improve customer service and help employees find documents quickly," said Isabelle Girard. In this case, AI will bring added value and value to brokerage trades.

Some key performance indicators (KPIs) are already applied in the industry. With algorithms, AI can perform analysis, extract data, and document research, making it easier for insurers and brokers to deal with decision-making.

New Professions

For Isabelle Girard, artificial intelligence will intervene at different levels, including risk analysis, processing of important data, and customer service. "We will use these tools in a context where we want to help our employees with a larger service offering and allow our customers to get answers more quickly."

The panelists imposed a caveat, however: these artificial intelligence tools respond based on how the question is framed. Depending upon the wording, they will be able to give different answers. How do you ask the right questions to get the most out of the algorithm? This is where the job of "prompt engineer" comes in. This function consists of identifying customer comments and questions by theme and producing generic answers that are most appropriate to answer them.

The Constraints Of AI

The advantage, but also the disadvantage, of AI is that assistants are tools accessible to all, which consequently increases customer expectations. Except that sometimes, these tools are not always infallible and they also make mistakes. As Isabelle Girard asserted, when the chatbot cannot answer the question or it reaches saturation, customer service by humans must be called upon.

AI is still limited when it comes to personalizing work. National Bank's Senior Director, AI Science, Éric Charton, used the example of client requests.

‘A customer who calls will have a very specific request. For example, people who have been flooded recently have all had different cases. This question of special cases is a problem in the use of chatbots since they serve up generic answers.”

As for the banking sector, the use of chatbots remains rather timid. Being a regulated sector of activity and where customer misinformation is not allowed, AI in this industry is highly regulated. Éric Charton pointed out that the Office of the Superintendent of Financial Institutions "controls and sanctions if we respond badly to the customer."

Lack Of New Features

Artificial intelligence is based on already existing data, present on the Internet up until 2021. As a result, it lacks the capacity to create new ideas and innovative solutions.

"Make me a strategic plan for this project. And then take a good old text published 25 years ago in *Harvard Business Review*, you will have exactly the same thing, "says Laurent Simon, professor of entrepreneurship and co-director of Mosaic**/**HEC Montréal**.**

"We did something fun. ChatGPT was asked to generate an artificial intelligence *roadmap* to transform the bank. It did give us a *road map*. But this one was nothing innovative, it can even be found in consultants or in newspapers. Nothing new and nothing different," laughed Éric Charton. Algorithms do not yet allow companies to distinguish themselves from their competitors.

Data Privacy

The panelists placed another caveat upon ChatGPT: the tool is currently public. That means, for now, there is no certainty that the information shared in OpenAI, its owner, will remain private indefinitely.

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Éric Charton advises people in the industry to remain very vigilant. "There are internal policies within companies regarding privacy, and a new form of hacking is emerging by offering a $10,000 reward to hackers who manage to find a security flaw in OpenAI. Caution!"

Suppliers will therefore have to check with Google and Microsoft with respect to the confidentiality of their tools before they can share private information from their companies.

System Flaws

Artificial intelligence is a tremendous advance, but it also has flaws. IVADO's Director of Collaborative Research and Partnerships, Rheia Khalaf, puts her finger on AI's ability to detect fraud.

"Currently, for humans to detect fraud, they need a lot of data. You can imagine that AI needs more data to learn and detect the same things as a human. This means that human talent is unique and can be differentiated from AI. Indeed, humans need less data to achieve the same results as AI. Admittedly, it can detect many anomalies, but do they represent a real fraud? AI does not yet have access to the knowledge and reasoning that humans are capable of achieving," said Khalaf.

ChatGPT's Answers

The opening session allowed exchanges between Philippe Le Roux, director of digital growth at Éditions du Journal de l'assurance and ChatGPT-4, with whom he says he has a complicit relationship.

Question: What will be the impact of AI developments like you**,** ChatGPT**,** on insurance professions?
Answer: The increasing adoption of AI may raise concerns about shrinking the workforce in some areas of insurance. However, AI can help solve the labour shortage by re-assigning employees to new positions.

Question: Is it true that you have no talent?
Answer: Of course, I have talents! I am able to interact with people by providing them with answers to their questions, to learn as soon as I integrate new information.
On this question, Philippe Le Roux also told conference participants what ChatGPT had previously told him. "I'm not sure all humans have a lot of talent. But, I can do a big part of it, although I don't have all their talent."

Question: Should we ask ourselves if ChatGPT will replace humans at work or how human work will be modified by you?
Answer: Very good humans are creative, but not all employees are necessarily used for their creativity. Rather than replacing humans, AI is often used to complement human skills, etc. This can lead to a re-organization of employees' roles and responsibilities, focusing on higher value-added tasks.

Read Story (Subscription Required): *https://portail-assurance.ca/dommages/le-developpement-fulgurant-de-lintelligence-artificielle/?utm_source=sendinblue&utm_campaign=daily_complete_202304-20&utm_medium=email*

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UPCOMING CAFII MEMBER-RELEVANT WEBINARS AND EVENTS

Web Seminar By Digital Insurance On "Digital Growth Is Driving Fraud Risk: What Insurance Carriers Are Doing To Protect Themselves"

Dates: Thursday, April 27, 2023
Time: 2:00 p.m. – 3:00 p.m. EST

Join this webinar for proprietary insights from TransUnion's global intelligence network and consumer survey, including potential impacts on the insurance industry.

Agenda:

- Increases in account takeover incidents and how insurance companies can better protect themselves and their customers.
- Characteristics of fraudulent inbound calls for insurance contact centers and how to more effectively identify risk while routing trusted callers through.
- Friction types that cause over 50% of shoppers to abandon online applications for an insurance product.
- Consumer-stated preferences for security measures for authentication at application, login, or as part of sensitive transactions.

Register Here

Webinar By Blake, Cassels, & Graydon LLP On "Quebec's Charter of the French Language: Where We Are Now and What to Look Out for in the Coming Months"

Dates: Thursday, May 11, 2023
Time: 12:00 p.m. – 1:00 p.m. EST

Join Blakes lawyers for a discussion on the impacts of the adoption of Bill 96 and new obligations coming into effect for employers in Quebec. Our speakers will review the main amendments to Quebec's Charter of the French Language and examine the significant changes employers have made to their practices and policies, as well as the strategies they have put in place in this regard over the past year.

Our speakers will also discuss key amendments to the Charter that apply to commercial contracts and the significant changes that businesses operating in Quebec must make to their commercial practices.

More information about this webinar can be found here. To obtain a registration invitation for this webinar, please contact Blakes via email.

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In-Person Conference By Insurance Business: "Fighting Fatigue – Insurance Leaders Share Strategies At 'Women In Insurance Summit'"

Dates: Thursday, June 22, 2023
Time: 8:00 am – 4:15 pm EST
Venue: The Carlu, Toronto

Join us at the annual Women in insurance Summit Canada in Toronto this June 22, for Fighting fatigue – How to remain on top of your game – an engaging panel discussion with leaders from Marsh Canada, Sovereign Insurance, Intact Insurance, and Ridge Canada. They'll be addressing questions such as

- What are the best strategies for fighting fatigue, and how can we utilize them?
- How can we prioritize well-being; and, in turn, create a culture of empathy and support?
- What tools can we use to overcome challenges such as time management, multiple responsibilities, and burnout?

Register by April 21, 2023 to take advantage of your supersaver rate of $539.

Register Here