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

200-411 Richmond Street E, Toronto, ON M5A 3S5
(416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

CAFII ALERTS WEEKLY DIGEST: June 3-7, 2024

June 7, 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.

TABLE OF CONTENTS

200-411 Richmond Street E, Toronto, ON M5A 3S5
☎ (416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

GOVERNMENT/LEGAL/REGULATORY/ BUSINESS DEVELOPMENTS

Ontario Regulator Proposes New Rule For Segregated Fund Disclosure

By Kate McCaffery, Insurance Portal, May 29, 2024

https://insurance-portal.ca/economy/ontario-regulator-proposes-new-rule-for-segregated-fund-disclosure/?utm_source=sendinblue&utm_campaign=daily_complete_202405-29&utm_medium=email

After the Canadian Council of Insurance Regulators (CCIR) and the Canadian Securities Administrators (CSA) developed and adopted enhanced cost disclosure reporting requirements for investment funds and performance reporting guidance for segregated funds (both were adopted in April 2023), the Financial Services Regulatory Authority of Ontario is proposing a rule that would make the guidance legally binding.

"CCIR expects each of its member jurisdictions to adopt the insurance guidance within its local jurisdiction. In accordance with the CCIR's expectation, the proposed rule would adopt the insurance guidance into Ontario's regulatory framework in a legally binding manner," the rule notice states.

Embedded costs and fees

The proposed rule requires insurers to provide customers with annual statements that include performance information, alongside information about embedded costs and fees paid by insurance customers owning individual segregated fund contracts.

"Insurers are required to provide annual statements right now. The FSRA rule will increase the information insurers would be required to provide on the annual statements such as informing customers of the total cost of investing, including ongoing embedded fees such as management expenses and trading expenses," the regulator adds in a statement about the proposed rule and consultation period. The rule also requires insurers to advise customers of their rights to guarantees and how certain actions might affect those guarantees. Ultimately, they say the measures will allow customers to compare the cost of owning segregated funds with the cost of owning other investments.

Greater transparency needed

"Ontarians need greater transparency to make informed decisions," says FSRA's executive vice president, market conduct, Huston Loke. "This rule, if approved, will provide individual segregated fund customers with essential information to help them determine if these investments are right for them and to ensure they understand what fees they are being charged."

Stakeholders may comment on the proposed rule until July 26, 2024.

Regulators Eager For Responses To Sustainability Disclosure Consultation

Comments On The Canadian Sustainability Disclosure Standards Are Due June 10

By: Melissa Shin, Investment Executive, May 29, 2024 *https://www.investmentexecutive.com/news/from-the-regulators/regulators-eager-for-responses-to-sustainability-disclosure-consultation/*

Regulators are asking stakeholders to comment on pending sustainability disclosure standards, even if simply to express support.

"It's completely important for investors to weigh in," said Katie Schmitz Eulitt, director outreach, global investors, with the IFRS Foundation. She spoke Tuesday on a panel at the 2024 Responsible Investment Association conference in Vancouver.

Comments are due June 10 for the two exposure drafts of the Canadian Sustainability Disclosure Standards, known as CSDS 1 and 2. CSDS 1 covers general disclosure requirements for sustainability-related financial information, and CSDS 2 covers climate-related disclosures. The CSDS are based on the IFRS Sustainability Disclosure Standards.

"A lot of Canadian investors have been very supportive of … the development of the standards," said panel moderator Milla Craig, president and CEO of Millani Inc. Millani is among those investors, and didn't plan to respond to the consultation.

"But what I'm hearing you say is, in fact, we really need the investor community [to respond]," Craig said. "I know everyone is tired of consultations — we've had way too many — but it's part of the evolution and development of a market."

Schmitz Eulitt said CSDS 1 and 2, in their current forms, are the most closely aligned with the IFRS standards in the world. However, "investors need to continue to express their support for that," because that alignment could change if the comments suggest it should.

"It's super important" to respond, agreed panellist Denise Weeres, director, corporate finance, with the Alberta Securities Commission.

Once CSDS 1 and 2 are finalized, companies may begin voluntary compliance. However, the standards will not legally be required unless adopted by the government or regulators, Weeres said.

The Canadian Securities Administrators (CSA) "are contemplating that we would potentially refer to and require disclosure against [CSDS 1 and 2]," Weeres said. "But we'll be considering whether there should be any accommodations and exemptions, who those rules should apply to, and whether there should be any variations."

Weeres acknowledged that Canada has many small public companies that may not have the capacity or ability to comply with certain disclosure requirements.

"We will be using [stakeholder] feedback to assess whether there's different treatment for them," she said.

Weeres said the earliest the CSA could finalize its own rule is two years from when a rule is introduced, due to consultation, translation and other requirements.

Adelaide Chiu, vice-president and head of responsible investing with NEI Investments, said during the panel that the Canadian Sustainability Standards Board intends to publish the final versions of CSDS 1 and 2 by the end of 2024. (Chiu is a member of the board.)

Schmitz Eulitt said 50 jurisdictions representing 55% of global GDP, 40% of market capitalization and 50% of greenhouse gas emissions plan to adopt the IFRS standards as a global baseline, as Canada plans to.

Insurance Association Urges Ontario To Allow Certain Electronic Communications

By Kate McCaffery, Insurance Portal, May 28, 2024

https://insurance-portal.ca/life/insurance-association-urges-ontario-to-allow-certain-electronic-communications/?utm_source=sendinblue&utm_campaign=daily_complete_202405-29&utm_medium=email

The Ontario Ministry of Finance has received a letter from the Canadian Life & Health Insurance Association (CLHIA) regarding the province's efforts to modernize the Insurance Act to permit the use of electronic communications in the insurance sector.

"Based on discussions with our members, the amendments that came into effect in 2022 to the Insurance Act have generally removed most of the barriers that had previously prevented electronic communications between insurers and their customers. The changes have contributed to a more positive and timely customer experience overall. We do, however, have two recommendations," the association's chief council, Kate Walker, writes to Jeet Chatterjee, director of financial institutions policy with the Ministry of Finance.

Notice of insurance termination
First, the association asks the government to permit the use of electronic communications for notice of insurance termination.

"Notice of the termination of an insurance contract is not permitted through the use of electronic means. We strongly support expanding the use of electronic communications to section 300.6(2) under the Insurance Act. Although this will result in a statutory condition that is non-harmonized at this time with other provincial insurance acts, we believe the change will be beneficial for consumers," she writes.

Variable insurance contracts
The association also asks the government to permit the use of electronic communications in variable insurance contracts and urges the government to allow insurers to continue using couriers as a means of communicating with clients who do not wish to receive communications electronically.

Regarding variable insurance contracts, the association notes that it is already consulting with the Canadian Council of Insurance Regulators (CCIR) on the matter. "We are recommending that electronic communications be expressly permitted to enable insurers to offer consumers fully digital communications," they state. "We are including this recommendation only for the purpose of awareness at this time, as the work through the CCIR is ongoing and confidential."

Back to Table Of Contents

cafii acifa
The Canadian Association of Financial Institutions in Insurance | L'association canadienne des institutions financières en assurance
200-411 Richmond Street E, Toronto, ON M5A 3S5
(416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

OTHER CAFII MEMBER-RELEVANT NEWS

Manulife Examines Health Of Canadian Workforce In Inaugural Report

Two Significant Trends Identified

By Terry Gangcuangco, Insurance Business, June 03, 2024

https://www.insurancebusinessmag.com/ca/news/breaking-news/manulife-examines-health-of-canadian-workforce-in-inaugural-report 491647.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240603&_hsenc=p2ANqtz--vngDacTzamlDNO3Sj1MfdOGsOif0BkYXo0glJgHp3djYsTQlnxBuRoFErA4JraHyx6Sy_sHK3lmqwDiH8kffUUR-UHg&_hsmi=309879261&utm_content=&utm_source=

Manulife Canada has published its inaugural "Employee Health Report," revealing insights into the health status of the Canadian workforce. The study delves into escalating health claims nationwide and aims to guide organizations in prioritizing investments in employee health and wellness while optimizing group benefits for members.

The new resource has identified two significant trends affecting Canadians across the country: a marked increase in medication use for treating obesity and a rise in prescriptions for substance abuse disorders.

According to Manulife's analysis, the number of individuals using anti-obesity drugs increased by 42.3% in 2023, a total rise of 91.9% since 2020. Although global media attention on Ozempic has spurred interest, Health Canada does not approve this medication as an anti-obesity treatment and is excluded from the report's findings.

In terms of demographics, women constitute 78.8% of the total claimants for anti-obesity medications, compared to 21.2% for men. The data also shows significant increases in Ontario (55.3%) and British Columbia (44.5%), highlighting a nationwide concern over weight management and the recognition of obesity as a chronic health issue.

Additionally, the report noted a 17.2% increase in Canadians seeking treatment for substance use disorders, with the jump registering at 52% since 2020.

Providing actionable data to help employers implement targeted health and wellness initiatives, the Employee Health Report suggests enhancing mental health service coverage, offering onsite health screenings and clinics, organizing wellness seminars, and expanding coverage for dietician and nutritional services.

Ashesh Desai, group benefits head for Manulife Canada, said: "As a proud health partner to the millions of Canadians we serve, we see firsthand how important it is for organizations to invest in their employees' health. The 2024 Employee Health Report highlights critical health trends that can affect all Canadians, underscoring the urgency of addressing holistic, end-to-end employee health.

"These results mean we can all do more to help foster healthier Canadian lives. Wellbeing is not just beneficial for bottom lines, but essential for employees' quality of life. With top organizations showing meaningful productivity gains – up to 13 additional days per employee compared to their counterparts – it is clear that investing in employee health can pay off."

The Canadian Association of Financial Institutions in Insurance | L'association canadienne des institutions financières en assurance
200-411 Richmond Street E, Toronto, ON M5A 3S5
(416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

What's Influencing The Claims Landscape Today?

Sedgwick Leader Breaks Down Three Key Trends

By Gia Snape, Insurance Business, May 30, 2024

https://www.insurancebusinessmag.com/ca/news/claims/whats-influencing-the-claims-landscape-today-491330.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240531&_hsenc=p2ANqtz-9X-tKOMjjXUUsLF19xYvQjTonaz1mUQbrbFo78zJB23zWtmXsGVvMCoho0WI96Kg9g5ep15XUt0xN5iyA0KdzGS4yfBg&_hsmi=309594551&utm_content=&utm_source=

The growth of managing general agents (MGAs) and Lloyd's syndicates in Canada and the prominent rise of artificial intelligence (AI) have become notable influences in claims.

This expansion requires claims handlers to stay agile and efficient as they understand the expanding role these factors play in the claims process, according to Paul Burns (pictured above), vice president of UK TPA operations and client services in Canada for Sedgwick.

"The MGA sector is becoming a noteworthy sector we are dealing with more," he said. "It's exciting to see new companies emerging, and for Sedgwick, it's about knowing what's happening so we can better support their operations."

'It's not just about claims handling anymore'

One unique challenge MGAs and Lloyd's syndicates face compared to traditional insurance providers is the complexity and number of players involved in the claims process. This requires Sedgwick to understand each player's roles and needs.

"From our standpoint, there's a retail broker, an MGA, a London broker, and ultimately a syndicate," Burns said. "Sometimes you're dealing with multiple syndicates on a contract or binder.

"Our strength is connecting those dots, knowing who's involved at what stage, their role, and what's important to them. It's not just a simple carrier-broker-provider setup; the process is more complicated with many more people involved.

"Our job is to create ease of operation, set up points of contact, facilitate any issues or needs, and keep lines of communication open to keep things moving. We need to understand who our clients are and what their needs are."

Burns was speaking to Insurance Business following his appointment earlier this month. He also identified several significant influences in Canada's claims environment, including consolidation, wherein a few major carriers now dominate a substantial portion of the market.

Consolidation presents challenges and opportunities, particularly in how claims must be handled and managed.

The rise of artificial intelligence (AI) has dramatically altered the claims landscape.

"The increase in the use and speed of technology is playing a significant part in what we do. The emergence of AI, for example, is changing everything," Burns said.

At the same time, Burns marked a growing demand from clients for big data, which requires a more comprehensive understanding of their needs and operations.

"It's not just about claims handling anymore; it's about navigating our clients' world as well," he added.

Relationships more critical than ever in claims
With the industry's consolidation, technological advancements, and the rise of the MGA sector, staying nimble and nurturing client relationships are the keys to success in claims.

Burns emphasized the importance of relationships and communication with all stakeholders in the claims process, particularly amid the impact of consolidation. As consolidation reduces the number of clients, maintaining strong connections becomes even more crucial.

"Having good relationships with your clients and understanding what they're going through is key," said Burns.

He emphasized that delivering excellent claims service and customer service is fundamental to retaining clients. At the same time, he acknowledged that maintaining relationships has become more challenging post-pandemic due to reduced face-to-face interactions.

"It's still a relationship business, and it's about finding ways to maintain those relationships in a post-COVID world," Burns said.

Asked whether he sees MGAs, Lloyd's cover holders, and syndicates forming a greater share of the Canadian market, Burns said: "I'm always a little leery of trying to predict things. Our role is to be aware of what's happening and respond to it to ensure we can still serve our clients and understand what they're up to.

"The landscape is changing constantly at increasingly faster speeds, and we need to ensure we know what's happening and who's doing what. From that standpoint, we do an excellent job."

New Research Shows How Business Travel Affects Mental Health

By Chloe Fox, ITIJ, May 30, 2024

https://www.itij.com/latest/news/new-research-shows-how-business-travel-affects-mental-health?utm_campaign=ITIJ%20Magazine&utm_medium=email&_hsenc=p2ANqtz-_R46nLukWfqUFGiADhlF7JrFhb-yM6ELPwYRbEZ31kCBKp5N0XUQRAHAScMwrMAGgnvZJ3T91DL4tGCpdrTkrGBrforg&_hsmi=88694165&utm_content=88700604&utm_source=hs_email

World Travel Protection has released results from a new survey it commissioned, revealing how business travel impacts the mental health of UK business travellers

A new Opinium survey of 500 UK business travellers has found that nearly two-thirds (66%) believe in-person meetings are critical for building positive, long-term relationships and almost half (47%) say the opportunity for business travel makes them more likely to stay at an organization. However, nearly half (46%) say that frequent travel adds to their stress and burnout and gets worse for those who travel at least once every two months (53%).

The survey finds that a fifth (21%) have felt stressed, 20% exhausted, 19% homesick, 18% anxious, and 13% lonely. Younger travellers (18–34) are notably more likely to feel lonely (21%).

When it comes to supporting business travellers, two-fifths (40%) say their organization does not take their well-being seriously when travelling for business, and almost half (45%) would like their employer to check in on them more when they are travelling. However, the majority (61%) say their organization would be supportive if they were struggling with their mental health on a business trip.

Dr Neil Slabbert, Regional Chief Medical Officer (Asia-Pacific) at World Travel Protection, commented: “While business travel is generally an enjoyable and rewarding part of work life, this survey reveals that some travellers face challenges when away from home, and more could be done to support them. Disruptions to routines, physical distance from support systems like family and friends, as well as jet lag and time zone differences can worsen stress and anxiety. Organizations need to factor in both physical safety and mental health when considering the support they provide to travelling employees.”

Higher Interest Rates Transforming Outlook For Life Insurers’ Growth And Profitability

By Kate McCaffery, Insurance Portal, May 29, 2024

https://insurance-portal.ca/life/higher-interest-rates-transforming-outlook-for-life-insurers-growth-and-profitability/?utm_source=sendinblue&utm_campaign=daily_complete_202405-29&utm_medium=email

A new Sigma report from Swiss Re, entitled Life insurance in the higher interest rate era: asset-savvy is the new asset-light, says higher interest rates will significantly boost profitability in the life insurance industry, thanks to higher investment incomes and global life savings premiums that are expected to double in the coming decade.

“Higher interest rates around the world are transforming the outlook for life insurance growth and profitability,” the company states in an announcement about the publication’s release. “Savings products are attractive to consumers after a decade of weak demand and low returns. Swiss Re Institute expects a new high for U.S. fixed annuity sales this year after record sales in both 2022 and 2023.”

A game changer

Swiss Re’s group chief economist, Jérôme Jean Haegeli, calls higher rates a game changer for the industry. “Savings products are attractive again as a direct consequence of normalizing interest rates. Higher investment yields also benefit long-duration protection products,” he adds.

Total global premiums are forecast to grow to $4-trillion (all figures in U.S. dollars) by 2034. “In contrast, global life insurance premiums grew by only $ 300 billion in the entire low-interest rate decade of 2010 to 2019,” the company states.

200-411 Richmond Street E, Toronto, ON M5A 3S5
(416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

"Significantly higher government bond yields are also now improving life insurers' investment returns and margins for fixed annuities. Between 2022 and 2027, Swiss Re Institute forecasts the operating result for insurers in the largest eight life markets worldwide, which include the U.S., U.K., Germany and Japan, to rise by more than 60 percent as investment income rises by 40 percent."

Lapse risk

The sigma report goes on to analyze how companies and private equity have reacted to low interest rates over time, exiting core lines of business and shifting towards "capital-light" and fee-based strategies. It also looks at lapse risk – that is a surge in policy terminations for their higher cash values – saying that the peak of this risk has likely passed.

As for life savings premiums, these are expected to generate an additional $1.5-trillion in the coming decade, more than double the amount of the previous decade.

Insurance Institute of Canada launches Training Pilot Program To "Ignite" Insurance Careers

It Is Geared Toward Newcomers, Trained Professionals And Career Shifters

By Terry Gangcuangco, Insurance Business, May 08, 2024

https://www.insurancebusinessmag.com/ca/news/breaking-news/insurance-institute-of-canada-launches-training-pilot-program-to-ignite-insurance-careers-488313.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240508&_hsenc=p2ANqtz--_u_FuxmNdGcSaldCyKqH2NX4XLzOxOioO6QJNV-8E4GTMsmCpgrEBIEx7yqic7I6ajf0JjSH3Ktn8PW4cUdzAA_4SnQ&_hsmi=306153173&utm_content=&utm_source=

The Insurance Institute of Canada (IIC) has launched a new initiative aimed at facilitating the entry of new Canadians and individuals seeking career changes into the property and casualty insurance sector.

Called "IGNITE Insurance Careers," the six-week program combines online learning modules with in-person sessions to provide essential skills and knowledge to thrive in the industry.

The pilot program begins this week and is geared towards internationally trained professionals, newcomers to the country, and career shifters. It is currently available to participants in the Greater Toronto Area. The IIC plans to expand to another city in Fall 2024.

The IIC said: "Participants from various backgrounds, including office environments, professional services, financial services, hospitality, retail, and service industries have enrolled in the IGNITE pilot program.

"Customer service, analytical thinking, problem-solving, and effective communication are just some of the skills required to succeed in the program."

Peter Hohman (pictured), IIC president and chief executive, highlighted the program's strategic importance, saying: "The IGNITE program is another component of the Institute's initiatives designed to help address the industry talent gap.

"Through IGNITE, we are helping to transition internationally educated professionals, newcomers to Canada, and career changers into industry employment by providing introductory insurance information and career development skills, utilizing online modules and in-person applied learning activities, guest speakers, and employer-participating networking events."

Recognized as the leading professional education body for Canada's P&C insurance industry, the IIC supports over 41,000 members, including more than 18,000 active students engaged in its formal programs.

The Institute also oversees the Chartered Insurance Professionals' Society, catering to graduates holding Chartered Insurance Professional and Fellow Chartered Insurance Professional designations.