

CAFII ALERTS WEEKLY DIGEST: June 9 – June 16, 2023

June 16, 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

FSRA Publishes Broker Association's Comments On Proposed Guidance On AMPs

By Kate McCaffery, *The Insurance Portal*, June 15, 2023

[Broker's association comments on proposed guidance published by Ontario regulator - Insurance Portal \(insurance-portal.ca\)](https://insurance-portal.ca/broker-association-comments-on-proposed-guidance-published-by-ontario-regulator)

The Independent Financial Brokers of Canada (IFB) recently submitted its response to the Financial Services Regulatory Authority of Ontario (FSRA) after the regulator requested comments on proposed guidance related to its administrative monetary penalties (AMP) regime.

The Association representing 3,000 life and health insurance licensees and mutual fund registrants says it supports the publication of guidance to assist the public and regulated entities to understand FSRA's expectations and the approach it will take when exercising its authority; but to be effective, the Association says the regulator needs to do a better job of making its regulated sectors aware that enforcement activities have resulted in penalties.

"Although FSRA publishes individual life insurance agent penalties on its website, IFB suggests that it would increase awareness among all life insurance licensees if FSRA developed summary communications on the penalties imposed and the reasons leading to the penalty," IFB writes. "This would also reinforce that AMPs should not be viewed as a cost of doing business and act as a general deterrent for the sector."

IFB adds that it is unclear if FSRA has any recourse other than license suspension if the penalties are not paid. Moreover, it says that licensees do not always realize the impact that disciplinary action will have on their careers – namely that the cases remain in the public domain forever. "The regulated community should be made aware that penalties will be publicly disclosed and remain available in the public, industry, etc., in perpetuity," IFB writes. "FSRA may want to consider whether the lifetime public availability of the licensee's contravention is consistent with risk-based principles and appropriate when no threat to the public interest is at stake."

The submission also brings up the fact that FSRA cannot impose AMPs under the *Financial Professionals Title Protection Act*. "The inability of FSRA to impose monetary penalties has been the subject of much criticism from some industry stakeholders and investor advocates. Therefore, it is not our intent to rehash it here," IFB writes in conclusion. "However, we encourage FSRA to engage with the Ministry of Finance on this matter, as we see it as inconsistent with FSRA's consumer protection mandate and its risk-based approach to regulation, as well as its treatment of those in its other regulated sectors."

Privacy Office Orders Release Of FSRA Enforcement Notice

Disciplinary Filing Is A Statutory Requirement, Not Legally Privileged, IPC Rules

By James Langton, Investment Executive, June 9, 2023

<https://www.investmentexecutive.com/news/from-the-regulators/privacy-office-orders-release-of-fsra-enforcement-notice/>

Ontario's Information and Privacy Commissioner (IPC) has ruled that provincial regulator the Financial Services Regulatory Authority of Ontario (FSRA) must release an enforcement notice setting out allegations and proposed penalties even though the case in question was settled.

FSRA denied access to an enforcement notice prepared in a case brought by its predecessor, the Financial Services Commission of Ontario (FSCO), in 2018.

The case involved a series of orders imposing licence revocations and monetary penalties against four companies and individuals in the mortgage brokerage sector.

According to the IPC's decision, the regulator denied access to the notice, claiming that the notice qualified for a discretionary legal privilege exemption, as it was created to be potentially used in litigation.

The notice was used in settlement discussions. Once a settlement was reached, the notice was withdrawn, and an enforcement proceeding wasn't held.

"FSRA argues that by keeping the notice of proposal confidential, the parties to the settlement agreement were able to resolve and avoid 'lengthy and complex litigation before the Financial Services Tribunal,'" the IPC said.

The regulator's decision to deny access to the notice was appealed to the IPC.

The appellants in the case argued that the notice represents a "pleading" that's required to bring enforcement action, that the notice is used to notify respondents of disciplinary allegations against them, and that it doesn't qualify for a legal privilege exemption.

The IPC sided with the appellants in the case, upholding their argument that the notice is a "statutory requirement" rather than a legal tool to facilitate a settlement.

"While the notice was issued around the time settlement discussions took place, this is not enough, in my view, to find that the notice was issued 'for use in' or even 'in contemplation of' the settlement of litigation," the IPC said. It added that the notice "was issued in contemplation of enforcement action should the negotiations fail."

“[P]ublic policy dictates that if settlement could not be achieved, there was a reasonable expectation that FSRA would preserve its statutory ability to pursue the sanctions set out in the notice of proposal on behalf of the public,” the IPC said. “It would be absurd to conclude that FSRA would not be able to rely on the notice of proposal to pursue sanctions against those alleged to have committed infractions ... if mutual settlement discussions broke off.”

As a result, the IPC concluded that the notice of proposal is not protected by statutory legal privilege, and it ordered FSRA to disclose it by June 29.

FSRA Meets Or Exceeds Service Standards In Q4

Results Include Action On Insurance, Title Protection Complaints

By Michelle Schriver, Investment Executive, June 9, 2023

<https://www.investmentexecutive.com/news/from-the-regulators/fsra-meets-or-exceeds-service-standards-in-q4/>

The Financial Services Regulatory Authority of Ontario (FSRA) met or exceeded its performance targets for service in the fourth quarter of 2022–23, the regulator said in a report on Wednesday, June 7 that included the regulator’s score on service standards for insurance and title protection complaints.

In addition to complaints handling, the quarterly report on service standards measures activities in such areas as regulatory applications. Overall, the regulator met or exceeded service targets for 97% of its standards, the report said.

For acknowledging market conduct complaints in writing within three business days, FSRA’s score was 99%, surpassing its 90% target.

The regulator receives about 1,300 public complaints yearly across the sectors it regulates, Wendy Horrobin, head of licensing and risk assessment with FSRA, said when she spoke at the Independent Financial Brokers (IFB) spring summit in May.

For life insurance complaints specifically, FSRA’s performance score on assessing and acting on the complaints within 120 days was 92% (and 100% within 270 days).

For title protection complaints, the score was 100%. The number of complaints was not provided. FSRA’s protection of “financial advisor” and “financial planner” in Ontario is little more than a year old, with a transition period for those who used the titles before 2020.

FSRA doesn’t oversee the conduct of credential holders; credentialing bodies do that. Rather, the regulator investigates complaints related to approved credentialing bodies or organizations claiming to be approved credentialing bodies.

FSRA also investigates complaints of title use without an approved credential.

FSRA's first round of examining credentialing bodies will begin this summer, Horrobin said at the IFB event. "We will be looking to ensure that all the things they told us they were doing, they're actually doing," she said, referring to the credentialing bodies' obligations under the title protection framework.

Have Your Say About FSRA'S Updated Proposed UDAP Amendment

By FSRA Staff, June 1, 2023

<https://www.fsrao.ca/newsroom/have-your-say-about-updated-proposed-udap-amendment>

The Financial Services Regulatory Authority of Ontario (FSRA) is taking additional steps to gather public input and better protect consumers.

We are holding further consultations on an updated proposed amendment to the Unfair or Deceptive Acts or Practices (UDAP) Rule.

The updated proposed amendment would address concerns about deferred sales charges (DSCs) for customers who already own individual segregated fund contracts with DSCs.

If the updated proposed amendment is approved, insurers may simplify the information they provide customers if they give the customer a new sales charge option that is better than a DSC in every way.

Consultation on the updated proposed amendment is now open and will close on June 30, 2023. FSRA will submit a final proposed amendment to the Minister of Finance for approval after reviewing consultation feedback.

Regulators Lay Groundwork For Total Cost Reporting

Industry Braces For Technical Challenges As New Disclosures Take Effect

By James Langton, Investment Executive, June 13, 2023

[Regulators lay groundwork for total cost reporting | Investment Executive](#)

Securities and insurance regulators are assembling an industry committee to work through the challenges of implementing total cost reporting.

The Canadian Securities Administrators, the Canadian Council of Insurance Regulators, and the Canadian Investment Regulatory Organization are creating a group that will include representatives from the industry, trade groups, and other players to help guide the adoption of the new total cost reporting (TCR) requirements.

The rules build on the client relationship model (CRM2) reforms, aiming to give investment fund and segregated fund investors greater transparency into the costs of investing. The new TCR requirements will expand client reporting to include management fees and trading expenses, while extending similar disclosure obligations to insurers' segregated funds for the first time.

However, as with the CRM2 reforms, the new requirements are expected to pose implementation challenges. Industry firms will have to build systems and processes to ensure the required information can be collected, processed, and delivered to investors on time.

To that end, when the regulators finalized the new requirements back in April, they indicated that a committee would help address the technical challenges.

"The committee will support industry stakeholders in their implementation of the TCR enhancements within the transition period, which ends December 31, 2025, by providing guidance and responding to questions," the regulators said.

The rule changes won't require firms to start providing investors with TCR-compliant reporting until 2027, with annual reports for the year ended December 31, 2026 to include the first TCR disclosures.

"The committee will allow industry participants to consult regulators on questions related to implementation, as well as allow regulators to be informed of industry progress toward the implementation of the TCR enhancements," the regulators said. Firms will be able to put questions directly to regulators as well as through industry trade groups.

In forming the committee, the regulators said they'll "reach out to industry participants, including industry associations and other stakeholders, to identify potential participants with appropriate technical expertise."

OTHER CAFII MEMBER-RELEVANT NEWS

Racially Diverse Boards Enjoy Higher Credit Quality: Moody's

Demand For Minority Directors Expected To Increase As Transparency Improves

By James Langton, Investment Executive, June 15, 2023

<https://www.investmentexecutive.com/news/research-and-markets/racially-diverse-boards-enjoy-higher-credit-quality-moodys/>

New research from Moody's Investors Service finds that North American companies with more racially diverse boards also tend to have higher credit ratings.

In a new report, the rating agency noted that the racial composition of corporate boardrooms and executive offices generally doesn't match the makeup of the overall workforce.

Its analysis of almost 600 corporate boards found that racial minorities represent 16% of corporate directors and just 12% of executives, despite minorities accounting for 26% of employees in Canada and 23% in the U.S.

It also found a positive correlation between racial diversity and rating quality.

“Higher-rated North American companies have more racially diverse boards,” it said, adding that top-rated (AAA) companies have “the most racially diverse board members and executives in our cohort.” While the data indicate a correlation between diversity and credit ratings, the data don’t necessarily prove causation, Moody’s said.

It suggested that the relationship between board diversity and credit quality likely reflects the impact of increased diversity on corporate governance.

“A diversity of perspectives supports good governance and is positive for credit quality,” it said, noting that efforts to improve transparency of corporate board demographics will also drive increased demand for minority directors.

“New mandates requiring the disclosure of information on the racial makeup of corporate boards will provide more transparency to investors and will likely lead to heightened public pressure for greater racial diversity in boardrooms,” Moody’s said.

As it stands, a lack of data on race helps explain why efforts to enhance the racial diversity of boards has lagged efforts to boost gender diversity, it suggested.

The Canadian Securities Administrators (CSA) is currently consulting on two competing visions for improving disclosure of corporate board composition beyond gender.

One proposal would require issuers to disclose specific demographic characteristics of their directors and officers, while the other proposal would require companies to disclose their approach to diversity, without mandating details on specific under-represented groups, apart from the existing requirements regarding gender.

The CSA’s competing proposals are out for comment until July 12.

Air Canada Walks Back Compensation Denials After Thousands Delayed Due To Tech Issues

Air Canada Has Rejected Compensation Claims From Some Travellers Who Were Among The Thousands Affected By Flight Delays Caused By Computer Problems In Recent Weeks — A Response It Now Calls “Erroneous,” With Cash Offers En Route.

By Christopher Reynolds, The Canadian Press, June 9, 2023

https://www.therecord.com/ts/business/2023/06/09/air-canada-rejects-passenger-compensation-claims-for-delays-caused-by-tech-issue.html?li_source=LI&li_medium=therecord_business

Air Canada said on Friday, June 9 that it made a mistake in rejecting some compensation claims from the thousands of travellers affected by flight delays caused by computer malfunctions in recent weeks. In messages to some customers, the airline initially said the information technology fumble was out of its hands, relieving it of obligations to pay them compensation.

“In this instance, the compensation you are requesting does not apply because the disruption was caused by an event outside of our control. This flight is delayed due to an unforeseen technology issue, impacting one of our suppliers, which is impacting our operations,” the airline said on Thursday, June 8 in an email to passenger Douglas Judson.

Judson said he arrived more than three hours late after his June 1 flight from Winnipeg to Toronto was delayed due to the IT defect.

“I find the dishonesty and disrespect of it the most galling,” he said in a phone interview. “Some really interesting logic puzzles at Air Canada as to when something is actually their fault.”

While denying his compensation request, Air Canada offered him a 15 per cent fare discount on any upcoming flight as a “goodwill gesture.”

When contacted by The Canadian Press on Friday, June 9, the Montreal-based airline said the response stemmed from an error.

“Air Canada is offering compensation in line with APPR (Air Passenger Protection Regulations) compensation levels for flights which were affected by the IT outage. Some passengers had received erroneous responses from us, and we are in the process of re-contacting them with the correct responses,” spokeswoman Angela Mah wrote.

Judson received an email on Friday afternoon, June 9 offering an apology and \$400 in compensation.

The country’s largest carrier has struggled with intermittent computer problems over the past few weeks.

On May 25, it delayed more than half of its flights due to a “technical issue” with the system that the airline uses to communicate with aircraft and monitor their performance. On June 1, it delayed or cancelled more than 500 flights — over three-quarters of its trips that day, according to tracking service FlightAware — due to “IT issues.”

That same day, Transport Minister Omar Alghabra stressed the carrier’s compensation responsibilities to its guests.

“Air Canada has obligations to passengers who are impacted because it is caused by things that the airline has control over,” he told reporters on June 1, hours after the IT issues resurfaced.

Alghabra spokeswoman Nadine Ramadan said in an email on Friday, June 9 that the minister’s office had been in touch with the company, which assured them it will compensate the affected passengers.

Gabor Lukacs, president of the Air Passenger Rights advocacy group, said the airline’s reaction still “rings hollow.”

“We are hearing about too many of these ‘errors’ to believe that it was a genuine error,” he said in an email.

Lukacs suggested that Air Canada’s response — including the discounted fare offer — marked “an attempt to make passengers go away and not pursue their rights.”

It was not clear whether the thousands of passengers whose flights were delayed or cancelled on the day after the June 1 computer problem — Judson’s included — due to what the airline deemed “rollover effects” would receive compensation.

“They said in their official communications to passengers that it was maintenance. I do not believe it was maintenance. I think it was a direct consequence of their IT issues,” Judson said, noting that his return flight to Winnipeg on June 2 landed more than three hours behind schedule.

Air Canada’s Mah said the airline would “investigate to determine the root cause of the cancellation and handle accordingly.”

At least 144 of its flights, or 27 per cent of the airline’s scheduled load, had been delayed as of late afternoon on June 2. That’s along with 33 cancellations, according to FlightAware.

In April, the transport minister laid out measures to toughen penalties and tighten loopholes around traveller compensation as part of a proposed overhaul of Canada’s passenger rights charter.

If passed as part of the budget Bill — the Act made it through third reading in the House of Commons on Thursday, June 8 and is now before the Senate — the reforms will put the onus on airlines to show that a flight disruption is caused by safety concerns or reasons outside their control. Specific examples would be drawn up by the Canadian Transportation Agency as a list of exceptions around compensation.

“It will no longer be the passenger who will have to prove that he or she is entitled to compensation. It will now be the airline that will need to prove that it does not have to pay for it,” Alhabra said on April 24.

Currently, a passenger is entitled to between \$125 and \$1,000 in compensation for a three-hour-plus delay or a cancellation made within 14 days of the scheduled departure — unless the disruption stems from events outside the airline’s control, such as weather or a safety issue including mechanical problems. The amount varies depending on the size of the carrier and length of the delay.

WestJet Will Shut Down Swoop, Ending Budget Airline Offering

By Aaron D'Andrea, Global News, June 9, 2023

<https://globalnews.ca/news/9758088/westjet-shuts-down-swoop/>

Budget airline Swoop will shut down later this year and have its operations folded into WestJet, the company announced on Friday, June 9.

The merger into WestJet’s operations is expected to be completed by October 28, the Calgary-based airline said. Swoop will operate its existing network until then, and Swoop employees will move to WestJet once the merger is completed.

“The WestJet Group is confident in the outcome of this negotiated decision and the path forward to integrate Swoop into WestJet’s operations,” WestJet CEO Alexis von Hoensbroech said in a news release.

“This integration will enhance our ability to serve a broader spectrum of guests. Instead of only 16 aircraft serving the ultra-low-cost market, each aircraft, in our 180-strong fleet, will offer ultra-affordable travel options through to a premium inflight experience.”

It’s not yet clear if WestJet will leave the markets and routes serviced by Swoop, or replace their offerings with WestJet flights.

In a statement to Global News, WestJet said it’s “committed to ongoing engagement with valued communities and stakeholders to ensure that the airline continues to provide critical and affordable air travel to communities across Canada.”

While the fate of Swoop’s existing routes is uncertain, low-cost competitor Flair Airlines suggested on Friday, June 9 that it would “evaluate opportunities” to help fill any gaps left behind.

“Swoop’s sole purpose was to quell competition. Flair exists to promote competition and make travel affordable for all Canadians,” Flair CEO Stephen Jones told Global News.

WestJet revealed the decision as it announced the second collective bargaining agreement between WestJet and the Air Line Pilots Association had been ratified.

The merger was negotiated in the collective agreement, WestJet said. The agreement is retroactive to January 1, 2023, and will be in place until December 31, 2026.

The two sides were on the brink of a potentially catastrophic strike last month but avoided one after reaching a deal at the 11th hour.

Knowledge Transfer Key As Senior Leaders Retire: Demographic Report

By David Gambrill, Canadian Underwriter, June 2, 2023

[Knowledge transfer key as senior leaders retire: Demographic report \(canadianunderwriter.ca\)](https://canadianunderwriter.ca/knowledge-transfer-key-as-senior-leaders-retire-demographic-report)

Demographic patterns show an emerging need for knowledge transfer strategies while finding qualified people to fill vacated leadership and management positions due to retirement, according to a survey of industry HR professionals for the Insurance Institute of Canada's 2022-23 industry demographics study.

"Eight-and-a-half percent of the workforce is expecting to retire in the next five years, particularly in management positions, senior management, and mid-level managers," Insurance Institute of Canada president and CEO Peter Hohman observed, commenting on the report results in an interview with *Canadian Underwriter*. "With the propensity of people over the age of 55 to consider early retirement, a lot of institutional knowledge is heading into retirement.

"And so there's an opportunity...for employers to introduce proper succession planning tools to make sure that knowledge transfer is moved on to that next generation of leaders."

In *Demographic: Analysis of the P&C Insurance Industry in Canada 2022 to 2026*, the Conference Board of Canada conducted a survey of more than 25 senior HR professionals in the P&C industry during the spring of 2022. The board asked a variety of questions focusing on recruitment and retention challenges, evolving workforce skill requirements, and the presence of specific labour cohorts such as immigrants, BIPOCs, and youth in the industry's workforce.

The report noted that the Canadian P&C insurance industry is hiring more people for entry-level positions, with recruits having one or two years' experience. But about 8% of the workforce is slated to retire over the next five years, which will bring a dearth of senior management level experience.

"Efforts by the industry to replace an ageing workforce corresponds to an observed larger share of external hires and a continued focus on finding entry-level candidates," the report states. "This continues a trend that was also seen in the 2017 survey results.

"Over the past two years, 37% of job openings were for entry level roles (roles needing less than two years of experience). This is a four-percentage-point increase from the 2017 survey.

“On the other hand, mid-level positions (roles requiring between two and five years’ experience) saw an eight percentage point decline in the 2022 survey. Shares of senior positions (roles requiring five years or more of experience) also saw a decline of about 2 percentage points in the 2022 survey.”

Given the current composition of the industry and its current recruitment strategies, the question becomes whether the industry has enough qualified leadership experience to replace those who are retiring. Hohman suggested that a number of mentoring roles are available for senior leaders retiring from the industry.

“There’s a more senior group that’s going to be retiring in the next handful of years,” Hohman said. “One interesting approach the industry and employers could take is to [call up] someone who may have just recently retired, and bring them back on a part-time basis only to mentor that next generation coming through. They could help [the next generation] move forward in their career.”

Insurance 101: What Is Insurance And How Much Do I Really Need?

By Rosemary Counter, The Globe and Mail, January 25, 2023

<https://www.theglobeandmail.com/investing/article-how-much-insurance-do-i-need-canada/>

Few people will go through life without buying insurance of one kind or another. But there are so many different varieties, and so many things to consider, you need a guide to the essentials.

What Is Insurance, Really, And How Does It Work?

Insurance, be it home, health, life or any other kind, is a formal contract between an individual (that’s you) and an insurance company – in Canada, the big familiar names are Manulife, Canada Life, iA, Sun Life and Desjardins. You’ll make a set scheduled payment called a “premium” in return for their promise to compensate you if and when you’re the unlucky person facing an unforeseen, expensive calamity, such as a house fire, a car accident, or the death of a family breadwinner. And it’s a way to pool risk – your premiums will usually add up to less than the payout after a disaster. “Simply put,” says Dave Payette, chief operating officer of insurance brokerage ThinkInsure, “the premiums collected from the many will pay for the losses of the few.”

What Are The Various Kinds Of Insurance?

The best-known kinds of insurance are life, health, auto, and property (home or renter’s) insurance. Within each of those are a number of options or sub-categories. Here are just a few:

Life insurance

Life insurance can be term insurance or whole life (with an end date or no end date); variable life insurance has an investment component – it has a cash value account that varies depending on how the investments perform.

Health insurance

Health insurance can cover anything from personal health costs, dental care, long-term care (to help pay for in-home care or nursing homes); and even lesser-known things such as critical illness insurance – a lump-sum payment in case you are diagnosed with a serious disease. In Canada, of course, most health costs are covered by government-run provincial plans – our beloved universal health care. But additional plans, often offered by employers to certain minimum levels, provide extended coverage for things such as dental care and short- and long-term disability if you can't work because you are sick or disabled. (For that matter, many workplace insurance plans also include group life insurance.) People without a workplace plan can purchase extended health insurance on their own.

Auto Insurance

Auto insurance includes liability insurance (damage or injury you cause to someone else), collision insurance (exactly as it sounds), comprehensive insurance (theft or damage to your car if, say, a tree falls on it).

Property Insurance

Property insurance is divided into home, condo, tenant (renter's), landlord – even seasonal. There is also personal liability insurance (very useful should someone slip on your home's icy steps).

And there are many, many more. Matt Hands, director of insurance at ratehub.ca, estimates that there are upward of a thousand kinds of insurance on offer. "If you have a Picasso, you'd get art insurance, and if you had a big diamond ring, you could get diamond insurance," Mr. Hands says. "Insurance providers are constantly developing new products to meet the needs and demands of consumers. If you ask a broker, even for very specific things that the rest of us might never even think of, there's probably a product for you."

And What About Umbrella Insurance?

Umbrella insurance is, if you can believe it, a kind of insurance on your insurance. "Say you're in a car accident and you're being sued for \$3-million – but your policy only goes up to \$2-million," Mr. Hands says. There, an umbrella policy could kick in to cover the rest. Umbrella insurance is a just-in-case little extra if your insurance isn't enough.

Are Some Kinds Of Insurance More Important Than Others?

Is life insurance more important than pet insurance? Of course, though if you're independently wealthy with no dependants and a million-dollar champion racing pigeon, then maybe not. (Yes, pet insurance to cover the vet bills of your cat or dog or gerbil is a thing, and increasingly common.)

“Insurance is always based on a person’s specific needs and circumstances,” says Bob Manson, personal insurance president at Gallagher Canada Ltd. The kind and amount of insurance you choose depends on what’s important to you and what fits with your life and lifestyle. For a person living with a chronic health condition, health insurance likely far outweighs anything else. For someone with small children, life insurance is probably the priority.

Must I Have Insurance?

Only car insurance is legally required by the government. “If you have a car, car insurance is mandatory,” says Erica Alini, personal finance reporter at The Globe and Mail. (Caught driving without it? That’s a minimum \$5,000 fine in Ontario, and it can go up to \$50,000.) The other insurance categories are a bit murkier. “Home insurance isn’t mandatory,” she says, “but a mortgage lender won’t give you a mortgage without it.”

Ditto for tenant (or renter’s) insurance, which isn’t required by law, but a landlord is perfectly within their rights to add a clause to the lease that requires you get some. Health insurance isn’t usually mandatory in Canada, thanks to universal health care, but additional health insurance is mandatory in some situations, such as for international students.

So no, most of the time you don’t have to have insurance. But you know that you probably should. Which raises the next question ...

How Much Insurance Do I Really Need?

As much as a hard-and-fast rule would be great here, the complicated truth is it all depends. Factors to consider include your age, location, health, marital status, dependants, living situation, standard of living, even personal preference and comfort level.

The good news is that the insurance companies, wherever possible, have made it easy for you. “Home and auto insurance are kind of obvious because they’re measurable,” says Ms. Alini. “For auto, for example, the insurance company will ask what you drive, how often you drive, how well you drive – if you’ve been in any accidents – and then use all that to tell you exactly the amount you need.” Problem solved.

Not so much when it comes to life insurance, which Ms. Alini says people usually struggle with. To pick a sufficient amount for your family but not so much that your spouse murders you (kidding!), try some gloomy catastrophizing. “I suggest thinking about the financial consequences of your death as your starting point and then work backwards,” says Ms. Alini. “How much does your family need for a funeral? To pay off the mortgage and stay in the house?” The right amount is whatever is enough to keep your family stable and comfortable, at a premium rate you can afford.

How Does My Need For Insurance Change Depending Upon Age/Circumstance?

As you progress through your life and your circumstances change, so will your insurance needs, Mr. Payette says. “For example, earlier in your life you have a mortgage and young children, so you’ll need enough to pay off your debts and provide their future support. As you get older, maybe your debt is gone and your children are grown, so you just don’t need that level of coverage anymore.”

Having children and buying property are the obvious ones, but there are other situations when it’s time to revisit your insurance policy. Just a few are marriage, divorce, another kid, a new car, job loss, a big promotion, retirement, a home renovation, or just because the time has come. “It’s recommended that you review your policy once a year,” Ms. Alini says.

What Is The Difference Between Whole And Term Insurance?

While whole (or universal) insurance is indefinite, term insurance has an end date. Ms. Alini explains: “Maybe the term is 10 or 20 years, but basically the idea is that although you need lots of insurance now – maybe you have a spouse and young kids – by the time you’re 65 or 70 and retiring, you’ll be in a better financial situation with more savings and less liabilities, so you don’t need so much insurance anymore.” In fact, if you’re of a certain age with lots of savings, no debts and no dependants, you might not need insurance at all.

But as for the rest of us, why would a person choose a policy that ends before you do? “Because it’s significantly cheaper,” Mr. Hands says. And if term insurance is what you can afford, it’s still far better than no insurance at all.

What Is The Difference Between An Insurance Broker And An Insurance Agent?

An insurance broker represents the client (you) and can shop at any insurance company. An insurance agent works for or is contracted to a particular company and wants to sell the client (you, again) their specific packages or services. So while a broker can help you compare multiple companies to each other, an agent will have much more knowledge within their company about what package(s) to choose.

Are There Any Red Flags To Look For When I’m Buying Insurance?

As always, when shopping for insurance, beware of fraudsters. The Insurance Bureau of Canada warns of a common scam where criminals pose as insurance agents or brokers and offer discount rates. They’ll often use a slightly altered name of a well-known legitimate insurance company and hope you won’t notice. A legitimate insurance broker or agent will never request a signing fee or a payment directly to them through electronic or wire transfer. “Always check that the insurance broker, agent, or direct writer you are working with is properly licensed,” the Bureau warns, and remember the adage: If it’s too good to be true, it probably is.

But insurance companies and professionals, like every other for-profit business in operation, are trying to make money and do so by selling – or upselling – policies that you may not actually need. Some kinds of insurance are controversial, with little consensus about whether they're necessary or merely prey on people's fears. Take, for example, children's life insurance. It's statistically very unlikely that you'll ever use it, let alone need it, and that money is probably much better stashed elsewhere, like a registered education savings plan. If you feel that you're being pressed to buy insurance you don't need, consider getting a second (or third) opinion and definitely reconsider whether you should change companies or brokers.

What If I Stop Getting Whole Life Insurance, Then Want To Start Up Again?

Not a problem, says Mr. Payette, except maybe to your pocketbook. "You would need to re-apply for coverage and your premiums would be subject to your current situation," he says. Since you're definitely older – and maybe rounder and with higher blood pressure – you'll have to be re-assessed and will almost certainly pay more than your past self. Far better to get life insurance early and keep it, if you can. "Get it when you're young and healthy and it will cost you next to nothing," Ms. Alini says. "At maybe \$20 a month, it's a total no-brainer."

If I've Never Had Insurance, Where Do I Start?

If you're comfortable on the web, shopping for insurance has never been easier thanks to an ever-expanding roster of digital tools. "There's been a lot of progress in the insurance industry in streamlining the buying process as well as making information about all aspects of insurance and products readily available," Mr. Manson says. Digital tools have made the process, particularly for life insurance, much easier and less invasive than it once was. "You used to do a physical and have to get bloodwork and such, but now it's usually just a few clicks," says Ms. Alini, who suggests policyme.com and Rates.ca as great places to start. Mr. Hands, naturally, recommends ratehub.ca.

When Do I Need To See An Insurance Broker Or Consultant?

There's no definitive situation where it's time to call up a professional. "It's all about how confident you are in understanding your needs and knowing that you're buying the right product for you," Mr. Manson says. Self-serve options work well for many people but experts are happy to help. Advisers or agents represent single insurance companies, while independent brokers such as ThinkInsure complete a needs assessment and provide options from multiple insurance companies, he says. Call them if you're overwhelmed, and remember that being overwhelmed is completely normal. "Nobody expects you to be an insurance expert," Mr. Hands says. "We're here to break it down, help you choose, and set you up."

Are There Times When I Can't Get Insurance If I Want It?

"Insurance, at its best, works when the event that you're trying to protect against is rare and expensive," says Ms. Alini. "If it's not rare, then you would plan for it, and if it's not expensive, you'd just pay for it yourself."

And therein lies an unfortunate Catch-22. Take, for example, a flooded basement – increasingly seen in both urban and rural settings. “As flooding becomes a more common occurrence, insurance providers struggle to cover it all. It’s no longer ‘rare,’ and since the risk factors are very identifiable – proximity to rivers and lakes, overwhelmed sewer systems – flooding insurance becomes harder to get. Those who need it the most are finding they’re not eligible,” Ms. Alini says.

Sadly, the same conundrum happens with health and life insurance: The more you need it, the more it costs and the harder it is to get. “If the risk outweighs the premium they can charge, an insurance company will decline to offer a policy,” Mr. Manson says. The trick to insurance, therefore, is to buy when your risk is low, or *before* you think you need it (admittedly, easier said than done).

Key Takeaways

Insurance works this way: Everyone pays a little bit into an emergency fund that promises to pay for the unlucky few who face an actual emergency.

What To Know About Insurance In Canada:

1. Upwards of a thousand kinds of insurance policies are available to protect you or your dependants from pretty much any situation you can imagine. The big types, however, are life, auto, home, and health insurance.
2. Only auto insurance is mandatory in Canada – though a mortgage lender, landlord, or employer can insist you get insurance.
3. The right amount of insurance is whatever amount makes you feel secure.
4. The internet has revolutionized the way we shop for and buy insurance, but agents and brokers will happily help you customize your plan.

UPCOMING CAFII MEMBER-RELEVANT WEBINARS AND EVENTS

In-Person Conference By Insurance Business Canada: “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 Here](#)

Webinar By KPMG: Open Banking Is Coming: What Does This Mean For You?

Dates: Thursday, June 22, 2023

Time: 1:00 pm – 2:00 pm EST

Open banking is expected to arrive in Canada this year and it is going to redefine the Canadian financial institutions ecosystem. It will allow government, financial institutions and fintechs to work together to give customers more choice and control of their financial health and how their data is shared. So, what's in it for financial institutions and for customers? During this webinar, we'll discuss:

- What is open banking and what are the key considerations for a successful implementation in Canada?
- Key learnings and advice from our global counterparts
- What's on the horizon: Open finance & open data
- What does this ecosystem mean for you and your organization based on where you are in the continuum?
- Q&A

Note: CPE credits will be offered for this webcast

[Register Here](#)