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# CAFII ALERTS WEEKLY DIGEST: March 31– April 7, 2023

April 7, 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 Examines Barriers To Innovation

*By Kate McCaffery, Insurance Portal, March 23, 2023*

The Financial Services Regulatory Authority of Ontario (FSRA) has published a new report, entitled *Pursuing a More Innovative Ontario Insurance Sector: Barriers and Opportunities*, in which the regulator summarizes feedback received in response to its recent outreach efforts regarding barriers to innovation in the sector.

The regulator's innovation office, launched in 2020, held consultations with industry stakeholders to hear about innovation opportunities and to hear about any regulatory barriers. In the summary report, it says the regulator has made a commitment to examine how it can use its tools to better support responsible innovation. The summary report will be used to help the office inform FSRA's approach.

FSRA writes that the most significant feedback received was that the regulator is not acting as a roadblock to innovation. The stronger message received, it added, is that the industry seeks "rules of the road" that provide clarity about how it will approach emerging technologies and business models.

Divided into two categories, one addressing auto insurance and the other commenting on life and health insurance, the report examines ways in which FSRA can support innovation without the help of legislative reforms.

In auto insurance specifically, the report focuses on mobility solutions, usage-based insurance (UBI) and telematics, and the use of credit information in the pricing of auto insurance.

New business models are creating opportunities for consumers to access vehicles they neither own nor lease, the report states, noting that Ontario consumers may increasingly benefit from on-demand auto insurance on a per-need or pay-as-you-go basis. The report also looks at the emerging need for subscription-based auto insurance products. "The subscription model has yet to take hold in the Ontario market: FSRA remains interested in discussions with innovators but has yet to receive a qualifying subscription model application," the report indicates.

FSRA adds that stakeholders did not identify any regulatory barriers to the widespread rollout of UBI products. In looking at the use of credit information in auto insurance pricing, the report notes that there has not been a comprehensive analysis undertaken to determine how the use of credit information in the pricing of insurance affects different demographic groups.

The report's life and health insurance discussion, meanwhile, focuses on digitalization, electronic beneficiary designations, and standardization. FSRA emphasizes that insurers making use of third-party solutions retain their regulatory obligations.

"Insurers, not their third-party vendors, are accountable to FSRA for consumer outcomes," the report states.

The report also examines application programming interfaces (APIs) and the possible development of an open insurance API akin to the concept of open banking. "The concept of open banking and open APIs is a cross-sectoral issue for FSRA," the report states. "FSRA is continuing to engage on this and will actively explore its likely impacts across our regulated sectors, including insurance."

The beneficiary designation discussion examines how a lack of consensus and clarity around how to make a valid electronic beneficiary designation has led to a current situation where many are either not allowing electronic beneficiary designations or allowing them only by declaration after the contract begins. "Agents advocate for this to change, noting that a pandemic-driven shift has raised consumer expectations that they should be able to transact digitally."

Finally, in looking at standardization opportunities, the report indicates that insurer stakeholders stated that even in cases where they would be willing to collaborate with one another, they may be constrained from doing so due to the federal *Competition Act*. "Stakeholders suggested that FSRA could request that Ontario's leading insurers create standardized forms and processes," the report states, adding that FSRA could also proactively design best practices in this regard.

The report concludes by saying that FSRA remains committed to open dialogue with the sector. It then asks several questions related to innovation and encourages interested stakeholders to reach out to the regulator's innovation office.

Read Story (Subscription Required): *Ontario regulator examines barriers to innovation - Insurance Portal (insurance-portal.ca)*

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## FSRA Reports Marked Improvement In Meeting Quarterly Service Standards Targets

*By Kate McCaffery, Insurance Portal, March 28, 2023*

Following on the heels of the Ontario Securities Commission (OSC), which released its service standards accountability report earlier this month, the Financial Services Regulatory Authority of Ontario (FSRA) is following suit, publishing its own service standards accountability report for the third quarter of 2022.

Making the February report public in late March 2023, FSRA highlighted a 12 per cent jump in the instances where the regulator met or exceeded its service targets – FSRA met or exceeded its service targets nearly 97 per cent of the time in the third quarter of 2022.

"These quarterly service standard reports demonstrate how FSRA is performing its day-to-day activities, specifically measuring its responsiveness, effectiveness, efficiency, and accountability," the regulator stated. "FSRA will continue to monitor its performance on a regular basis."

The Service Standards Scorecard Q3 FY 2022-2023 discusses 19 service standards across five key areas, including auto, credit unions, pensions, market conduct, and public affairs. The standards measure operational and regulatory activities including licence renewals, regulatory applications, complaints resolutions, and annual information returns.

"Service standards are essential to good public service. They reflect a pursuit of a measurable level of performance, which stakeholders can expect under normal conditions," the report added.

In auto insurance products, the regulator exceeded its standards performance target in every instance, reviewing every filing and making every decision within the prescribed 25-, 30- and 45-day timelines. The number of market conduct complaints actioned exceeded standard performance targets and most stretch targets.

Life insurance complaints were actioned within 120 days 92.5 per cent of the time, and within 270 days 97.5 per cent of the time. (Standard targets in these categories are 80 per cent and 95 per cent, respectively.)

Similarly, other insurance complaints containing all available information were actioned for a range of possible outcomes, including the issuance of warning letters, escalation to other areas of FSRA or to third-party dispute organizations, or closure with no action taken within 120 days 95.5 per cent of the time and within 270 days 100 per cent of the time.

Only service standards related to pensions fell short of stretch targets but still exceeded standard performance targets. Inquiries related to pensions were responded to within 45 business days 92.5 per cent of the time, defined contribution plan wind-up applications were decided on within 90 days 100 per cent of the time, and defined benefit plan wind-up applications were reviewed within 120 business days 90.9 per cent of the time.

Read Story (Subscription Required): *Service at Ontario regulator exceeds standards - Insurance Portal (insurance-portal.ca)*

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## FSRA Revokes Agent And Corporate Insurance Licenses For Unsuitable Conduct

*By Kate McCaffery, Insurance Portal, April 5, 2023*

*https://insurance-portal.ca/life/regulator-revokes-agent-and-corporate-insurance-licenses-for-unsuitable-conduct/*

The Financial Services Regulatory Authority of Ontario (FSRA) revoked the life insurance and accident and sickness agent's licence for one agent and the licence of her corporation, saying that the agent's past conduct is grounds to believe she will not conduct insurance business in accordance with the law if she were allowed to remain licensed.

Saadia Ali had her licences revoked and the regulator refused to renew the corporate insurance agent licences for her firm, Anusha Financial Group Inc.

The order says she is being sanctioned for making false or misleading statements or representations in the solicitation and registration of insurance, for making false and misleading statements about the terms, benefits, and advantages of the insurance contracts she sold, and for providing an incomplete comparison of policies or contracts for the purpose of inducing an insured to lapse, forfeit, or surrender a policy or contract.

Specifically, records recovered by London Life Insurance Company and Canada Life which terminated their relationships with Ali, found that insurance policy transactions were completed solely for the purpose of Ali and her husband, Amin Ali, to obtain deferred sales charge (DSC) fees from at least 27 different clients, "with no benefit to the clients as consumers," according to the notice of proposal originally filed against both of the Alis.

The notice of proposal also documents cases where Ali worked on client files which were not her own, and cases where she counselled clients to withhold information about existing medical conditions, and advised clients to transfer funds between institutions, incurring thousands in DSC charges, and cases where the Alis misappropriated funds.

Amin Ali is also the subject of a Mutual Fund Dealers Association (MFDA) decision. His own license expired in July 2022.

Licensed since July 2007, Saadia Ali and Amin Ali also both failed to disclose on licensing applications that Amin was the subject of the MFDA investigation, or that either had been terminated by London Life.

"Ali is not suitable for licensing," FSRA stated. "Her past conduct affords reasonable grounds for belief that she will not conduct insurance business in accordance with the law."

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## Ontario Government Says It Expects To Keep Auto Insurance Costs Down For Consumers

*By Kate McCaffery, Insurance Portal, March 29, 2023*

The Insurance Bureau of Canada (IBC) is drawing attention to the recently released 2023 Ontario Budget, issuing a statement applauding the government's focus on costs and fraud in the system. "It's clear the government is committed to making driving less expensive for Ontarians," said the IBC's vice president, Ontario, Kim Donaldson.

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In the budget, the government said it is taking action to make auto insurance more affordable. Previous commitments in earlier budgets included a promise to crack down on fraud and abuse and to consider options that would allow more choice for consumers, reduce disputes, and improve health outcomes for those involved in accidents. Going forward, the 2023 budget repeats the same message that the government may allow expanded choice and options for consumers purchasing auto insurance and it repeats that fraud is a driver of costs.

Notably, the budget would appear to discuss new obligations for insurers in the province, as well. The Ontario budget document states that the government has empowered the Financial Services Regulatory Authority of Ontario (FSRA) to request fraud information from insurers on an ongoing basis. "FSRA is working on the development of a fraud reporting tool that will be used to hold insurers accountable for managing, reporting, and tracking fraud and will assist in fraud detection, prevention, and deterrence," the budget states.

In a separate discussion about costs, the budget goes on to say that "particularly in this period of high inflation, the government is concerned about the burden of high auto insurance costs on consumers and expects all participants in the system, including the auto insurance industry, to work together to keep costs down for consumers."

Read Story (Subscription Required): *Government says it expects to keep costs down for consumers - Insurance Portal (insurance-portal.ca)*

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## New Climate, Catastrophe And Consumer Awareness Obligations On The Horizon

*By Kate McCaffery, Insurance Portal, April 5, 2023*

*https://insurance-portal.ca/damage/new-climate-catastrophe-and-consumer-awareness-obligations-on-the-horizon/?utm_source=sendinblue&utm_campaign=daily_complete_202304-05&utm_medium=email*

The Canadian Council of Insurance Regulators (CCIR) published a new position paper on April 3, outlining recommendations for insurers to help Canadian homeowners better protect their personal property against the risks posed by natural catastrophes and climate change. It also discusses actions which the regulators want carriers to take to ensure consumers receive and understand the information, advice, and incentives necessary to make informed decisions about their coverage.

"The CCIR intends to work with industry and other key stakeholders to develop an approach to translating the recommendations in this paper into concrete actions. CCIR believes that regulators and the insurance industry can play a more effective role in helping to achieve shared consumer protection objectives in the face of a changing climate," the CCIR writes in a statement announcing the publication of the position paper.

Entitled *Climate Change, Natural Catastrophes and Consumer Awareness*, the position paper says that the increased production of consumer awareness material from government, academia, and the industry does not appear to have translated into a greater awareness of natural catastrophes risk among homeowners. "This is reinforced by the Task Force on Flood insurance and Relocation, which found that Canadians living in high-risk flood zones are largely unaware of their exposure as well as the risk mitigation options available to them."

A 2020 survey by Partners for Action, based out of the University of Waterloo, showed that only six per cent of Canadians living in designated flood risk areas know their property is at risk; 63 per cent do not believe that flood risk will increase within the next two decades. "According to the Canadian Institute for Climate Choices, this awareness gap is not limited to homeowners; it also exists for builders and prospective buyers," they wrote. Only 26 per cent living in high-risk areas reported that their insurance representative has discussed flood insurance options with them.

The paper adds that Canadians are more willing to investigate insurance options once the relevant perils have been properly communicated. It also says that complexity regarding policies can also cause confusion, limiting consumers' ability to make informed decisions. "CCIR has heard from industry and stakeholders that the insurance industry should provide more accessible information and clearer communications to consumers," the paper emphasizes.

"It is the CCIR's position that the insurance industry needs to take more co-ordinated and concrete actions to support efforts to close natural catastrophe and climate-related protection gaps," the paper states. "The actions taken by insurers should increase the likelihood that consumers make informed decisions when purchasing and/or renewing homeowner property insurance that provides adequate coverage against the risks posed by natural catastrophes and climate change."

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## OTHER CAFII MEMBER-RELEVANT NEWS

### Most Canadians Are Taking A Big Risk With Travel Insurance Says TD

*Little More Than One Third Of People Intend To Take Out Insurance Despite Having Inadequate Funds To Cover A Travel Emergency*

*By Steve Randall, Wealth Professional, March 29, 2023*

*https://www.wealthprofessional.ca/news/industry-news/most-canadians-are-taking-a-big-risk-with-travel-insurance-says-td/374761?utm_source=GA&e=YnJlbmRhbi53eWNrc0BjYWZpaS5jb20&utm_medium=20230401&utm_campaign=WPCW-Weekend-20230401&utm_content=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8&tu=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8*

As Canadians head into spring and summer, travel plans are underway, but many will be taking a potentially-costly risk.

Despite the relatively low cost of travel insurance, a new poll from TD Insurance has discovered that only 36% of those planning to take a trip in the near future will be fully protected.

The lack of medical and cancellation insurance would leave many respondents in financial crisis in the event of an unforeseen expense. While 54% said they could cover some out-of-pocket expenses, most said that would only extend to a maximum of $5,000.

However, three in ten would be in trouble even if they had to find $300 for a travel emergency. Younger Canadians are less likely to purchase medical and cancellation insurance for travelling (27%) compared to over 35s (39%).

"From unexpected medical emergencies to cancelled flights, even the best-laid travel plans can go awry. Travel medical or trip cancellation coverage can help protect you and your family from unforeseen, and often costly, expenses when you're away," said Kamana Tripathi, Associate VP of TD's travel insurance business.

**Too expensive?**

While it could end up as a costly mistake, many Canadians believe that travel insurance is too expensive. But not being covered could leave them with a hefty bill.

"The cost of medical bills or expenses incurred as a result of travel interruptions or cancellations can outweigh the cost of travel insurance," said Tripathi. "With so many Canadians eager to travel again, it's important they do their research to understand what they are covered for if the unexpected happens, either before or while they are away."

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## RBC, BMO Resist Shareholder Request For Racial Equity Audits

*By David Milstead, The Globe and Mail, April 3, 2023*

https://www.theglobeandmail.com/business/article-rbc-bmo-resist-racial-equity-audits/?utm_medium=email&utm_source=Streetwise&utm_content=2023-4-4_21&utm_term=RBC%2C%20BMO%20resist%20shareholder%20request%20for%20racial%20equity%20audits%20&utm_campaign=newsletter&cu_id=Ts6FwhWx6n2rSHC0x7MiReEeeFJOJkTb

Three of Canada's big banks have yielded to investor pressure to have outside firms assess the effectiveness of their diversity and inclusion policies, but two – Royal Bank of Canada and Bank of Montreal – are resisting.

Canadian Imperial Bank of Commerce and National Bank of Canada have said they will conduct a "racial equity audit," in which a third party analyzes a company's employment, compensation, and business practices, including how it sells products and services. Companies are then expected to publicize the findings and use the feedback to fix problems.

In doing so, the two are joining Toronto Dominion Bank, which agreed in 2022 to engage in such an audit.

Politically progressive shareholders in Canada and the United States are bringing the issue to the fore by asking companies to conduct the audits. If they refuse, the shareholders often place a proposal on the companies' proxy circulars so all shareholders can weigh in on the matter, applying additional pressure by forcing the companies to articulate why they won't do the audit.

In Canada, the BC General Employees' Union approached TD last year. This year, the union was joined in making the request to RBC and BMO by Toronto's Atkinson Foundation, which is represented by the Shareholder Association for Research and Education (SHARE), an advocacy group. SHARE also supported the Atkinson Foundation in making the proposal to National Bank and was backed by the IBVM Foundation in filing the proposal to CIBC.

Shareholders have not yet approached Bank of Nova Scotia with a racial equity audit proposal.

The shareholders withdrew their proposals at CIBC and National Bank after the two agreed to the requests. Since RBC and BMO refused, they face the proxy proposals, which are non-binding.

The banks' annual general meeting season kicks off this week, with Scotiabank and CIBC on Tuesday, April 4. RBC shareholders meet Wednesday, April 5 in Saskatoon. BMO shareholders meet on April 18 in Toronto.

Sarah Couturier-Tanoh, a SHARE associate director who's been speaking to the banks, says racial equity audits provide a third-party check on companies' promises and minimize risks that a business will stumble into legal or regulatory trouble because of inattention to matters of equity.

"Most of the time, they think they're doing great things and they think they're making a difference, but without a proper monitoring system, it's really hard to go to the effectiveness of their initiative," she said. "And this is problematic from an investor perspective, especially when you invest so much money into these kinds of initiatives. When you see Canadian banks investing $100-million in an equity initiative, they'd better be effective."

RBC, in its explanation for why shareholders should reject the proposal, acknowledged "wide-spread systemic racism" and cited its Action Plan Against Systemic Racism and various programs that promote equity and greater lending to disadvantaged groups. It also noted that in late 2020, it performed a comprehensive employment system review under the Employment Equity Act.

The bank, however, doesn't want to do an audit until the banking industry develops standards that apply to all. "We believe further exploration of such a third-party racial equity audit through the Canadian Bankers Association is needed so that a robust and cross-sector assessment and approach can be established," RBC told shareholders.

RBC spokesperson Gillian McArdle and Mathieu Labrèche, a spokesperson for the Canadian Bankers Association, confirmed that RBC had approached the CBA.

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For its part, BMO cited its "Zero Barriers to Inclusion 2025" plan and listed 18 programs or financial commitments in the U.S. and Canada, including "BMO EMpower," US$5.5-billion in loans and investments in under-served communities and the Indigenous Advisory Council it formed in 2020.

BMO said that since it has "a commitment to continue to track our progress … management does not view a third-party racial equity audit to be additive or necessary at this time."

In its proxy circular, National Bank said that it already had work under way with an external auditor related to the United Nations' Principles of Responsible Banking and that it will collaborate with SHARE "on further racial equity audit work."

CIBC said that its audit will allow it "to build on" its existing commitments. The bank will report on its employment policies as part of its fiscal 2024 disclosures and on its commercial practices in fiscal 2026.

In an e-mailed statement, Scotiabank spokesperson Clancy Zeifman said that the bank is "evaluating a racial equity audit." He said the bank tracks progress on employee diversity goals and "continuously strives" to remove bias.

SHARE's Ms. Couturier-Tanoh said "all these banks have established plans to better support communities of colour. And I genuinely thought all the banks would be responsive [to doing an audit], especially considering TD's early commitment and considering that we've had several banks in the U.S. also committed to do that."

The RBC and BMO shareholder proposals may get a boost after proxy adviser Glass Lewis & Co. Inc. recommended a "yes" vote, saying "the requested audit could help to identify and mitigate potentially significant risks."

Glass Lewis noted that, in January, a U.S. subsidiary of RBC, City National Bank, agreed to pay US$31-million to settle with the U.S. Justice Department after it accused the bank of refusing to underwrite mortgages in predominantly Black and Latino communities in Los Angeles. It was the largest settlement of its type in the history of the Justice Department.

RBC's Ms. McArdle said that "City National is committed to ensuring that all consumers have an equal opportunity to apply for and obtain credit," adding that the bank is engaged in "a robust community lending program that reaches beyond the terms of the settlement."

Institutional Shareholder Services, the largest of the proxy advisers, recommended that shareholders vote against the proposals. ISS noted the two banks' prior commitments and said in its BMO report that "there does not appear to be consensus supporting the practice in the form presented."


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## Zurich Withdraws From Net-Zero Insurance Alliance Canada's Downtown Office Vacancy Rate Hits 19 Per Cent As Workers Embrace Remote Work

*By Rachelle Younglai, The Globe and Mail, April 3, 2023*

Canada's downtown office vacancy rate reached 19 per cent in March, with Toronto and Vancouver driving the trend as the shift to hybrid work pushes more businesses to give up office space.

The level of vacancies was nearly double the 10.8 per cent in downtown markets before the start of the pandemic, according to new data from commercial real estate firm Altus Group. The 19-per-cent vacancy rate was a record high since 2003 when Altus started collecting data. It surpasses other tumultuous periods in the office market, including the oil price crash in 2014 when energy companies cut jobs and slashed their corporate offices.

Toronto and Vancouver, which used to be two of the hottest office hubs in North America, have shouldered some of the largest losses in Canada as technology companies try to get rid of unused office space. In Toronto, Shopify Inc. put seven floors on the sublet market. The e-commerce company had been expected to be the major tenant in a newly built skyscraper called The Well but decided to maintain its existing office and not make the move.

Shopify's sublease pushed Toronto's downtown office vacancy rate to 17.9 per cent in the first quarter. That was more than quadruple the 4.2-per-cent vacancy rate in late 2019.

In Vancouver, Slack's office space is up for sublet after the messaging app service was acquired by Salesforce. Established tech companies Microsoft and SAP SE also put space up for sublease late last year. SAP, one of the world's largest software companies, has been adapting to its hybrid workforce by reconfiguring its offices and drastically reducing its space in cities such as Montreal and Vancouver.

"In some of our offices, such as Vancouver, this may include not requiring as much space," Cindy Fagen, managing director of SAP Labs Canada, said in an e-mailed statement.

The B.C. city's downtown office vacancy rate reached 14.8 per cent at the end of March, more than triple the 4.1 per cent before the pandemic.

Three years after governments required workers to stay at home to stop COVID-19 from spreading, employees have embraced remote work and are shunning workweeks of five days in the office. That is particularly the case for tech workers who generally have had more freedom to work from home.

"Less people are coming in and less space is needed," said Colin Scarlett, executive vice-president with commercial real estate firm Colliers in Vancouver. "Employees don't believe they need to be in the office. As a result, the employer has been delicate on the return to the office."

In Montreal, the downtown office vacancy rate was 18 per cent in March. That was nearly double the pre-pandemic level of 9.5 per cent. The trend was similar in the smaller downtown office hubs across the country such as Halifax, Ottawa, Winnipeg, and Edmonton.


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In downtown Calgary, where the office market bore the brunt of the 2014 oil downturn, the vacancy rate was 27 per cent, according to Altus data. Calgary has been dealing with double-digit vacancy rates for years. Oil prices plunged around the same time a number of new office skyscrapers were opening, flooding the city with new office space as businesses started to shrink their footprint.

Toronto and Vancouver are now facing a similar dynamic: a rash of new office buildings opened during the pandemic just as demand started to decline. However, Altus's vice-president of data operations, Raymond Wong, said it's too soon to say the trend will continue.

"Companies are still trying to figure out the right amount of space," Mr. Wong said.

Now, businesses are signing shorter leases of between two to three years. In the past, businesses would sign for 10 to 15 years with the option to extend the lease by another five years. "We are seeing shorter lease terms to give them more flexibility," he said.

One of the largest employers of office workers, Royal Bank of Canada, is requiring its staff to spend more time in the office starting in May. RBC office employees will only be allowed to work from home one to two days a week.

So far, landlords that own the most desirable buildings, also known as class A office space, have not reduced their asking rental rate. Instead they have offered other incentives, including a few months of free rent or more funds to refurbish the space. When you subtract the incentives, the net rent has declined moderately, according to Altus.

Read Story (Subscription Required): *https://www.theglobeandmail.com/business/article-canada-office-vacancy-rate/?utm_medium=email&utm_source=Evening%20Update&utm_content=2023-4-4_17&utm_term=Evening%20Update%3A%20Donald%20Trump%20pleads%20not%20guilty%20to%2034%20criminal%20charges&utm_campaign=newsletter&cu_id=Ts6FwhWx6n2rSHC0x7MiReEeeFJOJkTb*

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## Zurich Insurance Group Follows Munich Re In Dropping Out

*By David Saric, Insurance Business Canada, April 5, 2023*

*Zurich withdraws from Net-Zero Insurance Alliance | Insurance Business Canada (insurancebusinessmag.com)*

Zurich Insurance Group has become the latest Net-Zero Insurance Alliance (NZIA) member to quit the organization within days, hot on the heels of Munich Re.

In a statement, Zurich said that "after establishing a standardized methodology for measuring and disclosing greenhouse gas (GHG) emissions associated to insurance and reinsurance underwriting portfolios, we want to focus our resources to support our customers with their transition."

"We continue to remain fully committed to our sustainability ambitions and to supporting the net-zero transition."

Zurich is the second founding company, after Munich Re, to exit the NZIA in a matter of days.

Munich Re CEO, Joachim Wenning, said in a statement last week that "the opportunities to pursue decarbonization goals in a collective approach among insurers worldwide without exposing ourselves to material anti-trust risks are so limited."

**Climate campaigners react to NZIA exits**

Climate campaigners were quick to react to Zurich's exit from the insurance alliance.

Jennifer Buchli, a climate campaigner from Zurich-based social justice collective Campax, said that "unlike Munich Re and other peers, Zurich continues to underwrite new oil and gas projects."

"It is not credible for Zurich to engage their customers on the net zero transition as long as the insurer doesn't end their support for the expansion of oil and gas extraction themselves."

Peter Bosshard, coordinator of the Insure Our Future campaign, said: "The NZIA has allowed itself to be immobilised by anti-trust concerns from the start. With Munich Re and now Zurich leaving the alliance, insurers have an even bigger direct responsibility to align their businesses with a credible 1.5C pathway," he said.

"Competition authorities in the EU and UK should have clarified their anti-trust laws," said Ariel Le Bourdonnec of Reclaim Finance, a climate-based campaigning and research organization from France. "These laws, initially meant to prevent business abuses, must not prohibit collective efforts to combat the climate emergency. Collective climate action from insurers and reinsurers is welcome."

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## Insurance Must Redefine Its Role As 'Traditional Premise' No Longer Enough – Survey

*By Gia Snape, Insurance Business Canada, March 17, 2023*

*https://www.insurancebusinessmag.com/ca/news/breaking-news/insurance-must-redefine-its-role-as-traditional-premise-no-longer-enough--survey-439860.aspx?utm_source=GA&e=YnJlbmRhbi53eWNrc0BjYWZpaS5jb20&utm_medium=20230320&utm_campaign=WPCW-Newsletter-20230320&utm_content=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8&tu=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8*

The insurance industry has for decades lived up to its value proposition of providing capital to cover risk and reimburse losses. But a new survey shows that this traditional premise of insurance is not enough for consumers anymore.

Instead, attitudes and behaviours around insurance are increasingly purpose-driven and prevention-focused.

Consumers are looking to insurance companies to act on the world's biggest challenges, such as climate change, ageing populations, and healthcare gaps. They also strongly want to reduce risks in their lives, according to Bain and Company's survey.

A majority (80%) of consumers said they want insurers to embed environmental, social, and corporate governance (ESG) initiatives into their propositions. More than half (59%) would like insurers to reward them for healthy living.

Although respondents expressed an overwhelming preference for risk prevention services in auto, home, life, and health insurance, few use the current offerings in the market.

Only 4.3% in the US said they took up the services from their insurers, while figures were dismal for Singapore (4.1%), Switzerland (2.7%), Japan (2.5%), and the UK (2.1%).

Bain and Company, a global management consulting firm, commissioned the survey from Dynata, which polled 28,765 respondents in 14 countries.

"Consumers need more. The [traditional premise where] insurance just provides capital for covering losses doesn't satisfy anymore," said Tanja Brettel, practice executive vice-president at Bain and Company, at the Insurtech Insights Europe conference in London earlier this month.

**Turbulence, uncertainty accelerate consumer shifts**

Consumer interest in ESG has risen partly due to intense turbulence and uncertainty in recent years, according to Bain and Company's report.

"Extreme weather events, disease, and the COVID-19 pandemic, ageing populations, and technological disruptions are combining to radically change the risk landscape, both through more risks and different types of risk," the report said.

The confluence of all these factors has triggered an identity crisis for insurance companies as they face heightened demand over what Bain and Company calls the "higher-order elements" of their value proposition.

Reducing risk, bringing ease and convenience, and paying out claims are just a few of the core offerings that consumers expect their insurers to deliver. But companies must quickly evolve to offer better social impact, life-changing, and emotional value to stay relevant.

"It's so hard to get the basics right. But consumers still want more," Brettel told the audience at Insurtech Insights Europe.

"They want to be rewarded, they want companies to be ethical, and they want their insurance company to invest in their well-being."

**Why are risk prevention services from insurers not connecting?**

Risk mitigation and prevention is the new frontier for insurers, according to Bain and Company's report. But if consumers want to be proactive about reducing their risks, why aren't they leveraging services offered by their insurers?

It might be because many risk prevention offerings are centred on the insurance policy and not the customer, said Brettel.

One case study has demonstrated the power of an insurance service that keeps the focus on customer needs. Life and health insurer AIA's Vitality app saw more than 300,000 sign-ups in the first year it launched. The app, which caters to young families in Thailand, offers wellness information, trackers for family events and vaccines, and online parenting forums.

"They started with the customer, and not by thinking of ways to get their products into the world. They picked a segment with unmet needs and tailored their offering around it," Brettel said.

**From "push" to "pull" distribution model**

As insurers redefine their role and value in the market, agents and brokers have a key role to play.

According to Bain and Company's report, carriers will need to shift their distribution model from "push" (which focuses on acquisition) to "pull" (which uses data and analytics to address customers' needs and priorities).

That means that brokers and agents will see their ways of working changing dramatically, spending less time on low-value tasks and honing in on building relationships with their carrier partners.

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"In many markets, the traditional sales force plays an incredibly important role, not only to drive adoption, but also to create more sales and convert from online to offline," said Brettel.

**Redefining the role of insurance**

The shift to risk prevention and purpose-driven business will take time for most organizations. Brettel warned that leaders shouldn't expect immediate profitability from this pivot. But she stressed that the long-term result will be worth it.

"Don't expect it to be profitable in year one. It takes patience to build that. What's important is that you focus on defining what your path to monetisation is," she said.

"This is about the customers. This is about redefining the value you deliver to customers. Customer desirability should be front and centre."

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## UPCOMING CAFII MEMBER-RELEVANT WEBINARS AND EVENTS

### Web Seminar By Digital Insurance On "Building Customer Loyalty Through The Contact Center: Insights From Insurance Leaders"

**Dates:** Tuesday, April 11, 2023
**Time:** 2:00 p.m. – 3:00 p.m. EST

Join Talkdesk industry experts in Financial Services and Insurance, Bhavana Rana and Sendam Ravikumar, as they explore insights revealed in the latest Talkdesk Research™ report, *Building loyalty in insurance through elevated customer experiences*, and discuss:

- The most important elements of insurers' CX strategies
- Causes of friction across the policy servicing and claims journey
- How to leverage your contact center for a competitive advantage
- How to drive efficiencies with AI and automations

Register Here

## Web Seminar By Torys LLP: Challenges And Opportunities Of Fintech And Bank Partnerships

**Dates:** Tuesday, April 18, 2023
**Time:** 12:00 p.m. – 1:00 p.m. EST

As lines blur between fintechs and regulated financial institutions, players are seeing increased regulatory focus and, as a result, heightened risk. Join us as we explore issues affecting fintechs and discuss how they can successfully navigate new regulatory requirements and supervisory interventions.

In this second session of our fintech series, we'll be discussing the impact of current economic headwinds and increasing regulatory focus on bank and fintech partnerships. Samantha Tom of Borrowell and James Povitz of National Bank will also be joining us to take a look at the challenges and opportunities these partnerships bring, what drives a successful partnership, and the impact on fintech activity of recent economic and regulatory developments.

Register Here