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CAFII ALERTS WEEKLY DIGEST: May 21-24, 2024

May 24, 2024

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

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GOVERNMENT/LEGAL/REGULATORY/ BUSINESS DEVELOPMENTS

OSFI Releases Annual Risk Outlook 2024-2025

OSFI's Annual Risk Outlook 2024-25 Identifies Key Risks And Outlines Regulatory Responses

By Freschia Gonzales, Wealth Professional, May 23, 2024

https://www.wealthprofessional.ca/news/industry-news/osfi-releases-annual-risk-outlook-2024-2025/385949?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240523&_hsenc=p2ANqtz-9AOavrHS_epqz6jb4EH4a2IsuTTd6EAKoMdoQS62o0g66ENfliAJeHvaQAU30_O5hU0GCbmmbs9aeHjOpS9D9GKBbWLw&_hsmi=308427488&utm_content=&utm_source=

The Office of the Superintendent of Financial Institutions (OSFI) has released its Annual Risk Outlook (ARO) for 2024-2025.

This publication highlights the most significant risks OSFI perceives as threats to Canada's financial system in the coming year and explains how the institution will address these risks.

The Annual Risk Outlook for 2024-25 identifies the following key risks:

- Real estate secured lending and mortgage risks
- Wholesale credit risks
- Funding and liquidity risks
- Integrity, security, and foreign interference

While this list is not exhaustive, it points out the most critical risks according to OSFI. The institution pledges to maintain transparency about its supervisory and regulatory actions in response to these and other risks.

Institutions and pension plans are encouraged to review the document thoroughly, as it outlines OSFI's priorities for the 2024-2025 fiscal year.

“Our third Annual Risk Outlook highlights the significant risks facing Canada's financial system and informs Canadians about our regulatory and supervisory responses to these risks,” stated Peter Routledge, Superintendent of Financial Institutions.

“This year, we are taking a more focused approach, highlighting four significant risks."

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OTHER CAFII MEMBER-RELEVANT NEWS

Two Sides Of The Insurance Sales Debate

Should Insurance Be Offered By Advisors As Part Of A Holistic Financial Plan Or Sold As A Complex Product By Expert Salespeople?

By Allan Janssen, Investment Executive, May 13, 2024

https://www.investmentexecutive.com/newspaper_/insurance-guide/two-sides-of-the-insurance-sales-debate/

When Sam Lichtman reviewed the terms of a new client's universal life policy — which the client had purchased years earlier from a family friend — he was shocked.

Lichtman, financial planner and founder of Millen Wealth Advisors in London, Ont., said the policy broke the rules of common sense at every turn. The policy's annual renewal meant premiums would increase every year; the policy was set up under the wrong company (the client's operating company, not his holding company); and there was no anticipation of the client's desire to de-risk investments as retirement drew close.

Worst of all, the investment portion of the policy was based on an 8% return in the stock market. To cover management fees, it would need to earn 10.8% every year until the client was in his 90s. Lichtman and his team ran a volatility analysis and found that the policy was likely to lapse within eight years of the client's retirement.

"As much as I'd love to live in a world where ultra-aggressive sales are no longer part of the picture with insurance," Lichtman said, "I just haven't seen the evidence of that."

Like many financial advisors, Lichtman would prefer to see a greater shift toward holistic advice that emphasizes the client's full range of needs, not just life insurance, and is based on reason rather than fear.

"It needs to be evidence-based, meaning we look at outcomes and determine which strategy has the highest probability of success, based on realistic numbers and projections," he said.

Meagan Balaneski, financial planner with Cup of T Financial Planning in Vermilion, Alta., said fear-based selling, in which an advisor describes — often in apocalyptic terms — what happens if a client doesn't buy something, is simply not in the client's best interest.

Both Balaneski and Lichtman believe the compensation structure is the root of the problem. There's too much incentive for an advisor to act in a self-serving rather than client-focused way, they said.

"The higher the face value of the contract, the more the agent gets paid. That's in complete misalignment [and] complete conflict," Balaneski said.

Of course, not all dedicated insurance reps use high-pressure sales tactics, but they do exist. And while some advisors support the holistic approach to incorporating insurance into a financial plan, others in the industry insist that only a dedicated insurance specialist can adequately advise a client regarding the most appropriate insurance product.

The term "holistic" does not sit well with Jim Ruta, president of Advisorcraft Media Group in Burlington, Ont. He considers it a misnomer when applied to financial planning. Rather than addressing a client's full range of needs, he said, holistic planners appear to be biased toward investments and relegate insurance to the fourth or fifth spot on the financial planning roster.

"'Holistic' should really mean essential financial security," Ruta said. "Unfortunately, you'll find that really isn't the case. We just get [clients] involved in investment. Life insurance is relegated to a risk-management position."

The portrayal of life insurance advisors as aggressive and insensitive may be common, Ruta said, but is generally inaccurate.

"High-pressure sales tactics are not professional, and they're not to be encouraged or recommended," Ruta said. There are many ethical, knowledgeable insurance salespeople who know their products and sell them correctly, he said.

He added that advisors should not aspire to be all things to all people: "We have tried, under holistic planning, to do everything. And it's just not possible."

Ruta believes holistic planners lack the expertise needed to master the complexity of specialized insurance policies. "How good are you if you sell three or four insurance policies a year?" he asked.

Mark Halpern, financial planner and CEO of WEALTHinsurance.com in Toronto, believes effective client care increasingly requires a team approach, and advisors shouldn't spread themselves too thin.

"Once you start diversifying your offerings, you become less and less valuable," Halpern said. "There has to be more collaboration in this world. People need an accountant, they need a lawyer, they need an investment person, they need an insurance person. And all the people have to be speaking together."

Halpern would like to see greater use of mentorship as a link between generations of financial professionals that have different approaches to client care.

"There has to be a sharing of the 'old school' with the 'new school'," he said.

Melissa Harrell, principal of McRae Wealth Management in Winnipeg, said younger advisors, focused on technical skills, often lack the "fantastic" sales skills of older advisors. Sometimes, she said, you wonder if you could have done more to emphasize the need for insurance.

"If I can sit in a room and listen to a bunch of senior life agents who have been doing this for 40, 50 years, I'll write down a million tidbits of what they say," she said.

The industry is shifting away from the hard sell, Halpern said, but insurance remains a complex product that requires a high level of expertise.

"The world is finished with agents who are just selling a product or a concept," Halpern said. "We have to become problem-solvers."

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How To Help Families Through Death Claims

A Successful Claims Process Begins At The Time Of Sale, Say Experienced Advisors

By Kelsey Rolfe, Investment Executive, May 13, 2024

https://www.investmentexecutive.com/newspaper_/insurance-guide/how-to-help-families-through-death-claims/

After a client dies, you have the important job of shepherding the grieving family through the process of claiming a life insurance benefit. Experienced insurance advisors say the process requires a combination of diligence and compassion.

"You should take the claims process as seriously as you take the sale," said Sarah Brown, partner with Al G. Brown & Associates in Toronto. "Hold the client's hand, because they need a lot of support. It's not just a transaction at that time. There's a lot of emotional support you need to provide. And that's not something you can prepare for."

Zainab Williams, founder and principal financial planner with Elleverity Wealth Management in Milton, Ont., said one of the most important steps you can take occurs much earlier — at the time of the sale. "It's critical for clients to be walked through the [application] questionnaire," she said. They may not realize the importance of answering honestly and providing full disclosure, even for seemingly small details such as a past surgery.

The question regarding non-smoker status, for example, is frequently misunderstood. "That means 12 consecutive months of not smoking," Williams said. "An advisor has to be diligent in telling the client, 'You just said you're a non-smoker, but you've also mentioned you occasionally take a puff. That makes you a smoker.'"

Williams completes an annual review checklist with her clients to determine whether anything has changed in their lives that may affect their policies and broader financial plans, such as a new home purchase, a new child or changed marital status, which could require a beneficiary update.

Roberta Tasson, partner with the Magnes Group Inc. in Oakville, Ont., said you should ensure the product is suitable for the client's needs and financial situation at the time of purchase. Make sure your recommendations comply with provincial regulations, and keep detailed records of your conversations with clients along with any decisions that result.

Elli Schochet, managing partner with Al G. Brown, recommends asking clients to provide multiple ways to contact beneficiaries, even though the beneficiary form doesn't explicitly require that information. The firm began asking for this after two cases in which it was unable to locate a client's beneficiary.

Documents required during the claim process can vary depending on the insurer, the policy amount and how long ago the policy was issued. Typically, for amounts less than $500,000, you will need to provide a copy of the death certificate and a claimant statement form signed by the beneficiary, said Alicja Majka, senior policy service administrator with Al G. Brown. Larger amounts, depending on when the policy was issued, may require more forms, including a physician's statement.

Deaths that occur abroad are more complicated, requiring a copy of the client's passport, itinerary, flight tickets and a special form explaining when the client left the country, the purpose of the trip, accommodation details and more. The beneficiary will also need to obtain a death certificate from the foreign government, and details on whether the body was returned to Canada, Majka said.

Williams notes the beneficiary will need to have the death certificate and other relevant documents translated at their own expense if they're in another language.

A straightforward death claim can take two to three weeks to be processed. The process could take longer if the client named the estate as beneficiary. In that case, the benefit amount forms part of the estate and is subject to probate fees. "There are circumstances when the estate should be the beneficiary," Schochet said. "But it complicates the process."

Failure of a policy to pay a death benefit is rare, and typically occurs only if the client did not disclose material health information or died by suicide within the policy's first two years.

In some circumstances, you could be held responsible, Tasson said. Examples include: failing to disclose important information provided by the client during the application process; providing inaccurate or misleading information; recommending an unsuitable life insurance product; failing to properly complete the application process and submit required documentation; and failing to ensure the policy was issued or premiums were paid.

If Al G. Brown knows that a client missed a payment, Schochet said the firm reaches out to ensure payment is made so the policy doesn't lapse. "We chase it down to make sure the premium gets paid," he said.

While errors and omissions insurance typically covers the costs of legal fees, court costs and damages related to contributory negligence, Tasson said, such an outcome can have significant reputational consequences. "Clients may lose trust in the advisor, leading to a loss of business and referrals."

Closing The Gaps In Insurance Regulation

Provincial Authorities Are Targeting Licensing Exam Security, Mgas, Seg Fund Disclosures And Other Issues

By Melissa Shin, Investment Executive, May 13, 2024

https://www.investmentexecutive.com/newspaper_/insurance-guide/closing-the-gaps-in-insurance-regulation/

Insurance regulation lacks securities regulation on several counts. For example, life agents don't need to disclose referral fees. Nor are they subject to the guidance regarding advisor award programs that were issued by the Canadian Securities Administrators (CSA) and the Canadian Investment Regulatory Organization.

However, provincial regulators have been busy as the national umbrella group coordinates with the CSA to close several regulatory gaps.

Darcy Ammerman, a partner with the national financial services group at McMillan LLP in Ottawa, said insurance regulators are increasingly releasing guidance separate from legislation.

"They expect compliance as if [the guidance] were in the legislation," she said. "Legislation is slow-moving, and regulators are trying to be more adaptable, more reactive to things that are happening in the industry."

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Here are recent developments on the regulatory front.

Regulatory Focus: Incentive Management

Key Developments To 2023
In 2022, the Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO) released guidance on designing compensation structures that treat clients fairly.

The regulators gave examples of components of incentive agreements that could harm clients, such as ongoing commission amounts that underestimate the level of service expected; incentive arrangements that can result in fees or penalties (e.g., exit fees); excessive incentives for cross-selling optional products; and contests, quotas, bonuses and non-monetary benefits based on sales of specific products over limited periods.

Provincial regulators in Alberta, New Brunswick and Nova Scotia adopted the guidance in 2023, and the Autorité des marchés financiers released its version the same year.

What's On Tap For 2024 And Beyond
B.C.'s new Insurer Code of Market Conduct, which is based on the CCIR's and CISRO's guidance regarding fair treatment of customers, took effect on April 1.

Earlier this year, Investment Executive asked the CCIR whether it would issue guidance concerning advisor awards. In response, the CCIR reiterated its requirements surrounding fair treatment of customers and placing clients' interests ahead of the advisor's. A joint publication from CISRO and the CCIR acknowledges that "recognition programs that are designed to increase sales volumes" may "increase the risk of unfair outcomes to customers," but does not explicitly prohibit referencing them in client-facing interactions.

Potential Impact For Insurance Advisors
"What regulators are trying to do is ensure there are better outcomes for customers," said Koker Christensen, partner with Fasken Martineau DuMoulin LLP in Toronto and co-leader of the firm's financial services group. "The way they're trying to do that is by not just having a bunch of prescriptive rules, but also having [the fair treatment] principles, which are focused on outcomes."

Christensen added that market conduct and consumer protection have been major themes in insurance regulation over the past few years, "and I think this is going to continue."

Regulatory Focus: Greater Oversight Of The LLQP

Key Developments To 2023
Last year, the Financial Services Regulatory Authority of Ontario (FSRA) received reports of cheating on Life Licence Qualification Program (LLQP) exams. The regulator imposed a temporary requirement for candidates from World Financial Group (WFG) to take their exams in person.

As of July 1, 2023, the Insurance Council of British Columbia (ICBC) and the Insurance Council of Manitoba no longer offer online LLQP exams, with the latter regulator citing "the security and integrity" of the process for its decision.

In December 2023, CISRO released an LLQP exam policy that outlined exam administration requirements and consequences for cheaters, and prescribed waiting periods for candidates that repeatedly fail the LLQP. Notably, after four attempts, a candidate must retake the prerequisite course and wait one year before making another attempt.

What's On Tap For 2024 And Beyond
The ICBC and FSRA both tightened their exam policies earlier this year in response to the CISRO release.

Furthermore, WFG remains subject to an in-person exam requirement, which was originally meant to last three months.

"FSRA is monitoring the results of the pilot program and will be reviewing the length of the program on an ongoing basis," said Ashley Legassic, senior media relations officer with FSRA. "Currently, no other candidate group is required to write the exam in person. However, candidates who are suspected of cheating are required to rewrite all future exams in person."

Legassic said that FSRA recognizes the flexibility and convenience that online exam writing provides. The regulator monitors cheating through a third-party virtual exam administrator.

Potential Impact For Insurance Advisors
"The regulators have a public-interest mandate, and a key part of that is to ensure the people they're licensing are proficient," said Christina Ashmore, managing director of the IFSE Institute in Mississauga, Ont., which offers certification exams for the LLQP. "To the extent that there's concern, then I definitely see validity in tightening up the [test-taking] processes."

"There are more controls when a test is taken in person," said Darcy Ammerman, partner with McMillan LLP in Ottawa. "So, I can certainly see [the reasons for] concern from regulators and potentially a continuing shift toward ensuring the tests are taken in person."

Ashmore said virtual testing can still be rigorous, observing that many service companies frequently update their cheating-detection protocols.

Instead of mandating in-person testing, Ashmore suggested, regulators could specify minimum standards for online proctoring, such as a maximum number of students per proctor.

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Regulatory Focus: Restricted Licensing Regimes

Key Developments To 2023
In February 2023, New Brunswick joined Manitoba, Saskatchewan and Alberta in legislating rules governing sales of incidental insurance, which refers to coverage sold in conjunction with related products and services provided by people who are not fully licensed agents.

Common examples include travel insurance sold by a travel agent and funeral-expense insurance sold by a funeral director.

B.C. also is moving toward a restricted licensing regime, having launched a consultation on the subject in late 2022. The ICBC began developing a new licensing framework in May 2023.

What's On Tap For 2024 And Beyond
B.C. continues to develop its framework, and will consult stakeholders as needed. Once the licence framework is finalized, it will be submitted to the province's minister of finance for approval. Implementation would follow.

Potential Impact For Insurance Advisors
Restricted licensing has not led to material challenges for fully licensed insurance agents in provinces in which restricted licensing already exists. Some industry observers have applauded the expansion of the legislation, saying it opens up consumer choice and leads to more uniformity across Canada.

However, industry groups warn that regulators must carefully monitor suitability and coercive selling tactics under such a regime.

Seg Funds: What To Watch
FSRA now asks insurers to scrap the deferred-sales-charge (DSC) option for new deposits to existing segregated fund contracts if possible. If the DSC option can't be dropped, insurers must provide investors with disclosure to help them determine whether to continue making deposits.

FSRA permits insurers to simplify the information they provide clients when offering a new sales charge option that is "better than a DSC in every way." Notably, upfront commission structures do not qualify for this disclosure relief.

The national insurance regulatory groups also are planning to issue guidance on the ways seg funds should be sold and serviced by insurers and intermediaries.

The DSC ban did not include a ban on upfront commissions (a.k.a. advisor chargebacks). This structure requires advisors to repay part of their commission to the fund company if the investor redeems their units before a certain date.

However, regulators believe these structures risk causing harm to clients, and are developing guidance on the sorts of controls required to ensure fair treatment of clients. (Securities regulators are also reviewing the use of chargebacks for mutual funds.)

And a reminder: total cost reporting rules for seg funds are expected to take effect on Jan. 1, 2026, with investors expected to receive their first reports under the new rules in 2027, for the year ending Dec. 31, 2026.

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MGA Supervision In The Spotlight
FSRA closed a consultation in February on proposed targeted guidance for insurers, life agents and managing general agencies (MGAs).

The proposal, which clarifies the conduct FSRA considers when determining licensing suitability, was issued following regulatory examinations that exposed an array of troubling business practices.

"[FSRA] uncovered some things that made them uncomfortable and were not great for consumer protection," Ammerman said. "So, what they're trying to do is create some more specific guidance around that, tailored to what each of the [insurance] entities needs to do."

For example, the proposal clarifies that managing general agencies (MGAs) are responsible for ensuring their directors, employees, and agents comply with all regulations.

Ammerman doesn't expect FSRA's proposal will change much after the regulator considers the comments. "Suitability criteria are already set out in the Ontario Insurance Act, so it's FSRA's interpretation of the legislation that's already out there," she said. "They're focusing on what MGAs need to do specifically, versus agents themselves versus the insurer."

The guidance from FSRA is more specific than before, Ammerman said, which she hopes will minimize the risk that some responsibilities fall through the cracks.

"The insurance company has ultimate oversight over everything, but it's difficult for them to wrap their arms around the totality of what they need to pay attention to," she said. "Going forward, [hopefully] each of the entities knows what they're responsible for and how to have proper oversight over the entire system."

Ammerman said improved guidance could lead to improved outcomes: "I do think this will cause the industry to take a deeper look at what's happening."

Recent Developments In MGA Supervision
Oversight of MGAs has been building across Canada over the past decade, Ammerman said.

British Columbia first introduced guidelines for MGAs in 2012, then refined them in 2022 after finding "differing interpretations of the roles and responsibilities of life insurance agencies holding different insurer/agency contracts. This has resulted in inconsistent compliance and oversight of the distribution of insurance by life insurance agencies."

In addition to the ICBC's 2022 update, other regulators have recently issued guidance concerning MGAs:

- On Jan. 1, 2020, a new insurance act and regulations came into force in Saskatchewan requiring MGAs and third-party administrators — not just insurers and agents — to be licensed. Saskatchewan was the first jurisdiction in Canada to enact this requirement, Ammerman said.
- On Feb. 1, 2023, new rules came into effect in New Brunswick requiring MGAs to obtain intermediary licences.

On April 24, 2023, the Office of the Superintendent of Financial Institutions (OSFI) issued Guideline B-10, which states that OSFI expects institutions to "manage the risks related to all third-party arrangements and emphasizes that [institutions] retain accountability for business activities, functions and services outsourced to a third party."

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How AI Is Changing The Game For Customer Retention

Swiss Re Offers A Roadmap For The Industry

By Mav Rodriguez, Insurance Business, May 13, 2024
https://www.insurancebusinessmag.com/us/news/reinsurance/how-ai-is-changing-the-game-for-customer-retention-488955.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240514&_hsenc=p2ANqtz-_5Y0teqsMiBVU8o9IXRX-gOJzjXVdEcV_JDQQeK0nr1WasDYgNTlda_nAe9RcGCx8QZqLSt3C00b4Ys3B32etibD_U1Q&_hsmi=307006765&utm_content=&utm_source=

Swiss Re has highlighted the increasing importance of advanced analytics and artificial intelligence (AI) in enhancing customer engagement and boosting sales within the insurance industry.

Recent research from the company has shown that "customers identify artificial intelligence as a key driver of better experience," signifying the pivotal role of AI in not only boosting sales but also in shaping consumer expectations.

Daniel Levy, principal risk consultant at Swiss Re, pointed to AI's potential in personalizing customer interactions in his latest discussion. This approach not only retains customers but also enhances the quality of interactions. Traditional propensity models are now seen as insufficient when not paired with other strategies. According to Levy, "Propensity is not perfect," and a more diversified approach is necessary to realize greater returns on investment, particularly when customer interactions are low-cost and involve a large segment of the customer base.

He advocates for the use of multiple AI tools to achieve better returns on investment, particularly in scenarios involving inbound inquiries or broad customer bases. The company underscores the limitations of single-solution reliance and promotes diversified AI application.

In addition, Levy pointed out the effectiveness of behavioral segmentation models, which categorize customers based on behavioral patterns rather than demographic data. Such models have proven superior in engaging customers, as they provide insights into customer motivations and enable tailored communications. For instance, one client saw a 33-fold increase in customer action from those identified as highly active compared to those with lower activity levels.

Behavioral insights also help in understanding nuanced customer motivations, which can differ significantly even within similar demographic groups. Recognizing these differences allows for more effective and personalized customer outreach.

Levy also touched on the ethical considerations of AI usage, emphasizing the importance of transparency and responsible application. The company suggested that without proper oversight, the use of AI in crafting personalized messages could lead to ethical concerns, especially if the rationale behind certain communications is not clear.

"That said, these models raise possible ethical issues which need to be factored into any responsible company's strategy. Unlike with behavioural segmentation, it is not always clear why a propensity model chooses a particular message, and the difficulty of explaining results can raise questions. For this reason their usage needs to be monitored carefully," Levy said.

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Healthcare Industry Grapples With Escalating Ransomware Attacks

Report Outlines Cyberattacks' Impacts On Organisations And Their Security Leaders

By Roxanne Libatique, May 01, 2024

https://www.insurancebusinessmag.com/ca/news/cyber/healthcare-industry-grapples-with-escalating-ransomware-attacks-487499.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240514&_hsenc=p2ANqtz--mpWxO-JKWnlmMItGuF4g8xyvg3WnF3xOIram_bF7EBqngiFNZPuSgr3YGqRD5cil3MU7aiTAM7idcM_MpcPQQka-9kA&_hsmi=306990065&utm_content=&utm_source=

Healthcare organisations across the globe are increasingly at risk from cyberattacks, according to a recent report by data security researcher Rubrik Zero Labs.

The report "The State of Data Security: Measuring Your Data's Risk" provides a comprehensive overview of the cybersecurity landscape, emphasizing the risks posed by growing digital infrastructure and cloud adoption. It outlines challenges in safeguarding sensitive data and presents strategies to address the evolving nature of cyber threats.

The study, conducted by Wakefield Research, surveyed 1,625 IT and security decision-makers from companies with 500 or more employees. Respondents included CIOs, CISOs, and VPs/directors of IT and security from 10 countries. The survey supplemented Rubrik telemetry from over 6,000 clients, spanning 22 industries and 68 countries, covering 42 exabytes of secured storage and 38 billion sensitive records from January to December 2023.

Commenting on the findings, Rubrik Zero Labs head Steven Stone (pictured) said: "The more we talk about cyber threats like ransomware and its impact on industries like healthcare, the more we can collaborate to minimize the risk calculus and ultimately beat cyber attackers trying to impede our businesses."

Sensitive Data In The Healthcare Industry

The report noted that healthcare organizations manage 22% more data than the global average. Their data estates expanded by 27% in the past year, and sensitive records grew by 63%, well above the global average of 13%.

A typical healthcare organization holds 42 million sensitive records, which is 50% more than the global average.

Ransomware Attacks' Impacts On Healthcare Organisations

According to the report, ransomware attacks affect nearly five times more sensitive data in healthcare organisations than the global average.

Each successful ransomware event impacts 20% of a healthcare organisation's sensitive data, compared to 6% for other industries.

Cloud adoption in the healthcare industry and security blind spots

The report found that cloud storage increased to 13% of organisations' data in 2023, up from 9% in the previous year. Meanwhile, on-premises storage declined from 77% to 70%.

With cloud integration, hybrid environments faced significant cyberattacks, impacting SaaS data (67%), cloud storage (66%), and on-premises storage (51%).

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Cyberattacks' Impact On IT And Security Teams

Focusing on the impacts of cyberattacks on IT and security teams in healthcare organisations, the report revealed that 94% of IT and security leaders experienced a significant cyberattack, averaging 30 attacks annually, with a third including ransomware.

Among healthcare organisations that faced a ransomware attack, 93% reported paying a ransom, with 58% motivated by threats to leak stolen data.

Focusing on the impacts of cyberattacks, 96% of IT and security leaders reported emotional or psychological effects from such incidents, including 38% worrying about job security. Additionally, 44% of organisations reported leadership changes following cyberattacks, up from 36% in Rubrik Zero Labs' previous report.