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

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

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Regulatory Update – CAFII Executive Operations Committee, March 2024

Prepared by Robyn Jennings, Research Analyst.

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Federal/National

Canadian Association of Financial Institutions in Insurance (CAFII)

CAFII's Recently Released LIMRA Research on Insurance Among Canadian Homeowners is Picked-Up by Several Industry Press Outlets.

On March 20, 2024, CAFII released the results of its study, conducted by LIMRA, on insurance among Canadian homeowners. With over 1,100 participants, the survey found that 80% lacked sufficient insurance coverage, meaning they were either under or uninsured with CPI and/or traditional life insurance. The informative study was picked up by several industry trade outlets, including *Insurance Business Magazine, Insurance Portal* and *Portail de L'Assurance.*

Links to each article have been included below:

- **Business Magazine**: CAFII study shines light on "concerning trend" among homeowners.
- **Insurance Portal**: Most Canadian Homeowners do not carry sufficient coverage.
- **Portail de L'Assurance**: La plupart des propriétaires canadiens ne sont pas suffisamment assurés.

On March 19, 2024, CAFII Hosted a Webinar titled Insurance Among Canadian Homeowners with Justeen Zaki-Azat on the Recently released LIMRA Research.

On March 19, 2024, CAFII held its second webinar of 2024 – *Insurance Among Canadian Homeowners.* Justeena Zaki-Azat, a lead research analyst at LIMRA, joined CAFII's Executive Director, Keith Martin, to share and discuss the results of groundbreaking research commissioned by CAFII and conducted by LIMRA on insurance among Canadian Homeowners.

Justeena Zaki-Azat has been with LIMRA and LOMA since 2022, stepping into the role of Senior Research Analyst within the Applied Research Solutions Team. Before joining the LIMRA and LOMA family, J. Zaki-Azat honed her skills and expertise over a rewarding 12-year academic career in the Greater Toronto Area. Her roles were diverse, including developing, executing, and sharing research findings, as well as providing mentorship and guidance to students at prestigious institutions such as York University and Wilfred Laurier University.

Many representatives from CAFII's 14 member companies and 9 Associates attended the webinar, as did representatives from allied industry Associations such as the Canadian Life and Health Insurance Association, or CLHIA; the Travel and Health Insurance Association, or THIA; the Canadian Bankers Association, or CBA; the Canadian Association of Direct Relationship Insurer, or CADRI. A total of 29 insurance and financial services regulators and policy-making authorities attended as well, including from the following government organizations:

- The Office of the Superintendent of Financial Institutions, or OSFI;
- The Authorité des marchés financiers, or the AMF;
- The Financial Services Regulatory Authority of Ontario, or FSRA;
- The New Brunswick Financial and Consumer Services Commission, or FCNB;
- The Insurance Councils of Saskatchewan, or ICS;

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- The Government of Saskatchewan;
- The Government of Alberta;
- The Alberta Insurance Council, or AIB;
- The British Columbia Financial Services Authority, or BCFSA;
- And the Insurance Council of British Columbia.

After a brief introduction by K. Martin, J. Zaki-Azat began summarizing the findings from CAFII's commissioned research.

The catalyst for this study was CAFII's desire to understand the prevalence of insurance products among Canadian homeowners. The goal of the study was to answer the following questions:

- Are Canadian homeowners traditionally uninsured and/or underinsured?
- Do more Canadian homeowners with lower income have credit protection compared to homeowners in other income brackets?
- Is credit protection playing a disproportionately important role in the marketplace for low-income Canadian homeowners?

To answer these questions, LIMRA employed a strict methodology. They sampled 1,175 Canadian homeowners from the following household income bands:

- 34% Low (less than $60,000)
- 37% Middle ($60,000-$124,999)
- 29% High ($125,000 or more)

Participants completed an online survey on insurance ownership, financial attitudes, insurance coverage, and demographics. LIMRA only asked about credit pertaining to mortgages and/or HELOCs. They also categorized participants' traditional insurance status as uninsured (do not have any traditional life insurance, or TLI), underinsured (have TLI that covers fewer than 7 years of income), and well insured (have TLI that covers 7 or more years of income). The definition of adequate insurance was based on recommendations from the federal agency FCAC. Finally, out of the three groups, approximately 55% of each income band had a mortgage, a home equity line of credit, or both.

Following these criteria, LIMRA found that 80% of Canadian homeowners are uninsured (do not have TLI) or underinsured, with 30% uninsured and 50% underinsured. Only 21% of participants were found to be well insured. Furthermore, LIMRA found that significantly more low-income homeowners are traditionally uninsured than other income brackets. Of those insured, 75% are traditionally underinsured with insufficient coverage. Significantly fewer low-income homeowners have employer-benefit life and/or term life insurance than other income brackets.

When it comes to Credit Protection Insurance (CPI), the research found that there were no significant differences between income brackets in terms of CPI ownership, with 55% of all homeowners with credit

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owning a form of CPI. In fact, low-income homeowners own significantly fewer CPI products than high-income homeowners. Thus, there is no specific CPI product (life, critical illness, disability, job loss, or none) that low-income homeowners purchase more than other income brackets.

J. Zaki-Azat noted that, while the data has shown no significant difference across income brackets in CPI ownership, it is possible that CPI is still playing an important role for low-income Canadian homeowners. This is because more low-income homeowners with credit *only* own CPI compared to other income brackets. In fact, 10% of low-income homeowners just own CPI compared to 6% of middle-income and 3% of high-income homeowners.

Narrowing the focus on low-income homeowners with no insurance, 46% indicated that they cannot afford life insurance, and 50% said they do not have an emergency fund or other personal savings to access in place of life insurance. This would leave this group of people very vulnerable if the primary wage earner were to pass away suddenly. Thus, CPI would and could be a great solution for the uninsured low-income homeowner, but despite that not many utilize it.

Delving into CPI ownership, the top three reasons for those who own CPI were:

- It was good value for the price.
- It was convenient to purchase from my lender/financial professional.
- I only wanted insurance to cover my debt(s).

When asked if they intended to purchase CPI in the future, the majority of participants said no; however, the traditionally uninsured who did indicate they intended to purchase it said they would do so for the protection it provided. Those traditionally uninsured folks who said they had no intention of buying it said they did not want or could not afford the additional cost.

The conclusion, then, is that low-income homeowners are not using CPI as much as they should, while traditional homeowners are using it as additional coverage.

J. Zaki-Azat moved to the Q&A portion of the webinar. The first question came from K. Martin, who asked if the findings were consistent with LIMRA's other findings. J. Zaki-Azat explained that this was the first study LIMRA has conducted on the Canadian homeowner, a topic which has not been well-studied; therefore, yes, she was surprised by the findings.

K. Martin then asked if, given the rising interest rates, there is a risk for Canadian homeowners who will be renewing their mortgage rates in a few years, will conclude that they can no longer afford the optional insurance, leading to even higher levels of underinsurance and lack of insurance among Canadian homeowners. J. Zaki-Azat said that, with current inflation, Canadian homeowners are already having trouble affording insurance, so having good protection, like insurance, may be at risk. K. Martin then asked J. Zaki-Azat to comment on LIMRA's finding that 38% of Canadian homeowners have debt and dependents but are under- or uninsured, thus categorizing them as at-risk. J. Zaki-Azat said that this group is notably at risk.

Moving to the audience, one attendee asked, as more and more mortgage purchases and renewals become increasingly handled online, how will this digitalization of insurance products impact clients' perceptions of CPI. Extrapolating from the findings, the only thing that can be pointed to as potential evidence of digitalization's impact is the reason for homeowners to own CPI. One of the top three reasons for ownership was convenience, and this was irrespective of whether the participant had traditional insurance. Digitalization could potentially impact client's perception of CPI and their comfort around purchasing it, but this cannot be determined conclusively, nor can it be assumed that this change will be negative or positive.

Another question asked if there is a way to get Canadian homeowners, especially the at-risk group, to think more about life insurance, including but not limited to CPI. J. Zaki-Azat replied that a good motivator is the protection of family; many folks don't want to think about death, but they will when it comes to their family's safety and well-being. This also has connections to financial literacy, which is an industry-wide issue. Many Canadians don't have a financial advisor, nor do they want one, which is concerning in terms of product knowledge since this is a good avenue to learn about the marketplace.

Before concluding the webinar, K. Martin asked J. Zaki-Azat what three things she would like to leave the audience with. To this, she replied that, for the broader Canadian homeowner, it is important to understand what coverage is available in terms of traditional insurance and CPI. To Canadian homeowners with credit, it is important to consider the consequences of *not* having credit protection. This is even more pressing for at-risk homeowners who have survivorship.

On March 18, 2024, CAFII's Executive Director Keith Martin Received an Email from Patrick Charbonneau (OPTIMUM REASSURANCE INC.) Regarding Updates Made to Global Affairs Canada's Travel Insurance Page.

In an email exchange between Patrick Charbonneau, OPTIMUM REASSURANCE INC., and CAFII's Executive Director Keith Martin, P. Charbonneau informed K. Martin of updates made to *Global Affairs Canada*'s travel insurance page.

> *From: Charbonneau, Patrick Patrick.Charbonneau@optimumre.com*
> *Sent: Monday, March 18, 2024 9:36 AM*
> *To: Keith Martin Keith.Martin@cafii.com*
> *Subject: Congratulations*
>
> *Hello Keith,*
>
> *I wanted to congrats on your recent nomination.*
> *Happy for you*
> *And if you think I can help you, Feel free to reach me*
>
> *I also heard that you recently attended an AMF conference in Montreal. Next time you're in Montreal, please let me know. It would be great to catch up.*

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Last time I spoke with Brendan, he mentioned that he was interested in us redoing a travel insurance presentation that my colleague and I did for a CLHAI conference recently. When we have the chance, we can continue our discussion for a potential future collaboration.

Additionally, I will introduce you to Robyn via another email. She is now in charge of communication for Global Affairs. If You do not know her, I think it would be interesting to you

Regarding Global Affairs, I wanted to inform you that the travel insurance page on the [voyage.gc.ca website](voyage.gc.ca) has been updated. It now provides clearer information regarding the possible effects of travel warnings on travel insurance policies and encourages travelers to familiarize themselves with the details and conditions of their travel insurance policy. They are also expanding their communication efforts via Facebook and X (as mentioned below).

X
https://twitter.com/TravelGoC/status/1766136668887650715
https://twitter.com/VoyageGdC/status/1766137827526377894

Facebook
https://www.facebook.com/268062618694674/posts/799509885549942
https://www.facebook.com/200727045580996/posts/707604411559921

Best regards,

Patrick

***Patrick Charbonneau**, ACIA, ASA*
Assistant Vice President – Business Development – Travel Insurance
OPTIMUM REASSURANCE INC.

Coming out of this exchange, Keith Martin met virtually on March 27, 2024, with Robyn Euverman and her colleague Victoria Papineau from Global Affairs Canada to discuss CAFII potentially sharing advisories (especially with respect to travel) from Global Affairs Canada. Media Consultant Wendy Bairos has been looped into this discussion, and she will receive the communications from Global Affairs Canada and will post the appropriate ones on the CAFII LinkedIn platform and potentially on the CAFII website.

On March 04, 2024, CAFII Attended the FSRA Exchange Conference, a Full Day In-Person Event.

On March 4, 2024, FSRA held a full-day in-person conference. The conference covered many topics, from climate change to issues within the life and health insurance industry to the Fair Treatment of Customers (FTC). It also explored Artificial Intelligence's (AI) continued impact on the financial sector. There were a myriad of speakers and panels. Later in the afternoon, Erica Hiemstra moderated a life and health insurance-specific panel that focused on compliance issues and the FTC, especially with respect to MGAs. The entire CAFII staff team (Shanay Smith, Robyn Jennings, and Keith Martin) attended this panel.

Over the course of the day, Keith Martin, Shanay Smith, and Robyn Jennings met with and had personal conversations with many FSRA regulators at the conference, including:

- **Erica Hiemstra**, Head, Insurance Conduct, Market Conduct;
- Glen Padassery, Executive Vice President, Policy and Auto/Insurance Products;
- **Huston Loke**, Executive Vice President, Market Conduct;
- **Swati Agurwal**, Director, Market Conduct, Life & Health Insurance Companies & National Supervision;
- Stuart Wilkinson, Chief Consumer Officer;
- Fern Karsh, Regulatory & Policy Lawyer;
- **Joanne De Laurentiis**, Board Chair;
- Ali Salahuddin, Board member.

An important takeaway from the conference was that CPI was not mentioned. This is positive as it implies that there isn't anything negative to discuss or analyze about CPI products, and they are not currently on the radar screen of FSRA executives.

In the morning, the conference began with opening remarks from Joanne De Laurentiis and then moved to a Q&A with FSRA CEO Mark White. When asked what FSRA has done to protect consumers, he responded that this is, in fact, its top priority, which is why FSRA created and continues to work on developing the Consumer Office. Financial literacy is another way in which FSRA prioritizes consumer protection. With events like Pension Awareness Day or Financial Literacy Day, FSRA promotes consumer education and builds consumer trust in financial institutions.

When asked about the regulator's response to AI and its ever-growing presence in the industry, M. White said that FSRA will not nor does it plan to prohibit AI. In fact, AI learning models based on consumer information are not new; what is new, however, is the breadth of information being generated. As a result, M. White forecasted that many of the coming regulations will revolve around privacy and AI boundaries to ensure consumer and institutional safety.

The Q&A concluded on the topic of climate change and climate-related disclosure. M. White explained that climate is a derived risk; FSRA doesn't generate carbon, but it regulates companies that do. FSRA, therefore, works to inform and educate companies on the importance of diversifying investments. Ultimately, it is not up to FSRA to tell companies what to do, but it can and does work to protect the rights and interests of members.

Following M. White was a panel on climate change and the risk it poses to the financial industry. This discussion emphasized that climate change is irreversible but reduceable. With this comes evolving risks that will profoundly impact financial institutions, particularly those involved in P&C. Therefore, it is important that regulators, advisors, and institutions provide proper and informed advice for homeowners in terms of education and preparation. Another way institutions can prioritize climate change is by supporting research and subsequent solution deployment. The panel concluded that climate change will cut across all sectors; therefore, financial institutions must make efforts to get involved in mitigating its effects.

After a short break, the conference resumed with a panel on AI and industry. The speakers all agreed that AI will only continue to grow in importance within the insurance industry. This is because AI is data-hungry, and this industry is data-rich. And, considering that the insurance industry is already heavily regulated, this positions it well to engage safely with AI deployment. The speakers went on to encourage the audience to look at AI as a professional augmentation tool. It can supercharge what can be and what is currently being done. AI's usefulness extends beyond the insurers – it can supercharge the customer experience as well. AI can increase accessibility, ease of communication, etc. That being said, it should be engaged with as a use-case predictive model.

This is not to say AI is without risk. Institutions need to build responsible mitigating frameworks, like acceptable use policies, when employing AI.

In the afternoon, the CAFII team attended a panel moderated by Erica Hiemstra on consumer-focused conduct behaviour and what it looks like. The panel discussed how sector regulation requires ecosystem investigations beyond agents to look at the entire sales process. The end-to-end distribution must be analyzed to identify gaps in the market and the impact these gaps have on consumers. This allows for the identification of consumer harm. Which begs the question: what does a reasonably designed compliance program look like? The answer to this revolves around education, particularly customer education. This needs to be a priority embedded into any code of conduct.

The Fair Treatment of Customers (FTC) is another priority that must be considered when designing company frameworks, including internal training. Language should change to reflect FTC priorities. An example of this is the Life Agent misconduct report, which was developed with FTC in mind. This not only prioritizes the customer but allows for proactive data collection.

The panel concluded with remarks on MGAs.

Afterwards, K. Martin, S. Smith, and R. Jennings went to speak with E. Hiemstra and congratulate her on a job well done.

On February 27, 2024, CAFII's Executive Director Keith Martin Met with AMF Representative Mario Beaudoin.

At the February 12, 2024, AMF Rendez Vous in Montreal, Mario Beaudoin and Keith Martin had a friendly conversation during which M. Beaudoin suggested that he and Keith Martin should meet more regularly to share notes and perspectives. A meeting was set up for 30 minutes on February 27, 2024.

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The meeting was very cordial and ran over by 15 minutes. The meeting began with pleasantries, including about weather and the unrelenting pace of work and how quickly the year is passing. Mario Beaudoin said that the 2023 meetings between Éric Jacob and CAFII Board Chair Peter Thompson were very useful, and that he hoped that these would continue after a new Superintendent of Client Services and Distribution Oversight was named. He said that position has never been formally posted, and that it is expected that Yves Ouellet will name the new Superintendent in the next few weeks. He added that he thought that the expectation was that in the interim, Peter Thompson would continue these meetings with Christian Beaulieu (Mario Beaudoin's boss).

Mr. Beaudoin asked about governance issues, noting that he thought he had heard that Peter Thompson was stepping down as CAFII Board Chair. K. Martin mentioned that after many years of distinguished service, Peter Thompson was stepping down at the June 4, 2024, Board meeting and that, similarly, after many years of distinguished service, the EOC Chair Rob Dobbins was also stepping down at that meeting. K. Martin mentioned that CAFII was in the process of identifying the new Board Chair and that the EOC Vice-Chair, Karyn Kasperski from RBC Insurance, would be stepping into the role of EOC Chair as of June 4, 2024. Mario Beaudoin said that he encouraged CAFII to continue with the quarterly meetings between the Superintendent and the new CAFII Chair, and K. Martin agreed with him about this and said CAFII and the AMF would work together to promote a continuation of this after our respective organizations had identified the new people in the Superintendent and Chair positions.

Mario Beaudoin said that because he is focused on distribution without a representative, and on internet sales of insurance, CAFII and its members are highly relevant to the work of Mr. Beaudoin and his team, and its members offer most of the volume for these forms of distribution. He felt it was important to have more predictability for CAFII and its members around what the AMF has as priorities, and he asked if CAFII and the AMF could have a meeting every second month to just compare files, answer each other's questions, and share information. K. Martin said that he would be pleased to do that. Mr. Beaudoin asked him if CAFII could book these meetings immediately into both calendars for the remainder of the year. He said he would like CAFII to work on a partnership model to deal with matters before they become problematic.

He asked K. Martin to share with him what he was working on, and he said that three of CAFII's members had been approached by Véronique Martel with questions about our request for an extension of the deadline for cancelling spousal policies. They discussed this file, and he seemed sympathetic to our perspective and said that "Éric Jacob and Christian Beaulieu are the relationship leads on this file, but others need to have input into the decision." He implied that this was all part of a necessary process. He also said that one preoccupation of the AMF is there are organizations that monitor what the AMF does to see if a class action suit may be filed due to irregular application of regulations or due to an insurance product being offered to a consumer that was not consistent with legislation. K. Martin told him he understood that point, but that CAFII had made an exception for nearly five years now with no such legal issue arising. K. Martin also said that CAFII's members had the same concern if spousal policies were cancelled—would this expose them to litigation or class action suits? He said he understood that concern.

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K. Martin told Mr. Beaudoin that CAFII's understands that the AMF is a complex organization with a lot of responsibilities, and that it can take time to make a decision just as it takes time to implement a change for CAFII's members; and on that point, these discussions have been going on for over a year now, and without a decision in place yet, members are nervous that if there is no extension ultimately made they are not capable of cancelling policies in the remaining time available. K. Martin explained that resources need to be identified, a budget needs to be approved, and IT commitments need to be freed up to make a major change like this. He said he completely understood that point and that he would keep that in mind in any further internal discussions on this matter.

K. Martin next let Mario Beaudoin know about the LIMRA research CAFII was about to release, noting that the Association would hold a webinar with regulators and policy-makers before releasing it publicly. He said he was keenly interested in the research and had already registered for the webinar, and asked if K. Martin could give him an overview of the findings. K. Martin mentioned that the research found that Canadian homeowners were vastly underinsured and uninsured for life insurance, and that this was even worse for homeowners with partners, dependents, and credit. He then explained that CAFII looked at all life insurance products (employee benefits, term, CPI etc.) and said that CPI was clearly a potential way to close the gap in life insurance among homeowners.

Mr. Beaudoin said that this was fascinating, that this was a financial literacy contribution by CAFII, and that AMF research on teaching financial literacy found that it was difficult to make it impactful until someone had a life event—like buying a house and getting a mortgage, at which point they start to think more deeply about financial matters.

And then Mr. Beaudoin made a compliment about credit protection insurance.

He said that as the first insurance product for many consumers as they are purchasing a mortgage in a branch, it could play an important role. "Is it the best choice in the long run for a consumer? Maybe, or maybe not, but as a starter product for someone beginning their financial voyage, it could be the right product at the right time in the right place."

He said that the AMF does not have a problem with banks offering mortgage life insurance and credit protection insurance in branches. Mr. Beaudoin said that he does have a problem with auto dealers offering single premium products that are of dubious value, but "banks offering CPI allow customers to cancel at any time, and to avoid lots of cancellations, they have a strong incentive to offer a high level of service."

K. Martin then updated Mr. Beaudoin on CAFII's submission to FSRA on its position on vulnerable populations and noted that CAFII referenced the AMF's work on this topic and said that it found that the AMF's approach was worthy of careful study.

Mario Beaudoin then offered his own updates:

- The AMF will make reporting information captured through travel agencies easier;
- PL 30 is moving forward and will require collection of premium in auto dealerships at least once a year;

- There are lots of complaints about some of the insurance products offered through auto dealerships;
- Mario Beaudoin is working with THIA on enhancing knowledge of travel insurance products in his team and is encouraging THIA to hold educational webinars modelling the approach CAFII has taken on educational webinars;
- Travel sold online is a large-volume product representing over $200 million in premiums in 2022 in Quebec, with 35% of the travel insurance purchased done so online;
- The Annual reporting is about to happen, and Mr. Beaudoin encouraged CAFII members to reach out to his team if anyone is having any difficulties or challenges.

Canadian Life & Health Insurance Association (CLHIA)

On February 22, 2024, CLHIA Published a New Consumer Guide on Critical Illness.

On February 22, 2024, the CLHIA announced its publication of a new guide to help Canadian consumers better understand the benefits of critical illness insurance, how it works, and why it is beneficial, including what financial security it can offer. See CLHIA's official post below:

> *Release Date: 02/22/2024.*
> *Staff Reference: Kevin Dorse*
> *(Toronto, February 22, 2024) A brand new guide from the Canadian Life and Health Insurance Association is helping Canadian consumers better understand the benefits of critical illness insurance, how it works, and the financial security that it offers.*
>
> *"Over 2 million Canadians have critical illness protection through individual or group plans," Stephen Frank, president and CEO of CLHIA, said. "This new guide explains the important role this type of insurance plays in giving people greater financial choices in the event they are diagnosed with a serious condition."*
>
> *This kind of insurance pays out a non-taxable lump sum if a policyholder is diagnosed with a life-altering condition like cancer, heart attack, stroke, multiple sclerosis or Parkinson's disease. The lump sum can be used for personal expenses related to the illness or for anything the policyholder chooses.*
>
> *Critical illness insurance was first sold in Canada 30 years ago and is less well-known than other kinds of insurance. "A Guide to Critical Illness Insurance" helps to fill in the blanks with answers to questions Canadians commonly ask about the product like:*
>
> *How does critical illness insurance differ from life insurance or disability insurance?*
> *What conditions do critical illness insurance policies cover?*
> *What limitations and exclusions are common in critical illness insurance policies?*

Developed by product experts from Canada's life and health insurers, the guide offers free, impartial information and insights to help consumers understand their options, ask the right questions and make informed choices when choosing critical illness insurance.

The new guide, along with others on insurance topics, can be found at clhia.ca/consumers.

For more information:

Kevin Dorse
Assistant Vice President, Strategic Communications and Public Affairs
(613) 691-6001 / kdorse@clhia.ca

To read the official statement, go to CLHIA's website.

Financial Consumer Agency of Canada (FCAC)

FCAC Announces Interim Commissioner of the Financial Consumer Agency of Canada, Werner Liedtke.

On February 23, 2024, the FCAC announced Wener Liedtke as interim Commissioner. This is a temporary position; once a formal selection process has been completed, a new permanent commissioner will be appointed.

This information was originally revealed to CAFII's Executive Director Keith Martin after an in-person meeting with Erica Hiemstra, the head of Insurance Conduct at FSRA. Hiemstra informed K. Martin that Judith Robertson, the previous Commissioner of the FCAC, has stepped down. Frank Lofranco was not appointed as interim Commissioner, which is noteworthy because he was always positioned to CAFII as Judith Robertson's second in command.

This change may impact CAFII since it recently made a submission to the FCAC on its intention to apply its complaints regime for banks to insurance companies, in which CAFII stated that it was exceeding its jurisdiction and should not proceed with this change. A change at the top may make it easier for the FCAC to withdraw the proposed Guidance.

During the in-person meeting, Erica Hiemstra also mentioned that the CCIR and FSRA have both made submissions to the FCAC regarding its draft regulation on insurance complaints. As per E. Hiemstra, each said politely but firmly that this was outside the jurisdiction of the FCAC and that the regime on complaints was the exclusive jurisdiction of provincial and territorial regulators.

K. Martin will continue to supervise the changes occurring within the FCAC. CAFII had originally planned to visit Ottawa for a presentation to the FCAC but decided to wait to see how the draft Guidance on Complaints' application to insurance companies unfolded. A new permanent commissioner could

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present the perfect opportunity for CAFII to request a meeting and share its priorities and, hopefully, reset the relationship with this federal agency.

Ombudsman For Banking Services and Investments (OBSI)

On March 15, 2024, OBSI Released Its 2023 Annual Report.

On March 15, 2024, OBSI published its 2023 Annual Report. In an e-blast released the same day, OBSI provided a thorough summary of the report, including key highlights. The summary has been included below:

> *In 2023, OBSI responded to more than 17,000 public inquiries – a 63% year-over-year increase from the record levels reached in 2022. This was largely driven by banking inquiries that rose 56% when compared to 2022. Investment inquiries increased by 22% year over year.*
>
> *In total, OBSI opened 3,050 cases in 2023, compared to last year's record high of 1,151, representing a 165% year-over-year increase.*
>
> *"This was a pivotal and groundbreaking year for OBSI. Our organization successfully met some very significant operational challenges as consumer demand for our services soared," said Sarah Bradley, Ombudsman and CEO, OBSI. "The number of Canadians who reached out to us for information and assistance set a new record in 2023, following on several consecutive years of record high demand."*
>
> *Banking cases increased 248% year over year to 2,388, up from 686 cases in 2022.*
>
> *"Banking led the surging case and inquiry volumes, largely due to the new Consumer Protection Framework provisions of the Bank Act that came into force in mid-2022. These changes were intended to and in fact have reduced complainant attrition significantly and, as a result, we are seeing dramatically more cases escalating to us," said Ms. Bradley. "Much of this record high complaint volume relates to e-transfer fraud and credit card fraud."*
>
> *Investment cases increased overall by 42% in 2023 to 662, up from 465 cases in 2022.*
>
> *"At the same time, investment cases reached record high levels, led by suitability and crypto asset fraud cases," said Ms. Bradley.*
>
> ***Banking case highlights***
>
> *In 2023, banking complaints related to fraud more than quadrupled to 950 cases, up from 215 cases in 2022, representing 40% of OBSI's total banking cases (up from 31% in 2022). There were 427 banking cases centred around service issues, representing 18% of all banking cases. This marked an increase from 130 cases in 2022. Additionally, credit card chargebacks saw a significant increase, tripling in volume to 153 cases (6% of all banking cases) in 2023, compared to 49 cases (7% of all banking cases) in 2022. Complaints related to interest rates rose to 134, up from 26 cases in 2022.*

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The top banking product concerns focused on credit cards, e-transfers, and personal chequing and savings accounts. Specifically:

- *Credit card complaints led to 748 cases (31% of all banking cases).*
- *E-transfer complaints followed closely with 621 cases (26% of all banking cases).*
- *Personal savings and chequing account complaints accounted for 317 cases (13% overall).*

Investment case highlights

Investment suitability was the leading issue for investors in 2023, representing 27% of investment cases, up from 15% in 2022. Fraud complaints doubled in volume from 50 cases in 2022 to 100 cases in 2023, increasing from 11% to 15% of investment cases overall. Case volumes related to service problems (technical and non-technical) were flat year over year but accounted for 15% of all investment cases in 2023, down from 21% in 2022. Notably, cases related to instructions not followed increased from 36 cases in 2022 to 50 cases in 2023.

Mutual funds remained the most complained-about investment product in 2023, representing 45% of all investment complaints, up from 37% in 2022. Common shares (equities) decreased to 27% in 2023, from 33% in 2022. Crypto assets, which were a new product category for 2022 due to regulatory changes, almost doubled in volume from 52 cases to 101 cases and accounted for 11% of all investment cases in 2022 vs. 15% in 2023 to remain the third most common complaint for investors this year.

Systemic issues and disclosures to regulators

In 2023, OBSI continued its practice of communicating regularly with financial services regulators about systemic issues and issues affecting multiple consumers. During the year, a range of topics were reported and discussed at meetings with regulators that included:

- *Detailed aggregate data including:*
    - *Products, issues and outcomes details and trends*
    - *Specific (anonymized) case outcomes and summaries*
    - *Additional information relating to cases involving low settlements*
- *Cryptocurrency fraud cases*
- *OBSI's completed and planned responses to the 2021 external reviews*
- *Information relevant to the effective transition to the single ECB framework for Canadian banks*

OBSI also discussed with the CSA considerations related to binding authority to help the proposed framework meet the needs of Canadian investors, and reported a case-specific, investment-related systemic issue involving inconsistencies in the risk rating approaches adopted by different fund groups when applying the CSA risk classification methodology to their funds and instances of misapplication of the CSA risk classification methodology to investment funds not subject to NI 81-102.

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On March 1, 2024, OBSI Announced New Board Members.

In an e-blast released on March 1, 2024, OBSI announced the appointment of four new board members. The new members are:

- **Mary Condon** has joined the board as a Consumer Interest Director.
- **Bonnie Lysyk** has joined the board as a Community Director.
- **Sarah Shody** has joined the board as an Industry Director.
- **Michael Thom** has joined the board as a Consumer Interest Director.

As per OBSI's e-blast:

> *OBSI's bylaws require the majority of directors, including the chair, to be independent, meaning they have not been affiliated with industry or government for at least two years. These independent directors are referred to as community directors. Three of the community directors are also designated as consumer interest directors, who have a particular interest in, access to, and competency with the interests and perspectives of the types of consumers that OBSI serves. The board also includes three designated industry directors who are directly affiliated with a participating firm.*

View the official press release, including detailed information regarding the careers' of each new board member, here.

For more information about the Board of Directors, go to OBSI's website.

On February 16, 2024, OBSI Announced That, in 2023, It Experienced Its Highest Levels of Consumer Demand Ever.

In an e-blast released on February 16, OBSI announced that it had experienced the highest levels of consumer demand in 2023. Relevant excerpts, followed by a brief CAFII summary from the press release, are below.

> ***OBSI experiences highest-ever levels of consumer demand in 2023***
> *Consumer complaint inquiries reached over 17,000 in 2023 – a 63% year-over-year increase from 10,650 in 2022. Opened cases more than doubled from 1,146 in 2022 to 3,056 in 2023. Credit card and e-transfer complaints reached historic levels. Fraud complaints continued to surge to new record-setting highs and remain a top concern for banking consumers and a growing concern for investors.*

> ***FY 2023 statistics***
> *Below is information relating to our full 2023 fiscal year (November 1, 2022, to October 31, 2023). All figures are preliminary and subject to change.*

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

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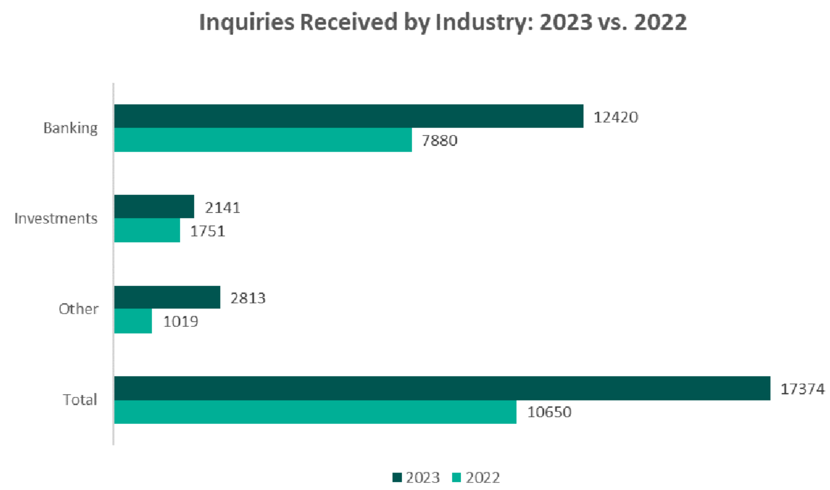
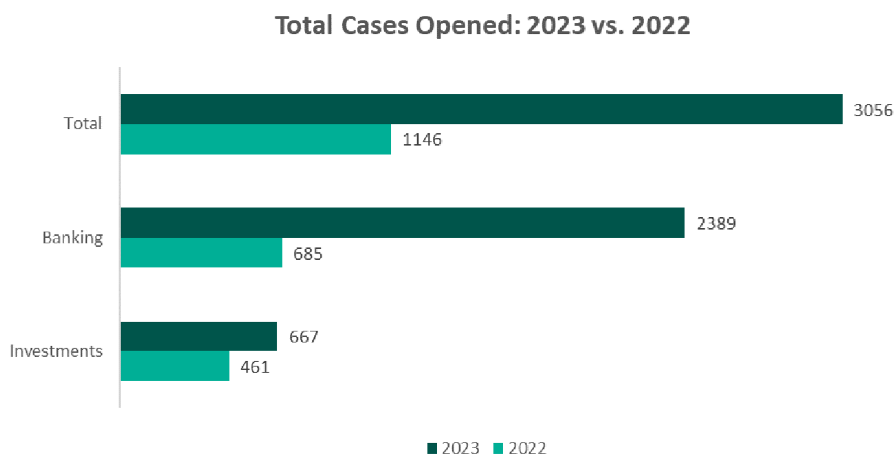


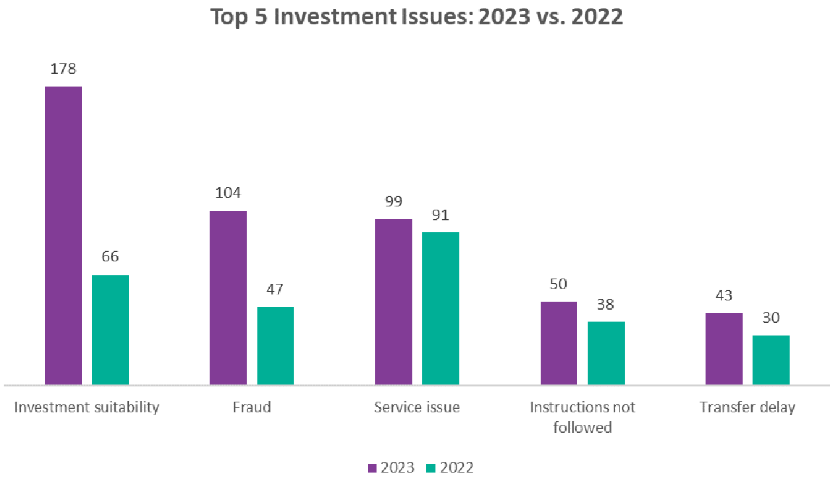
Total consumer complaint inquiries surpassed the record-setting high of 10,650 in 2022 and reached a new all-time high of over 17,300 in 2023.

- ***Banking-related*** *inquiries increased by almost 60% to over 12,400.*
- ***Investment-related*** *inquiries also grew and increased more than 20% to over 2,100.*
- *The* ***Other category*** *includes inquiries from the consumers of non-participating firms, which also nearly tripled.*



In 2023, total cases opened increased 166% from the previous year, reaching an all-time high of over 3,000 cases.

- *Banking cases more than tripled year over year, up 249%, with close to 2,400 opened.*
- *Investment cases also rose and increased by 45% to 667 cases.*



All leading investment issues saw increases year over year. Overall, investment cases rose by 45%.

- ***Investment suitability*** *complaints were the leading issue among investors, nearly tripling year over year, up 170%*
- ***Fraud*** *complaints more than doubled, up 121%.*
- ***Service issues*** *were up slightly, up 9%.*
- ***Instructions not followed*** *were up 31%.*
- ***Transfer delay*** *complaints also saw increases over the last year, up 43%.*

OBSI noted that investment-related inquiries have increased by more than 20%.

Overall, case volume increased by 166%, with Ontario seeing an increase of 153% compared to 2022. Quebec's cases increased by 211%, and BC's by 155%. The Atlantic provinces saw their cases nearly triple, meaning a 195% increase. Finally, the prairie provinces' case volume increased by 186%.

Relating to banking issues, OBSI saw the top five issues reach record-setting increases in 2023 compared to 2022. Fraud was and remains the leading issue among banking consumers; related complaints more than quadrupled (an increase of almost 350%). Service-issue complaints increased by 239%, while interest rate complaints increased by 458%.

In regard to banking product complaints, credit card complaints increased by 240%; e-transfer complaints were up almost 540%; mortgage complaints more than doubled (up 155%); and personal savings and chequing accounts more than tripled (up 214%).

Read the full report [here](#).

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Provincial/Territorial

Ontario

The Financial Services Regulatory Authority of Ontario (FSRA)

On February 28, 2024, FSRA Announced the Publication of Its Third Quarter Service Standards Scorecards.

In a statement published on its website on February 28, 2024, FSRA announced the publication of its third-quarter service standards scorecard, explaining how they met or exceeded 89.5% of their service standards. FSRA's official statement has been included below:

> *Today, Ontario's financial services regulator (FSRA) released its third quarter service standards scorecard. We continue to meet or exceed service targets for 89.5% of our standards.*
>
> *The report measures activities provided to industry stakeholders and consumers, such as licence renewals, regulatory applications, and complaint handling.*
>
> *FSRA uses this performance data to evaluate the efficiency and effectiveness of our resourcing, business processes and public service year-round.*
>
> *Key highlights from the Q3 report:*
>
> - *FSRA processed 100% of all Credit Union regulatory applications within 30 days.*
> - *FSRA assessed and actioned 100% of Mortgage Broker complaints within 270 days.*
> - *FSRA reviewed and made a decision on 100% of Defined Benefit Plan wind-up applications within 120 business days.*
> - *FSRA assessed and actioned 90% of Auto complaints within 120 days.*
>
> *FSRA measures and reports service standards every quarter to maintain and improve our level of service to the public, to reinforce our accountability and improve transparency.*

Access to FSRA's current and past Scorecards through FSRA's website: FSRA's Service Standard Scorecards.

On February 7, 2024, FSRA Released a Statement on Ensuring Ontario's Life Insurance Agents Meeting National Standards.

On February 7, 2024, FSRA published a statement detailing how it is taking action to ensure that life insurance agents are meeting the highest national qualification standards. FSRA explained how "[it] is modernizing the exam procedures for new life insurance agent candidates which will improve the integrity of the examination process in Ontario and align with best practices across Canada." To do so, it is changing its examination approach. As per the statement:

> *This new approach raises the minimum standards for the Life Licence Qualification Program (LLQP) exam by formalizing exam security procedures and outlining penalties for cheating on or attempting to steal the exams.*
>
> *Some of the key policy changes include:*

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- *a longer wait period for candidates after the third and fourth unsuccessful attempt at the exam.*
- *a requirement for candidates to provide a written response when an exam breach occurs, prior to being able to rewrite the exam.*
- *tougher consequences for candidates caught cheating, such as a two-year suspension from exams, permanent removal from the exam process, and refusal of licensing.*

FSRA is working with Durham College, which administers the LLQP exam in Ontario, to ensure a smooth implementation of the new policy. After appropriate processes and system changes are made, some aspects of the policy will be implemented in phases.

Québec

Autorités des marchés financiers (AMF)

On March 18, 2024, the AMF Announced Strategic Adjustments to Its Organizational Structure.
CAFII Executive Director Keith Martin circulated an email informing of several key strategic adjustments to the AMF's organizational structure. As per the AMF, the main adjustments put forward will allow the organization to focus on its clientele and the quality of services provided to them. They will also increase the attention and place given to its financial education mandate. These changes include:

- Activities related to financial education and client services, currently under the supervision of a Superintendent of Client Services and Distribution Oversight, will be grouped under the leadership of Kim Lachapelle, the appointed Superintendent of Client Services and Financial Education.
- Activities related to overseeing financial products and services distribution will be led by Hugo Lacroix, whose title will be adjusted accordingly to Superintendent, Securities Markets and Distribution.
- The unit responsible for activities related to alternative insurance distribution practices will be integrated into Patrick Déry's team as Superintendent of Financial Institutions.
- Strategy and risk-related activities, coordination of the Office of the President and CEO and internal communications will be led by Marie-Pier Langelier, current Executive Director of the Office of the President, and CEO, who will become Vice-President of Strategy and Risks.

These changes within the AMF are effective March 29, 2024. The result will be a streamlined organizational structure that maximizes synergies among teams possessing complementary expertise.

A summary of these organizational changes, compiled by CAFII Executive Director Keith Martin, can be found here.

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AMF Publishes the Regulation Respecting Complaint Processing and Dispute Resolution in the Financial Sector, with an In-Force Date of July 1, 2025.

In an e-blast sent out on February 20, 2024, the AMF announced the enforcement date of July 1, 2025, for the Financial Sector Complaint Handling and Dispute Resolution Regulation. The AMF went on to clarify that it would soon be publishing a model of the new regulation policy and will be providing explanations on their website of the new rules. The e-blast has been included below, including relevant links:

> ***Complaints Handling Regulations***
>
> *The Financial Sector Complaint Handling and Dispute Resolution Regulations will come into force on July 1, 2025. This regulation applies in particular to firms, independent partnerships and independent representatives (the "registrants"). It sets out rules for the handling of complaints and the resolution of disputes made by customers and specifies the elements that must be included in the registrants' complaint handling and dispute resolution policy.*
>
> *To help you prepare for the coming into force of this regulation, we will soon be publishing a model complaint handling and dispute resolution policy and will provide explanations on our website about the new rules that must be followed to ensure that complaints made by your customers are handled fairly.*
>
> *We thank stakeholders who provided comments on this regulatory proposal. A summary of these comments and our responses is available on our website.*

The Quebec/AMF Issues Committee is going to do work on how members plan to implement the new Regulation and the results of these efforts will be shared with CAFII members.

British Colombia (BC)

The British Colombia Financial Conduct Authority (BCFSA)

The BCFSA Announced the Upcoming Deadline of April 1, 2024, to Comply with the Insurer Code of Market Conduct in BC.

In an email from the BCFSA Engagement team, the regulator announced the upcoming deadline of April 1, 2024, for all authorized insurers to comply with the insurer code of market conduct in BC.

The original draft of the Code was highly customized with unique BC language and some BC-only requirements. CAFII, along with other industry Associations, reached out to BCFSA to emphasize the importance of harmonization. Now, the final code adopted by BC is nearly identical to the CCIR Guidance Conduct of Insurance Business and Fair Treatment of Customers. BC has a statutory requirement to adopt its own code, but in the end, it is fully consistent with the CCIR Guidance

BCFSA's email announcement regarding the upcoming deadline has been included below.

Upcoming April 1, 2024, Deadline to Comply with the Insurer Code of Market Conduct in British Columbia
Date: March 18, 2024
Distribution: All Insurers Authorized in B.C.
Advisory Number: 24-008

Purpose
This Advisory is to remind all insurers authorized in British Columbia ("B.C.") that effective April 1, 2024, insurers authorized in B.C. must adopt and comply with the Insurer Code of Market Conduct ("Code") established by the BC Financial Services Authority ("BCFSA").

This requirement applies to all B.C. incorporated insurance companies, extra provincial insurance corporations, societies deemed under section 191 of the Financial Institutions Act ("FIA"), and mutual fire insurance companies. Reinsurers, reciprocal exchanges, and captive insurance companies are excluded.

Background
In fall 2019, the B.C. government introduced a series of legislative amendments aimed at modernizing BCFSA's approach to market conduct supervision and oversight. This included a new provision, section 94.1 of the FIA, that requires insurers to adopt and follow a Code of Market Conduct established by BCFSA.

In July 2023, BCFSA established a Code and communicated it to all insurers authorized in B.C. The Code adopts the 12 expected outcomes from the Canadian Council of Insurance Regulators' ("CCIR") Conduct of Insurance Business and Fair Treatment of Customers guidance ("FTC guidance") as principles that insurers are required to comply with for their B.C. business effective April 1, 2024. This principles-based approach emphasizes the importance of embedding the FTC guidance in governance as well as business practices while providing insurers with latitude to implement the principles in their operations in a flexible manner.

Additional Information
BCFSA plans to engage with industry in 2024 to assess insurers' compliance with the Code and to identify and address potential market conduct issues to ensure consumers are treated fairly.

Insurers are encouraged to periodically review FTC-related reports and guidance published on BCFSA's B.C. Insurer Code of Market Conduct webpage and CCIR's website to increase awareness of practices that may support insurers' adherence to the Code's principles.

For questions in respect of this Advisory or the Code, please contact the BCFSA Market Conduct Branch at insurance@bcfsa.ca.

International Developments, Research, and Thought Leadership

Canadian Club Toronto

On February 21, 2024, Canadian Club Toronto Hosted a Fireside Chat with Lianne Hannaway, CEO of the Black Business and Professional Association (BBPA), about DEI in Canada.

On February 21, The Canadian Club Toronto hosted a fireside chat with Liane Hannaway, CEO of the Black Business and Professional Association (BBPA). Over the course of an hour, L. Hannaway chatted with Nick Chambers about a myriad of topics, including DEI in Canada and her experience as a leader. CAFII Research Analyst Robyn Jennings attended the event.

After a brief introduction, L. Hannaway began by explaining how DEI is a fundamental part of Canada, both culturally and historically, and that the BBPA is an expression of this. She then asked what leaders, including those in the financial industry, are doing to ensure that Black employees, businesses, and coworkers feel seen and supported. One way to do this is by supporting Black communities. Creating programs and tools that amplify and support Black communities is one such way. Stats reveal only 2.9% of unincorporated businesses and 1.6% of incorporated businesses are owned by Black people. The BBPA created the Black Advisory Implementation Development Services Program (BAIDES) to support the sustainability of Black businesses, including offering full business management services. Currently, this program helps over 600 businesses. Access to resources and equitable funding is critical to this support. In 2023, over 1500 Black women applied to the BBPA, with 10 receiving $10,000 grants and 14 receiving $2000 grants. By developing programs like BAIDES or providing equitable access to funding opportunities, organizations can support Black Canadians.

According to Statistics Canada, there are over 66,800 Black-owned businesses, with over half owned by immigrants to this country. The BBPA recognizes the intersectionality of Canadians. Being Black or an immigrant is just one part of someone’s complex and dynamic identity. Therefore, the BBPA’s mandate emphasizes intersectionality within DEI.

L. Hannaway concluded her speech by urging financial leaders need to double down on DEI.

Nick Chambers thanked L. Hannaway and moved on to the conversational part of the event. He asked her where her drive for purpose comes from to which she replied that it comes from her family. From her birth as the eldest daughter of a Caribbean family, giving was a part of her family dynamic. She, therefore, believes caring about the success and support of others is a part of her DNA.

N. Chambers then asked L. Hannaway what her biggest goal as the new CEO of the BBPA? L. Hannaway explained that she plans to listen first, collect intelligence, and then create her goals accordingly. She added that, being a well-established institution (42 years old), she wants to capitalize on the BBPA’s history of knowledge to increase its impact. She mentioned her interest in solidifying current partnerships, finding and establishing new partnerships, and expanding the BBPA’s ability to support Black Canadians.

Another audience member asked how L. Hannaway and, by extension, the BBPA will continue to attract and engage potential partners and allies when many are receiving backlash for their commitment to DEI

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and engaging in retrenchment from it as a result. She responded with an analogy: you can either shine a light on something that is already shining to make the light brighter, or you can attempt to go into the darkness and deny the light. Some are good at the former, some the latter. She encouraged organizations to be the former and find ways to make peoples' lights even brighter. One way to do this is to provide a platform and/or opportunities that amplify peoples' voices. This aligns with the theme of doubling down on DEI.

The BBPA has its own challenges. N. Chambers asked L. Hannaway what are some of the hard truths that we, as leaders and colleagues, need to face as we promote DEI and opportunity for the Black community. L. Hannaway responded that we might not be answering the right questions. Effort can be put into solutions for problems that are, in fact, symptoms of a bigger problem. One such example is income inequity and the gender wage gap. L. Hannaway went on to explain that, if you pull the proverbial curtain back, you discover that the root problem is wealth and the unequal distribution of assets. The larger problem is, therefore, lost. We need to recognize where we are spending our energy and ask whether it is towards fixing a symptom or the cause. This includes looking at the most marginalized groups and confronting our own egos and assumptions about the world, our society, and ourselves.

L. Hannaway talked about the BBPA, including its mindset. Outcomes are large and small, long-term and short-term; therefore, being responsible stewards of every dollar is critical to the BBPA. This does not necessarily mean seeing or promising immediate and tangible results; in fact, sometimes success and support for Black communities in Canada are intangible and arise after a period of years. The BBPA recognizes and honours this.

Finally, an audience member asked L. Hannaway what her hope and vision for Black youth is. She responded that she wants all Black youth to know, intrinsically, that they are valuable. She explained that Black youth are inherently worthy; they do not need to perform for anyone in order to feel they have a right to exist and take up space.

The webinar concluded with thanks and gratitude expressed. Watch the complete event on [the Canadian Club Toronto YouTube channel].

Digital Insurance

On February 21, 2024, Digital Insurance Held a Webinar on The State of Online Payments: Insurance Trends and Expectations for 2024.

On February 21, Digital Insurance held a webinar titled *2024 State of Online Payments: Insurance Trends and Online Payments*. Moderated by Jim Ericson, Digital Insurance invited Angela Abbot (Regional Director of Financial Services & Insurance – Invoice Cloud) and Bernadette Autrey (Chief Financial Officer - American Famers & Ranchers Mutual Insurance Company) to speak about the customers' experiences with online platforms, the state of online payments, and 2024 digitalization trends within industry. CAFII Research Analyst Robyn Jennings attended the session.

Carriers know the impact of technology in the industry, including cyber fraud. But where does this leave the consumer? Angela Abbott asked Bernadette Autrey how these changes and expectations have

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shifted the culture and strategy at the American Farmers & Ranchers Mutual Insurance Company (AFRMIC). B. Autrey replied that, in order to remain relevant, they had to adapt to a changing customer base. Where once their demographic used to be entirely interested in in-person payments, now, the majority pay online and expect to do so.

This expectation for online options is only growing, as is the mindset of ease. Customers want to "set it and forget it," meaning they want to be able to set up a payment plan that occurs automatically. Immediacy is another new expectation. Folks want a universal experience of immediacy and ease of use, like what Amazon offers. There is a disconnect, however, between what customers want and what carriers have been traditionally providing and can currently provide.

A. Abbott mentioned an important point: digitalization should not be exclusive to the customer; companies can and should benefit from it as well. As much as customers can and do expect immediacy and easy use, organizations can and should incorporate digitalization so that its efficiency is available internally. Digitalization can also be cost saving for organizations. The time, money, and manpower it is required to engage with customers across the entire payment process is significant. Technology can alleviate many of the associated costs. For example, instead of having to mail a payment reminder, now, a pre-scheduled reminder can be emailed to customers in a fraction of the time and without human oversight.

watch the entire webinar, check out [Digital Insurance's website].

KPMG

On February 27, 2024, KPMG Hosted a Fireside Chat Titled From Start to Scale: Unlocking Generative AI's Potential – A DX Coffee Chat with Nantes Kirsten From Bell.

On February 27, KPMG hosted a fireside chat/webinar titled *From Start to Scale: Unlocking Generative AI's Potential—A DX Coffee Chat with Nantes Kirsten From Bell.* The webinar featured four panellists – Chitra Sridhar (Leader, Data & Analytics Centre of Excellence - KPMG in Canada), Kareem Sadek (Leader, Emerging Tech Risk - KPMG in Canada), Marc Low (Director, Innovation, Growth and Emerging tech - KPMG in Canada), and Nantes Kirsten (Director, Financial Analytics & AI CoE - Bell). CAFII's Research Analyst, Robyn Jennings, attended the webinar.

Generative AI is evolving rapidly. The pace of innovation is at an all-time high. The panellists were asked, first, what strategies organizations can use to identify impactful AI use cases that are adaptable to rapid growth and future-proof. Secondly, what are the most impactful AI use cases that have been seen in the last month? Chitra Sridhar replied that building an impactful Gen AI use case requires strategic thinking, an understanding of the underlying technology, and a strong focus on key business challenges. As a first step, she suggested organizations should develop an internal value framework or a roadmap that gauges where use cases sit and how they matter to your organization. She then suggested collaboration across different departments. This will help ensure a well-rounded AI initiative that is centred around the needs of end users. Finally, organizations need to keep customers at the forefront of their AI framework.

Nantes Kirsten agreed with C. Sridhar that collaboration is fundamental, but he added that experimentation is the critical key to AI success. Being able to experiment with gen AI in a collaborative manner is the only way to engage with this new tool because companies can then design and redesign their frameworks to better suit their organization's structure, mandate, goals, and culture.

Access the entire webinar here.

McKinsey & Company

On February 16, 2024, McKinsey & Company Released an Article on Insurance Leadership's Thoughts on 2024 Trends and Innovations.

In February, McKinsey & Company published an article titled *McKinsey Insurance Leadership on 2024 Trends and Innovations*. Written almost as a transcript, the article captures a conversation between McKinsey Senior Partners Jörg Mußhoff and Fritz Nauck. A summary of the conversation can be found below:

Across the industry, both globally and within the confines of Europe, there are several emerging trends. AI software continues to grow in importance; as Jörg Mußhoff explains, the industry is "seeing a lot of platform tech–related plays, which are amazing… [V]arious players in the AI space bringing true innovation and making a difference." AI remains ever-present in software and in support activities, such as call centers. Mußhoff concluded his thought by noting that the sentiment across industry is collaborative and reinventive.

Efficiency and technology are two key industry focus areas. Fritz Nauck asked Mußhoff how he sees these carriers thinking about these topics in 2024. Mußhoff replied that productivity will likely change in terms of support for players in the value chain. In fact, "analyses show that over the next years, up to 50 percent of the workforce might be radically changed, and there is room for a lot of productivity improvements." Much of this has to do with the adoption and utilization of AI. Distribution and the end customer have also become areas of increasing focus across Europe.

Continuing along the theme of change, Nauck asked Mußhoff what he thought would be 2024's most exciting innovations. Thanks to Gen AI, Mußhoff said that how the industry understands and interacts with customers will fundamentally change. This will inevitably impact organizations' cost structures as things evolve. He added that the industry has and will continue to "see newly focused models. Embedded insurance is a significant growth area globally in all types of industries—think about telcos and OEMs."

Concluding the conversation, Nauck brought up data and the impact digitalization is having on its collection and management. Mußhoff agreed that, as AI and technology expand, the risks surrounding data privacy will only increase.

Read the full article on McKinsey & Company's website.

TORYS

On February 21, 2024, TORYS Released an Article Detailing OSFI's New Supervisory Approach to Financial Institutions.

TORYS published an article titled *Scaling Up Risks: OSFI's New Supervisory Approach to Financial Institutions.* In this article, TORYS provided a high-level overview of OSFI's recently released new supervisory framework for federally regulated financial institutions (FRFIs). Below is a summary of the article.

On February 8, 2024, the Office of the Superintendent of Financial Institutions (OSFI) released its new framework for supervising federally regulated financial institutions (FRFIs). This framework will come into effect in April 2024. The key takeaways from this supervisory change are as follows.

Eight-point risk rating: where the previous framework consisted of a four-point intervention risk rating scale, the new framework now has eight. The new rating system will utilize an "overall risk rating scale," or an ORR, which will assign a level to the FRFI as deemed appropriate. These eight points, or ORR levels, are then ranked as in either stage 0 to 4. The eight-point system is as follows:

- **Stage 0:**
  - *ORR 1*: No significant issues have been identified.
  - *ORR 2*: A low risk has been identified.
  - *ORR 3*: A moderate risk has been identified.
  - *ORR 4*: Many issues have been identified that require prompt attention and/or the FRFI will likely be subject to a formal intervention.
- **Stage 1:**
  - *ORR 5***:** An early warning of issues has been identified that could impact viability. At this rating level, the impact of viability is not expected to occur within two years, based on available information.
- **Stage 2:**
  - *ORR 6:* Many issues have been identified and the FRFI poses material safety and soundness concerns. While the threat to viability is not immediate, it could occur within two years.
- **Stage 3:**
  - *ORR 7:* Many issues have been identified and future viability is in serious doubt as the FRFI has severe safety and soundness concerns that could affect viability within one year.
- **Stage 4:**
  - *ORR 8:* Many serious issues have been identified that indicate non-viability as imminent.

In addition to the eight-point system, OSFI will be implementing a tier risk rating system according to a 5-point scale. This new system will not only be based on an FRFI's size and complexity, but on OSFI's view of the impact that the FRFI's failure could have on the financial system. The new rating system is below:

- **Tier 1:** Large and/or complex FRFIs with the highest system impact will be defined as Tier 1 High.
- **Tier 2:** Large and/or complex FRFIs with significant system impact are Tier 2 Medium-High.
- **Tier 3:** Mid-size FRFIs with moderate system impact are Tier 3 Medium.
- **Tier 4**: Small and/or less complex FRFIs with low system impact are Tier 4 Medium-Low.
- **Tier 5**: Smallest, least complex FRFIs with very low system impact are Tier 5 Low.

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info@cafii.com www.cafii.com

Finally, the third addition to OSFI's system are new risk assessment categories. These are:

- **Business risk:** This category intends to assess an FRFI's business model's sustainability. This category can provide an early indictor of increasing prudential risk.
- **Financial resilience:** This category will reflect an FRFI's ability to withstand and manage financial stress as well as gauge it's financial risk profile, capital, and liquidity. This will also include looking at the FRFI's contingency plan and access to capital.
- **Operational resilience:** This category will assess and determine the FRFI's ability to respond and adapt to potential disruptions. This can range from technology to operational risk like business continuity.
- **Risk governance:** This category will assess an FRFI's ability to identify, assess, and manage risks appropriately. This will include OSFI's consideration of culture, accountability structures, and "the extent to which oversight functions provide independent and objective challenges."

OSFI has identified climate change as another risk that has to potential to significantly affect FRFIs safety. This is an evolving category and if, therefore, relevant to al four categories mentioned above.

Read the complete article at TORYS (*Scaling up risks: OSFI's new supervisory approach to financial institutions*).