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

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Regulatory Update – CAFII Executive Operations Committee, October 2024

Prepared by Robyn Jennings, Research Analyst.

Contents

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Federal/National

Canadian Association of Financial Institutions in Insurance (CAFII)

On October 8, 2024, CAFII Met With AMF Staff Executives in Montreal for The Annual Lunch and Industry Issues Dialogue Meeting, Preceding the CAFII Board of Directors Meeting.

On October 8, 2024, The Canadian Association of Financial Institutions in Insurance (CAFII) met with several AMF staff executives in Montreal, QC, for the annual Lunch and Industry Issues Dialogue meeting preceding CAFII's Board of Directors meeting. After lunch, CAFII's Executive Director, Keith Martin, gave a presentation. To begin, he thanked the AMF for their participation and contribution to the October 8/24 Industry Dialogue meeting. He explicitly thanked the regulator for extending the deadline for spousal insurance coverage.

K. Martin explained that CAFII and the AMF have met 10 times since October 8/23.

- In December 2023, CAFII met with the AMF's new CEO, Yves Ouellet, which was a very successful meeting. This meeting was important for CAFII because it allowed the association to connect with and begin fostering a relationship with the AMF's new leadership.
- On April 29/24, there was a very productive meeting to discuss the spousal insurance issue. Good progress was made during this meeting.
- On July 25/24, CAFII met with Hugo Lacroix, who has a new position as Superintendent of Securities Markets and Distribution. He told K. Martin that he is committed to maintaining open dialogue and lines of communication. Overall, CAFII found the conversation productive.
- K. Martin and Mario Beaudoin meet for one hour every quarter (~3 months) to discuss a myriad of topics, including:
    - Organizational structure,
    - Spousal insurance
    - Embedded credit card benefits
    - AI consultation
    - New regulations, including complaints handling.

K. Martin mentioned CAFII's written submission to the AMF on its paper on AI. CAFII and its members felt that the paper was well-written and well-researched. In the submission, CAFII commented on the AMF's desire to develop new regulatory powers to handle the fast pace of change, which CAFII felt was unnecessary since the AMF was already equipped to handle it. However, since the submission, some of CAFII's members have expressed agreement with the AMF's suggestion for new tools and regulatory powers.

Next, K. Martin stated that CAFII's members are taking the necessary steps to implement the AMF's new complaints handling regulations, which take effect on July 1/25. CAFII appreciates the implementation timeline the AMF has given to CAFII members.

K. Martin thanked the AMF for its leadership role with CISRO and CCIR. Harmonization, the lack of which results in exception management, has been a challenge for CAFII; therefore, the AMF's willingness to harmonize is noticed and greatly appreciated.

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Overall, significant progress has been made on multiple files thanks to the AMF's and CAFII's open and collaborative dialogue over the past year. CAFII's Board of Director Chair, Valerie Gillis, echoed K. Martin's thanks, expressing her gratitude for the AMF's willingness to meet and engage in transparent conversations.

K. Martin concluded his presentation, and then the AMF's Mario Beaudoin spoke.

M. Beaudoin began by mentioning the three types of products CAFII's members offer that relate to the AMF:

- Debtor Life, Health, and Loss of Employment (DLHE) insurance products,
- Travel insurance,
- Credit card and debit/merchandise insurance products.

He explained that CAFII's members comprise 69% of premium underwriting under the distribution without a representative regime. CAFII members also underwrite about 81% of creditor insurance. Some of the key takeaways from Mr. Beaudoin's presentation were:

- Some CAFII members are below industry levels in terms of the average return of premium to customers and claims denial rates, and the AMF will reach out to those insurers to ask them why and to request a plan for them to improve their results;
- The addition of critical illness insurance seems to impact the results, and the AMF wants to better understand this product line's performance.

In terms of complaints and reports, the AMF has concluded that there are three main areas of complaints:

- Non-disclosure of the nature or scope of cover, eligibility criteria, insurability, or exclusion;
- Refusal or limitation of indemnity (including pre-existing clauses and misrepresentation);
- Insurance imposed without the consumer's knowledge.

In terms of the next steps for DLHE product monitoring, CAFII members will soon receive correspondence regarding:

- Adding value to DLHE insurance products, including giving special attention to the rate of return of premium to the insured.
- End of age-related protection on credit card balances, including informing the insured of their coverage termination.
- High claim denial rates and implementation of an indicator to monitor denial rates, including implanting monitoring tools if not already in use.
- Products offering protection to non-debtor insured.

The AMF has identified nine coverage groups that are available to consumers. Most of the embedded coverage offered only covers accidental death or dismemberment (which makes up 88% of travel insurance coverage). Therefore, M. Beaudoin argued mindfulness when marketing travel insurance to consumers.

K. Martin asked if the AMF had found that complaints had increased post-COVID. M. Beaudoin replied that he wasn't sure about a global figure for travel insurance complaints, but Véronique Martel commented that, overall, complaints at the AMF have increased, but the reason is unclear. The reason could be dissatisfaction, but it could also be a result of the AMF's efforts to increase its presence with consumers, thereby encouraging consumers to become more vocal. V. Gillis added that consumer confusion around policy and product disclosure could be pertinent and a factor impacting consumer dissatisfaction.

N. Siriois said that the AMF is open to further conversation and is interested in understanding what CAFII members have in place regarding travel protection. The regulatory wants to learn the various approaches in order to best serve their consumers. M. Beaudoin added that since travel protection is not fully harmonized, it can confuse consumers. The AMF is focused on improving consumer experiences globally.

Mario concluded his presentation.

K. Martin thanked the AMF for their participation and expressed excitement for future meetings.

On October 8, 2024, CAFII Has A Relationship-Building Breakfast with the AMF.

In the morning prior to the lunch and liaison meeting with the AMF, CAFII's Board Chair Val Gillis, and Executive Director Keith Martin, had an amicable breakfast with the AMF's Hugo Lacroix and Mario Beaudoin. Mr. Lacroix said he was committed to an open and transparent relationship, and notably he said that he did not anticipate any major insurance initiatives in the next 4-5 years from the AMF.

Advocis

In an E-Blast Circulated on September 13, 2024, Advocis Announced Its New Chief Executive Officer.

In an e-blast circulated on September 13, 2024, Advocis announced its new Chief Executive Officer, Kelly Gorman, CPA, CA, ICD.C. Ms. Gorman's new role will take effect on September 23, 2024. Advocis' e-blast has been included below.

> *On behalf of the Board of Directors, I am excited to share some important news. After a comprehensive search, we are delighted to introduce Kelly Gorman, CPA, CA, ICD.D, as the new Chief Executive Officer of Advocis, The Financial Advisors Association of Canada, effective September 23, 2024.*
>
> *Kelly joins us with an impressive track record of leadership across multiple sectors, including finance, governance, and regulatory compliance. Her experience as Executive Vice President of Governance Advisory at Kingsdale Advisors and previous executive roles at CPA Ontario and the Ontario Securities Commission makes her uniquely qualified to guide our association in today's dynamic environment.*
>
> *As a well-respected leader known for her strategic vision, Kelly deeply understands the financial services industry and the regulatory landscape. Her passion for strengthening organizational*

governance and her exceptional ability to foster collaboration and deliver results make her an ideal choice to lead Advocis into its next chapter of growth.

We are confident that under Kelly's leadership, Advocis will continue to elevate the standards of the financial advice profession while advancing the mission of supporting advisors in providing trusted financial guidance to Canadians. Kelly's commitment to enhancing the services we provide to you—our valued members—and ensuring that Advocis continues to advocate on your behalf at the highest levels, is unwavering.

On behalf of the Board, I want to express our gratitude to Harris Jones who provided tremendous leadership during his tenure as Interim CEO. Harris navigated Advocis through difficult waters this past year. We are on solid footing due to his efforts.

We are confident that Kelly, with her proven track record and strategic vision, will build upon this strong foundation as she leads Advocis into the future.

Please join me in welcoming Kelly to the Advocis family. We are thrilled about the future for our association and the financial advice profession under her leadership, and we look forward to the exciting journey ahead.

Non Solis Nobis,

***Al Jones**, CLU, CFP, ICD.D*
Chair, Board of Directors
Advocis, The Financial Advisors Association of Canada

Canadian Council of Insurance Regulation (CCIR)

On September 12, 2024, CCIR Released a Report on the Review of the Insurance OmbudServices Cooperation and Oversight Framework.

On September 12, 2024, CCIR released a report reviewing the Insurance OmbudServices Cooperation and Oversight framework. Below is CCIR's executive summary of the report.

Oversight of business practices (or market conduct) of insurance companies in Canada is the jurisdiction of provincial or territorial insurance regulators who work together through the Canadian Council of Insurance Regulators (CCIR), an inter-jurisdictional association of insurance regulators, to facilitate and promote an efficient and effective insurance regulatory system to serve the public interest. Ensuring consumers have access to effective processes to resolve complaints, including recourse through an independent dispute resolution (IDR) mechanism, is a critical component of the insurance market conduct regime.

IDR services are provided to Canadian insurance consumers through two industry-funded organizations, the General Insurance OmbudService (GIO) and the OmbudService for Life & Health Insurance (OLHI).

The Insurance OmbudServices Cooperation and Oversight Framework (the Oversight Framework) is a memorandum of understanding among GIO, OLHI, and CCIR, their regulatory oversight body. Adopted in 2007, it was developed to help CCIR ensure consumers have access to effective IDR services.

Since the Oversight Framework was adopted, IDR best practices, as well as consumer and regulatory expectations of IDR services, have evolved, especially in areas such as data analytics and information sharing for effective cooperation between regulators and OmbudServices and approaches to identifying and addressing consumer gaps (including systemic issues). For CCIR, this raised a concern about the effectiveness of the Oversight Framework, particularly whether enhancements were needed to ensure all parties to the memorandum share a common understanding of their role in consumer protection and have in place adequate processes to support the fulfillment of the public interest objectives of IDR of complaints.

In 2023, CCIR contracted an external party to assess the Oversight Framework. The review found that the Oversight Framework needs to be updated to ensure it fulfills its purpose and that regulators are confident that the IDR mechanism in Canada is effective. In the coming months, CCIR will work with key stakeholders to update the Oversight Framework with a focus on the following areas:

- *Defining effectiveness criteria for GIO and OLHI, as the IDR-mandated organizations created by the insurance sector in Canada;*
- *Developing a Data-Driven Information Protocol to enhance information exchange and ensure that regulators have confidence in the IDR mechanism (GIO and OLHI); and*
- *Enhancing the accountability of GIO and OLHI through an update of the Oversight Framework's Guideline No. 6 Accountability and Transparency.*

CCIR is committed to publishing an updated Oversight Framework by the end of 2025.

You can read the full report here. If you have any issues accessing the report, contact CAFII's Research Analyst, Robyn Jennings.

Department of Finance Canada

On October 15, 2024, the Department of Finance Canada Announced the Appointment of a New Commissioner of the Financial Consumer Agency of Canada (FCAC).

On October 15, 2024, The Department of Finance Canada announced the appointment of Shereen Miller as the new Commissioner of the Financial Consumer Agency of Canada (FCAC). Ms. Shereen Miller's term will last for five years and will begin on November 7, 2024. The announcement, released on the Government of Canada's website, has been included below.

News Release
October 15, 2024 - Ottawa, Ontario - Department of Finance Canada

Today, the Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, announced the appointment of Shereen Miller as Commissioner of the Financial Consumer Agency of Canada (FCAC) for a five-year term, beginning on November 7, 2024.

The FCAC Commissioner plays a leading role advocating for the rights and interests of Canadians when accessing financial products and services, as well as works to improve the financial well-being of Canadians.

Quotes
"I extend my thanks to Ms. Miller for stepping up to advance Canadians' rights and interests in their dealings with financial institutions across the country. Ms. Miller's extensive experience in government, ensuring responsible regulatory oversight and developing relationships with businesses, will serve Canadians well as she delivers on FCAC's mandate. I also wish to thank the outgoing interim Commissioner, Mr. Werner Liedtke, for his service over the past year."

- The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance

Read the full announcement here.

On October 11, 2024, CAFII's Executive Director Keith Martin Provided an Email Update on the Ongoing Interactions with the Department of Finance Regarding the Proposed Amendments to the Calculations of Interest Rates.

On October 11, 2024, CAFII's Executive Director, Keith Martin, contacted the EOC and Board to update them on the ongoing conversation he is having with the Department of Finance regarding its proposed amendments to the criminal code to include insurance in the calculation of interest rates. K. Martin's email has been included below.

Update re: Department of Finance Calculation of Interest Rates

Hello Board, EOC, and Market Conduct & Licensing Committee Member,

This is an update on the interactions with the Department of Finance on its proposed amendments to the Criminal Code to include insurance in the calculation of the criminal interest rate.

CLHIA had a follow up meeting with the Department of Finance on Wednesday, October 9. I have had a discussion with Luke O'Conner to get further details. The finance department officials acknowledged that the consultation period was short, and that said that they received more feedback than they expected. They also said that they were considering a second consultation.

They asked CLHIA for information on how many customers request creditor insurance after a loan or credit is issued (days or weeks after, as opposed to at time of sale). Luke O'Connor tells me that they are in no rush for this and said that receiving it in December was fine.

I shared with Luke my concern around why the Department was asking for this information. Insurance is sold not bought, and the moment to share information about this optional product is at the time of sale. I am concerned that the Department may be thinking about a deferred sales model. Australian regulators introduced a deferred sales model there some years ago, and it decimated the industry. A deferred sales model would result in underinsured and uninsured Canadians who would otherwise obtain the insurance not gaining coverage. I believe we may need to share some of these points with the Department.

We asked for a meeting with the Department in our written submission on September 11, and if they do not respond in a week or so I will follow up.

Thank you,

--Keith

Keith Martin
Executive Director / Directeur général
Canadian Association of Financial Institutions in Insurance
L'association canadienne des institutions financières en assurance
keith.martin@cafii.com

Office of The Superintendent of Financial Institutions (OSFI)

On October 2, 2024, OSFI Released an Update to Its 2024-25 Annual Risk Outlook.

On October 2, 2024, OSFI released its fall update on its 2024-25 Annual Risk Outlook (ARO). This semi-annual update identifies the most pressing issues facing Canada's financial system and informs Canadians how the risks will be handled. Below is a summary of the update.

Over the summer, OSFI named the four top risks to Canada's financial system:

- Real estate secured lending and mortgage risks;
- Wholesale credit risks;
- Funding and liquidity risks; and,
- Integrity and security amidst geopolitical uncertainty.

While these risks remain, OSFI found that two integrity and security risks have intensified: operational resilience risks and artificial intelligence (AI) risks. To manage these issues, OSFI will:

- *assess institutions' preparedness to manage third-party risks and technology and cyber-related risks.*
- *assess the strength of institutions' business continuity plans, disaster recovery plans, and internal third-party contingency plans.*
- *collect third-party data to increase understanding of systemic concentration risk.*

- *conduct thematic reviews and monitor cyber resilience and third-party risk management of critical outsourced functions.*
- *assess the impact of AI adoption on the risk landscape and strengthen existing guidelines to decrease AI-related risks.*
- *issue an updated Model Risk Management guideline in summer 2025.*

Read OSFI's announcement here.
Read Wealth Professional's coverage of OSFI's update here.

Securian Canada

On October 8, 2024, Securian Canada Released a Report Detailing New Data on Insurance Rates with Gig Workers.

On October 8, 2024, Securian Canada released a report, *Behind the Gig: Securian Canada Insights,* revealing that nearly 22%, or 7.3 million, Canadians are working in a gig position. Furthermore, most Canadians working in gig positions do so out of financial necessity, with more than 50% doing so to supplement their primary income. CAFII's Research Analyst, Robyn Jennings, has included a summary of the report below.

One of the primary drivers behind gig work is economic hardships, particularly the cost of living. Roughly four million Canadians use gig employment to supplement their primary income. While many have indicated that this additional income is small, they find it to be a needed addition.

In addition to financial vulnerabilities, gig workers are largely under- or uninsured; Securian found that 50% of workers who rely solely on gig employment have no insurance. For the gig workers who are insured, approximately 57% receive their coverage from someone else, meaning they are "placing their financial security outside of their own hands."

Whether insured or not, the vast majority (86%) of gig workers see the value and necessity of insurance.

Read Securian Canada's report here.

Read Securian Canada's executive summary of the report on their website here.

Read CBC's coverage of Securian Canada's report here. CBC also released a short video detailing the report's findings, which can be accessed here.

Provincial/Territorial

Ontario

The Financial Services Regulatory Authority of Ontario (FSRA)

On September 19, 2024, FSRA Announced Its New Partnership with Fintech Cadence.

On September 19, 2024, FSRA announced that it had partnered with Fintech Cadence to "foster fintech innovation in Ontario." This one-year partnership intends to empower and support fintech startups across the province by identifying opportunities and addressing barriers to innovation.

As per FSRA's official announcement:

> *This partnership will help pave the way for the introduction of new or improved products and services to the financial services market in Ontario. Ontario's financial services regulator (FSRA) and Fintech Cadence have announced a new partnership to foster fintech innovation in Ontario. This one-year partnership is supported through FSRA's Innovation Office. It will empower and support fintech startups to identify opportunities and address barriers to help them bring innovative financial products and services to the province while maintaining consumer protection.*

Read FSRA's announcement on its website here. CAFII is planning on organizing a webinar with FSRA on this issue in 2025.

British Colombia

British Colombia Financial Services Authority (BCFSA)

On October 11, 2024, CAFII Made a Submission to the BCFSA on Its Expectations of "Adjusters" in the Life and Health Insurance Industry in BC.

On October 11, 2024, in an email to the BCFSA's CEO Blair Morrison, CAFII's EOC Chair and Board Secretary Karyn Kasperski, with the help of CAFII's Executive Director, Keith Martin, made a submission detailing the Association and its members' concerns on the regulator's expectations of "adjusters" in the Life and Health insurance industry in British Colombia. The entire submission has been included below.

> *October 11, 2024*
> *Mr. Blair Morrison*
> *CEO, BC Financial Services Authority*
> *600-750 West Pender Street*
> *Vancouver, B.C.   V6C 2T8*
> *insurance@bcfsa.ca*
>
> *Copy to:*
> *Thomas Taller, Acting VP of Client and Stakeholder Engagement*
> *Marina Makhnach, Director, Market Conduct Financial Institutions*
> *Harry James, Senior Regulatory Advisor*
>
> *Dear Mr. Morrison,*
>
> ***Re: Expectations of "Adjusters" in the Life and Health Insurance Industry in BC***
> *The Canadian Association of Financial Institutions in Insurance (CAFII) would like to thank the British Columbia Financial Services Authority (BCFSA) for the opportunity to provide feedback on your interpretation of the* Financial Institutions Act; Insurance Licensing Exemption Regulation.
>
> ***BCFSA Interprets Certain Activities to be Adjusting***
> *It is a common interpretation in the insurance sector that adjusting refers to making decisions around whether an event triggers a payout of insurance and if so, the amount of that payout.*

These decisions are made for events that can trigger losses that must be calculated, and which require investigation and discussion between representatives of insurance companies (adjusters) and policy-holders.

This is typical in the auto insurance industry, where an auto accident could result in losses that need to be calculated; and in home insurance where a fire, flood, or other event could result in losses that need to be calculated. An auto accident does not result in a pre-determined or automatic payout, but rather requires determining the extent of the damage and the cost of returning the vehicle to its pre-accident state, or alternatively if the costs to repair the vehicle exceed its value a decision may be made to write off the vehicle and pay the insured for the value of the vehicle at the time of the accident. A flood, fire, or other house event similarly requires determining the extent of the loss and how to return the home to its pre-event state. These determinations are made by adjusters who specialize in making these determinations, often in conjunction with the policy-holder.

This is fundamentally different from the life and health insurance industry where there is not "adjusting" but rather "adjudication" as the question is whether the triggering event is consistent with existing contractual arrangements. A life insurance claim, for example, does not have any "adjusting" component focused on determining the extent of payout; the claim is valid claim or it is not, and if it is valid then the amount of the claims payout is what the contract specifies. These are straightforward administrative decisions that do not require adjusting or negotiation, but rather require simply determining if contractual terms were met.

We note that BCFSA's interpretation of adjusting in the Regulatory Statement that was shared with us is as follows:

> *BCFSA's position is that exercising significant judgment and/or discretion when handling or coordinating a claim file may attract the licensing requirement. Actively investigating, evaluating and arranging for significant steps in the settlement of claims made by policyholders and beneficiaries under insurance contracts (the "insured") constitutes adjusting.*

The administrative determinations made in the life and health insurance sector around determining eligibility with respect to existing contracts and validating if contract terms were met or not does not involve significant judgment or discretion or involve significant steps. As such, we do not agree with the BCFSA interpretation of adjudication being similar to P&C adjusting, and as such we do not believe that the people making these decisions within the life and health insurance sector require individual licenses.

We further note that the BC legislation provides for an exemption for salaried employees acting for an insurer processing these claims from the requirement for an individual license for an adjuster, and as such the requirement for an individual license would appear to apply to individuals operating solely in outsourced, third-party TPAs and MGAs. However, we are also of the view that such individuals are not making adjusting decisions about these claims, but rather are administratively determining eligibility against existing contracts.

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Thank you again for the opportunity to provide input and feedback on the BCFSA's consultation on adjusters in the life and health insurance industry. Should you require further information from CAFII or wish to meet with representatives from our Association at any time, please contact Keith Martin, CAFII Executive Director, at keith.martin@cafii.com or 647.460.7725.

Sincerely,

Karyn Kasperski
Board Secretary and EOC Chair

International Developments, Research, and Thought Leadership

McKinsey & Company

On August 29, 2024, McKinsey & Company Released an Article on the GenAI Skills Revolution and the Importance of Rethinking Talent Acquisition Strategies.

On August 29, 2024, McKinsey & Company published an article titled *The Gen AI Skills Revolution: Rethinking Your Talent Strategy.* The article emphasizes the importance of adapting talent strategies to align with digitalization by redefining roles, reskilling employees, attracting AI specialists, and adjusting AI to adhere to long-term workforce plans that fully harness generative AI's potential in organizations. Read CAFII's Research Analyst, Robyn Jennings, full summary below.

McKinsey's article on generative AI (Gen AI) talent strategies highlights the need for businesses to rethink hiring and upskilling to align with digitalization. As Gen AI capabilities expand, organizations must assess which roles can leverage AI, reskill current employees, and develop a targeted approach to attract new talent with AI expertise. This shift will help close skill gaps, support innovation, and increase productivity while balancing strategic investments in technology and talent. The report emphasizes amalgamating AI goals with long-term workforce planning.

To do so, McKinsey argues that leaders will need to redefine roles and responsibilities. Generative AI will continue to change the scope of traditional roles by automating tasks, enhancing creativity, and aiding decision-making. Companies need to identify which roles benefit most from AI and possibly reshape job descriptions to integrate AI tools and make jobs more productive.

Leaders are also encouraged to both reskill and upskill. With AI's rapid evolution, organizations must prioritize skill development by creating programs that build employee proficiency in data management, AI-driven problem-solving, and technology ethics. This approach helps maintain a skilled workforce capable of working alongside AI tools.

Another key area leaders should focus on is attracting AI talent. Since the competition for skilled AI professionals is high, companies should develop competitive recruitment strategies to stand out. These should include offering flexible work environments, continuous learning opportunities, and the chance to work on impactful projects, all of which are attractive to tech talent.

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Finally, McKinsey's article stresses the importance of aligning AI with a strategic workforce plan. Companies need to sync AI implementation with broader workforce plans, ensuring the AI fits within the company's vision for long-term growth. This may mean investing in AI for specific strategic goals, like innovation or efficiency, and anticipating how workforce roles may evolve.

Read McKinsey & Company's full article [here].

In June 2024, McKinsey & Company Released an Article on The Importance of Personal Growth to Achieve Professional Success.

In June 2024, McKinsey & Company published an article titled *The 'Inside Out' Leadership Journey: How Personal Growth Creates the Path to Success,* which summarizes McKinsey's new book (same name). In the book, McKinsey's senior partners argue that effective leadership requires inner personal development. The authors highlight that many leaders, despite mastering technical skills, struggle to connect their personal aspirations with organizational performance. CAFII's Research Analyst, Robyn Jennings, has summarized the article below.

McKinsey & Company's article explains that their new book promotes a leadership approach that balances hard skills with soft qualities such as self-awareness, empathy, and resilience. The authors call this the "inside-out" method, which encourages leaders to first understand themselves, address personal biases, and evolve their leadership style to foster authentic connections with their teams.

In short, thanks to today's complex business environment, traditional authoritative leadership is less effective. Leaders now need to embrace change, leverage technology like AI, and navigate multiple stakeholder demands, all while inspiring and caring for their teams. Case studies include executives from various sectors who benefited from this human-centred approach by fostering transparency, emotional connection, and adaptability within their organizations. Ultimately, the book advocates for a leadership model that integrates personal growth and emotional intelligence with strategic business acumen.

Inner Development as a Foundation for Effective Leadership

As the McKinsey & Company authors explain, leaders possess strong technical skills but struggle to link these abilities to their personal aspirations and broader organizational goals. Therefore, leaders need to focus on personal growth. By cultivating self-awareness, they can connect authentically with themselves, leading to more impactful relationships with their teams. This includes understanding one's biases, values, and motivations.

Balance Between Hard and Soft Leadership Skills

The book suggests that most leaders can readily develop technical competencies, such as financial planning or strategic thinking. However, balancing these with soft skills—like humility, empathy, and resilience—is critical for lasting leadership success. Unlike hard skills, soft skills require personal vulnerability and a willingness to self-reflect, which can be difficult without support or coaching. By embracing both types of skills, leaders can create a human-centric leadership style that encourages a more dynamic and balanced approach to complex situations.

Evolution of the Leadership Model

In the past, leaders were celebrated for being authoritative, all-knowing figures. This is no longer the case. In fact, today's leaders are expected to manage a myriad of issues, both professional and personal. This includes tensions between short-term goals and long-term strategy, balancing social responsibilities with profitability, and being attuned to employees' diverse needs. The book argues that to meet these demands, leaders must cultivate inner qualities (soft skills) —empathy, versatility, and resilience—that allow them to adapt and lead in a constantly shifting landscape.

Self-awareness and Self-reflection as Core Leadership Prerequisites

The authors of McKinsey & Company's new book argue that leaders who are self-aware and self-reflective can make better decisions and engage teams more effectively, which is vital when managing competing demands. In fact, McKinsey has developed a program called the Bower Forum Program to address such issues. The Bower Forum CEO development program emphasizes these introspective skills, encouraging leaders to build self-knowledge, which they can then use to inspire and lead others. The end goal is to cultivate self-reflection, which will shift leaders away from traditional authoritative styles to human-centric approaches, thereby engaging employees in meaningful ways and creating a stronger sense of shared purpose.

Incorporating Human-Centric and Adaptive Leadership

As the business landscape becomes more intricate with challenges like digital transformation, climate change, and diversity issues, leaders need to address diverse challenges with empathy and adaptability. This approach not only strengthens organizations but also fosters deeper relationships within teams, encouraging loyalty and engagement.

AI and Human Leadership

With advancements in AI and generative AI, many analytical and routine management tasks are increasingly managed by algorithms, allowing leaders to focus more on human-centric leadership. Leaders who excel at technical and analytical tasks might see parts of their role automated, making people skills an important differentiating factor. By handling data-heavy tasks, AI frees leaders to spend more time with their teams, fostering a workplace culture built on engagement, purpose, and personal development.

The Financial and Organizational Benefits of Human Capital Investment

McKinsey's research reveals that organizations that focus on human capital and financial performance outperform those solely focused on financial metrics. In fact, during the pandemic, companies that emphasized human-centric leadership showed greater resilience and profitability, suggesting that this approach leads to sustained performance. Developing people within organizations leads to greater adaptability and long-term success, directly impacting the company's bottom line and stability.

The Inside-Out Leadership Journey and Personal Transformation

McKinsey & Company's book provides real-world examples of leaders who transformed their organizations by cultivating a human-centred approach. This includes:

- A media company president who encouraged "truth tellers" at all levels for transparency.
- A pharmaceutical leader who predicted COVID-19 trends, helping the company quickly adjust.
- A hospital CEO who prioritized emotional connection with employees to improve morale.

These stories underscore the impact of personal transformation on organizational success, emphasizing the need for leaders to develop authentic and purpose-driven leadership.

Final Call to Action for Leaders
The book's ultimate message is an invitation for leaders to examine themselves, adopt an open mindset, and embrace personal growth. McKinsey encourages leaders to think beyond financial outcomes and foster an environment where employees feel seen, valued, and motivated to achieve shared goals. This approach supports sustained success and builds resilient, adaptable leaders who inspire holistic growth within their organizations.

McKinsey & Company advocates for today's leaders to embrace self-growth, adaptability, and empathy to successfully lead in the face of modern challenges. Through personal reinvention, they can inspire meaningful impact both within and beyond their organizations.

Read the full article here.

Osler

On October 9, 2024, Osler Published an Article on the Law Commission of Ontario's Call to Modernize Ontario's Consumer Protection Act.

On October 9, 2024, Osler published an article detailing the Law Commission of Ontario's (LCO) call for further modernization to Ontario's Consumer Protection Act. The article*, Law Commission of Ontario Calls for Further Modernization of Province's Consumer Protection Act,* summarizes the LCO's arguments, which are that the Act needs clearer standards and protections, particularly around digital contracts, transparency, and data privacy. The LCO suggests that these changes are critical to support consumer trust and adapt to modern marketplace practices, where digital transactions and new business models are more common.

The LCO's call for modernizing centers around several key areas:

- **Digital Contracts**: Establishing clearer standards to protect consumers engaging in online agreements. Given the widespread use, digital agreements and online transactions need clearer consumer protection rules.
- **Transparency:** Requiring businesses to provide clear and accessible information before transactions. Proposals need to focus on improved transparency requirements, ensuring consumers have accessible, understandable information before committing to purchases.
- **Data Privacy and Security**: the Act needs to require the enhancement of protections around personal data in the digital realm to align with modern data use and storage. The LCO is recommending that privacy protections be strengthened, particularly for online activities.
- **Adapting to New Business Models**: The Act should be adapted to cater to emerging market trends, particularly in subscription and digital services. With evolving marketplace trends, the Act should consider the unique challenges of digital and subscription services, enhancing consumer safeguards.

Pollara

In August 2024, Pollara Released a Report on the Impacts of Interest Rates on Canadians.

In August 2024, Pollara released a report titled *The Politics of Interest Rates: The Impact of Interest Rates on Canadians.* Pollara found that rising interest rates are intensifying financial stress among Canadian homeowners, particularly those with variable-rate or soon-to-renew mortgages, and renters, leading to shifts in political support as economic pressures reshape priorities. CAFII's Research Analyst, Robyn Jennings, has included a summary of the report below.

Pollara investigated the economic and political consequences of rising interest rates for Canadians. It found four major areas that are most concerning to Canadians.

1. **Mortgage Status and Financial Security**
   a. *Homeownership and Financial Well-Being*: Canadians' financial outlooks differ significantly based on their housing situations. Those who have paid off their mortgage report feeling financially secure (33%) at over three times the rate of those still paying off a mortgage (10%) and more than four times the rate of renters (8%). Among homeowners, the sense of financial security decreases sharply for those still paying down a mortgage. They feel as though they are more vulnerable to financial stressors, particularly in the current high-interest environment.
   b. *Age and Financial Health*: Age also plays a role, as most mortgage-free homeowners are over 50, with nearly half being over 65. This suggests that financial security increases as Canadians near retirement.
   c. *Concern Over Interest Rates*: Interest rates are a major source of concern for mortgage holders. Nearly 60% of homeowners still paying down a mortgage cite it as a major concern, second only to inflation, which continues to strain household budgets. Renters and mortgage-payers also report that other essential costs, such as food and housing, add to their economic stress.
2. **Interest Rates and Housing Costs**
   a. *Variable-Rate Mortgages*: Canadians with variable-rate mortgages feel particularly impacted by rising interest rates. As variable rates rise directly with the central bank's adjustments, they express more financial stress than those with fixed-rate mortgages. Homeowners on variable rates or those renewing mortgages soon report feeling pessimistic about their finances due to the uncertainty of rising costs.
   b. *Renters' Concerns*: Renters also feel heightened stress about housing costs, with 75% ranking it as their top financial worry. Compared to homeowners, renters are more likely to face additional cost-of-living stress related to food, gas, and debt. High housing costs significantly impact younger Canadians, with many renters under age 35 reporting an uphill struggle with cost-of-living pressures.
   c. *Generation-Wide Outlooks*: Across generations, those with paid-off mortgages have a more positive economic outlook than mortgage-payers and renters, who are both more likely to feel pessimistic about their financial futures.
3. **Political Impact**
   a. *Influence on Voting Intentions*: The report identifies a clear link between economic pressures, particularly around interest rates, and political preferences. Canadians affected by high interest rates, such as those with variable-rate mortgages or those who

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recently renewed their mortgages, tend to show lower support for the Liberal Party. Support is particularly weak among those anticipating mortgage renewals in the coming year (18%) and those with variable rates (17%).

b. *Liberal Support Trends*: While homeowners who have paid off their mortgages show slightly higher Liberal support (28%), current mortgage holders report only 21% support, and those most impacted by high interest rates show even lower support. Renters, while more neutral in their political alignment, also express financial stress that could influence future voting patterns.

c. *Economic Conditions Shaping Political Landscape*: The report suggests that financial concerns related to housing costs, debt, and inflation may increasingly influence Canadians' political leanings. The impact of these financial pressures on voting intention is particularly pronounced among those dealing with rising housing and interest costs, potentially signalling a shift in political preferences among financially strained demographics.

4. **Broader Cost-of-Living Stressors**
   a. *Top Concerns for Mortgage-Free Homeowners*: For those who have paid off their mortgage, issues like healthcare (63%) and inflation (49%) rank highest, while housing costs are less of a concern (18%). This group, generally older and more financially secure, prioritizes broader economic and social issues.
   b. *Mortgage Payers' Financial Pressures*: Homeowners still paying off their mortgages report high levels of stress from essential costs: 46% are highly stressed about food prices, 41% about housing costs, and 33% about gas. Debt and taxes are also major concerns, suggesting a widespread financial strain for this group.
   c. *Renters' Financial Challenges:* Renters experience significant stress, with 51% citing food as a major financial burden and 49% highly stressed by housing costs. Additionally, 57% of renters are very concerned about poverty and homelessness, suggesting that the lack of affordable housing weighs heavily on those unable to buy a home.

In short, the report highlights how rising interest rates and housing costs exacerbate financial pressures for Canadian households, impacting both economic stability and political inclinations. The divergence in financial security based on housing status, age, and mortgage type underscores the need for economic policies that address the specific challenges faced by renters and mortgage payers in Canada.

Read Pollara's full report here.

PYMNTS

In August 2024, PYMNTS Released a Report on the Effects of Purchasing Bank Insurance.

In August 2024, PYMNTS Intelligence published a report titled *Increasing Enthusiasm: The Effect of Purchasing Bank-Provided Insurance*. The report highlights the finding that, due to familiarity and policy satisfaction, consumers with bank-provided insurance show strong interest in additional policies. It also makes the argument that a communication gap with non-insured customers presents an opportunity for banks to enhance awareness and loyalty. CAFII's Research Analyst, Robyn Jennings, attended the webinar and provided a summary below.

PYMNTS' report examines U.S. consumer interest in bank-provided insurance based on a survey of 2,195 individuals. This study emphasizes the role of proactive communication and product awareness in fostering customer loyalty and expanding the bank-provided insurance market. Key findings include:

1. **High Interest in Repeat Purchases:** The report reveals a strong preference for repeat purchases among those already holding bank-provided insurance, with 76% of these consumers expressing interest in purchasing additional policies. This high level of repeat interest suggests a positive experience with these insurance products, likely driven by factors such as convenience, trust, or integration with existing financial services. In contrast, only 39% of consumers who do not currently have bank-provided insurance are interested in making a future purchase, indicating that prior exposure to these products significantly influences consumer openness to further investment. This insight underscores the potential for banks to focus on retaining and expanding services for their existing insurance customers as a foundation for future growth.

2. **Growing Familiarity:** Consumers who have purchased bank-provided insurance are more knowledgeable about their banks' insurance offerings, while 53% of non-purchasers report receiving no information from their banks. Consumers who already have bank-provided insurance tend to be better informed about the range of insurance options available through their financial institutions (FIs). The report finds that 32% of these consumers are "very familiar" with their FI's insurance offerings, compared to only 9% of non-purchasers. This familiarity may be due to increased communication or a proactive approach to understanding products once they hold one insurance policy. Additionally, even among those not entirely familiar with all products, insured customers are 2.5 times more likely to know at least some of their FI's insurance offerings. This suggests a knowledge gap for non-purchasers, emphasizing the value of targeted educational efforts to improve awareness and interest among these customers.

3. **Importance in Bank Selection**: For consumers who have purchased insurance from their banks, insurance offerings play a notable role in their choice of financial institution. The report indicates that 60% of insured consumers view insurance options as an essential factor in selecting a bank, compared to only 21% of non-insured consumers. This preference shows that as customers become familiar with their banks' insurance offerings, they increasingly appreciate the convenience of bundled financial services. The report also highlights that insured customers are 2.5 times more likely to express a preference for their FI to provide insurance, suggesting that integrated insurance options can drive both customer satisfaction and long-term loyalty.

4. **Communication Gap as a Barrier**: A significant barrier to increasing bank-provided insurance adoption appears to be insufficient communication. While 38% of insured consumers receive regular updates from their banks about insurance products (at least once per month), a notable 53% of non-insured consumers report not having received any insurance-related information in the past year. This lack of communication creates a missed opportunity for banks to convert non-insured customers who may not be fully aware of or engaged with these services. By enhancing outreach and providing timely, relevant information about insurance offerings, banks can potentially boost interest and awareness, expanding their insurance customer base and reinforcing customer loyalty across financial services.

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These points collectively suggest a promising opportunity for banks to leverage existing customer satisfaction and interest in insurance offerings. By addressing the information gap and enhancing the visibility of insurance products, banks can strengthen customer loyalty and broaden their role as comprehensive financial service providers.

Read the full article here. If you can't access the article, contact CAFII's Research Analyst, Robyn Jennings, to be sent access.

Torys

At the End of September 2024, Torys Published an Article on AI in Financial Services and Consumer Protection.

At the end of September 2024, Torys published an article titled *AI in Financial Services: Are Consumers Better Protected or More at Risk?* The article explored how AI in financial services can offer efficiency, personalized service, and better compliance while simultaneously bringing risks like fraud and data security concerns. As a result, this duality has prompted calls for responsible regulation to protect consumers. CAFII's Research Analyst, Robyn Jennings, has summarized the article below.

In its article, Torys discuss AI's role in transforming financial services, highlighting benefits like improved consumer experiences, operational efficiency, and better compliance and risk management. However, it also addresses concerns, such as the rise in fraud (e.g., deepfakes), misinformation, and data security risks. Canadian regulatory efforts, including Bill C-27 and updated guidelines, aim to mitigate these risks while promoting AI's safe application. The authors suggest that while AI offers significant potential, careful regulation is essential to protect both consumers and institutions.

AI's transformative role in financial services can be broken down into the specific impacts and challenges it offers:

- **Improved Consumer Experiences:** AI enhances service personalization by analyzing vast amounts of user data to provide insights and advice tailored to individual needs. Chatbots and virtual assistants allow 24/7 customer support, helping answer queries, automate tasks, and simplify complex banking functions. Predictive analytics empower financial institutions to anticipate customer needs, offering proactive solutions and elevating customer satisfaction.
- **Operational Efficiency**: AI-driven automation reduces the reliance on manual processes, speeding up traditionally labor-intensive tasks like loan underwriting, credit scoring, and document processing. This leads to cost reductions and increased operational scalability, making it possible for financial institutions to handle higher volumes without proportionately higher costs. By integrating machine learning in risk assessment, banks improve decision-making accuracy and efficiency, enhancing productivity.
- **Enhanced Compliance and Risk Management:** Financial institutions are increasingly relying on AI to meet stringent regulatory requirements. Automated compliance tools can monitor transactions, detect suspicious activity, and analyze vast datasets for potential risks, reducing the chance of human error. Pattern recognition in AI can detect subtle fraud indicators and unusual activity, supporting faster, more accurate fraud detection and providing an additional layer of security.
- **Risks and Concerns:**

- *Fraud and Misinformation*: AI's power also raises concerns, particularly with deepfake technology, which could be exploited for financial fraud by impersonating executives or customers. This capability can also facilitate misinformation, undermining public trust in financial systems and making it challenging to distinguish between legitimate and fraudulent communications.
- *Data Security and Privacy*: AI's reliance on large datasets exposes institutions to data privacy challenges. Protecting sensitive customer data becomes increasingly difficult as cyber threats evolve. Financial services need advanced cybersecurity strategies to prevent breaches and unauthorized data access while complying with data protection laws.

- **Regulatory Responses**: Recognizing AI's dual potential for benefit and risk, Canada has introduced measures like Bill C-27 to govern AI use, aiming to safeguard consumers and support responsible AI deployment. These regulations focus on transparency, accountability, and data ethics, seeking a balance between enabling financial innovation and protecting consumers against emerging AI-driven threats.

Read Torys' article here.

On September 4, 2024, Torys Published an Article on the Board Composition of FRFIs.

On September 4, 2024, Torys published an article about Canada's decision to examine whether interlocking directorates should be prohibited or restricted within the financial sector, given the unique role of federally regulated financial institutions (FRFIs) within the Canadian economy. CAFII's Research Analyst, Robyn Jennings, provided a summary below.

Canada's Department of Finance is reviewing interlocking directorates, focusing on financial institutions and potential conflicts when individuals sit on multiple boards. The current OSFI framework allows boards to manage these conflicts based on specific situations, upholding board independence through existing governance policies. However, some are concerned that new, rigid statutory restrictions might reduce beneficial flexibility, impacting institutions' governance. The discussion includes balancing board expertise with the risks of overlapping roles, given that existing policies already set standards for managing conflicts effectively.

In short, the key points are:

- **Proposed Regulation**: Canada's Department of Finance is considering restricting board members from holding directorships across multiple financial institutions to reduce conflicts of interest.
- **Current Governance**: Existing OSFI guidelines provide governance oversight, requiring boards to manage conflicts flexibly on a case-by-case basis.
- **Challenges of Restriction**: Statutory prohibitions may lack flexibility and adaptability, potentially limiting governance benefits gained from diverse board experience across multiple institutions.

Read Torys' full article here.