cafii acifa
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, December 2024/January 2025

Prepared by Robyn Jennings, Research Analyst.

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Federal/National

Canadian Association of Financial Institutions in Insurance (CAFII)

On December 5, 2024, CAFII Updated Its Members on the Joint Response from CAFII, the CLHIA, and THiA on the BCFSA's Intention to Require Life and Health "Adjusters" Making Decisions To Be Individually Licensed.

On December 5, 2024, CAFII sent out an email updating its Board and EOC members on the joint response to BCFSA from the Association, the Canadian Life and Health Insurance Association (CLHIA), and the Travel and Health Association of Canada (THiA) on the regulator's intention to require life and health "adjusters" making decisions to be individually licensed. The email has been included below.

> *Dear CAFII Board, EOC, and Market Conduct & Licensing Committee Members:*
>
> *Please find an update note from three Associations engaged in discussions with BCFSA around that regulator's intention to issue a regulatory statement requiring life and health "adjusters" making decisions to be individually licensed.*
>
> ***BCFSA has shared its intention to not proceed with the regulatory statement, which has been put in "abeyance."*** *Further detail on this is contained in the note; we consider this decision to be an important and positive development.*
>
> *Thank you,*
>
> *--Keith*
>
> *Keith Martin*
> *Executive Director / Directeur général*
> *Canadian Association of Financial Institutions in Insurance*
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Below is the joint update note that was attached to the email. Both CAFII and THiA have circulated the note.

> *Harry James from BCFSA has been in contact with CLHIA, CAFII, and THIA about the intention to publish a regulatory statement that indicates that life and health "adjustors" who make decisions about claims would need to be individually licensed. CLHIA, CAFII, and THIA have all made written submissions to BCFSA suggesting that this is unnecessary as claims determinations for life and health insurance, unlike P&C insurance, are not decisions but rather adjudication of whether a claim meets contractual requirements.*

Mr. James has reached out recently to the three Associations requesting an in-person meeting, and CLHIA hosted such a meeting on December 4, 2024 at their downtown Toronto offices. In attendance were Joan Weir and Luke O'Connor (CLHIA); Keith Martin (CAFII); and Michael Camacho (THIA).

Mr. James started the meeting by stating that BCFSA had carefully reviewed the input from industry on this matter and had made the decision to no longer publish the regulatory statement, which he said was in "abeyance."

Mr. James said that BCFSA was still committed to the principle that insurers are responsible for the fair treatment of customers and that the regulator would like to work with the Associations on how to ensure that this principle is applied. He emphasized the concern that claims are outsourced by some insurers to third party administrators (TPAs), and these TPAs are not under regulatory supervision, leading to a concern that fair treatment of customers principles may not be applied. Ultimately, it is hoped that there be a better method of monitoring the fair treatment of customer outcomes between the underwriter and their TPA. Mr. James referred to principle no. 3 - outsourcing of the Insurer Code of Market Conduct British Columbia. A copy of the code is included for reference.

We indicated that we felt that our members were fully committed to ensuring that fair treatment of customers is applied including through TPAs, but that we would engage with BCFSA to jointly determine how best to demonstrate this.

Other points made by Harry James:

- *Delays in settling a claim can produce financial and emotional hardship for consumers;*
- *Insurance companies must treat customers fairly through the entire product life cycle;*
- *The focus on TPAs is around travel insurance and disability insurance as these classes are considered claims where there may be some interpretation;*
- *Companies outsourcing to TPAs have contractual arrangements and these could be a mechanism over time to ensure that the TPAs better understand their obligation to the fair treatment of customers;*
- *While BCFSA has "paused" or put in "abeyance" the regulatory statement requirement individual licensing for life and health insurance adjustors, this does not mean that this will not be considered again at a later date. It is hoped that the Associations and the BCFSA can find another solution;*
- *BCFSA has a new CEO & CSO (Tolga Yalkin) effective January 13, 2025, and his views on this file will need to be determined;*
- *The Associations encouraged BCFSA to develop some of these principles through CCIR and CISRO, and Harry James said that he agreed in principle but in practice these organizations have resource constraints;*

- *If BCFSA is reassured that industry understands its concerns around TPAs, the regulator may not feel it is necessary to be "as aggressive" on this issue.*

On December 3, 2024, CAFII Held its Annual End-of-Year Holiday Reception, at Which Keegan Iles Gave a Presentation on GenAI.

CAFII held its Annual End-of-Year Holiday Reception in Toronto. The event, hosted by Chubb Life, began with drinks and hors d'oeuvres and concluded with a speech from Price Waterhouse Coopers' (PWC) Keegan Iles, who spoke about GenAI in insurance.

Mr. Iles began his talk by declaring that, though great progress has been made, GenAI is far beyond what we know it to be. Its capacities are greater than what we can currently imagine.

He then discussed the current climate around GenAI. In short, from its conception, GenAI has been and remains a tool for solving problems. This capability will only continue to grow, which matters for Canadian insurers because Canada has tremendous AI capabilities. He asked, with this information, where does this leave us in the hype cycle? Arguably, GenAI is at its peak; it is talked about or referenced nearly constantly. Being at the peak does not mean it is about to decline in prominence or importance; rather, it simply means that it is becoming ubiquitous within the zeitgeist of today. An example of this is the sheer quantity of money being funnelled into GenAI. It is estimated that $1 trillion will be spent supporting AI in the coming years.

Everyone is, indeed, talking about GenAI, but this does not always translate to implementation or adoption. Here are a few eye-opening statistics.

- 70% of CEOs believe GenAI will significantly change the way their companies create, deliver and capture value.
- 28% of CEOs expect GenAI to enhance performance and productivity by freeing capacity to focus on higher-value tasks.
- 78% of insurers are not prepared to implement AI properly.
- Under 20% of insurers are actually developing AI models, resulting in misalignment with customer expectations.

Despite CEOs' claims, 66% of companies are still planning to implement GenAI despite their lack of readiness. So, whether folks are ready or not, GenAI is coming. Some insurers have been experimenting with AI to make it work towards operationalization. The following are the key areas insurers are focused on improving:

- Operational efficiency and knowledge management;
- Enhanced customer support and engagement;
- Risk assessment and underwriting.

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GenAI's superpower is its ability to consume large amounts of data and create new content or expand on existing content. The key, then, is to have a framework that connects these patterns to solve business challenges, particularly fraud detection. GenAI and its data consumption will also help track trends to better determine successful product design. GenAI's uses are endless.

While there are myriad negative stories of GenAI, Mr. Iles concluded his presentation by encouraging people to focus on patterns instead of use cases. Early GenAI adoption was like trial and error; mistakes and errors were bound to happen, but this should not prevent people from working with or expecting GenAI to have an impact. He explained that engaging with shareholders is one of the main factors for success.

The presentation made by Keegan Iles is available for download on CAFII's website:

[Keegan Iles Speech at CAFII's Annual End-of-Year Holiday Reception - CAFII]

This summary of the presentation by Keegan Iles is available in French on CAFII's website:

https://www.cafii.com/fr/resume-du-discours-de-keegan-iles-lors-de-la-reception-annuelle-de-fin-dannee-de-lacifa/

On November 14, 2024, CAFII Held a Webinar on Travel and Travel Insurance.

On November 14, 2024, CAFII held a virtual fireside chat with Andrea Stuska, Annelaure Masson, and Sheila Burns on the travel insurance industry. The event, titled *A Conversation on Travel & Travel Insurance*, explored such topics as Canadian travel trends in 2024, the impact of the COVID-19 pandemic on travel and the travel industry, and the ways geopolitics impacts travel. CAFII's Research Analyst, Robyn Jennings, attended the webinar. Her summary of the event has been included below.

On November 14, 2024, The Canadian Association of Financial Institutions in Insurance (CAFII) held its sixth webinar of 2024 – A *Conversation on Travel and Travel Insurance: A CAFII Virtual Fireside Chat with Andrea Stuska, Annelaure Masson, and Sheila Burns.* CAFII's Executive Director, Keith Martin, moderated the webinar. Three travel insurance experts joined him to discuss the state of travel insurance in Canada. They were

- Andrea Stuska (Senior Manager of Environmental, Government, and Industry Relations in Life and Health, TD Insurance);
- Annelaure Masson (Compliance Manager and Privacy Officer, TuGo); and,
- Sheila Burns (Director of Health and Disability Policy, Canadian Life and Health Insurance Association (CLHIA)).

Many representatives from CAFII's 15 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 Registered Insurance Brokers of Ontario (RIBO); and the Conference Board of Canada. Many insurance and financial services

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regulators and policy-making authorities attended as well, including the following government organizations:

- The Insurance Council of British Columbia;
- The Government of Alberta;
- The Alberta Insurance Council;
- Québec's Authorité des marchés financiers, or the AMF;
- The Financial Services Regulatory of Ontario, FSRA;
- The Financial and Consumer Services Commission of New Brunswick, or FCNB; and,
- The OmbudService for Life & Health Insurance, OLHI.

After K. Martin introduced the panellists, he asked them if Canadians are travelling more, less, or the same relative to recent years. Sheila Burns answered that, from the insurance side, it seems that Canadians are getting back to pre-pandemic levels of travel. 2023 was a high travel year thanks to what was dubbed "revenge travel," or travel specifically to make up for lost time because of the pandemic. There are a few locations that have not seen an increase in interest from Canadians, specifically parts of Asia and Russia. This has been largely attributed to geopolitical concerns. Annelaure Masson jumped in, agreeing with S. Burns' statement. She added that she doesn't feel Canadians are travelling more per se. Rather, what is happening is a shift in how Canadians travel, including changing destinations. This is, yes, due to geopolitics, but also because the Canadian dollar has been low. Andrea Stuska agreed with both S. Burns and A. Masson, commenting that while it may seem like Canadians are travelling more, in actuality, Canada is simply returning to pre-pandemic levels. Therefore, despite the inflationary pressures seen in the last few years, Canadians are still planning to travel; however, this travel may now look different. Duration, location, and/or the reason for travel are all shifting; where once Canadians may have been travelling for exploration, now they may be travelling for leisure. A trip that may have been two weeks pre-pandemic may now be 10 days.

K. Martin polled the audience to determine if they were planning on travelling more in the coming 12 months compared to the last 12 months. The majority (56%) said they would be travelling less in the next year compared to the last. A. Masson commented that this may be due to inflation, which remains an issue for Canadians, but it also may be because of geopolitical issues around the world. She still expressed her surprise at the poll results, expecting a higher number for travel. A. Stuska agreed, commenting that she was surprised as well. She acknowledged that many are likely cost-conscious; however, she still firmly believes that a lot of Canadians are engaged in discretionary spending in order to save for travel. She does think geopolitical events are likely to influence people's desire to travel.

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K. Martin then asked S. Burns how Canadians compare to other countries in terms of travel frequency. Canada is a cold country, which has caused many to depart during the winter months. Does this result in Canadians being more frequent travellers than most? She replied that, though she isn't sure, she thinks so because Canadians travel during both the summer and winter months, whereas other countries may just travel during summer. Canada does have the "snowbird" effect, which sees many Canadians fleeing the cold climate for warmer weather. But Canadians also travel in the summer because that is typically vacation time. Furthermore, Canadians are likely the biggest group travelling to the U.S. because of its proximity to Canada. With the recent US election, however, this may change. A. Stuska disagreed, commenting that most Canadians get an average of 10 vacation days per year. In contrast to European countries, Australia, New Zealand, and the UK, Canadians get shorter vacation time. In fact, some European countries close for all of August, thereby allowing more time for travel. Thus, comparing Canada to other countries, she argues that Canadians travel less. A. Masson added that it is hard to compare and quantify Canadians to Europeans due to Europe's geographical proximity and their travel infrastructure, like the train systems.

Since the pandemic, travel and travel insurance have changed. Awareness of health risks has increased. K. Martin asked how the market has shifted post-COVID-19. A. Masson agreed that there is more consumer awareness around travel insurance on both the medical and financial side. Baggage insurance became very popular post-pandemic. Consumers have also become a bit more inquisitive and demanding. Canadians are looking to protect their investment, in this case, their trip, and will say as much. However, travel insurance is still seen as a luxury for many. A. Stuska agreed with A. Masson, adding that she'd like to see more Canadians utilizing different types of travel insurance coverages. This has not always been the case. Lately, more claims have been made under embedded benefit coverages from travellers' credit cards. Something important to consider is unforeseen circumstances, which are rarely, if ever, included in people's travel budgets. S. Burns explained that as certain topics gain prominence in industry, misinformation tends to follow. For example, lately, the media has questioned why trip cancellation is necessary if the flight in Canada already covers it. She explained that many other things are involved in trip cancellation insurance other than a flight. The lack of information or the spread of misinformation can really hurt travellers looking to protect themselves.

Continuing that line of thinking, K. Martin inquired how insurance packages are changing, how the travel insurance sector is evolving, and what insurers are doing to answer consumers' shifting demands. S. Burns replied that a few things come to mind. Group products, for example, which were typically medical products, have begun to offer other forms of coverage and insurance options. In terms of the changing travel insurance sector, she explained how collaborative the industry became during and post-COVID. Insurers came together in response to consumer questions and concerns, and suggestions from the Canadian Council of Insurance Regulators (CCIR), all in an effort to make travel insurance digestible and comprehensible. K. Martin remarked that he has seen progress in this area post-pandemic since the CCIR emphasized consistency in terminology across vendors. S. Burns agreed, noting the uniformity in the description of pre-existing conditions and stability clauses. A. Stuska added that there isn't a one-size-fitsall approach; with travel trends changing, competitors respond with new offers. New products enter the market because of evolving consumer demands. She agreed with S. Burns about the need for better consumer education. Therefore, insurers should continue talking about their products. There are a lot of different types of coverage offered to consumers, but knowledge and foresight may be the barrier to access. While A. Masson agreed with both panellists, she did comment that travel insurance products may not be fundamentally changing but are instead being tweaked to better respond to consumer demands.

Diving deeper into the topic of uninsured, thus unprotected, travellers, K. Martin asked how insurers can reach Canadians planning on travelling without insurance without engaging in scaremongering. A. Masson commented that consumers are more aware of travel insurance and what it can do for them. However, they are also often misled about what it can do for them. Thus, many who do buy travel insurance are under the impression that it can do more for them than is the case, thereby causing disappointment and frustration at the time a claim is made. Many of these people then go to social media and complain. This issue is on the industry; insurers need to ensure consumers understand what they are buying and the limitations of these products. A. Stuska agreed, remarking on the need for balanced educational initiatives. She added that often many travellers assume they won't need travel insurance because they have an "it-won't-happen-to-me" mindset. Insurers can do more to combat this, like using accessible language or engaging in specific partnerships. She mentioned Global Affairs Canada, which puts out travel advisories. There is always room for improvement. Social media is one such area in which insurers could better access and educate Canadians consumers.

K. Martin remarked that, during COVID, some countries did not let people travel there unless they could prove they had a travel insurance policy. Therefore, government could play some role in reminding people of the risks of uninsured travel. S. Burns said that this is an option for Canada. While no one wants to engage in fearmongering, people still need to know the risks. Risks aside, Canadians need to be aware of the financial burden an insured injury could cost them if they, for example, travelled to the U.S. and hurt themselves. While the "snowbirds," or the older generations, do know about travel insurance and buy it, younger generations seem to often forgo this expense. S. Burns explained that it is the younger generations that insurers need to appeal to, and one way to do this is through social media and online platforms.

One major challenge for the travel insurance industry is the lack of hospital beds available during repatriation. S. Burns explained that awareness of this issue seems to grow every year because new stories are circulated across media platforms. This has been such a challenge that, over the summer, the Ministry of Health in Ontario reached out to the CLHIA for help. Ministry representatives met with the members of CLHIA's travel insurance committee to hear some key points, including some identified "glitches" in Ontario's repatriation process. CLHIA's members put together a document describing the whole process, including the "glitches" and recommendations on how to fix these.

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How insurers work with hospitals is different across Canada; some provinces and hospitals have better systems than others. Part of the issue is that, even if a Canadian is safe and being cared for in a bed abroad, they may want to be repatriated. This could be for a myriad of reasons, from preference to personal responsibilities. Repatriation not only impacts insurers and the healthcare system, but it often involves a degree of support from family members and/or friends. A. Stuska agreed with S. Burns, adding that understanding the healthcare system is already frustrating and complicated for many Canadians, so it's likely the last thing they want to think about in advance of a trip. Unfortunately, though, space cannot be made where there isn't any, meaning that if a Canadian is injured abroad, repatriation may take them outside their home province or city. This is a reality that Canadians need to consider when travelling, even if it is complicated. She encouraged people to research all destination areas before travelling. This won't solve the problem, but it can help keep Canadians informed. A. Masson remarked that many travellers are unaware of the reality of injuries. They do not necessarily understand the impact of foreign hospitalization and repatriation because they assume their insurer will fly them home and put them in a bed in their local hospital. This is not always the case. Canadians need to understand that this process takes time. She stressed the importance of familiarizing yourself with your policies and learning what needs to be done in case of emergency, like who needs to be contacted and when. This is to safeguard against time delays and complications in the event of an emergency. This is actually a part of THiA's Bill of Rights – know your health, know your rights, and know your policies. This means you do have rights, but you also have a responsibility to be informed.

K. Martin polled the audience and found that a strong majority are planning on travelling internationally in the next few months. Building on this, with the rise of thematic or experience-oriented travel, he asked the panellists what policies they offer and if they have been required to modify or build custom policies in response. A. Masson remarked that certain types of travel have grown with different demographics. The younger generations tend to prioritize budget or adventure travel. The industry has responded in turn by gearing its policies towards these, arguably, higher-risk activities. Experiential travel is another growing theme, as is ecotourism. For all these trends, the market responds with new offerings. That being said, some travel remains popular with certain age groups, like cruising for the older generations. Products are not the only thing changing to fit the market; benefits and services are evolving. S. Burns agreed and emphasized the need to know your policy and its benefits. A. Stuska added that there had been a lot of delays with natural disasters like hurricanes. People do not think about insurance in relation to this, but she encouraged Canadians to consider purchasing coverage that is appropriate to their destination and travel duration.

K. Martin gave the panellists a scenario on the coordination of benefits: a Canadian is travelling outside of Canada. They have embedded credit card insurance in the card that booked the travel, employee benefit travel insurance through work, and a purchased stand-alone coverage. How does this Canadian coordinate the numerous coverage and benefit plans in the event of an injury? A. Stuska explained that when someone has multiple benefit plans, these plans work together to pay the claim, provided that the consumer is actually claiming all the coverages. There are scenarios to determine which policy goes first, but usually, this is determined by looking at the claim itself to see what is being requested. There is no reimbursement under all the plans that would cover more than 100% of the claim. A. Masson added that the CLHIA has guidelines for the coordination of benefits, which most insurance providers follow, that identify which is the primary policy, the excess policy, and the sequence of who pays what. What is complicated is there isn't a universal process; each provider has its own process. THiA has a claims committee that is looking at this issue to try and determine how the process can be improved for both consumers and insurers.

With the recent American election, it now looks like the Canadian-American border will be less open, and there could also be significant refugee pressures. Some American officials are under the impression that terrorists are entering their country through the Canadian border, which is factually incorrect. K. Martin asked the panellists how this would potentially impact travel and travel insurance and if these greater risks could result in different packages and premiums. A. Stuska commented that she thinks the anticipated measures across the border are worrisome. She gave the example of the measures in place during the pandemic. She explained how they became problematic because of the additional work they required. This could become the case for travel insurance and the border post-election. There may not be immediate changes to travel insurance coverage because those packages offered across the industry are fairly comprehensive. Instead, Canadians should prepare for an increase in delays and trip cancellations. A. Stuska encouraged Canadians to keep up with destination advisories and stay informed. A. Masson said that, though she doesn't foresee any substantial changes to travel insurance, there is a lot of uncertainty about what could happen. Certain policies will be put in place, which may have a trick-down effect on travel and, possibly, travel insurance. If the Canadian dollar continues to drop, travel to the U.S. may dwindle. The U.S. is *the* travel destination for Canadians, so seeing how this may change will be interesting.

Canada has a growing aging population. As people age and accrue more money and time, they ironically become less eligible for travel insurance, regardless of health. K. Martin asked the panellists to comment on this reality and whether industry will begin to do more to cover those folks. A. Masson explained that the reality is that while those aging Canadians do have coverage, elderly travellers have higher premiums because they are at a higher risk of ailment, injury, or health issues. It is the sad reality. There has been an increase in product options, like products that cover pre-existing conditions. However, aging Canadians still need to do the research to understand what they are buying and how they are covered. A. Stuska agreed with A. Masson, adding that, regardless of age, insurance is a pooled rating. This means some folks will be healthier than others. It is wonderful that aging Canadians are trying to travel more; they just need to budget for the right coverage.

K. Martin thanked the panellists and concluded the webinar.

This webinar summary will be posted on CAFII's website in French. You can find it in this section: [Événements - Acifa]

The Government of Canada

On December 9, 2024, the Government of Canada Announced That It Would Release its 2024 Fall Economic Statement on December 16, 2024.

On December 9, 2024, the Government of Canada announced it would be releasing its 2024 Fall Economic Statement on December 16, 2024. The announcement, made on their website and circulated via an e-blast, has been included below.

> *Government of Canada to release the 2024 Fall Economic Statement on December 16, 2024*
> *From: Department of Finance Canada*
>
> *Media Advisory*
> *Ottawa, Ontario*
>
> *The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, will present the 2024 Fall Economic Statement on Monday, December 16, 2024.*
>
> *Prior to the release of the 2024 Fall Economic Statement, the Department of Finance Canada will host an embargoed reading and press conference for media.*
>
> *Further details on the location, timing, embargo procedures, and registration will follow.*
>
> *Quote*
>
> > *"Our government is focused on delivering fairness for every generation. We are building 4 million more homes, making life more affordable for all Canadians, and growing the economy to create more good jobs. And we are doing this in a fiscally responsible way. I look forward to presenting the next steps in our economic plan to deliver a good middle-class life for everyone."*
>
> *The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance*
>
> *Contacts*
>
> *Katherine Cuplinskas*
> *Deputy Director of Communications*
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Read the Government of Canada's announcement here.

The Department of Finance Canada

On December 19, 2024, the Director of the Department of Finance Canada Contacted CAFII With an Announcement on Predatory Lending.

On December 19, 2024, Mark Radley, Director of Consumer Affairs at the Federal Department of Finance, emailed CAFII regarding an announcement on predatory lending. His email has been included below.

> *Hello all,*
>
> *I'm writing today regarding two updates on predatory lending.*
>
> *First, Budget 2024 announced the Government's intent to prohibit offering credit at a criminal rate of interest. This measure received Royal Assent on June 20, 2024, and an Order in Council was recently made to bring this amendment into force. This Order in Council will be published in the Canada Gazette Part II on January 1, 2025, and will come into force on that same date.*
>
> *Second, as you may already be aware, the 2024 Fall Economic Statement announced:*
>
> - *the government's intent to amend the payday lending exemption in the Criminal Code to prohibit the sale of credit insurance products in connection with a payday loan.*
> - *the government's intent to make amendments to the payday lending exemption within the Criminal Code requiring a minimum term on payday loans of 42 days and for lenders to accept payment in installments. The government will provide 12 months for industry to transition to the new conditions.*
>
> *Please let me know if you have any questions or would like to meet with myself and my team to discuss.*

On December 16, 2024, CAFII Circulated the Department of Finance Canada's Fall Economic Statement, Highlighting Key References to Insurance.

On December 16, 2024, CAFII's Executive Director, Keith Martin, emailed the EOC Committee a copy of the Department of Finance Canada's Fall Economic Statement. He specifically highlighted the 48 references to insurance within the document, including three mentions of credit protection insurance. K. Martin's email has been included below.

> ***From:*** *Keith Martin (CAFII) keith.martin@cafii.com*
> ***Sent:*** *December 16, 2024 5:20 PM*
> ***Subject:*** *CAFII: Federal Government Fall Economic Statement Does Not Mention Including Insurance in the Calculation of Interest*

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Hello, CAFII and EOC members,

I have attached the federal government's Fall Economic Statement.

There are 48 references to insurance, including flood insurance and mortgage insurance, and three are on credit protection insurance. All indicate the government seeks to prohibit the sale of credit insurance for payday loans; there is no reference I could find to including insurance in the calculation of interest. A search of the document also finds no reference to "calculation of interest."

The three references to credit protection insurance are as follows:

<u>Pages 63-64</u>
The government furthered its crack down on predatory lending in Budget 2024 by enhancing enforcement of the criminal rate of interest through amendments to the Criminal Code. Budget 2024 also announced the launch of the federal government's work with provinces and territories to harmonize and enhance consumer protections across Canada. 64 Chapter 1 Credit insurance, when offered in connection with a payday loan, can add to the already high costs of the loan, often with little benefit to the consumer. Some provinces already prohibit the sale of credit insurance in connection with a payday loan and have identified this as a best practice. In August 2024, the government held consultations on several proposed amendments to the Criminal Code, including on prohibiting the sale of credit insurance in connection with a payday loan, and on requiring a minimum repayment term on payday loans of 42 days and for lenders to accept payment in installments. To protect vulnerable Canadians, the 2024 Fall Economic Statement announces the government's intent to amend the payday lending exemption in the Criminal Code to prohibit the sale of credit insurance products in connection with a payday loan. To make repayment schedules more manageable and lower default risks, the 2024 Fall Economic Statement also announces the government's intent to make amendments to the payday lending exemption within the Criminal Code requiring a minimum term on payday loans of 42 days and for lenders to accept payment in installments. The government will provide 12 months for industry to transition to the new conditions.

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Cracking Down on Predatory Lending In FES 2024, the government proposes to amend the Criminal Code's payday lending exemption (section 347.1) under the criminal interest rate provision to i) require a minimum term of 42 days and repayment in installments, and ii) prohibit credit insurance charges, on payday loans.

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The government is also Cracking Down on Predatory Lending by prohibiting the sale of insurance on payday loans, adding a minimum term to payday loans of 42 days, and requiring that repayment of these loans be done in installments. This will help vulnerable Canadians, as payday loans are disproportionately taken up by people who experience financial insecurity. According to a 2022 survey on high-cost loan borrowers during the pandemic, around 26 percent of respondents stated that their annual individual income was less than $15,000, 42 percent of the respondents reported their income between $15,001 to $25,000, and 24 percent of respondents indicated their income range was between $25,001 to $40,000. The reliance on predatory lending during the pandemic is concerning as lower-income Canadians faced disproportionately higher costs. These products are often aggressively marketed, costly, and provide little benefit to consumers, and the government is ensuring such debt traps don't become routine again.

I will continue to monitor this file.

Thank you,

--Keith

Keith Martin
Executive Director / Directeur général
Canadian Association of Financial Institutions in Insurance
L'association canadienne des institutions financières en assurance
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T: 647.460.7725

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Read the Department of Finance Canada's Fall Economic Statement here.

The Financial Consumer Agency of Canada (FCAC)

On January 7, 2025, CAFII Contacted the FCAC's New Commissioner to Set Up a Meeting in Ottawa.

On January 7, 2025, CAFII's Executive Director, Keith Martin, emailed Shereen Miller, the FCAC's new commissioner, to introduce himself and CAFII and request a 90-minute, in-person meeting between the Association and the FCAC. As he stated in his email, the meeting will be focused on relationship building, sharing key priorities, and divulging information on issues of mutual interest. S. Miller agreed to the meeting, which is currently planned for March 2025. K. Martin's email interactions with S. Miller and her assistant have been included below.

From *: Max Charles (FCAC/ACFC)Max.Charles@fcac-acfc.gc.ca*
Sent *: Tuesday, January 8, 2025 4:25 PM*
To*: Keith Martin (CAFII) <keith.martin@cafii.com>*
Cc*: Frank Lofranco (FCAC/ACFC) <Frank.Lofranco@fcac-acfc.gc.ca>; Robyn Jennings <Robyn.Jennings@cafii.com>; Lara Doig <Lara.Doig@cafii.com>; Pamela Wygodansky (FCAC/ACFC) <Pamela.Wygodansky@fcac-acfc.gc.ca>*
Subject*: Request from Canadian Association of Financial Institutions in Insurance (CAFII)*
Caution*: External (max.charles@fcac-acfc.gc.ca)*

Hi Keith,

Thank you for your email.

We would be happy to host you at our office, sometime in March, for the 90-minute meeting. As it is some time away, and you will be travelling, kindly send us a few dates in March that work on your end and we will work to find something mutually convenient.

Thank you,

Max Charles

Executive Assistant, Office of the Commissioner
Financial Consumer Agency of Canada
max.charles@fcac-acfc.gc.ca

Adjoint exécutive, Bureau de la Commissaire
Agence de la consommation en matière financière du Canada
max.charles@fcac-acfc.gc.ca

From*: Shereen Miller (FCAC/ACFC) <Shereen.miller@fcac-acfc.gc.ca>*
Sent*: Tuesday, January 7, 2025 11:25 AM*
To*: Keith Martin <Keith.Martin@cafii.com>*
Cc*: Frank Lofranco (FCAC/ACFC) <Frank.Lofranco@fcac-acfc.gc.ca>; Robyn Jennings <Robyn.Jennings@cafii.com>; Lara Doig <Lara.Doig@cafii.com>; Pamela Wygodansky (FCAC/ACFC) <Pamela.Wygodansky@fcac-acfc.gc.ca>*
Subject*: Request from Canadian Association of Financial Institutions in Insurance (CAFII)*

Hi Keith,

Thanks for reaching out. I would be happy to meet and will leave it to Marilyn to organize.

Looking forward to meeting in person.

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

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Shereen Benzvy Miller

Commissioner
Financial Consumer Agency of Canada
Shereen.Miller@fcac-acfc.gc.ca / Tel: 343-598-1863

Commissaire
Agence de la consommation en matière financière du Canada
Shereen.Miller@fcac-acfc.gc.ca / Tél: 343-598-1863

***From**: Keith Martin <Keith.Martin@cafii.com>*
***Sent**: Tuesday, January 7, 2025 11:25 AM*
***To**: Shereen Miller (FCAC/ACFC) <Shereen.miller@fcac-acfc.gc.ca>*
***Cc**: Frank Lofranco (FCAC/ACFC) <Frank.Lofranco@fcac-acfc.gc.ca>; Robyn Jennings <Robyn.Jennings@cafii.com>; Lara Doig <Lara.Doig@cafii.com>; Pamela Wygodansky (FCAC/ACFC) <Pamela.Wygodansky@fcac-acfc.gc.ca>*
***Subject**: Request from Canadian Association of Financial Institutions in Insurance (CAFII)*

Hello Shereen,

Firstly, Happy New Year!

My name is Keith Martin and I am the Executive Director of CAFII, and I am reaching out to you to request an opportunity to meet you, as FCAC's new Commissioner; to make a presentation to you and your team; and to engage in a dialogue on regulatory and other issues of mutual interest.

CAFII is an Association representing Canadian banks, credit unions, and insurers with a focus on credit protection insurance. CAFII's 15 members include the insurance arms of Canada's major financial institutions--BMO Insurance, CIBC Insurance, Desjardins Insurance, National Bank Insurance, RBC Insurance, Scotia Insurance, and TD Insurance, along with major industry players Assurant Canada, The Canada Life Assurance Company, Canadian Tire Bank, Canadian Western Bank, Chubb Life Insurance Company of Canada, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and Securian Canada.

We regularly seek to meet with regulators and policy-makers, provincially, territorially, and federally, in their own offices.

I would propose to come to Ottawa, in late February or in March, and would request a 90-minute meeting—45 minutes for me to present some of our key priorities as well as research findings—and the remainder of the time to engage in dialogue, hear about your priorities, and share information on issues of mutual interest. I would be accompanied by volunteers from CAFII's membership, probably 5-6.

Shereen, I do look forward to hearing back from you and hope that this meeting is possible.

Regards,

--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
T: 647.460.7725
www.cafii.com

On November 25, 2024, the Commissioner of the Financial Consumer Agency of Canada gave a Speech to the Standing Committee on Industry and Technology.

On November 25, 2024, Shereen Miller, the FCAC's new commissioner, gave a speech to the Standing Committee on Industry and Technology. In her opening statement, Commissioner Miller outlined the FCAC's mandate, emphasizing its dual role in supervising federally regulated financial entities to ensure compliance with consumer protection measures and promoting financial literacy among Canadians. She highlighted FCAC's involvement in the payments ecosystem, particularly in overseeing regulatory requirements related to electronic payments. Commissioner Miller also noted that FCAC's mandate is expanding to include the oversight of Canada's Consumer-Driven Banking Framework, positioning the agency as a leader in financial consumer protection. The Commissioner's statement was delivered during Financial Literacy Month. It underscored the FCAC's commitment to enhancing financial knowledge and confidence among Canadians.

Read the Commissioner's full speech here.

Insurance Bureau of Canada (IBC)

On November 6, 2024, IBC Announced a New Chair for Its Board of Directors.

On November 6, 2024, the Insurance Bureau of Canada (IBC) announced its Board of Directors elected Christian Fournier as its new Chair. Christian Fournier is Beneva's Executive Vice-President and Lead in Property and Casualty Insurance. The announcement has been included below.

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The Insurance Bureau of Canada (IBC) is pleased to announce that its Board of Directors has elected Christian Fournier as its Chair. Mr. Fournier is Beneva's Executive Vice-President and Lead, Property and Casualty Insurance.

"I'm proud to work in an industry that cares so deeply for its customers and for the protection of Canada," said Fournier. "As Chair of IBC's Board, I will look to continue driving this industry forward and commit to working with IBC members to advance solutions that protect Canadians from coast to coast. IBC is uniquely positioned to address some of the country's most-pressing challenges. I look forward to helping steer its important work on many key priorities – including building Canada's disaster resiliency, delivering sustainable auto insurance systems and a balanced regulatory environment."

With a career in the insurance industry spanning over 30 years, Christian Fournier has been Beneva's Executive Vice President and Lead of Property and Casualty Insurance since its creation in 2020. Prior to that, he was with La Capitale General Insurance since 2011 and most recently served as Senior Executive Vice President and Chief Operating Officer.

As a Université Laval graduate and Fellow of the Canadian Institute of Actuaries and the Casualty Actuarial Society, he has held several strategic positions in the P&C insurance industry in Quebec and elsewhere in Canada. His in-depth knowledge of the industry, strategic thinking ability and accountability-based leadership have been vectors of success throughout his career.

Mr. Fournier has served on the board of IBC since 2018 and the board of Property and Casualty Insurance Compensation Corporation (PACICC) since 2020. He is also involved with various charitable organizations.

"Christian brings a wealth of experience and knowledge to his new role as IBC's Chair, and I look forward to continuing to work with him on the important files we are tackling on behalf of Canada's insurers and its customers," said Celyeste Power, President and CEO, IBC. "From responding and adapting to Canada's changing climate to stabilizing auto insurance systems in multiple jurisdictions amidst a growing and evolving regulatory environment, there is important work ahead of us."

Read the IBC's announcement here.

The Globe and Mail covered Mr. Fournier's appointment. Read the coverage here.

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The Office of the Superintendent of Financial Institutions (OSFI)

On November 21, 2024, OSFI Published a Regulatory Notice Setting Expectations for Managing Culture Risk.

The Office of the Superintendent of Financial Institutions (OSFI) published a regulatory notice to set expectations for managing culture risks on November 21, 2024. The OSFI's Regulatory Notice outlines expectations for federally regulated financial institutions to address culture risk, which arises from misalignment between an institution's stated culture and actual practices. Key elements include:

1. ***Governance***: Institutions are expected to formalize a "desired culture" that aligns with their strategic goals and risk appetite. Boards and senior management must oversee its implementation, ensuring that internal controls and policies support the intended cultural outcomes. This involves setting clear expectations and monitoring for adherence.
2. ***Leadership***: Leaders play a crucial role in shaping and reinforcing the desired culture. They must embody the organization's values, promoting accountability and transparency. Their behaviour and decisions set a precedent for the organization as a whole.
3. ***Proactive Risk Management***: Managing culture risk requires proactive identification and mitigation of cultural misalignments. This includes ongoing monitoring, conducting assessments (e.g., employee surveys, behavioural analysis), and integrating culture risks into broader risk management frameworks. It ensures that practices reflect stated values.

Read OSFI's Regulatory Notice here.

On December 2, 2024, Stikeman Elliott published an article, *OSFI Focuses on Culture Risk Issues in New Regulatory Notice*, summarizing OSFI's regulatory notice. Read Stikeman Elliott's article here.

Provincial/Territorial

Ontario

The Financial Services Regulatory Authority of Ontario (FSRA)

On December 2, 2024, CAFII Met with FSRA Executives.

On December 2, 2024, CAFII's Executive Director, Keith Martin, met with Erica Hiemstra (Head of Insurance and Market Conduct at FSRA), Thera Medcof (Senior Manager of Strategic Policy at FSRA), and Debbie Scott (Technical Lead for Market Conduct at FSRA) to discuss the release of FSRA's *Life and Health Insurance Agent Supervision Report 2022-24*. The purpose of the meeting was for the FSRA team to give Keith Martin a "heads up" about the report's imminent publication, and to let K. Martin know that he would be receiving an advance copy of the report on an embargoed basis, prior to its formal publication (which occurred on December 19, 2024).

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On December 19, 2024, FSRA Released Its Life and Health Insurance Agent Supervision Report 2022-24.

On December 19, 2024, FSRA released its *Life and Health Insurance Agent Supervision Report 2022-24*. CAFII's Research Analyst, Robyn Jennings, has summarized the key points from the Report below.

FSRA found that, between 2022 and 2204, L&H insurance agents assisted consumers in selecting suitable insurance products, representing approximately 70 licensed insurers in Ontario. During this time, over 60,000 life agents were and remain licensed and supervised by FSRA, ensuring compliance with the Insurance Act, regulations, and rules, including Unfair or Deceptive Acts or Practices (UDAP).

FSRA continues to employ a principles-based and evidence-informed approach, which allows the regulator to focus resources on high-risk insurers and agents to protect consumers.

Introduced in March 2023, the reporting mechanism – Life Agent Misconduct Report (LAMR)- made reporting unsuitable life agents easier. LAMRs increased from 123 in 2022-23 to 144 in 2023-24. FSRA concluded that this finding indicates improved reporting rather than a rise in misconduct. 20-22% of LAMRs were escalated to enforcement actions.

According to the report, FSRA found that the most common forms of agent misconduct were:

- False or misleading information
- Coercion and conflicts of interest
- Fronting for unlicensed individuals
- Poor business practices

FSRA continued to revoke or suspend licenses and imposed penalties in cases of noncompliance. In fact, in 2022-23, FSRA saw $375,000 in penalties and several license revocations/suspensions; however, this number declined in 2023-24, with only $186,000 in penalties and more warnings but fewer license actions compared to the prior year.

In regard to the Life Agent Examination Program, the program was designed to verify compliance with the Act, regulations, UDAP, and industry best practices.

FSRA indicated that their next steps will be:

- Improve LAMR submissions' quality.
- Collaborate with insurers and MGAs to ensure better oversight and compliance.
- Focus on needs-based sales practices and consumer protection.
- Encourage insurers to strengthen monitoring of life agents' practices.

FSRA concluded the report with an emphasis on the need for industry improvements in life agent oversight to ensure fair outcomes for consumers.

Read FSRA's full report here.

On December 5, 2024, FSRA Announced It Is Taking Action to Improve Its Service Standards Scorecard.

In an e-blast on December 5, 2024, FSRA informed its stakeholders and members that it will take action to improve its Q2 FY 2024-2025 Service Standards Scorecard after receiving a lower score than desired on its Life insurance complaints processing time. The announcement has been included below.

> *FSRA is releasing its Q2 FY 2024-2025 service standards scorecard. Although FSRA consistently met or surpassed 86.1% of its service targets across all regulated sectors, the processing time for Life Insurance complaint files fell below target because some complaint files required extended review. FSRA is conducting a focused review of all Life Insurance complaints to ensure timely resolution and/or transfer for further review.*
>
> *Additionally, three types of Licensing applications (Corporate Life & Health Agents, Corporate P&C Insurance Agents, and Health Service Providers) did not meet targets due to resource constraints. However, these constraints have been addressed to ensure service levels are restored in Q3 FY 2024-2025.*
>
> *The quarterly report evaluates FSRA's operational and regulatory activities, including license renewals, regulatory applications, complaint handling and the collection of annual information returns (AIRs).*
>
> *FSRA uses this performance data to evaluate the efficiency and effectiveness of its resourcing, business processes and public service year-round.*
>
> *Key highlights from the Q2 report:*
>
> - *FSRA reviewed and approved 96% of all new and renewal Mortgage Agents' & Brokers' applications within 20 days*
> - *FSRA reviewed and decided on 100% of Major Rate Filings within 45 days*
> - *FSRA reviewed and decided on 100% of Defined Contribution plan wind-up applications within 90 business days*
> - *FSRA assessed and actioned 96.8% of Auto complaints within 90 days*
> - *FSRA processed 93.3% of all Credit Union regulatory applications within 30 days*
>
> *FSRA's service standards and the scorecard enhance service delivery, accountability and transparency. Where performance falls short, FSRA analyzes contributing factors and develops a plan to improve and meet service targets.*

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On November 14, 2024, FSRA Requested Public Input on Its 2025-26 Statement of Priorities and Budget.

In an e-blast sent out on November 14, on November 20, and again on December 3, 2024, FSRA requested public input on its 2025-26 statement of priorities and budget. The request has been included below.

> ***November 14, 2024***
> *FSRA seeks public input on its 2025-26 Statement of Priorities and Budget*
>
> *The Financial Services Regulatory Authority of Ontario ("FSRA") is launching public consultations on its proposed 2025-26 Statement of Priorities and Budget. Through this process, stakeholders will have the opportunity to help set the future direction of financial services regulation in Ontario.*
>
> *"At FSRA, we are committed to engaging with our diverse stakeholders to ensure that our strategic priorities reflect the needs and expectations of those we serve in a way that is fiscally responsible. Public consultation is an important element of our approach to regulation. Your feedback is crucial in helping us to foster a strong, sustainable, and innovative financial services sector and to protect and empower consumers in Ontario." Stephen Power, Interim Chief Executive Officer, FSRA*
>
> *Our overarching objective is to protect consumers in the most cost-effective ways possible. To achieve that objective, the Statement of Priorities sets out key sector initiatives along with a budget that is responsible.*
>
> *Highlights from 2025-2026 Statement of Priorities and Budget:*
>
> 1. ***Strengthen Stakeholder Relations and Improve Consumer-focused Outcomes:*** *To effectively carry out its mandate, FSRA will improve relationships with its stakeholders, with an emphasis on improving outcomes for consumers. This includes understanding and advancing the voice of all consumers, enabling innovation in FSRA's regulated sectors, and ensuring FSRA is accessible, supportive and responsive to stakeholders.*
> 2. ***Enhance Licensing Efficiency and Effectiveness****: FSRA will explore new tools and implement recommendations to improve its service delivery for its licensees, while maintaining protection for consumers.*
> 3. ***Modernize Systems and Processes:*** *FSRA is continuing its efforts to modernize and streamline its technology and internal processes, including through the FSRAForward program. While this program has faced cost overruns and delays, FSRA is developing options to ensure the program's viability, maintain a focus on costs and efficiencies to enhance service delivery and operational efficiency.*

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> *The Statement of Priorities will form the core of our Annual Business Plan, which will then be submitted to the Minister of Finance for approval. The financials included in the Statement of Priorities are draft and will be revised as part of the Annual Business Plan Process.*
>
> *The consultation period opens on November 14, 2024, and will close on December 6, 2024, at 11:59 p.m. EST. FSRA invites stakeholders to review the proposed 2025-26 priorities and submit feedback.*

Read FSRA's full request on the regulator's website here.

CAFII made a submission to FSRA on this consultation that was formally sent to the regulator on December 6, 2024.

Quebec

Autorité des marches financiers (AMF)

On January 13, 2025, CAFII Circulated a Draft Letter to a Working Group of the full Quebec Committee To Develop a Response to the AMF's October 8/24 Presentation.

On January 13, 2025, CAFII's Executive Director, Keith Martin, circulated a draft letter to a working group of the Quebec Committee to develop a response to the presentation Mario Beaudoin (the AMF) gave on October 8/24. The letter summarized CAFII and its member companies' perspectives on the statistics presented, along with constructive feedback. Once the working group provides input on the letter, it will be sent to the entire Quebec Committee, the Market Conduct & Licensing Committee, and the EOC for further feedback

Saskatchewan

The Insurance Council of Saskatchewan

In November, the Insurance Council of Saskatchewan Announced Its New Executive Director.

At the end of November, the Insurance Council of Saskatchewan announced that Denny Huyghebaert had joined as its Executive Director. He will assume his role on December 2, 2024. CAFII was informed of this new role via an email sent by Marget Campbell from the Canadian Life and Health Insurance Association (CLHIA) on December 4, 2024. Her email has been included below.

> *From: Margaret Campbell <MCampbell@clhia.ca>*
> *Sent: December 4, 2024 4:10 PM*
> *To: Distribution and Intermediaries Cte <distributionandintermediariescte@clhia.ca>; Market Conduct WG <marketconductwg@clhia.ca>*
> *Subject: For Awareness: New Executive Director of the Insurance Councils of Saskatchewan*

To: Distribution and Intermediaries Committee
Market Conduct WG

For your awareness, the Insurance Councils of Saskatchewan announced that Denny Huyghebaert joined as Executive Director effective December 2.

Denny joins ICS from the Financial and Consumer Affairs Authority, where he was most recently Executive Director, Consumer Protection Division.

Margaret Campbell (she/her)
Director, Market Conduct Policy and Regulation
437-239-6963
CLHIA
Canadian Life and Health Insurance Association
120 Bremner Boulevard, Suite 1520
P.O. Box 4
Toronto, Ontario M5J 0A8

The formal announcement from the Insurance Councils of Saskatchewan can be found here:

https://www.skcouncil.sk.ca/media/azbhzzsl/leadership-announcement-ed-december-2-2024.pdf

CAFII is planning on meeting Mr. Huyghebaert in Saskatchewan in an in-person meeting in the fall of 2025 as part of its regulatory tours.

Alberta

Alberta Insurance Council

On January 9, 2025, the Alberta Insurance Council Informed CAFII of Its New Upcoming 2025-2028 Strategic Plan.

On January 9, 2025, Amina Deiab, the new CEO of the Alberta Insurance Council, contacted CAFII's Executive Director, Keith Martin, to inform him that the regulator is in the midst of developing a new stakeholder-informed 2025-2028 Strategic Plan. A. Deiab's email has been included below. K. Martin met with the strategic consultant, Incite, in a one-hour meeting on January 16, 2025.

***From**: Amina Deiab <adeiab@abcouncil.ab.ca>*
Sent: January 9, 2025, 11:20 AM
***To**: Keith Martin <Keith.Martin@cafii.com>*
Subject: Alberta Insurance Council - Strategic Planning Interviews with Incite
Importance: High

Good morning,

The Alberta Insurance Council (AIC) is developing its new, stakeholder-informed 2025-2028 Strategic Plan. As a key stakeholder, your input and insight are invaluable to helping set the course for the AIC's future direction.

The AIC has partnered with Incite, a strategy consulting firm, to gather valuable insights and perspectives from the AIC's staff, Industry Council members and key stakeholders.

Over the coming days, Incite will be reaching out to schedule a 30-45 minute one-on-one phone interview with you. These interviews are an important step in helping us better understand your perspectives on the Alberta Insurance Council's current position, opportunities, challenges, and key priorities.

Your input is crucial to shaping the strategic direction of AIC, and we deeply appreciate the time and thoughtfulness you'll bring to this process.

If you have any immediate questions, feel free to reach out to me directly. Otherwise, please anticipate communication from the Incite team regarding scheduling.

Thank you in advance for your participation.

Best regards,

Amina Deiab, MPP, ICD.D
Chief Executive Officer
Alberta Insurance Council

***Direct**: 780-784-2459*
***Web**: www.abcouncil.ab.ca*
***E-mail :** adeiab@abcouncil.ab.ca*

British Columbia

British Columbia Financial Services Authority (BCFSA)

On December 19, 2024, the BCFSA Emailed CAFII Explaining Their Position Following the December 4/24 Meeting on the BCFSA's Proposed Regulatory Statement Related to the Adjustment of Insurance Claims in BC.

On December 19, 2024, the BCFSA emailed CAFII explaining their position following the December 4/24 meeting on the BCFSA's proposed regulatory statement regarding the adjustment of insurance claims in BC. BCFSA's letter has been included below.

Keith Martin
Executive Director CAFII

Canadian Association of Financial Institutions in Insurance
20 Richmond Street East, Suite 600-25
Toronto, Ontario M5C 2R9

December 19, 2024

***VIA EMAIL**: keith.martin@cafii.com*

Dear Keith,

Thank you again for taking the time to provide input and feedback regarding BC Financial Services Authority's ("BCFSA's") proposed Regulatory Statement ("Statement") related to the adjusting of insurance claims in British Columbia.

As Harry James shared at the December 4, 2024, meeting in Toronto, BCFSA has decided to not issue the statement at this time and instead hopes to work collaboratively with your organization as well as others to address the issues the statement was intended to deal with.

The statement was drafted after our investigation and examination work identified some market conduct issues in the outsourcing of claims handling. Our intention at the time was to update an old 2006 information bulletin on adjusting to provide clarity to industry on what BCFSA considers to be adjusting activity, and when we consider adjusting to be occurring in B.C.

BCFSA appreciates there have been significant changes in the regulatory and business environments since the 2006 bulletin was originally issued. Insurers are increasingly outsourcing core business functions like underwriting and claims handling. With Fair Treatment of Customers ("FTC") now a core insurance principle promulgated by the International Association of Insurance Supervisors, Canadian insurance regulators are establishing new and/or enhanced expectations regarding market conduct behaviour. This is supported by the FTC guidance jointly issued by the Canadian Council of Insurance Regulators ("CCIR") and the Canadian Insurance Services Regulatory Organizations ("CISRO"). BCFSA has also issued its own Insurer Code of Market Conduct ("Insurer Code"), which came into effect earlier this year.

BCFSA is taking a pragmatic approach to the feedback we have received. We recognize there are genuinely different interpretations of the term "adjuster" and that many jurisdictions in Canada do not license insurance adjusters in the life and accident and sickness ("A&S") segments. We also recognize the current licensing framework for adjusters in British Columbia has generally focused on adjusting in the property and casualty insurance context and not the life and A&S segments.

BCFSA remains concerned about the issues identified in our market conduct work regarding *delegation of claims handling to unregulated entities. Insurers authorized to conduct business in B.C. are required to adhere to B.C.'s Insurer Code and FTC expectations. Insurance intermediaries (salespersons, agents and adjusters) licensed with the Insurance Council of British Columbia ("Council") are required to comply with Council's Code of Conduct, which aligns with the FTC guidance.*

BCFSA sees FTC as fundamental for consumer protection. The Insurer Code clarifies that functions related to conduct of insurance business outsourced to service providers should not hinder the quality of services or jeopardize the insurer's ability to achieve FTC. When a B.C. consumer interacts with an unregulated party that is not subject to FTC requirements and is not held directly accountable for their adherence, that core protection is compromised. BCFSA has observed such compromise occurring with B.C. insureds being harmed by delays in claims settlement by third parties, being provided with contradictory positions on coverage under a claim by them, and in having to deal primarily with the third party to resolve complaints. We have observed outsourcing agreements that do not impose FTC requirements on the third party, raising questions about insurer oversight and risk management of outsourcing arrangements.

BCFSA is aware Ontario is consulting on a proposed licensing regime for life Managing General Agents and that other CCIR and CISRO members have a similar interest in ensuring FTC outcomes. While BCFSA will continue to monitor the Ontario initiative and those that may be undertaken by other Canadian regulators, in the interim, BCFSA wishes to see improvement in the oversight, management and execution of outsourcing arrangements to ensure FTC outcomes are being met regardless of what party is interacting or impacting the consumer. BCFSA will hold insurers accountable for ensuring those FTC obligations are being met, regardless of whether these functions have been outsourced or not.

BCFSA welcomes further dialogue with industry on how we can work collaboratively to address these identified concerns and will follow-up to arrange additional discussion on this important issue. Until then, thank you again for your engagement and dialogue on these important issues.

Yours sincerely,

Joy Tcheng
Vice President, Supervision

Thomas Taller
A/Vice President, Policy and Stakeholder Engagement

cc: Robyn Jennings, Research Analyst, CAFII
John Burns, VP Chief Compliance Officer, Securian Canada
Paul Cosgrove, President, Assurant
Valerie Gillis, Senior Vice President, TD Insurance
Janet Sinclair, CEO, Insurance Council of British Columbia

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On November 19, 2024, the BCFSA Announced the Appointment of Tolga Yalkin as its New Chief Executive Officer and Chief Statutory Officer.

On November 19, 2024, the BCFSA sent out a document announcing Tolga Yalkin's appointment as the regulator's new Chief Executive Officer and Chief Statutory Officer. The BCFSA's message has been included below.

> ***NOVEMBER 19, 2024***
>
> ***BCFSA WELCOMES TOLGA YALKIN AS NEW CHIEF EXECUTIVE OFFICER AND CHIEF STATUTORY OFFICER***
>
> *Vancouver – BC Financial Services Authority ("BCFSA") is pleased to announce the appointment of Tolga Yalkin as its new Chief Executive Officer and Chief Statutory Officer, effective January 13, 2025. Mr. Yalkin, who will succeed Blair Morrison after announcing his retirement earlier this year, joins BCFSA from his current role leading the regulatory agenda at Canada's Office of the Superintendent of Financial Institutions ("OSFI").*
>
> *Mr. Yalkin brings extensive public sector experience and a forward-thinking approach to oversight, having led transformative initiatives in financial services regulation. Known for his collaborative leadership and commitment to strengthening Canada's financial system, he is well-equipped to guide BCFSA's evolution within British Columbia's dynamic financial services landscape.*
>
> *"We are thrilled to welcome Tolga as our new CEO and CSO," said Dr. Stanley Hamilton, Chair of the BCFSA Board of Directors. "His leadership, expertise, and experience will help us continue to build a vibrant, accessible financial services sector for British Columbians, backed by a strong regulatory framework and an organization where Team Members are valued and supported."*
>
> *Mr. Yalkin's leadership will be central to BCFSA's continued efforts to build confidence in B.C.'s financial services sector by prioritizing stability, security, and consumer protection.*
>
> *"I'm honored to take on this role and excited to work with the talented team at BCFSA," said Mr. Yalkin. "Together, we'll tackle the challenges and seize the opportunities ahead to keep B.C.'s financial services sector strong, inclusive, and innovative as a regulator that is focused on the people we serve."*
>
> *Mr. Yalkin holds honours degrees in business and law from the University of Oxford, the University of Sydney, and the University of British Columbia.*
>
> ***About BCFSA***
> *BC Financial Services Authority ("BCFSA") is the province's regulator for the financial services sector that helps to protect British Columbians during some of the most important*

financial decisions of their lives. As a Crown agency of the Government of British Columbia, BCFSA oversees credit unions, trust companies, insurance companies, pension plans, mortgage services, real estate services, real estate development marketing, and money services. BCFSA also administers the Credit Union Deposit Insurance Corporation of British Columbia ("CUDIC"). BCFSA's mission is to instill confidence in the financial services sector by focusing on the safety and soundness of regulated entities and consumer protection.

BCFSA has approximately 400 employees and an annual operating budget of $75 million. BCFSA has been named to the List of Top BC Employers for the past two years, recognized as a "Great Place to Work," and achieved certification in the Rick Hansen Foundation Accessibility Certification program.

A high-resolution photograph is available upon request.

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The Office of the Superintendent of Financial Institutions (OSFI) also covered Mr. Yalkin's appointment. OSFI's reporting can be found here.

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International Developments, Research, and Thought Leadership

The Canadian Club Toronto

On January 14, 2025, the Canadian Club Toronto Hosted a Fireside Chat with Francois-Philippe Champagne, Canada's Minister of Innovation, Science, and Industry.

On January 14, 2025, the Canadian Club Toronto hosted a fireside chat with François-Philippe Champagne, Canada's Minister of Innovation, Science, and Industry. The event focused on critical issues shaping Canada's future, including AI, economic security, supply chains, and more. CAFII's Research Analyst, Robyn Jennings, attended the webinar; her detailed summary has been included below.

The event began with a brief introduction by Dan Moulton, an executive member of the Canadian Club Toronto, before François-Philippe Champagne sat down with journalist Amanda Lang.

A. Lang asked F. Champagne about his party's decision to prorogue parliament. He commented that it was clear to all Canadians that the government wasn't working. Therefore, it needed a reset. With the impending Trump administration, it will be essential that Canada find a united voice. A. Lang then asked about the best way to handle Trump's tariffs. F. Champagne replied that, while Canada doesn't want to escalate the threat, it does want to respond. It is in Canada's best interest to protect itself – its border, the North, and its supply chain resiliency. Canada's supply chain is inherently integrated with the US; Canada needs to emphasize this interdependency. He then encouraged Canada to diversify; Canada has the talent and capability to expand its trade outputs to increase its trade resiliency. This includes looking at other kinds of pacts, similar to the NAFTA or the Auto pact. And if the US doesn't want our resources, like critical minerals, then there are other allies that will. He suggested looking at the impending US administration and possible trade changes as an opportunity, both for furthering Canada's trade relationship with the US and with its relationships internationally.

F. Champagne stated that he would not be running for the next leader of the liberal party. A. Lang then asked if he would run in the next election. He neither confirmed nor denied this.

A. Lang then commented that, if the polls are to be believed, it is likely that Pierre Polievre will be the next Prime Minister of Canada. She asked F. Champagne which liberal policies he would like to see remain under a Conservative government. He replied he would like to see the next leader increase Canada's voice on the international stage. A few ways Canada can do this is by continuing to focus on decarbonization, digitalization, demography, and geopolitical disruption. He is concerned for the state of democracy and urged Canadians not to take democracy for granted. Continuing on the thread of demography, A. Lang commented that one of the perceived "mistakes" of the Liberal government was immigration. F. Champagne commented that the only mistake would have been to see suffering and do nothing. This does not mean everything was handled perfectly, but we need leaders who can admit errors and change course.

The winds of change are, indeed, changing around climate change. F. Champagne commented that the market proves that climate change has a future. He spoke about Tesla and electronic vehicles (EVs) making up a huge part of the auto industry. Therefore, clearly, people believe there is a future for EVs. He concluded that people see a future for climate-oriented products.

Should Canada use oil and energy as a bargaining chip in a trade war? F. Champagne replied that he would rather encourage collaboration, whether this comes through a reminder of how dependent the US is on Canadian resources. Does this mean that there should be a multi-party/bipartisan approach to trade? F. Champagne replied that speaking with one voice does bring more power to the table. Unfortunately, there is only one person who truly knows if the tariffs will be enacted, and that is President-elect Trump. While imposing tariffs is tough, removing tariffs is even tougher; Canada needs to find a way to unite to protect Canada.

The business community is full of fear, which correlates to fewer investments and fewer job opportunities. How can Canada tell business leaders that it will be okay to take risks? F. Champagne replied that confidence in this country has fallen. Canadian leaders need to boost this confidence through investing in Canada's business sectors. This can be done by making Canadian exports indispensable, not just to the US but to the world.

Fasken

On December 17, 2024, Fasken Published an Article Reviewing Key Regulatory Developments that Impacted the Banking Sector in 2024.

On December 17, 2024, Fasken published an article titled *Banking Regulatory Year in Review and 2025 Outlook.* The article explores the Office of the Superintendent of Financial Institutions' (OSFI) introduction of significant regulatory updates for federally regulated financial institutions (FRFIs), including an enhanced supervisory framework with an expanded risk rating scale, new guidelines on integrity and security to combat threats like foreign interference, and updates to operational resilience and third-party risk management frameworks. CAFII's Research Analyst, Robyn Jennings, has summarized the article below.

In 2024, OSFI introduced several significant regulatory changes for federally regulated financial institutions (FRFIs). Effective April 1, 2024, the regulator expanded its supervisory risk rating scale from 4 levels to 8 levels, allowing for a more granular assessment of risk levels in federally regulated financial institutions (FRFIs). The framework now evaluates institutions based on four key risk areas:

- Business Risk: Factors affecting the core business model and strategy.
- Financial Resilience: Institutions' ability to withstand financial shocks.
- Operational Resilience: Capacity to manage and recover from operational disruptions.
- Risk Governance: Strength and effectiveness of governance practices, including board oversight.

The reason for this change, the regulator claims, is that the enhanced scale provides earlier warnings to FRFIs about emerging supervisory concerns, enabling institutions to address issues proactively and reduce potential systemic risks.

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OSFI introduced the Integrity and Security Guideline, which will take effect on January 31, 2025. OSFI introduced this guideline to strengthen FRFIs' ability to address threats such as foreign interference, cyberattacks, and insider risks. The guideline stipulates that FRFIs must implement robust policies and measures that protect their organizational integrity and security. Institutions are expected to integrate threat assessment frameworks and incident response strategies into their operations. With geopolitical risks and cybersecurity threats, financial institutions are becoming increasingly vulnerable; this guideline ensures enhanced resilience to such risks, safeguarding both the financial system and public trust.

OSFI enhanced its Operational Resilience and Risk Management (Guideline E-21) as of August 2024. It now emphasizes that operational risk management strategies should be designed to support resilience during major disruptions (e.g., cyberattacks, natural disasters, and technology failures). It specifically requires:

- Detailed governance requirements for managing operational risks.
- Clear frameworks for identifying and responding to potential threats.
- Mandatory testing of critical operations and processes by September 2027.

While governance and risk management expectations are already in effect, the phased implementation for operational requirements will continue in 2025 and 2026, allowing FRFIs to align their systems with OSFI's expectations. OSFI hopes that these amendments will strengthen institutions' ability to manage operational disruptions and ensure the continuity of essential services during crises.

In regard to Third-Party Risk Management (Guideline B-10), OSFI made substantial updates to its third-party risk management expectations to address the growing reliance of FRFIs on outsourced services and external vendors. The revised guideline extends its application to foreign branches of Canadian institutions, requiring a uniform approach to managing risks from third-party relationships. The key areas of focus are:

- Strengthened due diligence processes for engaging with vendors.
- Enhanced oversight mechanisms to monitor vendor performance.
- Greater accountability in assessing the impact of third-party failures on FRFIs' operations.

These updates are intended to address the risks posed by an increasing reliance on complex vendor ecosystems, especially in areas such as cloud computing and financial technology.

While changes to this guideline took effect in May 2024, OSFI has been clear: all institutions must comply with the guidelines by March 31, 2025.

In November 2024, OSFI issued a Notice of Culture Risk Management. The notice emphasized the importance of cultivating a risk-aware culture within financial institutions. Institutions are expected to align their organizational culture with strong risk management practices. This means that FRFIs must demonstrate that their culture promotes ethical decision-making, accountability, and effective communication of risks. Furthermore, Boards of directors are tasked with ensuring that cultural risks are integrated into overall governance frameworks. By addressing cultural risks, OSFI aims to reduce

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instances of misconduct, improve governance standards, and ensure long-term stability across the financial sector.

In 2025, OSFI plans to launch consultations on Regulatory Compliance Management, with a focus on enhancing frameworks related to:

- Governance and oversight.
- Risk identification and mitigation.
- Overall institutional culture and adherence to compliance obligations.

These initiatives reflect a continued emphasis on promoting resilience, integrity, and accountability within the Canadian financial sector, in response to evolving risks such as technological disruption, geopolitical instability, and increasing regulatory complexity.

Read Fasken's article here.

On November 11, 2024, Fasken Published an Article about Navigating Artificial Intelligence.

On November 11, 2024, Fasken published an article titled *Navigating Artificial Intelligence Risks for Financial Institutions: 2024 Insights from OSFI, FCAC and the AMF*. Fasken's article examines the growing adoption of AI in Canadian financial institutions, highlighting regulatory concerns from OSFI, FCAC, and AMF. Key risks include data governance, cybersecurity, model biases, and systemic market impacts. Recommendations focus on transparency, ethical AI use, consumer protection, and robust risk management. Regulatory guidelines stress accountability, employee training, and safeguards across AI's lifecycle. The piece underscores the need for financial institutions to adopt AI responsibly while mitigating associated risks. Read CAFII's Research Analyst, Robyn Jennings, detailed summary below.

Fasken emphasizes critical risks and regulatory perspectives for financial institutions integrating AI. In terms of data governance, Fasken stresses that AI's accuracy depends on clean, relevant, and unbiased data and data management. Poor governance risks data breaches, misuse, and regulatory penalties. Financial institutions are, therefore, urged to ensure proper data anonymization, periodic audits, and compliance with privacy laws, such as the Personal Information Protection and Electronic Documents Act (PIPEDA).

In addition to data management, cybersecurity is another concern. AI systems are vulnerable to adversarial attacks, data theft, and vulnerability exploitation. To mitigate these risks, institutions need to implement robust security protocols, real-time threat detection systems, and frequent penetration testing to safeguard AI models and customer data.

AI can perpetuate historical biases in decision-making processes (e.g., loan approvals or credit scoring), leading to unfair treatment of certain groups. Fasken suggests adopting bias detection tools, diverse datasets, and ongoing bias testing to ensure fairness. Institutions should implement explainable AI techniques to uncover and address potential prejudices.

AI systems need to safeguard against systemic market risks. AI models, when widely used, may react similarly to economic triggers, amplifying systemic risks in financial markets. A single-point AI failure could cascade across institutions. Thus, regulators need to focus on designing and implementing stress tests for AI models and assessments of their market-wide implications are critical.

Due to its relative novelty, AI adoption needs to be partnered with transparency and explainability. For this reason, OSFI and other regulatory bodies have stressed the need for institutions to make AI decisions explainable to regulators and consumers alike. This can be done through the use of transparent algorithms, maintaining clear documentation, and ensuring accountability for AI-driven outcomes. Ideally, transparency will force the ethical use of AI. Ethical AI emphasizes decisions aligned with societal values, such as preventing predatory lending practices and avoiding misuse of customer data. Institutions should embed ethical guidelines into AI development, prioritizing fairness, non-discrimination, and customer rights.

Despite internal systemic safeguards, there needs to be regulatory oversight of AI; OSFI's guidelines outline the expected accountability for AI's entire lifecycle, from design to deployment. The AMF has emphasized the importance of consumer protection, mandating that institutions must clearly inform clients about AI's role in decision-making. The FCAC has prioritized the need for transparency and safeguards to ensure AI use benefits consumers without increasing risks. These are all examples of the ways in which regulators can control AI to protect consumers.

Finally, all AI implementation must come with adequate employee training. Employees must understand AI systems' limitations and how to respond to errors or unexpected outputs. Thus, comprehensive training programs should focus on the technical, regulatory, and ethical dimensions of AI.

Institutions must adopt a holistic approach to AI risk management, balancing innovation with accountability. Proactive strategies—like regulatory collaboration, system stress testing, and investment in ethical practices—are essential for sustainable AI adoption.

Read Fasken's article here.

Global Risk Institute

On January 10, 2025, the Global Risk Institute Published a Brief on Canada's Open Banking Framework.

On January 10, 2025, the Global Risk Institute (GRI) published a brief titled *Brief on Canada's Open Banking Framework*. GRI's brief outlines Canada's Consumer-Driven Banking Framework, explaining that the framework has been designed to enhance secure access to financial data, empower consumers, and promote innovation and economic growth. Key components of the framework include governance led by the Financial Consumer Agency of Canada (FCAC), a phased approach to data sharing, accreditation for trusted participants, common rules for privacy and security, national security safeguards, and standardized technical protocols. Set to launch in early 2026, the framework aims to align with

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international best practices while addressing uncertainties within Canada caused by recent political changes. Read CAFII's Research Analyst, Robyn Jennings, detailed summary below.

GRI began the brief by explaining that its purpose is to provide stakeholders, particularly members of the Global Risk Institute, with an update on Canada's Consumer-Driven Banking Framework, particularly during a time of great political change within Canada. With all the regulatory progress and political developments, GRI noted the importance of recognizing the many uncertainties that could affect the legislation's trajectory, which includes the resignation of Prime Minister Justin Trudeau and the prorogation of Parliament. This event has created significant uncertainty, leading to delays in legislative processes and making the future of the framework less predictable. That being said, on December 16, 2024, the Fall Economic Statement (FES) detailed additional elements of the framework, including rules for accreditation, data sharing, and technical standards. These additions form the "Complete Framework" and signal the government's intent to implement the initiative by early 2026.

Looking at the framework itself, GRI established the objectives of the framework, which are threefold.

1) ***Safe Access and Sharing of Financial Data***
   a) *Focus on Individuals and Small Businesses:*
      i) Individuals can securely share their financial data, empowering them to use tools and services that analyze and manage their finances.
      ii) Small businesses will gain access to faster and more efficient financial services, like automated loan processing and credit access.
   b) *Enhanced Data Portability:*
      i) Consumers will own and control their financial data, allowing them to switch between financial service providers seamlessly without compromising security.
   c) *Reduction of Risk:*
      i) By banning risky practices like screen scraping and implementing secure APIs, the framework reduces the risks associated with unauthorized access and data breaches.
2) ***Consumer Financial Well-Being and Protection***
   a) *Empowering Consumers:*
      i) Innovative financial tools (e.g., apps that consolidate financial accounts) will give consumers more insight into their financial health, such as budgeting tools and debt management strategies.
   b) *Consumer Protection Mechanisms:*
      i) The framework emphasizes transparency in data sharing and builds trust by ensuring consumers have clear information on how their data is used and protected.
3) ***Economic Growth and International Competitiveness***
   a) *Stimulating Innovation in Financial Services:*
      i) By enabling fintech companies and third-party providers to participate, the framework will foster the development of cutting-edge solutions tailored to consumer needs.
   b) *Support for Small Businesses:*
      i) Small businesses will benefit from improved access to working capital and alternative financing, helping them grow and compete in domestic and global markets.

c) *Global Alignment:*
   i) The framework positions Canada as a leader in financial innovation, aligning with international best practices to remain competitive in the global fintech ecosystem.

While the framework has three objectives, it also has several foundational elements as well that contribute to its effective implementation. The framework's foundation is largely built upon strong governance. It is focused on ensuring system stability and integrity through governance mechanisms that will ensure all participants follow common rules and regulations. The goal is to foster trust and reliability in the system.

To truly create trust in the system, the Financial Consumer Agency of Canada (FCAC) will oversee the system's administration, enforcement, and compliance. A new Senior Deputy Commissioner for Consumer-Driven Banking has been created to coordinate efforts among federal, provincial, and territorial regulators. This will allow for proper enforcement and accountability. The framework establishes clear actions for non-compliance, ensuring all participants adhere to the rules. Furthermore, a rigorous process will be put in place in order to receive accreditation. Governance also extends to provincial entities, credit unions, and crown corporations that function as banks.

To ensure stability and continued success, the framework will utilize a phased implementation. The initial phase will require large banks meeting specific retail thresholds to participate, while other institutions, like smaller credit unions and third parties, can opt-in voluntarily. This also applies to data coverage; data sharing will expand over time. It will initially include chequing and savings accounts, investment products accessed via online portals, and lending products; then, the scope may expand to include additional financial products and services.

One important component of the framework is the prohibition of screen scraping. The framework will eliminate screen scraping—a method requiring users to share banking credentials—with secure, standardized APIs to ensure safer data transfers.

The FCAC will manage the accreditation process, ensuring only trusted entities can access consumer data. Accreditation applies not only to financial institutions but also to third-party providers, such as fintechs, that manage data or consent on behalf of consumers. A central registry of accredited participants will provide consumers with clear, up-to-date information on authorized entities. The framework is built around consumer trust. Thus, the accreditation process emphasizes disclosure, ensuring consumers can make informed decisions when sharing their financial data.

Canada's new framework is a unified framework. This means that common rules will cover privacy, liability, security, and integrity, ensuring all participants operate under consistent standards. These rules are designed to align with and enhance existing privacy and financial regulations, rather than duplicating them. It is also a secure framework. Clear accountability measures will give consumers confidence in the safety and integrity of the system.

There are protections in place to shield against potential threats. Safeguards will protect the framework from national security risks, ensuring the integrity of the broader financial system. The Minister of Finance can revoke or deny access to participants posing national security threats.

Like any framework, there must be established technical standards. Canada's Open Banking Framework will focus on interoperability, mandating a single technical standard for APIs, ensuring compatibility across participants, and reducing implementation complexity. Furthermore, standards will align with international benchmarks, allowing Canada to remain competitive and adopt proven practices from other jurisdictions.

In terms of integration, the government plans to launch the framework in early 2026, with ongoing development of regulations and stakeholder consultations. This means that stakeholder engagement will continue throughout 2025; active involvement from financial institutions, fintech companies, consumers, and regulators will shape the framework. A federal allocation of $44.3 million over three years will support the FCAC's role in managing the framework. However, the framework's future depends on the priorities of the new government, which could alter its implementation or timeline. Stakeholders need to prepare for potential adjustments while continuing to engage in the consultation process.

Access the full brief here.

The Globe and Mail

On December 12, 2024, the Globe and Mail Published an Article on The Government's Plan to Cap Interest Rate Charges.

On December 12, 2024, the Globe and Mail published an article titled *Lenders are About to Face a Cap on Interest Rate Charges. Now, Consumer Advocates worry they'll Push Optional Insurance Products.* The article looks at the Canadian government's plans to lower the criminal interest rate cap from 47.2% to 35% to protect vulnerable borrowers from predatory lending practices. While consumer advocacy groups like ACORN Canada support this move, industry representatives, such as the Canadian Lenders Association (CLA), argue it could have unintended economic consequences. Read CAFII's Research Analyst, Robyn Jennings, detailed summary below.

The Canadian government's plan to lower the criminal interest rate cap from 47.2% to 35% is part of an effort to better protect vulnerable borrowers who often rely on high-interest loans. The current criminal interest rate is seen as excessively high and exploitative, especially for low-income individuals and those facing financial hardships. Consumer groups, including ACORN Canada, have welcomed this change. They argue that many borrowers are stuck in cycles of debt due to high-interest loans. Such loans often target people who have few other options for accessing credit. By lowering the interest rate cap, the government can help reduce financial exploitation and provide greater consumer protection.

That being said, some industry representatives, such as the Canadian Lenders Association (CLA), have expressed concerns that the policy could have significant negative economic effects. They believe the move might unintentionally hurt the lending industry and the economy. To support their position, the CLA commissioned a report by Ernst & Young LLP, which outlines the potential consequences of the proposed cap reduction. The report predicts that up to 50,000 jobs in the lending industry could be at risk if the cap is reduced. It further predicted that Canada's gross domestic product could decrease by an estimated $10.7 billion due to reduced activity in the lending market. The report also estimated approximately two million borrowers might no longer qualify for loans under the new cap. These individuals typically rely on higher-risk, higher-interest loans to meet their financial needs. Critics of the cap reduction warn that borrowers excluded from traditional loans might turn to even more harmful options, such as unregulated or illegal lenders or Payday loans, which often carry annual percentage rates (APRs) much higher than the proposed cap.

Despite these concerns, Finance Minister Chrystia Freeland's office has defended the policy. The government argues that the profit margins of lenders in the high-interest space are substantial, leaving room for them to adapt to the new regulations without denying credit to high-risk borrowers. The government emphasizes that the change is necessary to create a fairer lending environment. They maintain that lending institutions should still be able to serve their clients while operating under the proposed cap.

Anti-poverty groups argue that high-interest loans disproportionately harm vulnerable populations. Borrowers often struggle to repay these loans, leading to cycles of debt that can be difficult to escape. Lowering the cap is seen as a vital step in preventing these harmful practices and reducing the financial burden on low-income Canadians.

In summary, while the proposed interest rate cap adjustment aims to curb exploitative lending practices and protect vulnerable borrowers, it has sparked a debate about its potential unintended economic and social consequences. The government appears committed to moving forward, citing the need for greater fairness in lending, while industry stakeholders remain concerned about the ripple effects on employment, GDP, and access to credit.

CAFII sent quotes on this issue to Ms. Alina, expressing concerns about the intention to include insurance costs in the calculation of interest. These were not used, but CAFII shared its concerns in a LinkedIn posting about the article.

Read the Globe and Mail's full article here (subscription may be required).

McKinsey & Company

In November, McKinsey & Company Published an Article on the Importance of Developing a Proactive Approach to Navigating Geopolitics.

In November, McKinsey & Company published an article titled *A Proactive Approach to Navigating Geopolitics Is Essential to Thrive.* Written by Cindy Levy, Shubham Singhal, and Matt Watters, the article focuses on how businesses can mitigate geopolitical risks and seize opportunities created by global shifts. Read CAFII's Research Analyst, Robyn Jennings, detailed summary below.

The article begins by noting that geopolitical factors are now viewed as the largest risk to economic growth, as per the latest McKinsey Global Survey on economic conditions. In short, the traditional focus on macroeconomic and operational risks is no longer sufficient due to rising geopolitical tensions (e.g., tariffs and trade interventions have dramatically increased). Because of this, leaders must shift their mindset to see these disruptions as opportunities for value creation alongside risks to mitigate. The authors recommend that business leaders should systematically assess opportunities created by trade, economic policies, industrial strategies, and defence/security measures to proactively drive growth and resilience.

Because of these turbulent times, leaders are encouraged to consider the following questions: will competitor costs rise due to tariffs or regulations? Can new trade corridors be leveraged? Are there industrial policy incentives or alliances offering growth potential? How can capital deployment be optimized geographically?

While geopolitics can be destructive, there have been some success stories. McKinsey talked about a North American medical devices company that reduced operating costs by 15–25% by moving manufacturing to Mexico or a semiconductor firm that captured $47 billion in additional market share by targeting new trade corridors. Another example was a payments company that expanded into Asia-Pacific and unlocked $1.5 trillion in revenue potential.

McKinsey recommends the following three areas to focus on to thrive amid these geopolitical shifts:

- ***Accelerating Growth***
  - *Commercial Acceleration*: Identify growth opportunities through trade agreements or shifts in competitor positioning (e.g., Caterpillar benefiting from U.S. free trade agreements with Australia and Chile).
  - *Portfolio Rebalancing*: Reallocate investments from risky areas to stable, high-growth regions. For example, private equity funds divested from conflict regions and focused on low-risk, high-potential segments.
- ***Optimizing Core Operations***
  - *Operating Footprint*: Geopolitical trends influence where businesses invest in facilities (e.g., Apple diversifying from China to India; Samsung investing in Vietnam).
  - *Supply Chain Resilience*: Techniques like creating "digital twins" of supply chains help businesses predict and adapt to disruptions.

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- *Talent Footprint*: Localization and diversification of talent sourcing mitigate risks from visa or geopolitical issues (e.g., Egis adapting operations during Ukraine's conflict).
- *Technology and Data*: Protecting technology stacks from cross-border conflicts, IP theft, and regulatory shifts is crucial (e.g., Google building data centers in Finland for sustainability and security benefits).

- ***Developing Geopolitical Capabilities***
  - *Corporate Strategy Alignment*: Incorporate geopolitical risks into strategic planning via scenario analyses and tabletop exercises to prepare for disruptions.
  - *Structural Segmentation*: Ensure different business divisions can function independently during crises, as done by HSBC.
  - *Geopolitical Intelligence Units*: Establish dedicated teams to monitor trends, forecast scenarios, and inform leadership for swift action.
  - *Crisis Response Playbooks*: Prepare crisis management plans to ensure resilience during high-volatility periods (e.g., a semiconductor firm's playbook enabling efficient decision-making during supply disruptions).

Leaders should think about their business strategy as a form of future-proofing. Companies should proactively adapt to evolving regulations to avoid forced market exits (e.g., BP's costly exit from Russia due to the Ukraine war). Resolution planning, which originated in the financial sector, can help mitigate broader geopolitical risks by ensuring continuity.

McKinsey emphasizes that navigating geopolitics requires multinational businesses to build the foresight, capabilities, and fortitude to thrive amidst volatility. Leaders who embrace the opportunities arising from geopolitical shifts today will emerge as tomorrow's market leaders.

Read McKinsey's full article here.

Torys

On December 17, 2024, Torys Published an Article on the Fall Economic Statement and Its Promises to Change Banking, Consumer Protection, and More.

On December 17, 2024, Torys published an article titled *Fall Economic Statement Promises Changes to Banking, Consumer Protection, AML, and Payments.* In it, the authors look at how the 2024 Fall Economic Statement (FES) introduces key reforms in open banking, consumer protection, anti-money laundering (AML), and payments to modernize Canada's financial system and enhance transparency. Read CAFII's Research Analyst, Robyn Jennings', detailed summary below.

The government is taking significant steps to implement the Consumer-Driven Banking Framework, aimed at empowering Canadians with greater control over their financial data while ensuring robust security measures. In essence, the government wants to modernize data sharing. Despite the political climate and the prorogation of government, the framework is set to roll out in early 2026, following consultations with stakeholders. It represents a shift towards open banking, where consumers can securely share their banking information with third-party financial service providers. A $44.3 million investment will be allocated to the Financial Consumer Agency of Canada (FCAC) over five years. This funding will help the agency oversee and enforce the implementation of open banking. A permanent advisory committee will guide the FCAC's actions and provide recommendations to address challenges during implementation. Legislation will grant the Minister of Finance the authority to designate provincial or territorial supervisory bodies. This will allow local entities to oversee open banking operations in their jurisdictions, which will foster a more collaborative regulatory environment. Ultimately, the initiative aims to increase competition in the financial sector, reduce barriers to consumers switching financial institutions, and encourage innovation in financial products and services.

Consumer protection is another important topic within the FES. Payday loans have long been criticized for their high fees and predatory practices. To address this, the government is introducing stricter consumer protection measures by amending the Criminal Code. The proposed amendments will ban the sale of credit insurance products that are tied to payday loans. These products are often sold as add-ons but provide little real value to borrowers. The government will require a minimum loan term of 42 days, reducing the risk of borrowers being trapped in short-term, high-interest cycles. Payday lenders will be mandated to accept installment payments, offering borrowers a more manageable repayment structure instead of a lump-sum repayment at the end of the loan term. The objective of these changes is to make payday lending practices more transparent and less exploitative, ultimately safeguarding vulnerable consumers.

In order to strengthen compliance measures, Canada is preparing for a comprehensive review of its AML framework by the Financial Action Task Force (FATF) in 2025-2026. In anticipation, the government is proposing substantial updates to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). Administrative monetary penalties will be increased to ensure that violations of AML regulations carry significant consequences. There will be enhanced compliance requirements. Reporting entities, such as banks, casinos, and real estate professionals, will face stricter requirements for maintaining and implementing robust AML compliance programs. All reporting entities that are not currently registered with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) will be required to enroll. This ensures comprehensive monitoring of all entities involved in activities that could be exploited for money laundering or terrorist financing. These measures aim to fortify Canada's AML framework, enhance transparency, and ensure compliance with global standards, thereby preserving the integrity of the country's financial system.

Finally, the government is interested in supporting small businesses. It plans to do so by focusing on making the payments ecosystem more equitable, particularly for small businesses, which often bear the brunt of high credit card transaction fees. Legislative measures are being considered to ensure that payment processors pass on savings from reduced credit card transaction fees to merchants. This change aims to lower operational costs for small businesses and promote a fairer payment system. By reducing payment processing fees, the government seeks to support small businesses, enhance competition in the marketplace, and encourage economic growth at the grassroots level.

Read Torys' article here.