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

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

CAFII ALERTS WEEKLY DIGEST: February 10-14, 2025

February 14, 2025

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

TABLE OF CONTENTS

GOVERNMENT/LEGAL/REGULATORY/BUSINESS DEVELOPMENTS

Sharp Rise In Regulatory Burden Is Harming Canada's Economic, Job Growth: Study

By Nojoud Al Mallees, The Globe and Mail, February 10, 2025

https://www.theglobeandmail.com/business/economy/article-sharp-rise-in-regulatory-burden-is-harming-economic-job-growth-study/

The number of federal regulations imposed on businesses increased dramatically over the span of 15 years, a trend that weighed on investment and economic growth, according to a new Statistics Canada report.

The study published Monday finds regulatory requirements rose by 37 per cent between 2006 and 2021. The increase is estimated to have lowered gross domestic product growth by 1.7 percentage points and employment growth by 1.3 percentage points in the business sector over that time frame. Labour productivity, which is defined as output per hour worked, was also reduced by 0.4 percentage points.

The negative effect of regulatory accumulation on growth, employment and productivity was not as great for small businesses compared as it was for large ones.

The analysis is based on a measure of regulatory burden developed by Transport Canada and accounting firm KPMG, which counts the number of regulatory provisions in federal legislation.

Regulations are rules introduced by governments usually with the intention of protecting the public interest – such as mandating requirements for health and safety – but can frequently weigh on business activity when they become too onerous or numerous. The Statscan report notes a regulation may appear to be beneficial to the economy by promoting competition, for example, but it could stifle growth when layered on top of other regulations.

The consequence of regulatory accumulation has been weaker business dynamism, meaning fewer firms entering and exiting the market. If the number of regulatory requirements held steady at the 2006 level, the analysis finds the entry and exit rates would have been one and 0.5 percentage points higher, respectively.

"While the results of the study point to potentially important costs for the economy, it is not meant to reflect a full economic assessment of the benefits of regulations and costs associated with not introducing regulations," the study cautioned.

Businesses have long complained that regulatory burden imposed by all levels of government make Canada a less attractive place to invest compared with the United States. The threat of U.S. tariffs has reignited calls to cut red tape that hinders businesses from expanding their operations or setting up shop in the first place. President Donald Trump is also leading a massive deregulatory push in the United States, whereby government agencies must cut 10 regulations for every new rule introduced.

While Conservative Leader Pierre Poilievre has long promised to go after government bureaucracy, other politicians are also making pledges to reduce red tape.

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

In light of the continuing trade spat with the U.S., the federal and provincial governments have pledged to again look at dismantling interprovincial barriers, which are largely attributed to regulatory differences across the country that stifle the flow of goods. Liberal Party leadership hopefuls Chrystia Freeland and Mark Carney have also both pledged to slash red tape.

Last week, the B.C. government said it would fast-track the approval process for a number of resource projects in a bid to diversify the province's economy away from the U.S.

OTHER CAFII MEMBER-RELEVANT NEWS

5 Generative AI Trends Impacting Insurance In 2025

By Prakash Vasant, Digital Insurance, February 13, 2025

https://www.dig-in.com/opinion/5-gen-ai-trends-impacting-insurance-in-2025?utm_campaign=NL_DIG_Morning_Briefing_02142025&position=1&utm_source=newsletter&utm_medium=email&campaignname=NL_DIG_Morning_Briefing_02142025&oly_enc_id=1794I9343067F0V

Insurers and MGAs are upping the ante on AI. For the last several years, the industry has focused on the best ways to leverage generative AI, and many insurance organizations have used AI to increase efficiency, including the ability to integrate and analyze various data sources — such as scanned documents and information from diverse providers, third parties, and public domains.

However, the application of generative AI is becoming more sophisticated and innovative. In 2025, insurers and MGAs will look to deploy AI capable of executing and completing tasks independently. These tools will enhance productivity and enable cost efficiencies across the insurance value chain.

Here are five gen AI trends that can contribute to modernizing and transforming insurance operations:

1. The future of gen AI is agentic capabilities. The first wave of AI was rule-based. The second wave focused on machine learning. The emerging third wave is agentic. Insurance organizations will implement cognitive, role-based AI assistants as digital co-workers across many insurance processes. AI assistants can assume distinct personas, such as risk appetite or claims experience specialties, and support those functional teams. They can learn quickly, be trained and retrained easily, locate and access fresh data instantly, and adapt to new information and processes efficiently.

One example of agentic AI is the implementation of a risk appetite assistant to scan incoming submissions or entire books of business and automatically identify if classes of risk are in- or out-of-appetite. If an insurer's appetite evolves, the underwriting team can feed the new guidelines to the assistant and be immediately applied to submissions and portfolios.

2. The perfect feedback loop will be an AI ecosystem. Insurance organizations won't just put one AI assistant into place. Expect them to onboard and integrate multiple versions to take on a variety of knowledge work and basic tasks. The digital coworkers won't operate in silos but will become adept at communicating across functional

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

areas and processes, creating a virtuous circle and feedback loop: An AI assistant supporting claims can share incoming claims experience/processing outcomes with an AI assistant handling risk appetite. If an insurer processes many claims in a particular product line or risk class, the risk appetite assistant can flag eligibility guideline changes for the underwriting team's consideration.

3. Avoid technical jargon and speak plainly with AI assistants. ChatGPT and similar applications have paved the way for conversational language communication with advanced AI solutions. Non-technical interactions will proliferate and become natural when working with autonomous AI assistants. Users can intuitively interact and manage AI assistants as the technology improves and more directly supports team collaboration with role-based AI assistants in critical operational areas.

Plain language capabilities will make AI assistants more adaptable to supporting change and disruption in business activities. For example, while it may have taken months to update legacy systems to bring new products to market or activate revised underwriting guidelines, adjustments can be made immediately with a risk appetite AI assistant without technical support. The AI assistant can learn and apply the new guidelines immediately. Let's say a commercial insurer wants to eliminate Lessor's Risk Only (LRO) coverage for properties with businesses open later than 10:00 PM. The new guideline can be fulfilled via simple verbal or typed instructions to the AI assistant — no programming is required.

4. Grounding AI sets the table for building trust. Accuracy of risk-quality information and transparency of data sourcing by AI is a priority for every insurance organization, particularly as new state and federal regulations continue to evolve. Expect more focus on grounding AI, which can connect AI outputs to verifiable sources of information. By providing models with access to specific data elements, grounding can tether AI-generated information and actions to source data, thereby reducing hallucinations and helping build trust in emerging AI technology's implications and outputs.

5. AI advances from an efficiency tool to a driver of innovation. As insurance organizations experiment with generative AI, there will be a growing realization that the technology isn't outthinking them. Instead, it's making their knowledge-based work more refined and constructive. The apprehensions of people being replaced by AI will continue to dissipate. But that doesn't mean people don't need to adapt to AI. Refusing to incorporate the technology will put professionals at a disadvantage compared to their peers. Insurance professionals will have to focus on ways to use AI to optimize their workflows.

This year, we'll see exponential growth in generative AI deployment among insurers and MGAs. Cognitive, role-based gen AI in the form of autonomous AI assistants will enable insurance organizations to add capacity, access risk insights on demand, reduce premium leakage, manage claims more proficiently, and improve cost efficiency. Uncertainties around AI will dissipate as grounding AI builds trust, and there is less anxiety that AI will replace people. With more advanced use cases for cognitive and adaptive AI across the insurance lifecycle, insurers and MGAs will gain productivity, grow their books of business, and refine policyholder services.

Holidaymakers Seek Thrills But Over Four In 10 Risk Forgetting Travel Insurance

By Chloe Fox, ITIJ, February 12, 2025

[https://www.itij.com/latest/news/holidaymakers-seek-thrills-over-four-10-risk-forgetting-travel insurance?utm_campaign=ITIJ%20Magazine&utm_medium=email&_hsenc=p2ANqtz_wLYPwkMv_lyO2q_bykfXJa_yBpoZ5fxis6QajlHhW8wL1Zlnt7oxGNucV_QLxtek6hYPHvHFdvOEWTXCfCXgLbCxdw&_hsmi=104446010&utm_content=104446010&utm_source=hs_email]

Back to Table Of Contents

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

New research uncovers the 10 most popular high-risk holiday activities, despite 43% of travellers taking chances by not having insurance
With February half term approaching, many in the UK will be thinking of planning and booking their holidays for the year ahead.

The top 10 risky activities people do while on holiday, according to a survey by UK bank Nationwide's poll of 2,000 participants, are:

- Water sports: done by 36% of people
- Cycling: 33%
- Hiking: 29%
- Skiing/snowboarding: 26%
- Scuba diving/snorkelling: 25%
- Climbing: 21%
- Quad biking: 20%
- Skydiving: 18%
- Bungee jumping: 15%
- Paragliding: 13%.

Nationwide's poll showed that people are three times more likely to purchase travel insurance for an overseas trip (70%) than they are for a UK 'staycation' (21%), despite the potential for things like lost or stolen luggage, travel delays or cancellations to occur when holidaying either at home or abroad.

Medical expenses (33%), flight delays or cancellations (21%) and lost and/or stolen luggage (11%) are some of the key things that people want covered, according to the survey. Aviva, which provides Nationwide's FlexPlus travel insurance, sees a similar correlation when it comes to claims, with medical emergencies ranking highest, followed by trip cancellations and delays to either baggage or travel.

According to the findings, those aged 35–44 are the most likely to go away without cover, with more than half (54%) admitting to doing so. This compares to 48% of 25–34-year-olds, 39% of those aged 45–54 and 36% of those aged 55 and over. Interestingly, those aged 18–24 are the least likely to have gone away without cover, which may be due to 43% of them saying they take part in riskier activities versus just 28% of people aged 35–44.

While only 10% of respondents said that they'd had a travel insurance claim declined, more than a third (34%) of those cases were because they had failed to declare a pre-existing medical condition, highlighting the importance of declaring these to the insurer before travelling. Two in five (40%) of the declines were because the right upgrade (e.g. winter sports cover) wasn't purchased. The average cost of a declined claim, according to the poll, was around £1,200.

Marta Edwards, Head of Current Accounts at Nationwide, said: "As we enter a busy period for booking holidays, people should ensure they have the right insurance in place once their holiday is booked. As our research shows, many people risk travelling without any cover and, while they will hopefully not need it, it can be an expensive gamble."

Last year, rising travel costs led to a big shift in travel insurance payouts.

Chubb Research Shows Cybersecurity And AI Risks Threaten Business Growth

By Erich Kron, Digital Insurance, February 10, 2025

https://www.dig-in.com/opinion/cybersecurity-and-ai-risks-threaten-business-growth?utm_campaign=NL_DIG_Morning_Briefing_02112025&position=3&utm_source=newsletter&utm_medium=email&campaignname=NL_DIG_Morning_Briefing_02112025&oly_enc_id=1794I9343067F0V

Cybersecurity risks have emerged as a fundamental business issue, one that organizations cannot just brush aside. And it's not because security incidents have led to operational disruptions…it's because security has evolved into a critical business risk that significantly impacts long-term financial stability, growth and business reputation.

The 2025 Chubb risk report provides greater insight into why business leaders consider cybersecurity as their biggest organizational growth disruptor, resulting in the most unexpected financial burden on a business. Chubb research shows that 60% of executives believe cybersecurity threats pose the greatest geopolitical risk — outweighing concerns around global tensions among superpowers, climate change, trade wars and political instability.

AI-generated deepfakes raise major concerns
Generative AI apps, tools and platforms are enabling attackers to rapidly create synthetic videos, images and voice impersonations, and harvest these for phishing, social engineering and disinformation campaigns. In the United States alone, deepfake-induced fraud is predicted to reach almost $40 billion. AI-related risks present a serious issue, with some 50% of executives reporting some impact to their business from deepfakes in the past year.

Cybersecurity and AI risks have intensified over the past decade
Not surprisingly, the risk levels associated with cyberattacks, AI, climate change, and reputational damage from viral social media events have either escalated significantly in the past decade or were non-existent before. For example, a deepfake attack now happens every five minutes, and there's been a 244% increase in digital document forgeries — all thanks to AI, a technology that regular people did not have access to barely a few years ago.

Continuous monitoring of cyber incidents has become critical
Due to the increasing significance of cybersecurity incidents on businesses, 84% of executives confirm that ongoing monitoring of cyber incidents is the most commonly used risk mitigation tool, and 41% stated it is an essential function fully integrated in their organizations.

Cyber insurance has become vital for risk mitigation
Executives acknowledge that while carrying cyber insurance is not a silver bullet for risk mitigation, it has certainly become an important risk management tool. More than 89% of executives intend to increase their cyber insurance coverage or introduce new coverage to tackle growing cyber threats and technological vulnerabilities.

Key takeaways
Organizations have always faced business risks. However, today's risks, like organized cybercrime, cyber terrorism and nation-state threats, are far more dangerous, unpredictable and complex than what businesses have had to deal with historically. To stay protected, organizations must learn the ability to manage and thwart these risks round the clock. Listed below are some best practices that can help.

- **Deploy multi-layered security:** Use multi-layered security controls such as firewalls, encryption, zero trust network access, endpoint detection and response, phishing-resistant multi-factor authentication, etc., each addressing specific vulnerabilities and attack vectors. Layering these defenses can create a safety net, ensuring that if one layer is breached, others remain intact for help in preventing unauthorized access or data loss.
- **Continuously test and monitor attack surfaces:** Run vulnerability scans and penetration tests to identify weaknesses in systems, applications and networks before bad actors can exploit them. Implement AI-based security monitoring tools to track network traffic, system logs, user behavior, and device activity to quickly identify behavioral anomalies or unusual or unauthorized actions.
- **Train to strengthen the human element:** Phishing is already the single biggest root cause for cyberattacks and with threats like AI and deepfakes on the rise, social engineering will likely grow in complexity and intensity. Employees need a clear understanding of common threats like phishing, ransomware and data breaches, as well as the potential consequences to the business. Phishing simulation exercises must be administered to help improve vigilance, agility and common sense in employees.
- **Leverage cyber insurance:** Although cyber insurance does not equal cybersecurity, it does help offset a range of costs in the event of a cyber disaster, such as expenses associated with data recovery, legal fees, or ransomware payments. Some insurance carriers may mandate a security audit and require certain security controls and protocols prior to underwriting a policy, providing an incentive for companies to raise their cybersecurity posture in exchange for better coverage and lower premiums.

Cybersecurity is not exclusively an IT concern but something dire that can weigh heavily on growth and financial stability. To defend against emerging and AI-fueled cyber threats, organizations must take proactive steps, such as deploying multi-layered security, continuously testing and monitoring attack surfaces, and raising security awareness and behavior of staff members. Remember, robust cybersecurity isn't just a factor for long-term growth and success but also a strategic advantage for any organization.

What Trump's Tariffs Mean For Insurance

Also, Why Didn't Flo, Mayhem And Their Animal Equivalents Show Up During The Super Bowl? And The Arrival Of "Digital Workers."

By Paul Carroll, Insurance Thought Leadership, February 10, 2025

https://www.insurancethoughtleadership.com/six-things-commentary/what-trumps-tariffs-mean-insurance?utm_source=ActiveCampaign&utm_medium=email&utm_content=What%20Trump%20s%20Tariffs%20Mean%20for%20Insurance%20%20Plus%3A%20P%26C%20Insurance%20Claims%3A%20The%20Time%20Has%20Come%20and%20New%20Standard%20Life%20Insurance%20Application%20Simplifies%20Process&utm_campaign=Six%20Things%202%2011%2025&vgo_ee=wVUtB315lEstyFoFSRkTQZSTFTmadhek2YuIXxf%2FYT2iDHzFb%2B3lbw%3D%3D%3AZEJUmc0lP2JgLy7T27PBT%2B8k1M1gPSQA

After the chaotic first three weeks of the new Trump administration, it's impossible to know what the long-term effects will be of the tariffs, the rescinded tariffs, the threatened tariffs and the president's broad endorsement of "tariff" as "the most beautiful word in the English language." But some of the effects on the insurance industry are becoming clear, especially on auto insurance — and they aren't good.

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

This week, I'll tell you what I can about what happens next. I'll also take a look at the absence of insurance ads on the Super Bowl broadcast, which probably changes nothing but which I choose to take as a possible sign of a new seriousness by insurers to educate consumers on their needs for coverage and as a shift away from just pounding brand names into people's heads. Finally, I'll dig into a smart piece that provides a way to think about implementing generative AI, as "digital workers."

Let's start with the tariffs.

Auto insurance premiums have pretty much caught up with the surge in prices for new and used cars and for replacement costs that came out of COVID. It disrupted supply chains and made many parts scarce. The lack of cars on the roads led to increasingly reckless driving, which has been slow to wane even though driving has for years been back to pre-pandemic levels. Distracted driving seems to keep getting worse, too. The spread of technologies such as driver-assist has made repairs more expensive, as has the increasing market share of electric vehicles.

But just when you thought it was safe to get back in the water, here come the tariffs. Even the scaled-back version of Trump's tariffs, which cover only aluminum and steel, could add $1,500 to the price of a new car, according to this MSN article. The reason: The average car contains about 1,000 pounds of steel, at a cost of $6,000 to $7,000. Add a 25% tariff, and that steel costs $1,500 or so more.

As the article notes, car makers could shift suppliers to avoid the tariffs, but the higher cost of imports creates a pricing umbrella, and other suppliers will surely take the opportunity to raise prices.

If Trump follows through on the 25% tariffs he's threatened to apply to all goods from Canada and Mexico — before backing off in the face of a 600-point drop in the Dow Jones Industrial Average — the costs of cars and replacement parts would soar even more. The Wall Street Journal says the boost could be $3,000 per car. MSN goes further, putting the price increase at $6,250 for a $25,000 car.

Even if Trump never follows through on the tariff threats, "The damage has been done," according to a Georgetown University professor quoted in the WSJ. “We are going to have tremendous uncertainty looming over the industry for the foreseeable future…If I’m an insurance company, I’m pretty dour at the moment, and certainly highly motivated to pass on my risk in the form of higher premiums to consumers.”

That sounds right to me. I think we've reentered an inflationary phase for cars because of the tariffs and threatened tariffs. The only question is how bad it will be and how long it will last.

Now to the Super Bowl ads.

I suspect the reason for the absence of Mayhem, Flo, the GEICO gecko, etc. was the (smart) decision not to get caught up in a wave of ads by startups you'd never heard of and by established brands that somehow decided that having facial hair take on a life of its own would sell chips and pizza bites. (My younger daughter thinks both companies must have made the same sort of ill-advised prompt with a generative AI in a search for a novel idea.)

But I hold out hope for a more meaningful reason. I keep thinking the insurance industry will take seriously its complaints about a protection gap and will focus on educating consumers about the need for life insurance, flood

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

insurance, etc. I keep thinking the industry will move toward the future of insurance — the Predict & Prevent model — and will help people think about how to harden their properties and communities against wildfire and other threats.

I've been thinking this for a long time. Here are articles I published as far back as 2016 and 2014 that complain about the reliance on ads vs. substance.

I won't even try to claim that the bang-your-name-into-people's-heads approach isn't effective marketing. I'm sure it is. But I'll keep hoping that the insurance industry will find a way to focus consumer attention on the really important long-term issues.

On to "digital workers."

You've read a lot recently about AI agents — including articles I've published at ITL — but I still commend to your attention a recent piece by my old friend and colleague John Sviokla, because it provides a useful way to think about agents, as well as a great example.

While AI often seems esoteric and vaguely threatening, John describes how AI personas can be created and simply put into the staffing pool, as any human would be. Hire the AI or don't; the choice is yours.

His great example is OneDigital, which helps meet work-life needs for more than 100,000 employers and which has created 10 digital workers, with about a dozen in the pipeline.

“'Frank' is an expert in sales effectiveness and strategizing on growing the services that OneDigital provides to existing clients," John writes. “'Yesper' was recently added to help managers mentor and support their team members while maintaining OneDigital’s innovation and client-first culture, as OneDigital has grown significantly over the last few years. There are many others, including 'Ben,' an expert at everything to do with lowering healthcare costs for OneDigital’s clients."

I remain cautious about AI agents, because I'm not ready to let them act on my behalf, but I can imagine having digital workers who report to me and who I supervise, perhaps rather closely, at least until they prove themselves. And the AIs available to us are improving so fast that we should be planning for the next round, and the one after that.

Cheers,

Paul

With Donald Trump, A New Era Of Banking Regulation Is Coming To Canada

By John Turley-Ewart, The Globe and Mail, February 9, 2025

https://www.theglobeandmail.com/business/commentary/article-with-donald-trump-a-new-era-of-banking-regulation-is-coming-to-canada/

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

U.S. President Donald Trump may know little about banking in Canada – witness his recent and ludicrous suggestion on Truth Social that U.S. banks don't do business here. But Canadian banking is one sector where changes Mr. Trump is imposing in his country may spark needed change here at home. Take regulation as a case in point.

Our banking system has been stuck in a regulatory rut since the financial crisis of 2007-2008. Despite emerging from that global banking wreck as an example to the world, Canada became an advocate for new global bank regulations (Basel III) designed for systems that failed the test of the 2007-2008 crisis, particularly those in the United States, European Union and the United Kingdom.

Canada's primary bank regulator, the Office of the Superintendent of Financial Institutions (OSFI), has been behind this push. Its 2022-2025 Strategic Plan's top priority: "refocus the delivery of our mandate to place greater emphasis on contributing to public confidence in the Canadian financial system."

This objective was odd. The last time confidence in the Canadian banking system was arguably in doubt was during the Great Depression.

The mismatch between reality and OSFI's plan has led to a costly overshoot on regulations addressing a future global financial crisis. This makes Canadian banks less competitive on international and U.S. stages and has distracted OSFI from effectively supervising less globally glamorous matters such as compliance with anti-money laundering rules.

Canada's banks have been force-fed new global rules that cost hundreds of millions of dollars to implement and will cost millions more annually to sustain. The goal is to impose higher capital requirements on banks using complex mathematical models, among other tools, across most lines of business.

Trump's possible not-so-secret agenda: Canadian water exports and lots of them

The rub is that no other major jurisdiction where our banks compete (the EU, Britain and U.S.) has implemented these changes despite decade-long promises to do so. Why? The changes lock up so much bank capital that they materially impact economic growth, making them impolitic.

Just how impolitic will soon be evident in the U.S.

On Jan. 20, Mr. Trump signed an executive order imposing a regulatory freeze on all U.S. executive departments and agencies as part of his administration's promise to prioritize economic growth over red tape, a promise that has taken direct aim at banking regulation.

A seismic shift in U.S. bank supervision is now in motion, to be followed in the EU and Britain, where growth and competitiveness are taking priority over global regulations.

Signalling the shift to come is Trump adviser and former bank regulator under the Trump 1.0 administration, Brian Brooks. In early December, he told a conference: "The first thing is, you can expect a radically different kind of bank regulator to take office here in the next six months – radically different … more focused on growing the economy … than they are in making sure that there's not a single loan default anywhere in the banking system."

Credence was given to Mr. Brooks's prediction in a recent statement by Travis Hill, the acting chairman of the U.S. Federal Deposit Insurance Corporation (FDIC), which in the past supported the global capital rules OSFI is enamoured of.

Mr. Hill noted that the FDIC will now "conduct a wholesale review of regulations, guidance, and manuals to ensure our rules and approach promote a vibrant, growing economy."

We are entering an era where every bank supervisor will be steadfast on standards that make sense for the banks and economies of their own countries.

There are signs this reality is starting to sink in at OSFI, which still has time to change course on the full implementation of some of the global rules it so admires.

Comments from OSFI Superintendent Peter Routledge at the RBC Canadian Bank CEO Conference on Jan. 7 provide hope that this is so.

Mr. Routledge offered new clarity on supervising anti-money laundering, which he now calls "critically important and [a] growing area of focus" where the regulator will "act urgently and decisively" if it sees compliance failures.

Importantly, he acknowledged that, "despite OSFI's demonstrated commitment to the Basel III reforms, we cannot extend the implementation lead we share with a small number of fellow signatories," an awkward admission suggesting Canadian bank competitiveness and the availability of credit will not be hobbled by bowing down to global banking rules that no major jurisdiction has any intention of implementing, especially the U.S.

OSFI's focus now, Mr. Routledge told the CEO roundtable, is on "both competitive balance in banking and soundness of Canada's capital regime … [that] serves the best interests of Canadians."

It's about time.

60% Of Canadian Mortgage Renewals To Face Higher Rates By 2026: BoC

Despite Interest Rates Having Fallen Materially In 2024, Recent Data Show That Many Canadian Homeowners Could Still Face Payment Shocks When Their Mortgages Renew.

By, Steve Huebl, Canadian Mortgage Trends, January 13, 2025

https://www.canadianmortgagetrends.com/2025/01/60-of-canadian-mortgage-renewals-to-face-higher-rates-by-2026-boc/

Around 60% of outstanding mortgages are set to renew by the end of 2026, and about 60% of those renewals—or roughly 40% of all outstanding mortgages—are expected to face higher rates, according to research from the Bank of Canada.

"These borrowers initially took out their loans when interest rates were near their trough, and some will be facing a large payment shock," the central bank notes.

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

However, it adds that many of these borrowers have ample flexibility to manage any payment shocks thanks to having paid down part of their principal over those five years, as well as potential increases in home value over that time.

“These borrowers will therefore have room to refinance their mortgage if needed,” it notes.

Meanwhile, borrowers with short-term fixed-rate mortgages—most taken out in 2023 or 2024 when rates were already higher—likely won’t see much of a payment increase.

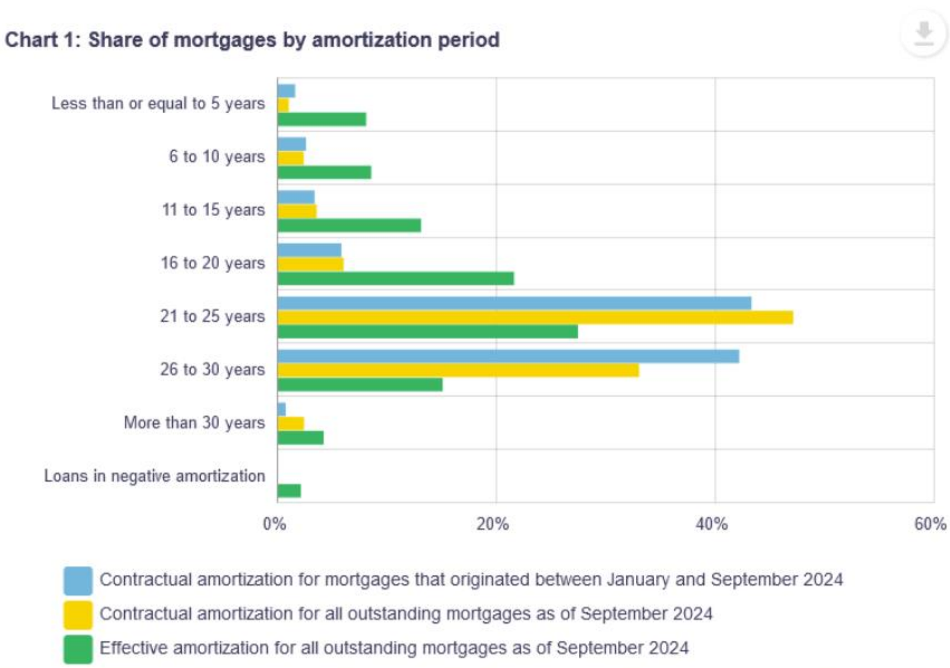
The findings come from a Bank of Canada paper using new OSFI data, which covers about 80% of Canada’s $1.7 trillion mortgage market, including residential loans and HELOCs from federally regulated lenders.

12% of variable rate mortgages in negative amortization

New insights from OSFI’s enhanced data reveal that 12% of fixed-payment variable-rate mortgages are in negative amortization, where payments fall short of covering the interest, causing loan balances to grow.

However, data from major banks offering these mortgages show that the share of negative amortizations—and extended amortizations lengthened by rapidly rising rates—is now normalizing as rates decrease and borrowers renew, resetting to their original contracted amortization periods.

The BoC data also reveal that about 70% of outstanding mortgages were originated since 2019, with an additional 10% from 2017-2018. The Bank of Canada says this high share of recent originations may be due to faster mortgage repayments, refinancing, or home sales leading to mortgage resets.



Note: The effective amortization period is the amount of time it takes to repay the remaining balance on the loan at the current pace of repayment. Negative amortization occurs when a borrower’s total regular mortgage payment does not sufficiently cover the interest portion of the payment.
Sources: Regulatory filings of Canadian banks and Bank of Canada calculations
Last observation: September 2024

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

New borrowers favouring shorter terms

The data also reveal a growing preference among borrowers for shorter-term fixed-rate mortgages.

Of mortgages originated in 2024, 71% had fixed rates with terms under five years, largely driven by low-ratio borrowers (loan-to-value ratios of 80% and less), where 74% opted for shorter terms. This contrasts with just 38% of all outstanding mortgages having terms under five years.

Variable-rate mortgages accounted for only 10% of newly originated loans in 2024, compared to 20% of all outstanding mortgages.

Table 3: Mortgage products by type of interest rate and term

Term and rate type	% of all mortgages	% of high-ratio mortgages (LTV > 80%)	% of low-ratio mortgages (LTV <= 80%)
Stock as of September 2024			
Fixed rate, term of less than 5 years	38%	28%	40%
Fixed rate, term of 5 years or more	42%	60%	38%
Variable rate, all terms	20%	12%	22%
Originations from January to September 2024			
Fixed rate, term of less than 5 years	71%	50%	74%
Fixed rate, term of 5 years or more	19%	46%	16%
Variable rate, all terms	10%	4%	10%

Notes: Loans are categorized in the table using the loan-to-value (LTV) ratio at origination. For combined mortgage and home equity lines of credit plans, a combined LTV ratio is used.
Sources: Regulatory filings of Canadian banks and Bank of Canada calculations

Younger borrowers and first-time buyers dominate high-ratio mortgages

Not all borrowers are in the same boat. High-ratio borrowers—those with loan-to-value (LTV) ratios over 80%—are typically younger, with smaller down payments and higher debt loads. They're more exposed to rate hikes and market swings because of their smaller equity cushion.

In contrast, low-ratio borrowers, with LTV ratios of 80% or less, tend to be older, have higher incomes, and are better positioned to handle rising rates. While high-ratio mortgages account for many recent originations, low-ratio loans still make up a big part of the overall market.

Newer borrowers are taking on larger mortgages
As of September 2024, mortgages originated between January and September had a median outstanding principal balance of $344,000, compared to $245,000 for all mortgages.

The Bank of Canada says this gap highlights two trends: established borrowers have paid down their principal over time, while newer borrowers are taking on larger mortgages, driven in part by rising home prices.

This is also reflected in the median appraised value of homes at the time of mortgage origination. For all existing mortgages, the median home value was $485,000, but for mortgages originated in 2024, it jumped to $600,000.

Chart 3: Share of mortgages by outstanding balances

Note: Mortgages with an outstanding balance of more than Can$1 million are not shown. These mortgages account for 3.7% of the originating loans and 2.5% of the stock of outstanding mortgages.
Sources: Regulatory filings of Canadian banks and Bank of Canada calculations
Last observation: September 2024

UPCOMING CAFII RELEVANT WEBINARS & EVENTS; AND RELATED EDUCATION CONTENT

2025 FSRA Exchange – POSTPONED

By FSRA, February 06, 2025

We regret to inform you that the *2025 FSRA Exchange*, originally scheduled for *March 3, 2025*, is being ***postponed***.

The event will be rescheduled to a date after the Caretaker Period, which will conclude once a new Cabinet is sworn in following the Ontario general election on February 27, 2025.

As a result, we are refunding registration fees. Please note that refunds can take a few weeks to appear on your statement.

Once a new date is confirmed, we will actively share the details through direct communications with the sectors we regulate and on our social media channels.

We apologize for the inconvenience and appreciate your understanding. We look forward to welcoming you to a future FSRA Exchange.

For any further questions, please email fsraexchange@fsrao.ca.

Thank you,
FSRA Team

Advocis' Symposium

https://symposium.advocis.ca/

ABOUT SYMPOSIUM 2025
The Advocis Regulatory Affairs Symposium provides a platform for financial advisors, regulators and corporate executives to debate and exchange perspectives on the key regulatory issues facing the sector.

Date and Time
Thursday,
March 20, 2025
8:00 A.M. - 4:00 P.M. EST

Location
InterContinental Toronto
225 Front St W,
Toronto, ON

 Back to Table Of Contents

M5V 2X3

Advocis is thrilled to invite you to Symposium 2025, a premier event bringing together leading financial advisors, industry experts, and thought leaders from across Canada. Join us in Toronto on March 20th for a day of insightful discussions and networking opportunities focused on shaping the future of the financial advisory profession.

CAILBA 2025 National Conference

https://cailba.com/2025-national-conference/

When: April 30th - May 2nd
Where: Le Centre Sheraton, 1201 René-Lévesque Blvd W, Montreal, Quebec, H3B 2L7
Phone: 514) 878-2000

Le Centre Sheraton Montreal is a stylish landmark in the heart of downtown Montreal and just steps away from the iconic Bell Centre and the vibrant St. Catherine Street. A short stroll connects visitors to Montreal's famed 19-mile Underground City, a marvel of urban design filled with boutiques, restaurants, and passageways that come alive year-round. With its stunning skyline views and proximity to the historic charm of Old Montreal, Le Centre Sheraton is a gateway to discovering the city's rich heritage and dynamic energy.

CAILBA and our proud sponsors welcome you to join us as we host the CAILBA 2025 National Conference & AGM — offering an inspiring, memorable, and educational networking experience in a city that masterfully blends history with modern charm.

CLHIA's Compliance And Consumer Complaints Conference

https://www.clhia.ca/web/CLHIA_LP4W_LND_Webstation.nsf/page/AD9B1618FBC1C2E5852584EA006C7099

Release Date: 01/09/2020
Staff Reference: Ethan Kohn; James Wood; Margaret Campbell

When: May 14 - 16, 2025
Where: Charlottetown, PEI
Location: Delta Hotels Prince Edward

This conference is the only one in Canada dedicated to compliance and complaint handling functions in the life and health insurance industry. We offer a premier opportunity to support your clients as you network with industry leaders as they discuss their key issues.