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: March 17-21, 2025

March 21, 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

B.C. Regulator Expands Crackdown On Mortgage Fraud

Investigation Reveals Startling, Widespread Industry Violations

By Jonalyn Cueto, CMP, March 19, 2025

https://www.mpamag.com/ca/news/general/bc-regulator-expands-crackdown-on-mortgage-fraud/529077?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20250319&_hsenc=p2ANqtz-_-KsGQPEm8e3d3SvaqnCENmrWMWlKjLYLDbfjhLSyLy8eJFzjL6k6zbu8VKmwr_xGAGVOId6BL2y_-WlYRjj36MuGhIg&_hsmi=352625841&utm_content=&utm_source=

The British Columbia Financial Services Authority (BCFSA) has intensified its enforcement actions, revealing the full extent of Jay Kanth Chaudhary's unregistered mortgage brokering scheme. The regulator has now publicly linked Chaudhary to 19 completed disciplinary cases after years of referring him anonymously as 'Individual 1'. Four more investigations remain ongoing, a CBC report noted.

BCFSA director of investigations Raheel Humayun described the scope of Chaudhary's operations as "staggering", citing the widespread ethical breaches among licensed professionals who collaborated with him. The regulator's decision to disclose previously redacted information is part of a broader effort to enhance transparency and deter future misconduct.

According to consent orders, many of Chaudhary's clients obtained mortgages using tax documents that falsely inflated their income. In one case, a real estate agent secured a mortgage with fraudulent financial statements despite having declared a negative annual income the previous year.

Despite the gravity of the violations, law enforcement has yet to take action. The BCFSA confirmed that it made multiple referrals to the RCMP's E-Division, but the federal police declined to pursue the case, citing jurisdictional constraints. The Cullen Commission report noted that Chaudhary had faced scrutiny from the Canada Revenue Agency, but he does not appear to have faced any criminal charges.

Disciplinary actions against conspirators

The latest BCFSA rulings have resulted in severe penalties for real estate agents and mortgage brokers who facilitated or benefited from Chaudhary's illicit activities. They knowingly referred clients to him, assisted in preparing fraudulent documents, and in some cases, used the same methods to obtain mortgages for themselves.

Molenia Golshani, Sayna Sadat Mirzadeh, and Homayoun (Sam) Haji Karimloo, all licensed real estate agents, worked closely with Chaudhary to help unqualified buyers secure mortgages. Investigators found that they submitted applications with doctored income statements, fully aware that the financial information had been altered. Additionally, they personally benefited from Chaudhary's services by using similar fraudulent tactics to finance their own properties. Their licences have been revoked, and they have been fined tens of thousands of dollars.

Mortgage broker Shane Ballard admitted to facilitating at least 165 fraudulent mortgage applications for Chaudhary, effectively acting as a front to submit altered documents to lenders. Consent orders revealed that Ballard never met the borrowers but processed their applications as if they were legitimate. As a result, he has been permanently banned from the industry and fined $50,000.

Other implicated professionals engaged in similar activities. Some have received fines and suspensions, while others face remedial education requirements. Several are appealing their disciplinary actions.

OTHER CAFII MEMBER-RELEVANT NEWS

Inflation Still Too Hot For The BoC To Cut Rates Further: Scotiabank

Scotiabank Economics Is Warning That Inflation Remains Too Persistent For The Bank Of Canada To Continue Cutting Rates.

By Steve Huebl, Canadian Mortgage Trends, March 20, 2025

https://www.canadianmortgagetrends.com/2025/03/inflation-still-too-hot-for-the-boc-to-cut-rates-further-scotiabank/

February's CPI report showed core price pressures exceeding expectations, raising doubts about further easing.

StatCan reported a 1.1% month-over-month jump in inflation, with the BoC's preferred measures—trimmed mean and weighted median CPI—rising at an annualized 2.9%, up from 2.7% in January. While some of the increase was due to the temporary GST holiday, Scotiabank notes that broader inflationary pressures remain, challenging the BoC's outlook.

BoC preferred core measures of inflation
"Core inflation has yet to show a convincing pattern of lagging disinflation to the emergence of a small amount of slack in the economy," wrote Scotiabank economist Derek Holt. "That should merit the BoC ending cuts for some time, especially amid the looming effects of tariffs on inflation and rising inflation expectations."

Since beginning its easing cycle, the BoC has cut rates by 225 bps to 2.75%, but Scotiabank warns it may have moved too quickly. Inflation, Holt argues, "is simply too hot" and has been since last May.

"The longstanding trend points to readings that are clearly saying that the BoC's work is not done," Holt says.

BoC's next move
With inflation still running above target and showing little sign of a sustained downward trend, Scotiabank suggests the BoC should reconsider its policy stance. The March CPI data, set for release on April 15, will be key in determining whether February's inflation surge was an anomaly or part of a deeper trend.

Market expectations currently point to a slim chance of a 25-bps cut in April, but even that may be premature.

For now, Scotiabank's message is clear: The BoC's job isn't finished, and further rate cuts could reignite inflation rather than guide the economy to a smooth landing.

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

Most Insurance Companies Will "Fail The AI Test": Lemonade CEO

"Longevity Should Not Be Confused With Immortality"

By Gia Snape, Insurance Business, March 20, 2025

https://www.insurancebusinessmag.com/ca/news/technology/most-insurance-companies-will-fail-the-ai-test-lemonade-ceo-529265.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20250320&_hsenc=p2ANqtz-9SPx4Om_Atk8DMc92fwabMxLGo7mEYaUqOpdPDu5ekaw9Iw-vnZQFsvLUQFj5SYIsyfsVdlof2H-sBArs0jWpzq8_IUg&_hsmi=352839927&utm_content=&utm_source=

Traditionally known for its slow and cautious approach to innovation, the insurance industry is undergoing a significant shift, thanks to artificial intelligence. As insurers seek to improve efficiencies and enhance customer experiences, they are embracing AI and generative AI as transformative tools.

At the Insurtech Insights Europe conference in London this week, organizations trumpeted gains in AI innovation and integration. But for Lemonade CEO Daniel Schreiber (pictured), only a few firms will thrive in the longer term.

“I think that many companies will absolutely fail at the AI test,” Schreiber said during a keynote speech on Wednesday. “They'll fail at it for the same reason that most acquisitions fail. On paper, it all makes sense, but there isn't a DNA match and there's organ rejection.”

Cultural adaptation over technological integration

AI adoption requires cultural transformation, not just technological integration, according to Schreiber. Companies that fail to align their culture with AI advancements will struggle with implementation, leading to rejection, he said.

“The only way for AI to be successful in the organization, beyond being a tool that people use to write things and query, is if you prepare for it,” Schreiber said. “AI, like people, needs to be trained. It needs feedback. It needs to be managed. It needs people looking over its shoulder and saying ‘yes’ and ‘no.’ If you build that platform, AI adoption will come.”

Organizations must also be able to “fire” AI, Schreiber said, and just as companies have HR departments, feedback cycles, and performance reviews for employees, they need a similar framework for AI.

However, many insurance leaders assume AI management is solely the IT department’s responsibility, overlooking the broader organizational infrastructure required for success.

Schreiber co-founded Lemonade in 2015. The insurtech offers renters, homeowners, car, pet, and life insurance across the US and parts of Europe, including Germany, the Netherlands, and France.

Its platform replaces traditional brokers with AI-driven solutions but has faced backlash for its AI use, including claiming its AI system was boosting profits by denying claims. In 2021, it faced a class action lawsuit in the US over alleged mishandling of biometric data.

Despite controversies around the US insurtech’s use of AI, the Lemonade CEO is adamant that AI-native firms are better positioned for growth due to their ability to scale and innovate faster than incumbents.

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

"Many of today's major brands have survived and thrived for hundreds of years," Schreiber said. "But longevity should not be confused with immortality, because a new revolution is afoot. It's gathering steam, and it's rendering incumbents structurally disadvantaged."

AI Skepticism Grows Among Compliance Professionals

By Chris Gaetano, Digital Insurance, March 18, 2025

https://www.dig-in.com/news/ai-skepticism-grows-among-compliance-professionals?utm_campaign=NL_DIG_Morning_Briefing_03202025&position=4&utm_source=newsletter&utm_medium=email&campaignname=NL_DIG_Morning_Briefing_03202025&oly_enc_id=1794I9343067F0V

Compliance professionals working to prevent financial crimes are losing their faith in AI to solve more problems than it causes, as recent survey data has found a significant drop in those saying the technology has positively impacted their programs between 2023 and 2024.

This is one of the findings of a survey issued by financial and risk management solutions provider Kroll in its most recent Financial Crime Report. The report found that, as adoption of AI and machine learning advances, only 20% of respondents now exploring these tools report a "very positive impact" on their financial crime compliance frameworks. In contrast, the 2023 survey found 37% said the same thing. Dan Rice, managing director of cyber risk at Kroll, said that professionals found that the current set of solutions simply was not up to the task required of them.

"A lot of promises were made in 2023, and have not come to pass. The short answer is that AI was never going to solve the problems it was sold to solve. Many financial institutions and large companies have data problems, and if the data isn't great, the AI tends not to work well. There were many leaps in logic that suggested AI would fix the data problems and, consequently, many of our other problems. However, that's not the case and won't be the case. There's still a lot of hard work below the surface needed to get this right. Many companies rushed into implementation of AI without proper planning, and now the focus is on developing the right strategy, governance and documentation to ensure compliance," he said in an email.

At the same time, 71% of respondents expect financial crime risks to increase this year, yet only 23% believe their organization's compliance program is "very effective." This is at least partially due to lack of technology investment, as only 30% say their organization's financial crime compliance program is sufficient in these respects. Or it has weak governance, as only 29% strongly agree their organization has a robust governance infrastructure for overseeing financial crime.

AI plays a large role in this perception of risk, as 61% cited the increased use of AI by criminals as a leading catalyst for risk exposure in the coming year, outpaced only by general cybersecurity risks at 68% (which also is increasingly driven by AI). Overall, there seems to be a divide in whether AI ultimately is more boon or burden. While 57% believe AI developments will benefit their financial crime compliance programs, 49% agree AI poses a significant risk to compliance.

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

The drop in those who say AI has made a very positive impact stands in contrast to other surveys that show AI enthusiasm growing generally. For instance, a recent survey from practice management solutions provider Karbon showed that the proportion of those excited about AI went from 41% to 63% for firm owners, and 26% to 40% among individual contributors and staff in technology, operations and administrative positions. Meanwhile, a report from Wolters Kluwer shows rising AI implementations, growing 34% in just one year. And late last year, an EY poll found AI trust doing a 180, going from 85% in 2023 saying generative AI will not drive increased effectiveness and efficiency over the next three years, to 87% saying it will just one year later.

This difference could come down to who was polled. Kroll surveyed over 600 worldwide respondents that included CEOs, chief compliance officers, general counsel, chief risk officers and other financial crime compliance professionals. Half of them work in the financial services industry and the remainder are from other regulated industries, including accountancy, insurance, real estate and legal services. Poll respondents came from the U.S. and UK, Western Europe (France, Germany, Ireland, Italy, Spain and Switzerland), Scandinavia (Norway and Sweden), Asia Pacific (Australia, India and Japan), Hong Kong, Singapore and the Middle East/Africa (United Arab Emirates and South Africa), as well as offshore financial centers—the British Virgin Islands, Cayman Islands and Jersey.

Canada Post Launches Financial Accounts Through Koho With Few No-Fee Options

By Erica Alini, The Globe and Mail, March 18, 2025

https://www.theglobeandmail.com/investing/personal-finance/article-canada-post-launches-financial-accounts-through-koho-with-few-no-fee/

Canada Post has launched spending and savings accounts in a move that mirrors programs in other countries where postal services offer basic banking options to lower-income customers and underserved communities. But the new offering lacks transparency and includes few low-cost options, a leading consumer advocacy group say.

The Crown corporation is relying on a partnership with Canadian fintech startup Koho Financial Inc. to provide what it described in a press release on Monday as “fair, transparent and, above all, accessible” financial services.

Canadians who set up an account through Canada Post’s MyMoney service can make deposits at the post office in addition to loading funds online through the Koho app. All account types offer unlimited transactions, as with many chequing accounts, and the ability to earn interest on deposits, as with a savings account. Users also get a prepaid, reloadable Mastercard they can use for both purchases and ATM withdrawals.

But the new service is difficult to navigate, with hard-to-find information on fees and terms and services, said Geoff White, executive director and general counsel at the Public Interest Advocacy Centre, a consumer rights group. There are also limited low-cost options for consumers, with fees as high as $22 a month for accounts with higher interest rates and more features, he added.

“This was pitched as no-frills banking,” Mr. White said. But, he added, “there are frills and the frills come with the monthly fees.”

Canada Post has long pondered a foray into postal banking, in which post offices offer a limited array of financial services. It's an option that already exists in countries such as France, Italy, Brazil and Switzerland. Canada had its own postal service-based national savings bank until 1969.

Canadians face chaotic tax season owing to last-minute rule changes and delayed forms

Canada Post argues its extensive retail network allows it to reach rural and Indigenous communities that may have difficulty accessing traditional banks.

The Crown corporation attempted an earlier foray into postal banking in 2022 when it launched a lending program with TD Bank Group, only to close it weeks later, citing processing issues.

Still, post offices in Canada already provide an array of financial services, including domestic and international remittances, money orders and prepaid reloadable cards, handling millions of transactions per year, Canada Post spokesperson Lisa Liu said via e-mail.

Now, Canada Post believes it can do more.

"Research has shown a particularly clear need for more banking and savings products tailored to specific customer segments in Canada," she said.

But Mr. White said Canadians considering doing some of their banking through the post office might struggle to understand what they're signing up for.

For example, getting deposit insurance coverage, which protects customers' money if a financial institution fails, involves an extra step compared to a traditional bank.

While Koho has applied to become a bank it is not currently a deposit-taking institution eligible for coverage through the Canada Deposit Insurance Corporation (CDIC), a federal Crown corporation that insures funds held in savings and chequing accounts, term deposits and foreign currency at its member institutions up to certain limits.

Instead, Koho partners with a federally regulated Canadian bank to provide CDIC insurance. However, that coverage extends only to users who choose the "earned interest" feature on their accounts.

While there is no cost to activate that option, clients must provide a social insurance number to do so, Koho spokesperson Ziv Deutsch said.

Information about account fees is also hard to decipher on both the Canada Post and Koho websites, Mr. White said.

Canada Post offers only one account, called Non-Member plan, that has no monthly charges by default. The option is displayed less prominently compared to three other account types, called Essential, Extra and Everything, that come with monthly fees.

Users can also avoid fees on the Essential plan by setting up recurring direct deposits or depositing at least $1,000 a month in the account.

Mr. White called both requirements "onerous" for accounts that he said are supposed to be accessible.

Customers who choose any of the fee-bearing plans receive competitive interest rates on savings ranging from 2.5 per cent to 4 per cent, in addition to cash-back perks and other features.

But the monthly charges can be as high as $22, which Mr. White called "high retail banking fees."

If Canada Post wants to become a truly accessible option for low-income and underserved customers, "there is work to do," he said.

Editor's note: (March 20, 2025): A previous version of this article incorrectly stated that Peoples Trust provides CDIC insurance to Koho customers. Peoples Trust holds only non-insured funds on behalf of Koho. Koho partners with federally regulated Canadian banks to provide CDIC insurance.

Advocis Faces Second Lawsuit, Human Rights Complaint

The Association Has Faced Five Claims In The Past 14 Months

By Michelle Schriver, Investment Executive, February 28, 2025

https://www.investmentexecutive.com/news/industry-news/advocis-faces-second-lawsuit-human-rights-complaint/

A second lawsuit in one week has been filed against Advocis, this one by Huntsville, Ont.–based SeeWhy Financial Learning Inc. The claim comes just days after Net-Patrol International Inc. in Burlington, Ont., filed a suit against the association on Feb. 21. Advocis has faced five claims in the past 14 months.

The association sent two emails to members this week acknowledging the latest claims and informing members that the association also faces a human rights complaint.

The Advocis board has "become aware of an Ontario Human Rights Commission complaint brought forward against Advocis relating to alleged conduct during the tenure of the former interim CEO," said Al Jones, Advocis board chair, in an email to members on Thursday.

Ontario's Human Rights Code prohibits discriminatory actions based on factors such as age, race and sex in employment and in membership in professional associations, among other areas.

"Legal counsel has been retained to represent Advocis in connection with this matter," Jones' email said. "Advocis takes allegations of discriminatory treatment of employees seriously and [is] addressing this matter with appropriate care and diligence."

Harris Jones was interim CEO from September 2023 to September 2024, and Al Jones's reference to him in the email was to make clear that the human rights complaint didn't arise under the new CEO Kelly Gorman. Harris Jones took the helm the same month longtime CEO Greg Pollock was ousted as the association struggled with liquidity. Pollock was 68 at the time.

Harris Jones did not respond to a request for comment.

Pollock sued for wrongful dismissal in December 2023. The dispute was settled in November 2024, along with a claim of wrongful dismissal from former chief operating officer Julie Martini.

In his email to members on Thursday, Jones said Advocis' top priority was rebuilding member confidence by demonstrating stronger financial oversight, clearer communication and meaningful progress on issues that matter to members.

During a fireside chat on Monday, Gorman told members she was committed to more "robust" communication with the chapters, including about the association's finances.

In an email on Tuesday, Gorman directed members to an Investment Executive report on a breach-of-contract lawsuit filed by Net-Patrol International Inc., in keeping with a commitment "for broader transparency," she said. She reiterated Advocis' stance that the claim is without merit and contained "several factual inaccuracies" that would be addressed formally.

SeeWhy seeks punitive damages for contract breach

The SeeWhy claim is against the association and Advocis Learning Centre (ALC) for punitive damages of $250,000 or an amount set by the court. The claim alleges breach of the service agreement with SeeWhy by failing to provide SeeWhy's learning materials on the ALC platform and in other instances, negatively affecting SeeWhy's fees.

SeeWhy settled a similar claim with Advocis in 2024.

"Advocis leverages the SeeWhy brand to attract clients but then arbitrarily redirects them to ALC to avoid payment to SeeWhy," the claim, filed on Monday with the Ontario Superior Court of Justice in Brantford, Ont., states. Advocis is "damaging the SeeWhy brand by inconsistently granting, withholding or revoking student access, leading to inquiries and complaints directed at SeeWhy."

In his email to members on Thursday, Al Jones said, "The board has retained litigation counsel to defend both actions [from SeeWhy and Net-Patrol], which it currently considers to be without merit."

ALC was incorporated as a federally registered nonprofit organization on May 15, 2024, and shares two directors with Advocis: Ejaz Nadeem, Advocis' treasurer, and Sara La Gamba, chair of the Institute, Advocis' educational arm.

"SeeWhy alleges that Advocis is trying to circumvent its obligations by incorporating a non-arm's-length entity that shares a similar name and website URL, common directors and the same business location, logo and phone number," Dennis Touesnard, counsel for SeeWhy and partner with Waterous Holden Amey Hitchon LLP in Brantford, Ont., said in an emailed statement. "SeeWhy alleges that this approach is oppressive to it."

Further, "This is the second time my client has been forced to file a claim in order to secure payment," Touesnard said. "While SeeWhy was reluctant to resort to legal action, Advocis' recent conduct warranted bringing another lawsuit."

Touesnard said in his statement that “Advocis is an organization that purports to represent financial advisors and champions a strict professional code of conduct for its members, as seen on its website. SeeWhy expects Advocis to uphold the same standards internally.”

Advocis will have an opportunity to defend the action’s allegations, Touesnard said. “However, we remain confident that the court will recognize the merits of our claim and rule in our favour.”

In his email to members on Thursday, Al Jones said he understood that members want details about the claims. “However, as these matters are currently before the courts, it is inappropriate for us to provide further comment at this time.” Advocis’ response to the claims “will be made clear in statements of defence, which will be filed with the court in due course,” Jones said.

We’re Not All ‘f**cked’ By AI: BCSC

Regulator Makes Playful Attempt To Educate Canadians On AI Fraud

By Jonathan Got, Investment Executive, January 28, 2025

https://www.investmentexecutive.com/news/from-the-regulators/were-not-all-fcked-by-ai-bcsc/

*The B.C. Securities Commission’s (BCSC) latest fraud prevention campaign, We’re Not All F**ked, came with a nearly two-minute music video including those words.*

As fraudsters increasingly adopt artificial intelligence (AI) to cheat Canadians out of millions every year and worries grow that generative AI poses risks to financial institutions, the provincial regulator has taken a lighthearted approach to calling on investors to educate themselves about AI scams.

The whimsical video mentions several ways fraudsters use generative AI to fool victims, including honeypot scams that make victims fall in love with a fake online dating profile, or clone a trusted accountant or advisor’s voice.

“They can deepfake your accountant. And sound like my broker too,” the song goes. “Oh it’s all part of their trap. So you’ll invest in a bunch of crap.”

The video also includes humorous generative AI screw-ups like sprouting extra fingers on hands and giving mouths extra rows of teeth.

Between Jan. 1 and Oct. 31, 2024, Canadians lost $503 million to fraud, according to the Canadian Anti-Fraud Centre. “You are the first line of defence. So it’s more important than ever that you pause, think critically and do your own research before investing,” Pamela McDonald, the BCSC’s director of communications and education, said in the release.

UPCOMING CAFII RELEVANT WEBINARS & EVENTS; AND RELATED EDUCATION CONTENT

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.

Back to Table Of Contents