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CAFII ALERTS WEEKLY DIGEST: April 07 – 11, 2025

April 11, 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.

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GOVERNMENT/LEGAL/REGULATORY/BUSINESS DEVELOPMENTS

AI, Digital-First Strategies Reshaping Canada's CPI Industry: Report

CAFII And Deloitte Spotlight Top Tech Trends

By Josh Recamara, Insurance Business, April 10, 2025

https://www.insurancebusinessmag.com/ca/news/technology/ai-digitalfirst-strategies-reshaping-canadas-cpi-industry-report-531701.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20250410&_hsenc=p2ANqtz-9jPwk7PcXDJ5BGT2d9kevMQvlxpvj6_v4qTyyRx37LOTHp4_whGBHGZjhAyHiR0qHXO-phTLi_QnuPI5CtPxaazJR3eg&_hsmi=356118955&utm_content=&utm_source=

New research from the Canadian Association of Financial Institutions in Insurance (CAFII) and Deloitte explored how artificial intelligence, advanced analytics and digital-first strategies are reshaping the Credit Protection Insurance (CPI) industry in Canada.

The report, called "Exploring Emerging Technology & Gen AI Trends in CPI," highlighted how insurers are updating their underwriting processes, streamlining claims and responding to increasing consumer demand for digital engagement, while also facing challenges related to technology adoption.

Keith Martin, executive director of CAFII, emphasized that the research points to the need for the insurance industry to modernize. According to Martin, AI and automation are enhancing operational efficiency, but outdated systems and complex regulatory frameworks remain significant obstacles. He called for greater investment in technologies that prioritize consumer accessibility and improve the overall insurance experience.

Role of AI in underwriting

According to the research, AI-driven models are expected to shorten approval times, refine risk assessments and make insurance more inclusive for a wider range of consumers.

The study found that more than 60% of insurers anticipate that AI will have a significant impact on underwriting and claims processing in the next three to five years, helping insurers make more data-driven decisions and improving accuracy.

The report also noted the shift towards digital-first insurance solutions, as more consumers expect greater access to services online. Over half of CPI insurers are focusing on digital engagement tools, such as mobile-first experiences, real-time policy access and digital education resources.

Approximately 33% of insurers consider improving customer experience through these technologies a key priority for their investments, reflecting a broader shift toward more consumer-friendly insurance solutions.

Additionally, cloud-based platforms are gaining traction in the industry, with 70% of insurers identifying cloud computing as essential for improving operational efficiency, security compliance and the integration of AI-driven insights.

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However, legacy systems and regulatory challenges are hindering insurers' ability to implement these solutions more broadly, with 70% of insurers citing outdated infrastructure as the major barrier to progress, according to the study.

Legislation Merges Two Organizations To Create The Chambre De L'assurance

By Alain Castonguay, Insurance Portal, April 09, 2025

On Tuesday, April 8, Finance Minister Éric Girard tabled Bill 92 in the National Assembly of Québec, amending various provisions mainly in the financial sector. In particular, he announced the merger of the two self regulatory organizations (SROs) responsible for overseeing life and health insurance and general insurance representatives.

The omnibus bill (PL-92) comprises 186 sections and amends many laws. The first chapter is entitled: Fusion de la Chambre de la sécurité financière et de la Chambre de l'assurance de dommages (Merger of the Chambre de la sécurité financière and the Chambre de l'assurance de dommages).

In the explanatory notes, the Minister states that the merger of the two SROs will create the Chambre de l'assurance. The terms and conditions of this merger comprise some forty articles.

Read full article (subscription required): https://insurance-portal.ca/life/legislation-merges-two-organizations-to-create-the-chambre-de-lassurance/?utm_source=cakemail&utm_medium=email&utm_content=full_daily_en&utm_term=bulletin

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Regulation: The Life Insurance Industry Must Defend Its Distinct Identity

By Serge Therrien, Insurance Portal, April 07, 2025

https://insurance-portal.ca/life/regulation-the-life-insurance-industry-must-defend-its-distinct-identity/?utm_source=cakemail&utm_medium=email&utm_content=full_daily_en&utm_term=bulletin

Stephen Frank has issued a call to the entire industry: It's crucial to engage in conversations with regulators to make it clear that, while there are similarities with mutual funds, life insurance is not the same as securities.

Frank, president and CEO of the Canadian Life and Health Insurance Association (CLHIA), delivered this message at Advocis' Symposium 2025, held in March in Toronto. Advocis is the largest voluntary association of financial advisors in Canada.

Frank noted that the insurance industry had enjoyed a relatively calm relationship with regulators for the past 10 to 15 years, as most regulatory actions were focused on the securities side.

"But things have changed, Frank said, and now the big spotlight has shifted onto insurance."

Regulators, he explained, are comfortable with the progress made on the securities side and now they want a similar oversight framework in life insurance.

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Five to ten years in the future, the life insurance regulatory framework will likely resemble what we see today on the securities industry, says Frank.

"The trick for us," he said, "is to continue to work with regulators and to make our case. That's why organizations like Advocis are so important. We must keep working toward a framework that, while the outcome needs some similarities, the way we're going to do it must be respectful and acknowledge that insurance is different."

Frank acknowledged that regulators often push back against this idea. "They don't like hearing me when I come in a room saying that we are different," he said. "They don't buy that narrative. But we still need to make our case."

A key distinction he emphasized is that life insurance isn't something consumers typically go out and buy – it's something that needs to be sold. The sales process is entirely different from that of securities. In this context, banning certain types of compensation may make sense in the mutual fund world, but not in life insurance. "Still," Frank stressed, "it's up to the industry to prove that."

Advisors have influence
Ali Ghiassi, vice-president of industry affairs and government relations at Canada Life, reiterated the importance of advisors' advocacy efforts. "We've seen the difference when insurers speak to policy makers and regulators, compared to when advisors do. The influence isn't the same, because advisors are rooted in communities – large and small – across Canada."

Frank said discussions with regulators are still in the early stages, but industry stakeholders should expect momentum to build.

Principles-based regulation
"In insurance, we favour principles-based regulation, whereas the securities sector leans more toward rule-based, control-driven models."

Now, says Frank, regulators are starting to talk of seg funds disclosure, and it will be a quite transparent and robust disclosure to clients. Then, the expectation for managing general agencies is going to change.

Phil Marsillo, president of the Canadian Association of Independent Life Brokerage Agencies (CAILBA) and President and CEO of IDC Worldsource Insurance Network, also sees change on the horizon. He says he has warned CAILBA members that they have a choice: wait for change to happen, or get involved in the conversation. "But we have to be honest," he added. "Once the rules are in place, it's much harder to change them."

OTHER CAFII MEMBER-RELEVANT NEWS

Investor Advocates Urge Regulators To Ban Controversial Sales Commissions For Mutual Funds

By Clare O'Hara, The Globe and Mail, April 08, 2025

https://www.theglobeandmail.com/business/article-mutual-funds-sales-commissions-ban/

Investor advocates are urging regulators to ban the use of controversial sales commissions that are paid out to investment dealers who primarily sell mutual funds from one company.

Known as "principal distributors," these investment dealers obtain exclusive rights to distribute mutual fund investments from a single fund family. In some cases, the fund companies offer advisers upfront commissions when they lock in clients for a certain period, typically for about three years. If clients redeem funds earlier, the advisers are required to pay back a portion of their commissions.

During a recent regulatory consultation on principal distributor models, industry groups and investor advocates said the commissions – known as adviser chargebacks – are creating an "inherent conflict of interest" for advisers.

Michael Thom, managing director for CFA Societies Canada, said chargebacks put financial advisers in a position where they could encourage clients to continue to hold and not redeem mutual funds simply to avoid repaying a commission, even when that may not be in an investor's best interest.

"Chargebacks carry the negative potential that advisers may consider their own interests above that of their clients," CFA Societies Canada wrote in a consultation letter.

In the same consultation, the Canadian Securities Administrators – an umbrella group for provincial and territorial securities regulators – has also proposed an amendment to close a loophole in the current rules that allows principal distributors to continue to pay deferred sales commission (DSC), a controversial mutual fund fee that was banned in 2022 after a decade of industry consultations. The fee was found to be harmful to investors, who were hit with high penalties if they wanted to redeem their investments early.

But the DSC ban does not technically apply to principal distributors, because they were excluded from some regulatory provisions that apply to other investment dealers – a loophole the CSA now wants to close.

In 2023, the CSA announced another step to enhance investor protection through a comprehensive set of rules, known as the client-focused reforms, that require advisers to ensure they are providing products that are appropriate for clients.

Prominent investor advocate Ken Kivenko said in an interview with The Globe and Mail that he was "shocked" to learn chargeback fees were continuing after all the work to ban DSC funds and enhance investor protection. He said the death of DSC funds has prompted asset managers to find other ways to promote their funds.

"The entire principal distributor model is a slap in the face to the client-focused reforms," Mr. Kivenko said. "How is it in the best interests of clients to limit their choice to one fund family? How is it in the best interest of clients to have an adviser who will be disincentivized to tell you to sell a fund if it is no longer working for your portfolio?"

Adviser chargebacks are reminiscent of DSCs. DSC funds typically lock in investors for five to seven years. If an investor redeems their money prior to the set date, the client is hit with an early redemption penalty.

In comparison, chargebacks do not penalize a client. Rather, the investment adviser has to pay back a part of their upfront commission if a client decides to redeem a fund.

"Chargebacks are evidence that advisers are in the business of sales, not advice," Mr. Kivenko added.

The discussion of chargebacks goes back to 2023, when regulators first announced they were concerned with potential conflicts of interest in the chargeback commission structure, particularly in the insurance industry. Now, the topic has resurfaced in a broader CSA consultation on whether regulators need to revise the sales practices used by principal distributors, which could include a ban on chargeback commissions.

Mr. Kivenko wrote in a public comment letter about his disappointment that, two years later, regulators have "no action other than yet another consultation on the obvious."

"We cannot begin to express our frustration with this glacial speed of investor protection compared with the quick reaction the CSA takes to reduce industry regulatory burden," he added.

CFA Societies Canada's Mr. Thom expressed similar confusion about how the principal distributor model could continue to exist without a more fulsome review in today's regulatory environment – particularly since the introduction of the client-focused reforms.

"Most Canadians don't know what regulatory regime they are facing when they seek investment advice, and the idea of the client-focused reforms was to provide some uniform, overarching obligations within the rules," Mr. Thom said. "But for some reason, those rules seem to be partially suspended within the principal distributor model. And we don't know why."

Along with potentially banning chargebacks, the CSA is proposing principal distributors should be restricted to selling mutual funds from only one fund family.

In some cases, investment dealers have set up multiple principal distributor agreements with different fund companies, creating a larger conflict of interest if an investment adviser has an incentive to choose the fund family with the largest upfront commissions. In addition, the CSA wants principal distributors to provide greater transparency in the disclosures they provide investors about the total compensation paid to their investment advisers.

In its consultation, the CSA said that by restricting the agreements to a single mutual fund family, the conflict-of-interest concerns would be "less acute."

However, the Canadian Independent Finance and Innovation Counsel (CIFC), which represents investment dealers across the country, disagreed with the CSA analysis, saying the limitation to one fund family would “significantly reduce” investor choice and “in fact may increase the potential for conflicts of interest.”

CIFC chief executive Annie Sinigagliese said in a comment letter that investment dealers challenge the CSA’s assertion that the principal distribution model, even with the proposed single fund family restriction, remains relevant in today’s “mutual fund landscape.”

Instead, the CIFC is concerned about the potential of the principal model to “suppress competition and limit market efficiency.” Along with CFA Societies Canada and investor advocates, the CIFC is calling on the CSA to expand the consultation process to have a “more extensive evaluation” of the principal distributor model.

“We would like to highlight potential negative effects on investor retirement savings, noting that reduced competition could result in higher fees and fewer investment options for retail investors,” Ms. Sinigagliese added.

The Insurance Revolution: AI And The Future Of Risk

The Rise Of Artificial Intelligence (AI) And The Internet Of Things (IoT) Isn't Simply Adjusting Traditional Risk Models; It's Significantly Altering Them

By Chris Davis, Insurance Business, April 07, 2025

https://www.insurancebusinessmag.com/ca/news/technology/the-insurance-revolution-ai-and-the-future-of-risk-531225.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20250407&_hsenc=p2ANqtz--kgo4af7o7o98am9rxxVjsGw3sLzkOYfPFVu5NqJ2MxxLwVkNtgmQf3R_hnqZSz2gx618S3qoXYNv_OSbDMRW7qlyzHQ&_hsmi=355533319&utm_content=&utm_source=

The insurance industry isn't just changing - it's being fundamentally rewritten. The rise of artificial intelligence (AI) and the Internet of Things (IoT) isn't simply adjusting traditional risk models; it's significantly altering them.

"We're sitting on the shore, watching a large wave approach," said Ali Tahmoorespour (pictured), a broker at InsureBC. "Instead of preparing to surf and utilize the approaching wave, we risk being overwhelmed. If we, as insurers, don't leverage AI and the technologies we now face, the technology sector will overtake us. Therefore, instead of wasting time, we should act quickly to leverage this new technology."

For decades, insurance pricing relied on broad demographic factors—age, gender, location—because there was no way to track individual risk in real-time. Now, insurers can utilize telematics in cars, wearable health monitors, and digital footprints—every detail can be collected and analyzed.

This data allows insurers to offer usage-based insurance (UBI) policies, tailoring premiums more closely to individual driving habits. Studies indicate that the UBI market has experienced significant growth, with approximately 20 million policies in effect and projections estimating the market's value to reach over $190 billion by 2026.

"Previously, risk modeling was demographic," Tahmoorespour said. "We grouped customers into pools based on demographic proxies, such as age, gender, height and weight. While this was not ideal, we did it because we lacked the current processing capabilities and access to individual data.

"With IoT, we can access granular data for each individual through various devices, such as those attached to cars or homes, and digital footprints. This allows us to assess individual risk in real-time, not just at renewal."

Real-time pricing: The inevitable future
The ability to track individual risk means not just more accurate pricing but constant adjustments.

"For instance, imagine a device in a car, similar to a gyroscope in a smartwatch or phone, that records driving patterns. If I brake or accelerate excessively, or change lanes abruptly, the device can detect and transmit the data, allowing us to adjust rates in real-time, not just at the next renewal," he said.

Safe drivers will benefit, while reckless ones will pay more.

"We can adjust risk assessments and premiums in real time. This brings us closer to fairness, as individuals will pay premiums that accurately reflect their risk, rather than subsidizing those with higher risk," Tahmoorespour said. "It can incentivize clients to adopt safer behaviors. Essentially, insurance companies will not only provide post-incident support but also help clients mitigate risk."

AI: A threat to traditional brokers
For brokers, this technology isn't an opportunity—it's a threat. The reasons are clear. Brokers rely on experience and intuition. AI doesn't.

"Clients will have access to better data and more accurate assessments, and they will likely prefer AI-driven services over traditional brokers," Tahmoorespour said. "Brokers consult clients based on their individual knowledge and experience. Consequently, advice can vary, and not all consultations are equally effective."

There's also the issue of financial incentives.

"Brokers' commissions are often based on a percentage of the premium, which incentivizes higher premiums," he said. "For example, if I re-market your home policy and find a lower rate from Company A due to a strategy change, I may not disclose it because it reduces my commission. AI, however, will always prioritize the lowest premium for the client."

For a new generation of consumers, the appeal of AI-driven insurance is obvious.

"The new generation prefers immediate results. Due to their fast-paced lifestyles, they desire quick solutions. AI provides this by enabling them to instantly compare rates, make changes, and purchase policies," he said.

Regulation: A critical need
For all the advantages of AI and IoT-driven insurance, there's a major hurdle: regulation. The industry is moving faster than governments can react. But time is running out, and subsidies could accelerate the transition.

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"I don't think it's a critical challenge yet, as this is a gradual transition, not an immediate switch," Tahmoorespour said. "Currently, some individuals have access to these devices, while others do not. As those without see the benefits, they will begin to adopt them.

"First, we need government support to provide subsidies for these devices, benefiting both the public and the industry. For example, wearable devices that monitor steps and blood pressure benefit not only the insurance industry but also doctors and the medical system, enabling them to track health and potentially prevent diseases."

But, while other countries race ahead in AI-driven insurance, Canada is lagging.

"Because we are so slow in Canada, and despite being an immigrant, I'm more patriotic than many Canadians, we have to move faster," he said. "We are behind. Other countries are moving forward very quickly."

Even basic digital tools are missing.

"Even in BC, we don't have a website where buyers can compare insurance rates and purchase online," he said. "This shows how slow we are. We're closing our eyes. As I said, the wave is coming, and we're watching it approach. We can't do anything. It will direct us."

The waves aren't going to stop. The only question is who will ride it—and who will be left behind.

"True progress comes when we choose the hard path and embrace change. Sticking to old ways is easier, but it leads to falling behind—or failing altogether," Tahmoorespour said.

At This Time Of Crisis, We Must Ask, Where Has Canada Gone Wrong?

By Giles Gherson, The Globe and Mail, April 04, 2025

https://www.theglobeandmail.com/business/commentary/article-at-this-time-of-crisis-we-must-ask-where-has-canada-gone-wrong/

Opinion.

Despite some reprieve, U.S. President Donald Trump imposed a damaging array of tariffs on Canadian products this week; seemingly still committed to employing economic "force" against Canada. Now is the time for a national project to build back the economic strength needed, not only to withstand what could be a prolonged siege, but the upheaval of the entire global trade system.

The question is whether political leaders – and Canadians – are truly ready for the step changes required to meet the moment. Elbows up! Canada First! Less than two weeks into the 45th federal election campaign, the answer remains unclear.

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As President Trump rewrites the rules for American advantage, we need to move beyond our cautious, comfortable, slow-growth model of the last 40 years and quickly invent a high-growth economy fit for the 21st century. No more business as usual.

Canada will need significant reforms if we are to build that high-growth, more competitive model. It starts with ensuring we can root, retain and reshore businesses in Canada.

While our GDP growth ranks among the highest in the G7, that's almost exclusively due to population growth. Canada's actual output – GDP per person – is among the lowest. We're growing the number of people consuming the pie faster than we're growing the pie itself. It's no wonder cost of living is a challenge.

So, where have we gone wrong?

We've steadily lost our competitiveness. We were once rolling in natural resources wealth, and massive investment inflows. But, for the past four decades, we've gradually run down this vast inheritance and haven't replaced it. Our focus has been consumption, not production.

We have a fragmented patchwork of overly burdensome rules and regulations and a tax environment that doesn't seek to keep capital here. Many businesses today believe we've built an environment that's, at best, indifferent to business success.

By contrast, the U.S. has doubled down on becoming a magnet for capital, talent and entrepreneurship. As Statistics Canada shows, over the past several years, the gap between outbound investment from Canadian businesses and institutions to the U.S. versus inbound to Canada has grown to nearly $500-billion. We are financing U.S. growth and productivity with Canadian dollars.

The result: more investment dollars, top talent and companies go south.

A stronger Canada must start with this election. We must systemically – not piecemeal – address our long-standing economic obstacles.

Here are four key areas to tackle.

First, regulation needs to actively encourage growth, not exclusively manage risk. That means overhauling our outdated, bloated regulatory framework to simplify compliance and speed up approvals. Take Liberal Leader Mark Carney's just-released housing plan, which aims to build 500,000 homes annually. All sectors responsible for housing may not agree with everything proposed, but there are many ideas included to simplify regulation that are multi-pronged and connect together in a way previous policies have not. We need to see more policies that come together as a full-scale blitz on our competitiveness challenges across the economy.

Further, across all industries, adopting best-in-class international standards, as opposed to homegrown standards, should be table stakes for attracting investment, ensuring Canadian firms can compete globally.

Second, Canada needs a globally competitive tax system that attracts capital and rewards growth. That includes creating a more predictable environment for entrepreneurs, innovators and investors to build and scale companies here.

Conservative Leader Pierre Poilievre's proposal to go beyond merely rolling back recent capital gains tax increases touches directly on a real and growing concern: capital outflows. Is it a complete solution? No. But it's a real shift in the right direction. Reversing the flow of Canadian investment capital abroad must become a national priority.

Third, it's a promising signal that in recent weeks the federal government and provinces have been deep in discussion over a national plan to fast-track eliminating our interprovincial trade barriers; adopting mirror legislation that would recognize each other's differing regulatory requirements. After 157 years, it's time to achieve a single market to unleash Canada's economic potential.

Fourth, both parties are emphasizing infrastructure. We need to double down on building infrastructure, specifically to move people, goods and resources. The next step is getting it done without the now requisite foot-dragging: fast-track regulatory and tax measures to speed up and lower project costs.

President Trump's tariffs only compound our issues. A looming drop in Canadian GDP represents permanent economic loss, as future growth compounds from a smaller base. These costs aren't hypothetical. We're already seeing investments frozen, companies fleeing south and export earnings eroded.

Business needs bold action to supercharge Canada's competitiveness. Two questions remain: will politicians offer truly transformative ideas, and do Canadians have the ambition to see it through?

Do Insurers Have An Ethical Obligation To Close The Global Protection Gap?

Sub Title

By Grace Crane, Digital Insurance, March 24, 2025

https://www.dig-in.com/list/insurance-protection-gap-estimated-at-1-8-trillion-sas?utm_campaign=NL_DIG_Morning_Briefing_03252025&position=2&utm_source=newsletter&utm_medium=email&campaignname=NL_DIG_Morning_Briefing_03252025&oly_enc_id=1794I9343067F0V

New research from SAS shows that the majority of insurance executives want to address the global protection gap, last estimated at $1.8 trillion across life, health, natural catastrophe and crop insurance.

In "Revealing the paths to 2040: global insurance survey report," conducted by Economist Impact and sponsored by SAS, 79% of insurance executives say they believe the industry has an "ethical obligation" to close the protection gap, and three-quarters of respondents view closing the gap as a "significant" business opportunity. Of the 500 executives surveyed in September and October 2024, three in four respondents see diminished trust and lack of affordability as two significant barriers, but say that technology is the most effective way for their organizations to address these challenges and close the protection gap.

In a webinar about the SAS and Economic Impact's most recent publications, held March 6, 2025, panelists analyzed the global insurance survey and shared additional insights and strategic implications on its findings. The analysts not only discussed the opportunities available to insurers in addressing the worldwide protection gap, but also the apparent shift in the insurance industry from climate recovery to climate resilience.

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Seventy-six percent of insurance leaders view closing the gap as a significant business opportunity.
Execs identified market dynamics and AI as the greatest trends most likely to shape the industry moving forward and were more likely to view these as opportunities rather than risks.

Andre Belelieu, head of financial services from the World Economic Forum, said, "One of the areas we're going to see a huge shift in the insurance industry, and in the years ahead, is the workforce. The workforces that were built for the insurance companies of the past are not going to or cannot look like the workforces of the insurance industry in the future…"

"There's a huge ongoing effort in the industry to upskill employees, but also to start recruiting for different profiles that will help insurance companies seize the opportunities that we see here. Overall, the message again here is one of optimism," Belelieu stated." I think the industry is thinking very deeply about where it needs to go in the years ahead, and as you see through the report, there's a lot of different areas where it needs to play a critical and central role in helping us devise solutions and innovations for the future."

Seventy-seven percent of execs identify lack of trust in the industry as a significant barrier to closing the protection gap.
Despite general optimism towards innovation in closing the protection gap, most insurers have not started implementing this tech to close the gap just yet. The survey reveals that top insurance leaders see climate risk, geopolitics and cybersecurity as posing the greatest challenges to their organizations.

Internal barriers that limit organizations' ability to take advantage of industry trends include: understanding of consumer needs, understanding of the external environment, outdated technology systems, working in silos, slow rate of innovation, lack of resources and focus on the near term.

"What we see is an industry that's looking to adapt and remake itself across many different areas at the same time, which for any industry, is particularly challenging. For the insurance industry, which is traditionally innovative more slowly than other areas, it's quite an undertaking," said Belelieu. "I do share some of the optimism…in the insurance industry's ability to adapt to many of these challenges, mostly because it has to. If you look at what the insurance industry is faced with, what our economy and societies are faced with, whether it's climate, technology or demographics... insurance is central to the solutions we need to build for the world."

Forty-eight percent believe using technologies to make insurance products more affordable will help address the protection gap.
Only 40% of the respondents' organizations are currently deploying tech to address the protection gap. Executives also identified avenues to address the protection gap that included developing innovative insurance products such as parametric or microinsurance, engaging with regulations via insurance organizations and leveraging data to better assess risks and design products. Though these areas are considered popular methods, not many organizations have reported these innovations, likely due to the many internal and external barriers insurers face.

The panelists discussed the shifting dynamics of the consumer and of the rising middle class, which Stu Bradley, SAS senior vice president of risk, fraud and compliance solutions, identified as a significant trend.

"That changing dynamic is also changing the consumer expectations around how insurance should be offered, that we used to do risk-based segmentation based on geography and other types of demographics," explained Bradley. "And now

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consumers expect a segment of 'one' based on their individual and specific behaviors and overall risk factors. As that pertains to IT and needed transformations in the industry, this is going to mean different data. It's a completely different data ecosystem that's required to be able to meet those consumer expectations."

Homeowners Are Keeping Up With Mortgage Payments Despite Challenges, Says CIBC

Even Most Of Those Facing Renewals Are Confident In Maintaining Payments

By Steve Randall, Wealth Professional, March 25, 2025

https://www.wealthprofessional.ca/news/industry-news/homeowners-are-keeping-up-with-mortgage-payments-despite-challenges-says-cibc/388699?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20250325&_hsenc=p2ANqtz-9Zu_fJY8eqUtkd0wHEB2vooKS9wb6XW6SV6BQAIiqxADu0UZ7Xw3_6ZKjOseU_IJtm9jqgnstqS_-LbXU7jWSss81zZg&_hsmi=353439107&utm_content=&utm_source=

Canadian homeowners are making sure they keep up with their mortgage payments, despite the challenges of inflation and economic uncertainty.

A CIBC poll of homeowners has discovered that two thirds of those with a variable rate mortgage say they are unaffected with little or no impact on their standard of living.

Even 59% of those facing mortgage renewals are confident they can maintain their payments without breaking their budget, despite six in ten expecting rates to be higher (by an average expected 1-2%) as they renew in the next two years. Most will choose to renew with a fixed rate.

This week the British Columbia Real Estate Association published its quarterly mortgage rate outlook with expectation that rates would fall from an average 4.55% in the first quarter of 2025 to 4.50% in the second quarter, and 4.25% in the third quarter where it is likely to remain until at least the end of 2026.

"As mortgage rates are declining, it's encouraging to see that despite continued financial pressures, the majority of homeowners remain confident in their ability to manage their living expenses," said Daniel Rethazy, senior VP, Personal Lending, CIBC.

The CIBC research found that most respondents are concerned about inflation and living costs (94%), broader economic conditions (89%), interest rates (85%) potential US tariffs (80%), and election outcomes in Canada (70%).

But they are also determined to make monthly mortgage payments with 57% cutting back on discretionary spending such as travel and entertainment, 42% shopping for better mortgage rates, 24% seeking additional income sources, and 19% making lump sum payments towards their mortgages.

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Insurers Set Boundaries For Operational Use Of AI

Sub Title

By Michael Shashoua, Digital Insurance, March 24, 2025

https://www.dig-in.com/news/insurers-set-boundaries-for-operational-use-of-ai?utm_campaign=NL_DIG_Morning_Briefing_03252025&position=1&utm_source=newsletter&utm_medium=email&campaignname=NL_DIG_Morning_Briefing_03252025&oly_enc_id=1794I9343067F0V

Insurers setting rules for their own use of AI first have to address certain prerequisites including data management, transparency, detecting bias and establishing governance principles, according to AI experts from the life, P&C and brokerage fields of insurance, who spoke at a recent webinar on the ethical use of AI in the insurance industry.

To guard against bias in AI, insurers need to choose the right data or information set, according to Richard Wiedenbeck, chief AI officer at Ameritas, a life insurance and wealth management company. For instance, a bank applying AI to credit card data from the past 70 years would end up with a bias against women. That is because, in the U.S., women could not have credit cards in their own name until the 1974 passage of the Equal Credit Opportunity Act.

In addition, Wiedenbeck cautioned, information sets or data may not be structured – such as collections of PDFs or images – which means the AI may not pick up on all the available information.

Life insurers applying AI to medical records data could also end up with a bias against women because of another societal bias, noted Suzanne Grover, vice president of underwriting at Coastal Wealth, a wealth management solutions provider.

"Pharmacological studies were really only on men for a long time," she said. "What is the impact on women, and how often they are prescribed particular things versus not, and how physicians write that into records – all of those things have to be taken into consideration. Then we're asking an AI model to make sense of all of it. It's really complex, and we've got some work to do on some of those fronts."

State Farm pointed out, in a response to email questions, that it has a "Responsible AI Principles" policy to ensure its use of AI is "compliant, explainable, reliable, secure, and protected."

Newfront, an insurance brokerage, makes "explainability" a core principle of its use of AI, according to Patrick Miller, head of data and AI at the company. "There's a lot of error and uncertainty with AI," he said. "Explainability is the clearest path towards actually building trust with your users."

Another tack insurers can take is pre-emptively establishing AI governance principles, as Frank Neugebauer, vice president, Generative AI, Cincinnati Insurance Companies, explained.

"We don't want to implement AI that is going to be either illegal at some point, prohibited, or otherwise heavily changed," he said. "In property and casualty, we don't even bother talking about AI for pricing selection. Humans do all of that. They have generalized linear models, which are totally different than a neural network for pricing. But everything else that involves pricing and selection, humans are controlling everything."

Cincinnati Insurance Companies chose not to apply AI to hiring efforts – in the form of a resume reader, because of its potential for bias, Neugebauer said. "Language models don't understand all the text," he said. "We'd rather have that inefficiency than the risk of running afoul of the law."

Neugebauer offered a guideline for insurers to use in setting AI policies. "If you're not 100% sure what you're doing, you're not relatively sure of what's going to happen on the other end, the answer should be no," he said. "We should be working towards yes, but working towards yes in a way that balances the outcome that we want. Start with no, work towards yes."

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