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CAFII ALERTS WEEKLY DIGEST: April 14 – 17, 2025

April 17, 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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FSRA Extends Comment Deadline On Proposal To Boost Oversight Of Life And Health Insurance MGAs

The Deadline Has Been Extended To Apr. 30

By James Langton, Investment Executive, April 15, 2025

https://www.investmentexecutive.com/news/from-the-regulators/fsra-extends-comment-deadline-on-proposal-to-boost-oversight-of-life-and-health-insurance-mgas/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN&hash=6466E5007934F1Z&oly_enc_id=6466E5007934F1Z

The Financial Services Regulatory Authority of Ontario (FSRA) has extended the comment due date for its proposed rule to enhance oversight of life and health insurance managing general agents (MGAs). The regulator has extended the deadline for feedback to April 30.

At the end of January, FSRA proposed a new rule that aims to set licensing and compliance standards for MGAs in the life and health insurance sector. At its heart, the proposal is intended to bolster consumer protection in the MGA channel, which now accounts for the majority (nearly two-thirds) of new premiums in the individual life insurance sector in Ontario.

In a notice spelling out the proposals, FSRA said that the new rule's requirements, "would protect consumers by ensuring they have access to educated and professional agents who are properly screened, trained and monitored to give fair advice, offer suitable products and provide pertinent information for consumers to make informed decisions."

Among other things, the proposals aim to set licensing requirements for MGAs, compliance standards for MGAs (and sub-MGAs) and prescribe the responsibilities of compliance personnel at the MGAs. The legislation will require MGAs to designate a compliance representative who's independent from the firm's sales function.

The proposed rule would also establish a clear chain of accountability from insurers through various intermediaries (MGAs and sub-MGAs), down to the agents on the frontline. In particular, the rule clarifies that insurers are responsible for ensuring that their MGAs are complying with the sector's rules and regulations by adopting compliance processes to oversee their MGAs' compliance systems.

Under the rule, the compliance systems that firms are expected to implement are to be "proportional" to their businesses — meaning that their processes are to be "reasonably" designed and resourced, given the size, complexity and riskiness of the firms involved.

Additionally, the rule sets out the obligations that agents have to both insurers and their MGAs — including recordkeeping obligations, that they complete required training and an obligation to avoid or manage conflicts of interest.

Growing concerns

In more clearly delineating these responsibilities and setting compliance standards for the sector, the proposals form part of a broader effort by FSRA to address growing concerns about consumer treatment in the sale of life and health insurance products through MGAs.

Those concerns were revealed most clearly in a review — carried out by FSRA between September 2020 and March 2021 — which found various regulatory gaps in the existing MGA model.

In particular, FSRA found systemic deficiencies in the oversight of MGAs by insurers, and MGAs' oversight of agents, which gave rise to concerns about consumer protection — including worries that a lack of strong compliance arrangements potentially exposes clients to conflicts of interest, poor suitability checks and abusive sales practices, such as churning, misrepresentation and tied selling.

Among other things, the regulator's review found that complex distribution chains — with MGAs and sub-MGAs standing between the agents that are dealing with clients and the insurers — exposes customers to a risk of poor treatment due to the lack of clear accountability and oversight within the distribution chain.

"When multiple parties and complex chains of product and service distribution are involved, consumers' interests may not be given sufficient attention and consumer harm can be exacerbated," FSRA warned in that review.

Specifically, FSRA found that there was a "lack of clarity" in the roles of agents, insurers and MGAs, when it came to ensuring compliance with regulatory requirements that are intended to ensure that customers are treated fairly. Where insurers have delegated certain functions to the MGAs — such as screening, training and monitoring agents — the regulator found a lack of concrete requirements spelled out in agreements between insurers and agents. And it found that the oversight of MGAs being provided by insurers wasn't adequate to ensure that the MGAs were understanding, and following through on, their responsibilities to oversee agents.

The review also found that, while insurers might check that MGAs have compliance policies, they aren't properly evaluating whether those policies have been implemented, or that they are effective, on an ongoing basis.

Ultimately, the review concluded that insurers often aren't reviewing the riskiness of agents that are selling through MGAs, or fully assessing the riskiness of the MGAs either.

"As a result, there is an area of potential risk for consumers due to oversight and supervision gaps within MGAs, where the contracted agents directly interacting with end-consumers may not be sufficiently trained or knowledgeable," it said.

To address these weaknesses, FSRA initially proposed added guidance on licensing suitability for agents and MGAs, but policymakers ultimately concluded that more extensive reforms were required — resulting in the legislative changes that were passed in late 2024 and the proposed new rule from FSRA that's now out for consultation.

While the proposed rule aims to beef up consumer protection and bring some clarity to the allocation of compliance responsibilities within the MGA model, the rule also contemplates broadening the scope of what constitutes the work of an MGA.

For instance, the regulator suggested that it could extend MGA licensing and compliance requirements to firms that enroll clients in group insurance programs or process insurance claims. Although, for now, FSRA is focused on activities that its review found to be associated with a higher risk of consumer harm — such as the recruiting, screening, training and overseeing agents.

As a result, under the new regime, firms that haven't previously been considered MGAs, such as associate general agents and third-party administrators, may need to be licensed as MGAs if they engage in certain "regulated" activities — such as recruiting prospective agents, screening them for suitability, training agents and monitoring them.

FSRA indicated that it's also considering the development of guidance that will help firms comply with the new rule's requirements, given the principles-based approach of the new rule and its reliance on concepts such as proportionality that leave room for interpretation. The feedback it gets on the proposed rule will help the regulator craft that guidance too.

OTHER CAFII MEMBER-RELEVANT NEWS

Stop Trying To Sell Life Insurance To Gen Z

They See Its Value, But Aren't Likely To Respond To Traditional Legacy Planning Or Worst-Case-Scenario Pitches

By Kelsey Rolfe, Investment Executive, April 15, 2025

https://www.investmentexecutive.com/news/products/stop-trying-to-sell-life-insurance-to-gen-z/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN&hash=6466E5007934F1Z&oly_enc_id=6466E5007934F1Z

Gen Z Canadians are exhibiting similar attitudes toward life insurance as other generations, typically purchasing it around the same time as they reach important life milestones. But advisors who work with these young adults — many of whom are now in their 20s — say they often need more education on the benefits and features of life insurance, and the messages that resonate with them are notably different than advisors may be accustomed to.

Alysha Tse, a certified financial planner and wealth advisor with Chernick James and Associates Wealth Counsel at Richardson Wealth in Vancouver, works with Gen Z clients as part of a multi-generational family practice. She said when young clients show up in her office to talk about life insurance, it's typically tied to major events such as the recent purchase of their first home, the birth of their first child or the death of a family member.

However, she said that the "old assumptions we used to make about when someone should consider life insurance don't necessarily apply" to younger clients. Gen Z and Millennial Canadians are often delaying having children and buying homes due to the high cost of living, or forgoing them altogether.

During webinars, Tse said she doesn't connect the purchase to life milestones and instead highlights the benefits of purchasing it young while premiums are lowest, and that certain policies have cash values that can be used during their lifetime.

"What does resonate is more practical advice that matches their current realities and aligns with their values," she said.

Zainab Williams, a certified financial planner and founder of Elleverity Wealth Management in Milton, Ont., said that when working with Gen Z clients she talks about how life insurance can help them build their financial foundation, pointing to the ability to leverage the cash value of a whole life policy as collateral for a loan in the future, for example.

She said the younger clients she works with crave education and holistic financial planning, rather than a product-sale approach. Her client base is typically made up of Millennials, Gen X and baby boomers, but she said she's started to speak to the Gen Z children of clients as well.

"They want to understand, 'how exactly does this strategy fit into my overall financial well-being?'" she said.

Williams said she's found that the selling points that older generations connected with, about preventing a worst-case scenario, legacy planning and protecting generational wealth, don't resonate with younger clients.

"They came up in an environment of a lot of uncertainty. … The message that 'if you do not act this is the negative repercussion' doesn't work, because they're already financially stressed," she said. "When I speak to Gen Z clients, the way I frame things is, 'think about this as a love letter to the people you care about. If your parents co-signed on a loan, or on your house, a life insurance policy helps them if you're no longer there.'"

Gen Z clients often "stress" about working with financial institutions, Williams said, so they typically do some research before they reach out to an advisor.

But they're often getting their financial information from unconventional sources, said Jason Reynold Goveas, senior insurance advisor with online insurance brokerage PolicyAdvisor in Toronto. He said most of his clients are between ages 30 and 50, but about 30% are under 30.

"They're not reading the Financial Times — they're watching TikTok, they're watching YouTube shorts," he said, noting that the information they're hearing from social media can sometimes be inaccurate, or not applicable to their specific situation. "The main thing these creators want is attention."

Williams built her own "analyzer" tool after numerous younger clients told her about the finance videos they'd watched on TikTok. The tool is designed to help her clients evaluate the accuracy of financial influencers' videos.

After they input the video's link, the tool will break down its central message. It lists the influencer's biases, such as overpromoting a strategy without discussing its risks or favouring one company's investment products over others. And it offers alternate strategies for them to consider.

The tool is powered by AI and is available to clients through her FundEvolve fintech platform, which is targeted at women and provides budgeting, investing and debt-reduction guidance.

"Because we're in a space where Get Z [has] all this access to information at their fingertips, they're more prone to research everything before they come to you for your opinion," Williams said. "And because there's a lot of trust in financial influencers, as the advisor you have to be cognizant to how you speak about the misinformation they might get from influencers."

Goveas stressed the importance of speaking to Gen Z clients with empathy, recalling being on calls in the past with senior advisors before who "talked down" to younger clients.

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"What they want is to be heard, they want to see that you understood what they're saying and you're trying to find a solution that works for them," he said.

AI In Insurance Praised, But Consumers Still Aren't Convinced – GlobalData

Tech Used To Enhance Claims Process And Customer Support

By Roxanne Libatique, Insurance Business, April 10, 2025

https://www.insurancebusinessmag.com/ca/news/technology/ai-in-insurance-praised-but-consumers-still-arent-convinced--globaldata-531771.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20250411&_hsenc=p2ANqtz-9TFWOPPDDP8ixJf5tYMHMtopYTSgPug_uOJYghXRUycxC5mar66w7jU6CWYIkHXajq7FfI7GjOESTmIe3qHYywSYh5FQ&_hsmi=356292414&utm_content=&utm_source=

The insurance sector continues to encounter consumer hesitation around artificial intelligence, even as users report positive experiences with the technology, according to a recent GlobalData survey.

While AI is seen as a tool that could enhance efficiency and accuracy, insurers are being urged to address ongoing trust concerns, particularly in areas related to data privacy and decision-making transparency.

Benefits of AI in insurance
GlobalData's 2024 Emerging Trends Insurance Consumer Survey, which polled more than 5,500 individuals across 11 countries, found that nearly three-quarters (73.8%) of respondents believe AI can shorten the time required to reach a customer service representative.

Around 71.5% cited potential gains in operational performance, and a similar proportion (71.2%) agreed AI may outperform humans in pattern detection.

Among those who have engaged with AI tools in insurance, user satisfaction is relatively high. Of those using insurance chatbots, 74.5% reported being satisfied or very satisfied with the interaction.

Consumers remain sceptical about AI in insurance
Despite these perceived benefits, many consumers remain cautious about AI's broader integration into insurance processes.

Beatriz Benito, lead insurance analyst at GlobalData, said that while sentiment toward AI is generally favourable, confidence in the technology's fairness and reliability remains a barrier to wider acceptance.

"Despite the positive perceptions, insurers face challenges in ensuring consumers adopt AI tools. Many consumers find that the technology is not yet sufficiently developed to be adopted at scale, eroding their trust," she said.

This aligns with a separate global study by NTT Data, which identified a disconnect between the pace of AI adoption and the readiness of leadership, governance, and workforce structures to support it. The report, based on feedback from over 2,300 senior executives across 34 countries, revealed that more than 80% of respondents said their organisations' leadership and governance systems have not kept up with the pace of AI development.

Benito said transparency in AI-based decision-making and clear communication around data use will be necessary to build confidence.

"Insurers must prioritise transparency in AI-driven decisions, particularly among those who perceive bias in the tools, such as providing negative claim outcomes. Some consumers will have data privacy concerns, while others will simply just prefer interacting with a human," she said.

Human interaction still significant
According to Benito, AI is likely to remain central to the industry's digital transformation strategy, offering insurers the potential to automate customer support and streamline claims resolution.

"For instance, the availability of AI tools brings a new paradigm in that assistance or customer support can be provided 24/7, while the automation of claims processing leading to reduced settlement times will naturally be viewed favourably by consumers," she said.

However, she added that the role of human interaction remains vital in situations where empathy and judgment are required.

"While all in all, AI has the potential of considerably improving satisfaction rates in insurance, the need for the human touch and empathy in engagements continue to limit its full potential. Better communication surrounding AI's capabilities and nuances will ultimately lead to improved adoption rates," Benito said.

GlobalData's survey marks the company's first multi-market study focused exclusively on insurance consumers. It includes insights from a representative panel of respondents aged 18 and over, with a minimum of 500 participants per country.

If Canada Wants Closer European Ties, We Need European Privacy Standards, Not American

By Matt Malone, The Globe and Mail, April 08, 2025

https://www.theglobeandmail.com/business/commentary/article-if-canada-wants-closer-european-ties-we-need-european-privacy/

Opinion

Matt Malone is an assistant professor at the University of Ottawa Faculty of Law and the director of the Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic.

Building up Canada's trade relationship with the European Union has become an imperative in our new economic security paradigm. While the EU's approach to regulation – often, over-regulation – is not without its drawbacks, the erratic spasms of the Trump administration have reminded many Canadians about the importance of having trading partners who exhibit trustworthiness, a commitment to democratic values and respect for the rule of law. Many have turned their attention to Europe.

Securing Canada's trade relationship with Europe, however, will force us to grapple with an issue we have ignored for years: our anemic privacy and data protection laws.

Europe has taken an aggressive role as a norm-setting power in international governance when it comes to privacy and data governance. The European Commission has the power to make so-called "adequacy" decisions – determinations that foreign jurisdictions "adequately" protect Europeans' data when it flows out of the EU to other countries.

While it may sound dully technical, in the data economy, securing an "adequacy" decision from the EU is a vital prerequisite to a strong trading relationship.

Canada received such a blessing in 2002. Since then, that decision has been repeatedly renewed. But more recently, European regulators have been eying with concern Canada's weak privacy and data protection laws. While they viewed with hope a potential update to our outdated private-sector privacy legislation, those reform efforts failed twice, most recently with the prorogation of Parliament.

European regulators have also indicated concern about intelligence-sharing practices. Recent history suggests those concerns are primarily focused on the conduct of U.S. law enforcement, intelligence and national security agencies.

Canada has ignored these concerns for years. For example, last fall the federal government tried to pass a bill ostensibly related to cybersecurity for critical infrastructure, which oversight actors such as the Intelligence Commissioner warned would allow "regulators to carry out the equivalent of unwarranted searches." The Privacy Commissioner observed that the proposed law "may attract scrutiny of Canada's adequacy status" with the EU.

The Communications Security Establishment, Canada's signals intelligence agency, insisted it needed the new powers to protect and beef up its intelligence-sharing work with the United States – precisely the type of activity the EU has been eyeing with concern.

The episode was representative of the federal government's inattention to the real risks to Canada's economy that would stem from a revocation of the EU's adequacy decision.

Instead of bolstering our privacy and data protection laws to safeguard this framework, we have been designing our laws to suit the demands of the United States. Under the first Trump administration, Canada's negotiation of the USMCA saw the government sign away our rights to impose meaningful restrictions on data flows to the U.S., require localization of sensitive data in Canada and mandate disclosure of source code.

Now that it is clear that trade agreement may not be worth the paper it is written on, politicians may want to take note. Many of the privileges we forewent in the USMCA enjoy wide support. For example, data localization is extremely popular with Canadians. Although it can hurt competition and concentrate state power in concerning ways when done improperly, it can also reassert our sovereignty.

This is part of a bigger issue. As Canada grasps the magnitude of pivoting away from its U.S.-dependent trade posture, we must simultaneously recognize that we now live in a world where data is a strategic and economic asset.

Unfortunately, we have wasted too much time over the past decade leaning into the wrong approaches. Canadian tech policy has focused on giving enormous handouts to programs that underperform (with little to show for it except asking them politely to spend the money in Canada), establishing tech centres in places where vote efficiency secures majority governments and augmenting the privacy rights of corporations instead of citizens.

The federal government's track record of appointing soporific regulators has produced depressing results, not only in privacy and data protection but related areas such as transparency, telecommunications and consumer protection. It is by design that Canadian watchdogs move at the speed of frozen molasses: For doing so, they often get rewarded with reappointments.

The failure to take these issues seriously is now catching up with us. Canada finds itself in a situation where it must simultaneously assert its sovereignty while protecting vital trading relationships. On both fronts, our economic security would benefit from real privacy and data protection law.

Less Waiting, More Efficiency: Artificial Intelligence Reinvents Insurance

By Marie-Ève Martel, Insurance Portal, April 01, 2025

For several years now, artificial intelligence (AI) has been revolutionizing the insurance industry. Automation is speeding up claims processing, while predictive analysis is refining risk assessment. By opening the door to new possibilities, AI is redefining industry practices.

AI has been in use for over a decade by Desjardins General Insurance, confirms Pierre-Alexandre Jalbert, Vice-President Modernization, Data and Analytics.

"In general insurance, we use it in particular to improve risk selection, our efficiency in our processes and obviously the customer experience, which is our primary motivation," he elaborates in an interview. In particular, the technology is used to analyze calls from the cooperative's members with a view to improvement. It allows us to understand why our customers call us and what information they need," says Jalbert. We learn from this data to better inform future callers and help them in their claims process.

Read full article (subscription required): https://insurance-portal.ca/life/less-waiting-more-efficiency-artificial-intelligence-reinvents-insurance/?utm_source=cakemail&utm_medium=email&utm_content=full_daily_en&utm_term=bulletin

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Provinces That Drop Internal Trade Barriers Could Reap Big Benefits, Even If They Act Alone

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Provincial GDPs Could Grow Between 1.9% And 6.4%

By Jonathan Got, Investment Executive, March 19, 2025

https://www.investmentexecutive.com/news/industry-news/provinces-that-drop-internal-trade-barriers-could-reap-big-benefits-even-if-they-act-alone/

Provinces could unlock significant economic growth by unilaterally removing internal trade barriers — without waiting for nationwide agreement, or even province-to-province deals, according to Trevor Tombe, an economics professor at the University of Calgary.

"Most of the gains for most of the provinces can be achieved unilaterally… without any partner reciprocating," Tombe said on Tuesday, speaking at a Macdonald-Laurier Institute online event.

For example, if Saskatchewan unilaterally lowered internal import costs by 10% without any reciprocation, it could grow its economy by 4.6%, whereas full liberalization would add an additional 2.2%.

Provinces not recognizing each other's professional credentials is one of the major barriers to internal trade. While almost four-fifths (79%) of Canada's international trade is in goods, 57% of our internal trade is in services.

Alberta took unilateral action in 2021 when it passed the Labour Mobility Act, which made it easier for skilled professionals like doctors and electricians to practice their trade in the province. Among other mandates, it requires regulatory bodies to decide on a labour mobility application within 20 business days.

However, self-interest from regulated industries could lead to resistance. Provincial credentialling bodies like to control the supply of professional services to push their incomes up, Tombe said. If provinces recognized each other's credentials, it would weaken their power.

If governments can overcome resistance, they stand to reap increased tax revenue from higher provincial GDPs. And lower-income provinces stand to gain more from unilaterally removing trade barriers. The Maritimes provinces would see their GDP grow between 4.1% and 6.4%, compared to just 1.9% and 2.6% in Ontario and Quebec respectively.

"It raises the productivity and shrinks regional inequality," Tombe said.

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

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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.