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

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Regulatory Update – CAFII Executive Operations Committee, November 2024

Prepared by Robyn Jennings, Research Analyst.

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If, for any reason, one or many of the embedded documents linked within this Regulatory Update do not work, please contact CAFII's Research Analyst, Robyn Jennings, directly, and she will provide you with a copy of the document(s) in question.

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Federal/National

Canadian Association of Financial Institutions in Insurance (CAFII)

On November 13, 2024, CAFII's Executive Director, Keith Martin, Presented an Award as a Judge for the Insurance Business Canada's 9th Annual Awards Ceremony.

CAFII's Executive Director Keith Martin was a judge for the Insurance Business Council Awards, and in that capacity he, on November 13, 2024, presented an award for *Insurance Business Canada's* ninth *Annual 2024 Award Ceremony*. He was responsible for presenting the Insurtech of the Year award, which was won by BOXX Insurance.

Below is a list of all the winners from the evening:

Individual winners:

- *The Armour Insurance Brokers Award for CEO of the Year*: Stuart Bruce, FIRST Insurance Funding of Canada
- *Underwriter of the Year*: Moya Campbell, HSB Canada
- *Business Development Manager of the Year*: Jordan Aravena, FIRST Insurance Funding of Canada
- *The PAL Insurance Brokers Award for Young Achiever of the Year*: Harnoor Uppal, Armour Insurance Brokers Ltd.
- *The FIRST Insurance Funding of Canada Award for Lifetime Achievement in the Insurance Industry:* Lynn Oldfield, AIG Canada
- *The Steamatic Canada Award for Woman of Distinction:* Heather Matthews, Crawford & Company (Canada) Inc.

Company winners:

- *Life & Health Insurer of the Year:* Medavie
- *P&C Insurer of the Year:* CNA Canada
- *The Allianz Global Assistance Award for Digital Innovation in a Brokerage:* Billyard Insurance Group
- *The ServiceMaster Restore Award for Best Claims Management Firm:* Crawford & Company (Canada) Inc.
- *The CNA Canada Award for Excellence in Philanthropy & Community Service:* Northbridge Financial Corporation
- ***Best Insurtech Firm:*** BOXX Insurance
- *Outstanding Customer Experience Award:* Travelers Canada
- *The Premier Award for Brokerage of the Year (Fewer Than 10 Staff):* We Talk Insurance
- *The Travelers Canada Award for Brokerage of the Year (10-100 Staff):* Munn Insurance
- *Excellence in Diversity, Equity & Inclusion:* RAISE Underwriting
- *The Burns & Wilcox Award for Big Brokerage of the Year (100 Staff or More):* Axis Insurance Managers Inc.
- *The Cansure Award for Insurance Broker of the Year:* Aneeza Ahmad - KASE Insurance Inc.
- *MGA of the Year:* Cansure

Read about Insurance Business Canada and its ninth annual 2024 Awards on their website here.

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Read Insurance Business Canada's article covering the event here.

On October 17, 2024, CAFII Held A Webinar on Opening Banking.

On October 17, 2024, The Canadian Association of Financial Institutions in Insurance (CAFII) held its fifth webinar of 2024 – *a Conversation on Opening Banking: A CAFII Virtual Fireside Chat with Meaghan Obee Tower, Brigitte Gouland, and Sam Delechantos.*

CAFII's Executive Director, Keith Martin, moderated the webinar. He was joined by three expert lawyers from Canada's leading legal firms to discuss what open banking means for Canadian financial firms. They were

- Meaghan Obee Tower (Partner, Stikeman Elliott);
- Brigitte Gouland (Co-head of Torys' Consumer Protection Practice and Fintech Group, Torys); and,
- Sam Delechantos (Associate, Fasken Martineau DuMoulin LLP).

Many representatives from CAFII's 15 member companies and 10 Associates attended the webinar, as did representatives from allied industry associations such as the Canadian Life and Health Insurance Association, or CLHIA; the Travel and Health Insurance Association, or THIA; the Canadian Bankers Association, or CBA; from LIMRA; and from the Association of Canadian Pension Management (ACPM). Many insurance and financial services regulators and policy-making authorities attended as well, including the following government organizations:

- The Insurance Council of British Columbia;
- The Government of British Colombia;
- The Government of Alberta;
- Québec's Authorité des marchés financiers, or the AMF;
- The Financial Services Regulatory of Ontario, FSRA.

After K. Martin introduced the panellists, Brigitte Goulard defined open banking and explained its history within Canada. As is common knowledge, the real name for the opening banking framework in Canada is consumer-driven banking. However, for simplicity, it will be referred to as open banking.

Canada's open banking framework was introduced in parliament in April 2024 and received royal assent on June 20, 2024. The framework is composed of two key pieces: the Consumer-Driven Banking Act (CDBA) and the Amendments to the Financial Consumer Agency of Canada Act (FCAC Act). The CDBA is the legislation establishing the framework, while the FCAC Act is actually an amendment to the Financial Consumer Agency Act of Canada. The FCAC will be the regulator responsible for administering, overseeing, and enforcing both the framework and the entities that participate in it. In terms of the CDBA, the first version of the act contained minimal governance, scope, and process details. The parts dealing with liability and privacy are expected to be revealed in the next budget implementation bill, which is usually presented in the fall. Another important element of the act is the requirement for the Minister of Finance to designate a body to establish the technical standards for data sharing. No one has been announced yet.

The purpose of open banking, as B. Goulard explained, is to put an end to screen-scrapping for aggregating financial information so that financial data can remain safe and customers can do whatever they want with their own information. Screen scrapping is the practice of organizations basically taking the credentials of consumers and scraping their data. The framework will allow consumers and small businesses to request that the financial data held by their bank be safely transferred to either another financial institution or a fintech that may have some interesting and appealing product offerings. The large banks will be required to become participating entities, however, the threshold for large remains unclear and undefined.

What will the framework apply to? As per the legislation, the framework will apply to the data that relates to deposit accounts, RRSPs, and other non-registered investment products, payment products, prepaid credit cards and so on, lending products, and other products or services that may be provided for in regulations. Because the regulation has not been released, it is unclear if other products or services will be included; however, it does seem that the Act will limit the products to those largely offered by the banks. Derived data, however, will not be subject to the open banking framework. Derived data is data that a financial institution, like a bank, would develop on a customer. For example, if a bank creates a profile on a customer that aims to offer them a type of credit card or certain service, that data cannot be transferred to another body. Furthermore, the data transferred cannot be modified by another participating entity. For example, if a consumer requests their data be transferred to a fintech, the fintech cannot then change or adjust that data.

The FCAC will maintain a public registry of participating entities. This is important because entities that present themselves as participating but are not can be subject to significant fines. The registry is, therefore, important to ensure consumer safety and entity accountability.

In terms of what was included in the amendments to the FCAC Act, the FCAC's mandate was expanded to include oversight, administration, and enforcement of the new framework. As well, the FCAC Act will establish a parallel branch to deal only with the open banking framework. While entities and/or individuals who falsely represent themselves as a participant can be fined, so can entities and/or individuals who do not comply with the framework. The way that the framework was drafted aligns with the major banks' consumer protection provisions, including the fines and penalties scale.

B. Goulard concluded her presentation with a few examples of the best use cases for fintechs and FIs participating in opening banking:

- Account aggregation: use an API to allow customers to get an overview of their accounts and financial information.
- Personal finance management: APIs will again facilitate budget management.
- Instant credit risk: Lenders can more rapidly review an applicant's credit history by gaining access to instant banking data.
- Subscription management: Allowing customers to manage recurring payments to cancel unwanted subscriptions.

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- Opening of new accounts: speeding up the process of account opening as information can more readily be accessed.

K. Martin commented that, with the increase in data sharing, privacy will become increasingly important. He asked Sam Delechantos if she could discuss the implications of these privacy concerns. S. Delechantos explained that with the implementation of opening banking, issues like screen scrapping will no longer be necessary, thanks to the establishment of dedicated API frameworks. How those APIs will be set up and their technical standards are still being developed, which is something that will need to be monitored. Previous technical standards have been flexible to apply to multiple organizations of varying sizes to limit compliance burdens and this may be the case for APIs within the opening banking framework.

Another interesting issue is consent. In countries that have already implemented open banking, consent is a struggle. There are technical issues with the interoperability between data holders and data recipients. How consent is obtained and then carried over into the transfer of data has been and will likely remain an issue. S. Delechantos did see a proposal that required regular establishment of consent while managing data (consent reaffirmed every 12 months). Furthermore, each organization will be required to have a consent dashboard where users can freely say who has access to what data, how long this access is permitted and under what circumstances. They can also withdraw their consent at any point using the dashboard. This is important because it asks questions about the longevity of consent. The new regulation will continue to put parameters around consent mechanisms and how consent is managed to protect consumers and their privacy.

Finally, data duplication and accuracy will remain risks. Within the Canadian framework, however, there is some protection because of the read-only clause that prohibits editing or alterations to the data received. What is risky is after the face: how that data is duplicated and distributed.

K. Martin commented that it sounds difficult to administer, to which S. Delechantos replied that, for the consent piece, yes, it will be. She explained that many companies in other sectors have been criticized for their consent practices, which forced them to develop fully functional consent dashboards. However, this model does not always lend itself well to every organization, so there may be technical challenges in the future.

Moving on, K. Martin asked Meaghan Obee Tower who will likely participate in open banking? While the big banks will have to participate, could other financial institutions refuse? M. Tower explained the expectation is that once the group of "large Canadian banks" have been determined, others in the space will be allowed to opt in, like fintechs or credit unions. Any entities that decide to participate, however, must adhere to all technical standards and governance requirements. There is no expectation for any compliance regime distinctions between those entities required to participate and those permitted to do so.

K. Martin then commented that consumer protection of banks is federally regulated while consumer protection for insurance companies is provincially regulated. Some insurance companies are federally

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incorporated, while some are provincially incorporated. He asked B. Goulard what the jurisdictional issues are around open banking. B. Goulard explained that there are a lot of jurisdiction issues; like insurance companies, credit unions can be federally or provincially regulated. While all the banks are federally regulated, they are also subject to provincial consumer protection legislation. In fact, some provinces are considering establishing their own open banking legislation. Because of this, if provincially regulated institutions decide to participate, like provincially regulated insurance companies and credit unions, they will become subject to the FCAC. This can be complicated because it requires established definitions for what is provincially relevant versus federally relevant. Consumer protection, for example, is considered provincially regulated, but it can bleed over into federal jurisdiction. To navigate this issue, the government has introduced a senior deputy commissioner who will make decisions regarding open banking, which includes determining what is subject to provincial or federal oversight.

S. Delechantos shared her knowledge of other open banking jurisdictions around the world and what Canada can learn from them. Canada has already looked at Australia, the UK, and the EU, who have all been working towards open banking for many years now. Canada's proposed framework considered the missteps of those jurisdictions and attempted to correct them. S. Delechantos added that looking at Australia, its implementation of open banking was conducted in phases, thereby allowing organizations to become accredited or authorized to participate and ease into the framework. This did have to do with some technical limitations; the first accredited data recipients or data holders were minimal due to limited capabilities. Consumer uptake has been quite narrow. In fact, most of the participating recipients are the large banks. S. Delechantos explained that this slow adoption is concerning because, if no one is opting in, is the framework achieving the enhanced consumer experience that it was created for? Many organizations may also just continue using screen scraping models instead since it is less time-consuming.

Furthermore, S. Delechantos commented that, supposedly, many Australian banks complained that they had to make significant investments to comply with the framework's obligations. Many smaller banks have also used significant resources and financing to follow compliance requirements. When considering what to do in Canada in terms of technical and security safeguards, regulators need to consider the burden it could place on organizations.

Finally, S. Delechantos concluded by noting that, in Australia, the original framework rules did not include insurance brokers as eligible data holders. This received major pushback and pressure on the regulators, who later introduced new accreditation levels. The framework became tiered to allow different types and levels of data recipients to be categorized. Insurance brokers fell into the trusted advisor category.

B. Goulard asked S. Delechantos if the Australian banks forced participation. The Australian government, like the Canadian, told companies that if they wanted to receive data under open banking, they needed to become authorized or accredited data recipients.

K. Martin then asked if there were any truly successful jurisdictions that saw tremendous consumer benefits or enhanced competition after the introduction of open banking. S. Delechantos explained that while Australia, the UK, and the EU have seen some benefits to consumers, there have also been many

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issues. This framework is new and, therefore, takes time to implement and perfect. She noted that, recently, these jurisdictions have begun to see an uptrend now that many of those technical difficulties have been ironed out. In fact, parts of Canada's framework, including the consent dashboard, have been developed in response to issues the EU and the UK have experienced.

Looking at the large banks, K. Martin asked M. Tower why it could be an issue to require their participation and what it could mean for smaller FIs or fintech. She replied that the thought process from a public policy perspective is that for open banking to be successful, people need to buy in. As alluded to by S. Delechantos, there hasn't been an immediate change to banking habits or banking products. Therefore, to make Canada competitive in the international sphere, it needs to adopt open banking while ensuring participation. The thinking, then, is that Canada's large financial institutions have the resources to support the framework. They are also the largest holders of the relevant data. In terms of implications for FIs and fintechs, M. Tower explained that she believes that, because it is a resource-intensive system, it will take quite a bit of time, effort, money, people, structure, and trial and error. This may deter or limit smaller institutions. Some may view this as worthwhile and see it as an opportunity to increase competition and access more consumers that are otherwise entrenched within the large FIs. This is, however, dependent on their ability to comply.

K. Martin asked all three speakers what compliance, operational, and legal costs could be incurred through open banking. B. Goulard said that open banking is coming. Therefore, institutions will need to change their systems to participate and align with the technical standards. She warned about the dangers of underestimating the potential cost and encouraged all to increase their operational and compliance budgets, including legal input and staffing. M. Tower agreed and added that some institutions have been operating in an unregulated manner, meaning they have not been subject to any applicable regulation at this time. For those institutions, this new framework will be a big change. For already regulated institutions, like the big banks, this change may be incremental. Therefore, the degree of impact is dependent on the institution. S. Delechantos agreed with both previous speakers, noting that the technical pieces will likely be the most challenging for the bigger institutions that may not necessarily have the specific technical requirements to support the specific APIs that will be needed for data sharing. Because of this, they may need to engage contractors, technical experts, etc., to try and build their technical capabilities.

K. Martin then asked S. Delechantos to envision a scenario in which, under the opening banking framework, a bank transfers a consumer's data, by request, to a fintech, and there is a breach. Who is responsible in this case? When the act was implemented, the rationale was that liability moved with the data. So, once the data leaves the data holder—the bank and its system—it is no longer their responsibility. In the case described, under the Act, liability falls onto the fintech. Depending on which province this occurred in, the fintech may also be liable under applicable privacy laws.

All three experts then explained the possible risks and benefits of open banking for FIs and fintechs. M. Tower commented that this depends on perspective. The expectation and the goal are that, in an open banking context, consumers are going to have an improved overall experience for their banking needs.

The idea from a fintech perspective is that they are now able to compete in a field historically dominated by banks. Similarly, banks would benefit if they were able to be agile and adapt to have a broader product offering to benefit consumers. Whether consumers truly benefit from this framework as envisioned will depend on how many participants there are in the market and how much sharing is occurring. S. Tower explained that barriers to entry may be the biggest drawback for smaller fintechs. From a risk perspective, privacy breaches and data breaches are significant. The legislation is intended to address this and ensure participants have the right technological framework to prevent this, but data breaches occur, nonetheless.

Within Canada, there is a restriction on sharing data within a bank between the insurance division and other divisions. K. Martin asked, given these restrictions, will open banking allow for the sharing of data between divisions of one organization where it is currently restricted? Alternatively, might a third-party fintech be able to receive and aggregate data from the different divisions and then aggregate it in a useful way? B. Goulard replied that, as per section six of the Act, "nothing within the legislation affects any restriction imposed under the Bank Act on banks with respect to the sharing of information about a consumer with an insurance company or broker for the business of insurance." What is interesting is the interpretation of this clause. B. Goulard does not believe that a consumer will be able to tell their bank to send their information to an insurance company simply because a consumer requested it. This, however, begs the question: can a fintech ask for data as requested by a consumer and then share it with an insurance company? The restriction is imposed on banks, not fintechs; however, if the fintech is a participating entity, the Bank Act restrictions may apply. If the fintech is *not* a participating entity and, therefore, not subject to this particular restriction, would it be permitted to share the information? K. Martin asked if a fintech receives information from a bank and its insurance division after being instructed to send it by a consumer, does the fintech need to know the regulatory restrictions imposed on the bank? B. Goulard replied that it is complicated and unclear. If the restriction is not in the Act, then there would be no reason for the fintech to know the restriction. However, if the fintech is participating in the new legislation and there is reference to the restriction, then it may, indeed, extend to the fintech. Ultimately, this depends on how the FCAC will apply the restriction.

K. Martin commented that the FCAC has been given the responsibility of implementing the new framework and asked what this means. Will additional resources be allocated to the regulator to do so? S. Delechantos replied that a certain amount of money was pledged to facilitate the implementation. This is to support the additional resources required to implement and manage the new framework properly. M. Tower added that the FCAC is intended to be the overarching regulatory body for the framework, so their role will be all-encompassing. They will be responsible for everything from determining eligibility to maintaining compliance standards and more. It will be a large role that will likely require change and adjustment over the coming years.

B. Goulard commented that she feels the FCAC will grow and incur five new costs:

- Oversight of participating entities to ensure they comply with the Bank Act.
- Oversight of the ombuds body and OSBI.
- Oversight of the technical body, which will be appointed by the minister.

- Maintain the registry of participating entities.
- Conduct trend analyses of all aspects of the new framework.

Before the webinar concluded, K. Martin asked the three speakers if they had any words of advice on how to best prepare for open banking. B. Goulard told attendees it is important to understand the FCAC's plans and where the regulator sees the new framework going. She encouraged everyone to start saving for the costs of implementation. M. Tower advised everyone to plan for the future by envisioning their institution within the framework of open banking in three years, five years, etc. She encouraged all attendees to think strategically about their institution's role in the open banking sector. S. Delechantos advised more regulatory reflection. She stressed how important it is to pay attention to compliance, like privacy requirements.

K. Martin thanked the three speakers and concluded the webinar.

The Financial Consumer Agency of Canada (FCAC)

On November 1, 2024, the FCAC Announced that the Ombudsman for Banking Services and Investments Became the Sole External Complaints Body for Federally Regulated Banks.

On November 1, 2024, the Financial Consumer Agency of Canada (FCAC) announced that Canadians now have a single external complaints body for all federally regulated banks – OBSI, or the Ombudsman for Banking Services and Investments. Read the FCAC's entire announcement below.

> *As part of its mandate, the Financial Consumer Agency of Canada (FCAC) protects consumers of financial products and services by supervising the compliance of federally regulated banks and the ECB with their legal obligations, including the right of consumers to a fair, timely and accessible complaint-handling process.*
>
> *The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, designated OBSI as Canada's single ECB in October 2023. The Minister made this designation based on the recommendation of FCAC.*
>
> *All federally regulated banks must now be members of OBSI. Previously, Canadian banks could choose between one of two ECBs: the Ombudsman for Banking Services and Investments (OBSI) or the ADR Chambers Banking Ombuds Office (ADRBO). The six Canadian banks that previously used ADRBO (Royal Bank of Canada, TD Bank, Scotiabank, National Bank of Canada, Tangerine Bank, and Digital Commerce Bank) have now transferred to OBSI. ADRBO will complete the investigation and resolution of complaints that it received and that remain open as of November 1. FCAC recognizes the important role played by ADRBO while acting as an ECB for several years.*
>
> *The move to a single ECB addresses findings from FCAC's 2020 report on the Operations of External Complaints Bodies, which concluded that consumers face delays and complications when escalating their banking complaints.*
>
> *Effective complaint handling is a cornerstone of consumer protection. The move to a single ECB is good news for consumers and further strengthens complaint handling in Canada. When*

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> *combined with the complaint-handling requirements introduced under Canada's Financial Consumer Protection Framework, this change will provide Canadians with a more effective complaint-handling system in banking.*
>
> *OBSI is a national, independent and not-for-profit organization that has been assisting Canadian banking consumers in resolving disputes for over 25 years. As the single ECB, OBSI is responsible for providing a fair and impartial process for consumers whose complaints have not been resolved to their satisfaction or dealt with in a timely manner by banks.*
>
> *One of FCAC's key roles is to supervise the complaints-handling system within banks, as banks have a legislative responsibility to handle consumer complaints. Consumers can report their complaints to FCAC, but the Agency does not resolve individual disputes. FCAC uses information from consumer complaints to inform its supervisory activities and monitor trends and issues that may impact financial consumers.*

Read the FCAC's announcement here.

OBSI's official website was launched on November 1, 2024. It can be accessed here. The following is the official statement as provided on the website's homepage.

> *Starting today, the Ombudsman for Banking Services and Investments (OBSI) will serve as Canada's sole designated External Complaints Body (ECB) for banking. From today, OBSI will be accepting complaints from consumers of all federally regulated banks. This decision, made by the Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, streamlines the complaint resolution process for consumers across the country.*
>
> *The selection of OBSI followed a fair, transparent and competitive application process in 2023. By establishing a single ECB, the government replaces the previous multiple-ECB model, which was considered less efficient, confusing for consumers and inconsistent with international best practices. This change addresses inefficiencies and complexities faced by consumers when escalating banking complaints, as highlighted in the Financial Consumer Agency of Canada (FCAC)'s 2020 Industry Review: Operations of External Complaints Bodies.*
>
> *"We are pleased to welcome National Bank of Canada, Royal Bank of Canada, Scotiabank, Tangerine Bank, and TD Bank as participating firms," said Sarah Bradley, Ombudsman and CEO of OBSI. "This transition will reduce consumer confusion and enhance the effectiveness of complaint handling for transitioning banks and their customers."*
>
> *OBSI has proactively prepared for this transition by collaborating with transitioning banks and the FCAC. Since its designation last year, OBSI has engaged in a comprehensive process of planning and preparation. In advance of the transition, we have undertaken significant internal improvements, including:*
>
> - *Workforce growth*
> - *Operational efficiencies development*

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- *System and process improvements*

As a result, OBSI is fully and well prepared to meet the needs of all consumers and Canadian banks starting today.

With the consolidation of banking complaint handling under OBSI, the organization will be responsible for providing ombuds services to all federally regulated Canadian banks. OBSI currently has more than 1,500 participating firms, including banks, trust companies, and credit unions, as well as virtually all investment firms across Canada.

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Canada's Ombudsman for Banking Services and Investments (OBSI) is a national, independent, not-for-profit organization that helps resolve and reduce disputes between consumers and financial services firms in both official languages. OBSI is responsive to consumer inquiries, conducts fair and accessible investigations of unresolved disputes, and shares its knowledge and expertise with all stakeholders and the public. If a consumer has a complaint against an OBSI-participating bank or investment firm that they are not able to resolve with the bank or firm, OBSI will investigate at no cost to the consumer. Where a complaint has merit, OBSI may recommend compensation up to a maximum of $350,000.

Read Investment Executive's coverage of OBSI's launch here.

World Financial Group (WFG)

April Stadnek Leaves the Insurance Council of Saskatchewan to Join World Financial Group.

April Stadnek, formerly the Executive Director of the Insurance Councils of Saskatchewan, has left the regulator to join the World Financial Group as its Head of Compliance. The WFG is an MGA that was one of the organizations investigated by FSRA for questionable and concerning sales practices. Tammy Bloor has been named as Interim Executive Director at the Insurance Councils of Saskatchewan.

Provincial/Territorial

Ontario

The Financial Services Regulatory Authority of Ontario (FSRA)

On November 1, 2024, FSRA Published a Call for New Membership to Its Consumer Advisory Panel.

On November 1, 2024, FSRA published a call for new members of its Consumer Advisory Panel. According to the announcement, FSRA is looking for applicants who are interested in making a positive difference in the lives of Canadians. All interested parties must apply by January 6, 2025. The call has been included below.

Do you want to help make a positive difference in the lives of Ontarians?

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FSRA recruiting new members for its Consumer Advisory Panel

Ontario's financial services regulator (FSRA) is looking for new members to join its Consumer Advisory Panel. As a Panel member, your perspectives are considered when the regulator is developing policies or considering initiatives or decisions that could impact consumers.

"The Consumer Advisory Panel helps FSRA protect Ontarians by sharing insights on the consumer perspective." Stuart Wilkinson, Chief Consumer Officer. "We are looking for individuals with strong, consumer-focused perspectives to join our Panel and represent consumer interests".

The Panel is made up of a diverse group of consumer representatives, and its input is shared with FSRA's senior leadership team and Board of Directors. Panel members are appointed for a two-year term.

Consumer Advisory Panel applicants will be selected based on their relevant experience, skills, knowledge and perspectives, with an emphasis on the sectors FSRA regulates. To learn more about member qualifications and responsibilities, please see the Panel's Terms of Reference.

FSRA regulates financial services that are critically important to the lives of individuals and families in Ontario, including pensions, property and casualty insurance, mortgage brokers, life and health insurance, financial planners / financial advisors, auto insurance, loan and trust companies, health service providers, credit unions and caisses populaires.

Submission requirements

Those interested in applying should submit the following two documents to ConsumerOffice@fsrao.ca by January 6, 2025:

1. *A current resume*
2. *A cover letter that sets out:*
    - *why you are interested in serving on the Panel*
    - *how your skills and experience match the purpose, mandate, and responsibilities of the Panel*
    - *the types of insights you would bring to the Panel (e.g., consumer advocacy experience, technical expertise in a particular sector, general policy expertise, etc.)*
    - *how you would help the Panel ensure that the diverse perspectives of Ontario consumers are heard to inform policies and decision-making at FSRA*

If you have any questions about submission requirements, please contact ConsumerOffice@fsrao.ca.

Read FSRA's full announcement here.

Learn more about FSRA's Consumer Advisory Panel here.

On October 10, 2024, FSRA Released Its 2023-2024 Annual Report.

On October 1o, 2024, FSRA released its *2023-2024 Annual Report*. Over the past year, FSRA has continued to reinforce its commitment to a principles-based regulatory approach. This was done to ensure consumer choice, trainees, and safety while empowering financial services entities to innovate. Below are the key highlights from the report:

- *approval of the first Test and Learn Environment (TLE) application, enabling innovative distribution methods for commercial insurance*
- *implemented the Geographic Territory TLE for Auto Insurance. Launched in January 2024, this initiative promotes fair auto insurance rates across Ontario.*
- *published the IT Risk Management Guidance to safeguard consumer interests in regulated sectors*
- *strengthened public engagement, including sponsoring a consumer advocate meeting hosted by FSRA's Consumer Advisory Panel*
- *launched the Grant Funding Program to support educational and research initiatives with conditional approvals totalling $354,000*

Read FSRA's Annual Report announcement here.

Read FSRA'sn 2023-2024 Annual Report here.

On October 7, 2024, FSRA Held a Webinar on Its Approach to Principles-based Regulation.

On October 7, 2024, FSRA held a webinar detailing its approach to principles-based regulation. Reesha Hosein, the Director and Deputy General Counsel of Legal Services at FSRA, moderated the webinar, and Jordan Solway, EVP of Legal and Enforcement at FSRA, joined her. CAFII's Research Analyst, Robyn Jennings, attended the webinar. Her summary is included below.

J. Solway explained that the webinar's purpose was to highlight FSRA's main elements of the Principles-based Regulation (PBR) Approach Guidance, which the regulator recently published, and answer any questions. PBR is not a new approach, nor is it one that FSRA invented; it is a strategy that has been used by leading financial services regulators around the world. In fact, a number of provinces in Canada have adopted this approach. When properly implemented, PRB can reduce the regulatory burden and achieve better outcomes for consumers, pension plan members, and depositors. FSRA adopted PBR because the previous rules-based approach proved to be inflexible and insufficient at navigating the complex, ever-changing financial marketplace and protecting consumers. Since innovation in financial services is needed to drive competition, having a framework that allows for adaptability and change is paramount. This, paired with changing consumer demands, inspired FSRA to review its mandate and, ultimately, adopt the PRB approach.

The Principles-based Regulation Guidance will inform all supervisory and regulatory work by establishing FSRA's core framework principles, which include commitments to transparency, innovation, risk-based, collaborative, outcomes-focused, and consumer-centric. The framework principles establish what can be expected of FSRA. They will guide FSRA in identifying regulatory and supervisory areas to prioritize. They will help the regulator to allocate resources more efficiently. Finally, these principles will facilitate appropriate outcomes and ensure that all regulatory responses are both reasonable and proportionate.

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While the framework principles guide all of FSRA, the specific principles which guide supervision and regulation are found in FSRA's statutory objects; these form the basis of the regulator's expectations and proper business conduct standards. This is to ensure the fair treatment of consumers across all levels.

The PBR Guidance articulates how it will impact those subject to it. If someone is regulated by FSRA, they will need to understand and engage with this approach and work to achieve the outcomes established in the guidance.

FSRA adopted PBR because it believes it is the most efficient and effective way to fulfill its statutory mandate and address many of the issues it had previously dealt with. It is important to understand that PBR is not a form of self-regulation. It also does not mean there are no hard rules. What is fundamental for PBR to be successful is a shared understanding between the regulator and the regulated persons and entities of the meaning of those principles and, more importantly, the desired regulatory outcomes. In this sense, there is more of a direct relationship between the regulatory outcomes supported by the articulated principles and the regulatory requirements. Rather than relying on the regulatory process to achieve desired outcomes, FSRA uses the principles to support the outcomes. The ability of a regulated entity to achieve compliance, whether under a pure rules-based system or a PBR approach, is ultimately a function of the culture of the organization informed by its leadership values and behavioural norms. Compliance processes that are unsupported by regulated entities will, ultimately, fail.

PBR is an inclusive approach to supervision and regulation which requires shared understanding and commitment by the regulator and the regulated entities and persons in order to achieve outcomes consistent with the identified principles. The following are FSRA's PBR expectations:

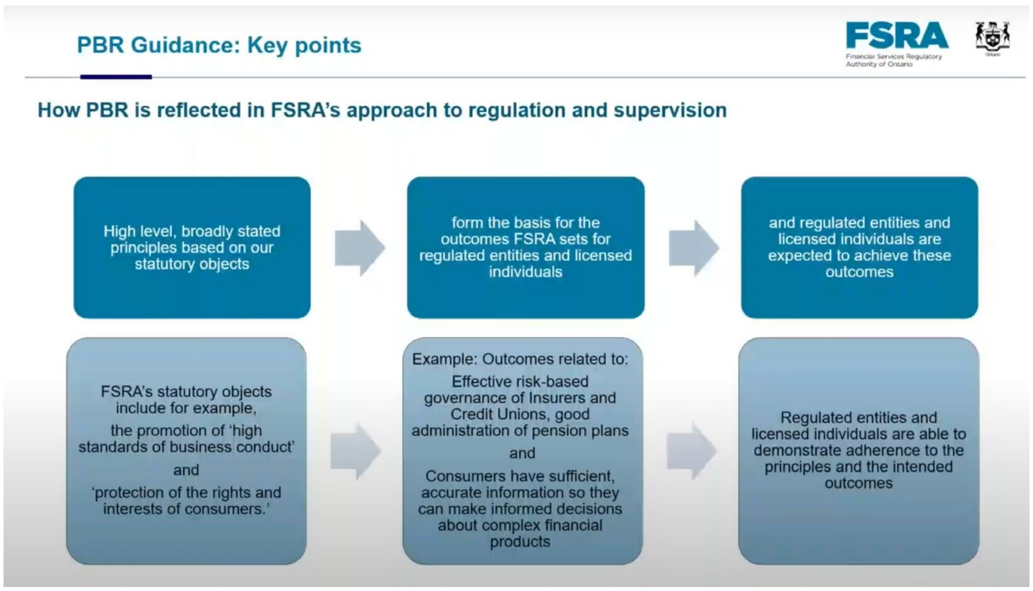
- PBR is an approach to supervision and regulation which focuses on outcomes.
- PBR needs to be a dialogue, not a monologue; shared understanding is key.
- PBR requires regulated entities and individuals to understand the approach and to collaborate with FSRA with the goal of achieving the outcome it identifies.
- Focusing on outcomes is intended to be more efficient and less burdensome than a purely rules-based regulation, leaving space for flexibility, innovation, and facilitating more cost-effective ways to solve regulatory problems.
- PBR is not intended to be deregulation or "light touch" (let market forces determine regulatory outcome).
- PBR is a journey, not a destination. The PBR approach has the capacity to constantly iterate and adjust as the regulated sectors evolve and change.

The FSRA Act mandates statutory objects, which articulate the principles that form the basis of the outcomes that FSRA wants to achieve. These outcomes are:

- To promote high standards of business conduct,
- To protect the rights and interests of consumers,
- To foster strong and sustainable financial services sectors,
- To regulate and generally supervise the regulated sectors,
- To promote transparency and disclosure of information, and,

- To promote public education and knowledge about the regulated sectors.

Guidance is one tool that FSRA uses for its PBR approach to develop an "interpretive community." An interpretive community better understands regulatory expectations and can usefully interpret regulatory pronouncements around concepts like reasonableness or effectiveness. While FSRA uses other tools, like public speaking, to manage its PBR approach, guidance is the most foundational. It provides a flexible and useful mechanism for clarifying regulatory expectations, providing transparency, and fleshing out the framework's principles without unnecessary granularity.



FSRA's PBR approach will require regulated entities to show specific outcomes. To prove compliance, they will need to demonstrate how their approach is effective in achieving those outcomes. Proof will be required so that FSRA can assess the success of the effort. Regulated entities will be required to show whether they have met the intended outcomes; if unmet, evidence must be provided highlighting any and all impediments. The extent to which the regulated entity or individual has achieved the outcomes includes whether they have made reasonable and good-faith efforts to do so. Where a regulated entity or individual identifies potential issues which may result in an inability to achieve outcomes, open and early communication with FSRA will better enable both parties to identify and develop appropriate solutions, mitigate risks, or develop remediation strategies.

FSRA's PBR approach and framework principles will impact regulated entities and individuals in several ways. First and foremost, individuals and well-controlled, well-governed, and effectively managed regulated entities who engage in an open and productive manner with FSRA should realize real benefits from the new outcomes-focused approach. Second, where a regulated entity is fully engaged, less intensive supervision can result. This means this entity works with FSRA to achieve intended outcomes, to demonstrate that its oversight and controls are functioning effectively, and to provide evidence that the intended regulatory outcomes are being achieved. Finally, data, evidence, and information are the basis of shared understanding. They are essential to sound business practices and can demonstrate an interest in the principled basis of PBR in business operations.

FSRA aims to be principles-based in its rules. PBR, however, does not mean the absence of prescriptive requirements. In certain circumstances and areas, prescriptive requirements will be relied on to ensure adequate consumer and pension beneficiary protection. Where FSRA sees fit, prescriptive rules will be amended to be more principles-based.

Enforcement remains an integral part of FSRA's principles-based and outcomes-focused approach. FSRA will utilize Interpretation Guidance to identify the principles and relevant statutory objects that relate to the interpretation of sector statutes and regulations or an FSRA rule.

J. Solway concluded his presentation and R. Hosein opened the floor to audience questions.

The first question asked how PBR is effective at protecting consumers. J. Solway answered that consumers can expect FSRA to identify outcomes it is trying to achieve through its supervision, regulation, and enforcement. This allows for FSRA to work with the entities it regulates to achieve desired outcomes. If they are not being achieved, then FSRA can use its regulatory tools to rectify this. PBR requires FSRA to work in partnerships, thereby requiring good faith, transparency, and trust. This is how PBR protects consumers.

The next question asked if the desired outcomes are not achieved, does this mean that a regulated entity or individual is not in compliance and can be sanctioned? J. Solway clarified that if there had been transparent disclosure to FSRA, then the regulator would not have to resort to sanctions. FSRA will want to understand what the impediments were to achieving the outcomes. Ideally, what FSRA wants to see is a validation of the outcomes, meaning the regulated entity or individual clearly made efforts to achieve the right outcomes but was unsuccessful.

An audience member asked where they can find FSRA's desired outcomes in any given sector. They will be reflected in FSRA's guidance. J. Solway explained this is the main way FSRA communicates. Guidance, therefore, indicates how FSRA interprets regulatory requirements and sector statutes and why it is interpreting those requirements specifically to achieve an outcome with the outcome identified.

Another audience member commented that compliance in a PBR context is unclear. They then asked how regulated entities are supposed to govern their behaviour if compliance with FSRA is unclear. This uncertainty will lead to increased costs and uncertainty. J. Solway replied that compliance is demonstrated through outcomes, which is proven through data and evidence. If specific outcomes are identified, then they can only be achieved through demonstration. In the short term, this is more work. In the long run, this will allow for less supervision and more latitude to run the entity as they see fit within the compliance context.

The final question asked if the guidance can be used as a checklist. J. Solway said that doing this limits you truly benefiting from PBR. The guidance identifies outcomes and may reference best practices, but ultimately, it is the outcome that matters, not the process to achieve that outcome. If it is treated as a list of prescriptive requirements, then you will miss out.

Watch FSRA's webinar video on its website here.

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On October 1, 2024, FSRA Announced Its First Grants Recipients.

On October 1, 2024, FSRA announced its first grants recipients for support for educational and research initiatives, including helping consumer financial literacy and financial awareness. FSRA's full announcement has been included below.

> *October 1, 2024*
>
> ***Strengthening Access to Financial Literacy, Education and Research Through Grants Initiatives***
> *FSRA announces its first grants recipients*
> *Ontario's financial services regulator (FSRA) is pleased to announce the inaugural recipients of its grant funding program. FSRA grants support educational and research initiatives for a number of purposes, including help consumers with financial literacy, financial awareness, and understanding the sectors FSRA regulates.*
>
> *"Protecting Ontario consumers is part of who we are at FSRA." said Stuart Wilkinson, Chief Consumer Officer at FSRA. " Supporting financial literacy and awareness through educational and research initiatives is one way we do that. It is a powerful tool to empower consumers to make informed decisions with confidence."*
>
> *This year, FSRA will award more than $350,000 in grant funding across four organizations:*
>
> - *Brain Injury Association of Waterloo-Wellington for a project that will empower individuals with cognitive disabilities about good financial practices and how to recognize signs of financial abuse.*
> - *Brain Injury Society of Toronto for a program seeking to prevent individuals with cognitive impairment from being the victims of online fraud or financial abuse.*
> - *Prosper Canada for an educational initiative aimed at providing financial education supports to low- and moderate-income individuals as well as Indigenous audiences.*
> - *Vision of Hope Resource Centre will create a series of workshops, webinars, and tailored resources targeting marginalized and Black communities in Brampton. The aim is to educate participants about financial rights, regulated sectors, and protection against cybercrime and fraud.*
>
> *The recipients were chosen based on meeting criteria set out in FSRA's Use of Proceeds from Enforcement Guidance. FSRA is authorized to use the money it collects from enforcement actions for specific purposes set out in the law.*

Read FSRA's announcement [here](#).

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Quebec

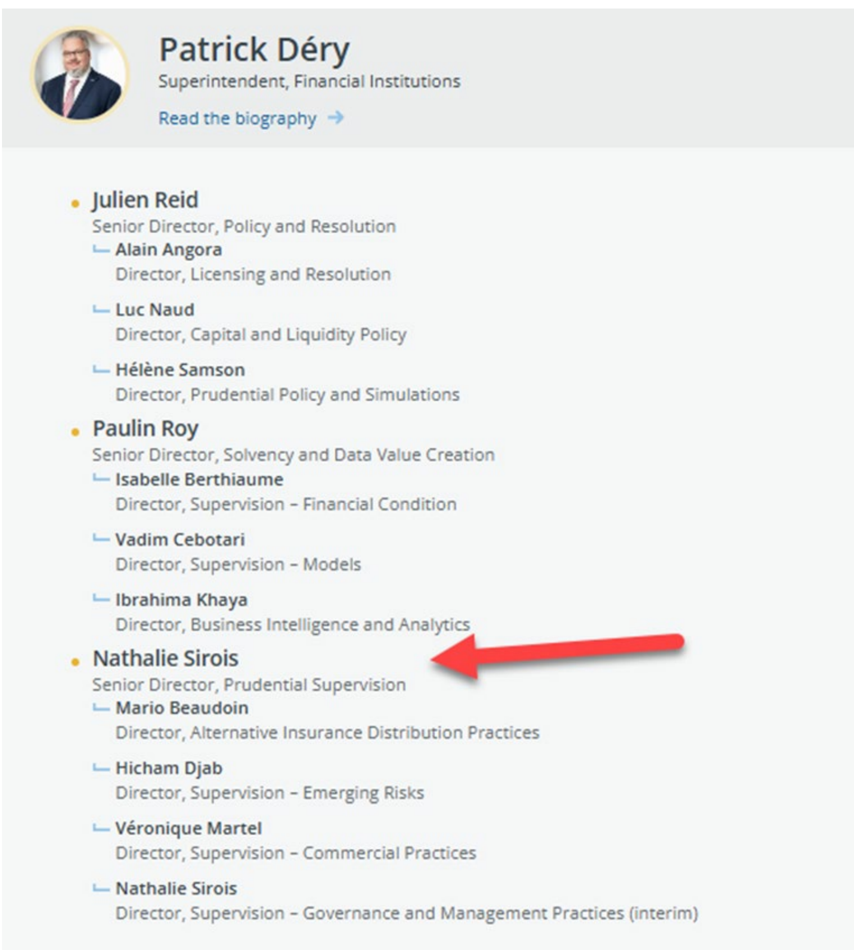
Autorité des marches financiers (AMF)

On November 5, 2024, CAFII Met with the AMF Virtually for a Quarterly Meeting.

On November 5, 2024, CAFII's Executive Director, Keith Martin, met with the AMF's Mario Beaudoin virtually as part of a regular quarterly meeting. Mario Beaudoin commented on how much the AMF team enjoyed the session on October 8/24 and how impressed he was by the new National Bank facilities. Below is a summary of the meeting.

M. Beaudoin shared an internal announcement that Nathalie Sirois, who he reports to in Patrick Déry's department, would be retiring in June 2025. There is an active recruitment for her replacement, with a recruitment firm hired. It very much sounded like the preference is to hire an external candidate, and M. Beaudoin said that this would be complicated by a hiring freeze recently imposed on the civil service by the Government of Quebec. It is possible to get exempted from the restriction, but it adds time and complexity to the search, he said.

This announcement is producing a cascade effect on Nathalie Sirois' department, the current structure of which has been shared below.



Patrick Déry
Superintendent, Financial Institutions
Read the biography →

- **Julien Reid**
  Senior Director, Policy and Resolution
  - **Alain Angora**
    Director, Licensing and Resolution
  - **Luc Naud**
    Director, Capital and Liquidity Policy
  - **Hélène Samson**
    Director, Prudential Policy and Simulations
- **Paulin Roy**
  Senior Director, Solvency and Data Value Creation
  - **Isabelle Berthiaume**
    Director, Supervision – Financial Condition
  - **Vadim Cebotari**
    Director, Supervision – Models
  - **Ibrahima Khaya**
    Director, Business Intelligence and Analytics
- **Nathalie Sirois**
  Senior Director, Prudential Supervision
  - **Mario Beaudoin**
    Director, Alternative Insurance Distribution Practices
  - **Hicham Djab**
    Director, Supervision – Emerging Risks
  - **Véronique Martel**
    Director, Supervision – Commercial Practices
  - **Nathalie Sirois**
    Director, Supervision – Governance and Management Practices (interim)

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The exact implications of Nathalie Sirois' retirement are not entirely clear yet. However, M. Beaudoin said he would, in future quarterly meetings, bring individuals who might be more focused on Distribution Without a Representative, which Mario may be exiting from. It appears that Véronique Martel is obtaining new responsibilities, something she also shared with me at the October 8/24 lunch and dialogue with the AMF in Montreal, and that a new person, Hicham Jab, would be taking over the Commercial Practices role, and that Distribution Without a Representative might fit into that department, meaning that the critical role played by Mario may now migrate to Hicham Jab. K. Martin will be monitoring this carefully.

M. Beaudoin is expected to take on a new role as Director of emerging Risk, where he will monitor and provide plans for emerging risks, including climate change, quantum computing, artificial intelligence, and cyber risk.

He also said that while Hugo Lacroix and Patrick Déry had teams which would be relevant to CAFII, at a leadership level, Patrick was stepping back from active engagement with Associations, and Hugo would be the leader at the AMF we would likely have more need to interact with.

M. Beaudoin then spoke about some of the objectives of the statistics his team has gathered around claims denial rates and return of premiums to customers. His comments are consistent with themes he has shared in the past, including in his presentation on October 8.

M. Beaudoin emphasized that the performance of industry for credit protection insurance for mortgages and loans was good, and he was satisfied with the numbers he saw, especially for life insurance for these loan instruments. However, he was puzzled that the performance was less impressive when critical illness insurance was added to the product plan and that this would continue to be something the AMF looks into. It would be helpful if the performance of the critical illness product could improve, Mario added.

M. Beaudoin said that the claims denial rate and the return of premiums to customers were completely different and much less impressive for credit card products.

With reference to travel insurance, he said that travel insurance products for which a premium was paid were performing well and providing an important service, but that was not the case for embedded credit card products, which "are like a totally different product in terms of performance." He said there was a prolific number of these products and that some members said that they could not calculate the statistics requested because there were so few claims made. M. Beaudoin said he was concerned that if a product has few claims, it might be of limited value in the marketplace and that the industry might want to simplify these offers, including by not having such products if no one claims on them.

Specifically, he said that the AMF had a threshold for a product to have "significant claims" of 10 claims in a year, or $10,000 in claims in a year, and that for embedded products, few met this threshold. In contrast, travel insurance for medical emergency insurance, for which a premium was paid, saw $40 million paid in claims.

M. Beaudoin said that for now, this was an internal discussion with industry and the AMF, and there was time to address these issues, but at some point, there may be a requirement to share these numbers publicly, and he is concerned about the reaction publicly if that happened. He said he felt he could say that credit protection insurance products like mortgage life insurance “are good products” that add value to customers, but that he would not be able to say that for credit card embedded insurance products. If the industry can address some of these credit card issues, he said, that would be helpful in avoiding any negative perception of these products.

Throughout the discussion, K. Martin shared with him that there were subtleties around the reporting of statistics that had to be taken into account. He said he appreciated that, and it was why he felt it was important to continue to have conversations. His team wants to understand the full picture.

M. Beaudoin concluded by saying that if the industry could address the critical illness insurance product’s performance and the metrics for embedded credit card travel insurance, that would alleviate many of the AMF's concerns. He then asked K. Martin to set up four more virtual meetings in 2025 but said that as roles change, he may bring additional people to those meetings.

British Columbia

The Insurance Council of British Columbia

On October 28, 2024, the Insurance Council of British Columbia Held a Webinar Discussing Recent Provincial Regulatory Updates.

On October 28, 2024, the Insurance Council of British Columbia held a webinar titled *2024 Regulatory Update.* As the name suggests, the webinar summarized the recent provincial regulatory changes. CAFII’s Research Analyst, Robyn Jennings, attended the webinar. Her summary has been included below.

The webinar began with Donna Thorne, the Chair of the Insurance Council of British Columbia, giving an opening speech on the 2023-2024 year. She explained how, through successive planning, the Insurance Council of Britain Columbia has strategically prioritized the organization's modernization. This means ensuring that regulatory practices are measured internationally. Industry oversight protects consumers while enabling industry growth and accessibility. This means that the Insurance Council’s relationship with its licensees, the public, and its stakeholders is a vital and necessary part of enhancing consumer protection. Connecting with licensees and stakeholders to communicate regulatory roles is essential for building understanding and cooperation across the industry. It also enhances accountability and trust, which is fundamental for increasing regulatory compliance.

This regulatory update, the second of its kind for the Insurance Council, is intended to demonstrate the regulator’s commitment to continuing communication and outreach to share information about its role, strategic plan, trends, and activities.

The Insurance Council has been working to establish a baseline for consistent practice and admissions through the development of a general insurance competency framework for BC. Once implemented, the framework will outline the entry-level requirements and core competencies for all levels of general insurance practice and licensure. Based on the competencies previously established for level 1 licensure, competencies were created for remaining levels 2, 3, and nominees. This was accomplished through consultation with industry and stakeholders. The draft competencies were then circulated and validated by current BC general insurance licensees. This was done to ensure that the qualification and practice standards are realistic and relevant for those working on the frontlines of insurance.

In partnership with other insurance jurisdictions, BC has been participating in a project to assess entry-level skilled qualifications for general insurance level 1 salespersons across the country to help achieve harmonization. On the life and accident & sickness side, BC joined with other provinces and territories in adopting new unified policies for life licensure qualifications exams. The policy direction addresses exam procedures, at times for resitting exams, and consequences for exam misconduct. Engaging with all impacted parties allows the Insurance Council to create a balanced and fair environment for the interest of consumers, licensees, and the industry as a whole.

The Insurance Council continues to progress with the development of restricted licenses to support the province's introduction of a regulatory regime for incidental insurance sales. To date, the regulator has established key components that will make up the new license and will contribute input to support the government in drafting regulations for the regime. However, the specifics for license qualifications and requirements will still need direct engagement and consultation with impacted industry sectors to be identified in the regulations.

Development work on the Insurance Council's online portal led to the introduction of new functionality available to licensees, like applying for a license upgrade. Further changes will see a complete replacement of the licensee database, which will allow the regulator greater insight into data insights and enable integration with other technological platforms.

Another initiative undertaken by the Council was research on insurtechs in Canada, which produced a report that identified and valued consumer risk. The report brought a regulatory perspective to the topic.

The Council has reviewed and drafted several policies intended to support the fair treatment of licensees, applicants, and the public, including an accommodation policy that addresses requests for varying accommodations needed to access the insurance council's services.

D. Thorne concluded her opening remarks and introduced Janet Sinclair, the CEO of the Insurance Council. J. Sinclair gave an overview of the Council's structure. She explained that the Council receives its authority from the provincial government and the Financial Institution Act and is accountable to the deputy finance minister. The Council has two types of members. First are the voting members who are responsible for organizational governance and strategic decision-making. They provide high-level direction to staff. Non-voting members provide experience and expertise through committees, disciplinary hearings, and reviews.

Public protection is the guiding principle and at the core of all the Insurance Council's work. This means meeting international protection standards. One way the Council achieves this is through its three-year strategic plan. The first year has been completed as of May 2024. The focus has been on aligning regulatory practices to meet international standards, modernizing regulatory oversight to protect consumers without stifling innovation, increasing the efficiency and effectiveness of council services, and increasing the ability to support stakeholders. The Council has done this through:

- *Council Rules Review*: this directs how the council does it works and reviews the obligations of licensees. Over the past year, the Council introduced changes to several rules and nominee qualifications, including:
    - *Rule 7*: This is a new rule that regulates conflict of interest in strata insurance business. This rule was created to align with regulatory changes brought in by the government that restrict referral fees and require the disclosure of commissions.
    - *Rule 2*: This rule was adjusted so that the qualification requirements of level 3 general insurance agents and adjustors are based solely on education and experience and are not tied to the licensee's role within an agency or firm.
    - *Nominee Qualification Changes:*
        - A rule was added to allow for the temporary nominee in exceptional circumstances where that agency ceased to have a nominee.
        - Wording was also changed to clarify that the Insurance Council must approve the nominee.
        - Changes were made to clarify that a life and accident & sickness agent must have 5-6 years of experience in a Canadian jurisdiction to be a nominee.
        - A nominee course was also introduced as an eligibility requirement to be a nominee.
    - *Amendment to Insurance Council Fee:* the rule now sets out the maximum amount the Insurance Council can charge for various items rather than the actual fee. This will be updated every few years.

The Insurance Council produced educational tools for licensees, like the nominee courses. It also added a course on general insurance supervision requirements.

To improve transparency, the Insurance Council introduced several licensing and exam policies to clarify what examinees and applicants can expect when their license applications are reviewed.

The Insurance Council is also looking at different ways to manage higher complaint volumes and improve the response time.

Regulatory oversight is another goal. This means finding the right balance between public protection and innovation.

One way the Insurance Council prioritizes harmonization is through the general insurance competency framework, which identifies standardized skill sets required for licensure for general insurance professionals. This will help build understanding and consistency across the country.

Another big initiative is the implementation of the restricted insurance agency license regime. The provincial government tasked the Insurance Council with developing a framework for this regime to regulate insurance sales for businesses whose primary business is not insurance. Businesses with restricted licenses would be able to sell insurance related to their primary product. More information about this project is available on the Insurance Council's website. It should be noted that CAFII has been actively engaged in the consultation with industry on the Restricted Insurance Agent regime in BC, and has made a formal written submission to the Insurance Council of BC on this matter. The Insurance Council of BC recently provided some responses to that submission which CAFII is in the process of analyzing.

In July, the Insurance Council adopted the national strategy for administering the Life License Qualification Program (LLQP) and the examination that must be taken subsequently. This is a response to integrity issues surrounding the exam. As part of this new policy, an examinee can attempt this exam up to four times without a pre-defined waiting period. After this, a one-year waiting time begins. This will also trigger a retake of the prerequisite LLPP course.

The Insurance Council is keeping an eye on technology developments within industry.

Finally, the Insurance Council is continuing work on providing efficient and effective access to services. This means updating its digital platform to allow for increased efficiency. The update to the digital platform will be launched next year.

On October 18, 2024, the Insurance Council of British Columbia Published a Report on the State of InsurTech in BC.

On October 18, 2024, the Insurance Council of British Colombia published a report titled *The State of InsurTech in BC*. The report compiles research on InsurTech and includes results from a commissioned survey and interviews held in 2023. It identifies the scope and scale of InsurTech and automation in Canadian insurance distribution, underwriting, and adjusting. CAFII's Research Analyst, Robyn Jennings, has summarized the report below.

The Insurance Council of British Columbia's report provides an overview of technological advancements in Canada's insurance industry. It highlights how InsurTech impacts distribution, underwriting, and claims adjusting. The report emphasizes that Canada lags behind other countries in online insurance adoption, partly due to consumer preferences and the availability of online options. The key findings include:

1. **Sales Channels in Canadian Insurance**
    a. *Human-led Distribution*: The report highlights that the Canadian insurance industry remains predominantly reliant on human sales channels, particularly brokers. Approximately 92% of insurance policies are sold through brokers, indicating a strong consumer preference for personalized, human-assisted sales over purely digital transactions. Brokers provide extensive advisory services and help clients navigate the complexities of insurance products, which is especially valuable for consumers who may find it challenging to make informed choices online.
    b. *Low Online Sales Adoption*: Only 6% of insurance policies are sold through online platforms, a stark contrast to other developed countries where online channels play a more significant role. Canadian consumers have been slower to adopt online insurance purchases, partly due to a cautious approach to complex financial products and, in part,

the limited range of products available online. Unlike in the U.S., Europe, or Australia, Canadian insurers offer fewer options online, often reserving detailed or personalized plans for broker-led sales.

c. *Lead Generation via Online Platforms*: While some Canadian insurers utilize online platforms, they primarily use these tools for generating leads rather than directly completing sales. Consumers might initiate a quote or an inquiry online, but a significant number of insurers ultimately direct potential customers to a broker or sales professional to finalize purchases. This hybrid approach—online initial interaction with a human-led conclusion—reflects the Canadian consumer's preference for combining digital convenience with human expertise.

2. **Technology and Automation in Insurance Processes**
   a. *Underwriting Automation*: Underwriting, or the assessment of risk and pricing for policies, is where automation is most entrenched in Canadian insurance. A significant 88% of insurers reported using automated processes in underwriting. Rules-based algorithms are common, with 76% of insurers relying on these to standardize and streamline underwriting. These algorithms are designed by engineers and underwriters to assess risk based on historical data, creating efficiencies and reducing human error.
   b. *Advanced Use of Artificial Intelligence (AI):* Approximately 13% of insurers are using advanced AI algorithms in underwriting. Unlike rules-based models, these AI systems can analyze vast amounts of structured and unstructured data to identify correlations and generate insights that might not be immediately evident to human underwriters. While these models can improve underwriting precision, they also pose challenges, such as transparency and explainability, as AI-driven risk scores or premiums are often derived from complex, sometimes opaque data relationships.
   c. *Human Oversight*: Despite these technological advancements, human review remains essential in underwriting. About 64% of insurers have human experts review the outputs of their automated systems, ensuring that technology complements rather than replaces human judgment. This human oversight aims to address potential algorithmic biases and maintain ethical standards in underwriting decisions.
   d. *Claims Adjusting and Automation*: In claims adjusting, automation is less widespread. Complex claims still require extensive human oversight, though simpler claims may be triaged with minimal automation. Most companies rely on manual information intake and processing, and only 4% fully automate their claims assessments. Technologies such as predictive analytics and machine learning are used to assist in triaging straightforward claims, but human involvement remains predominant in handling nuanced cases.
3. **Consumer Risks and Regulatory Considerations**
   a. *Underwriting Bias and Discrimination*: One of the key risks identified is the potential for algorithmic bias in automated underwriting systems. AI models might inadvertently develop discriminatory proxies, impacting certain demographics unfavourably. This issue arises from the complex correlations AI models may draw from diverse data sources, including unstructured data like social media analytics or telematics data from

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connected devices. Regulators are concerned about such risks, as they can result in unfair premium pricing or coverage limitations.

b. *Data Privacy and Information Breaches*: As more data is integrated into insurance processes—from wearable devices to social media analytics—data privacy becomes a critical concern. Insurers must collect, store, and analyze sensitive consumer data, which exposes them to privacy breaches if data is mishandled. Moreover, Canadian regulatory frameworks are still adapting to these newer data sources, creating potential gaps in consumer protection.
c. *Consumer Understanding and Education*: Reduced human involvement in certain insurance transactions can lead to misunderstandings among consumers about their policies. When consumers interact solely with an online platform, they may overlook specific details or fail to fully understand the terms and limitations of their coverage. This risk is particularly prevalent in a market where consumers are accustomed to receiving advisory services from brokers, who can provide tailored explanations and clarify policy details.

4. **Comparative Analysis: Canada vs. Global InsurTech Trends**
   a. *Lag in Online Insurance Adoption*: Compared to countries like the U.K. and the U.S., Canada has seen slower growth in online insurance sales. During the COVID-19 pandemic, many countries observed a shift toward digital distribution, but Canada's sales remained broker-dominant. While digital transformation has influenced Canadian insurance, adoption has been gradual. This slower uptake reflects both consumer habits and structural industry factors, such as the strong presence of brokers in Canada's insurance market and a tendency to rely on phone-based consultations as a socially-distanced alternative.
   b. *Regulatory Implications*: The Insurance Council identifies Canada's lag in InsurTech adoption as an opportunity for proactive regulation. By closely monitoring InsurTech developments in other countries, Canadian regulators can anticipate consumer protection needs, such as safeguards against automated underwriting bias or protocols for handling data privacy. The report suggests a "watch-and-learn" approach, allowing Canada to adapt regulatory frameworks based on successful international practices.
5. **Methodology and Scope of the Report**
   a. *Research Methodology*: To compile this report, the Insurance Council of British Columbia conducted extensive research, including surveys of nearly 600 Canadian insurance executives, interviews with industry professionals, and online analysis of 21 insurance websites. This multi-method approach provided a comprehensive overview of current InsurTech practices, allowing the Council to assess both quantitative data (e.g., sales by channel) and qualitative insights from industry experts.
   b. *Scope of the Report:* The report aims to establish a foundational understanding of InsurTech's impact across Canadian insurance distribution, underwriting, and claims adjusting. By quantifying the scale of technology adoption and identifying associated consumer risks, the report provides a knowledge base for Canadian regulators as they consider future policy adaptations.

In summary, the *State of InsurTech Report* underscores both the opportunities and challenges posed by digital transformation in Canadian insurance. While automation and data-driven technologies streamline various processes, human involvement remains essential in many areas to mitigate risks and ensure consumer comprehension. The findings serve as a guide for regulatory bodies to address emerging consumer risks and to facilitate a balanced approach to InsurTech in Canada's evolving insurance landscape.

Read the Insurance Council's report here.

Read the Insurance Council's publication announcement here.

International Developments, Research, and Thought Leadership

Digital Insurance

On October 27, 2024, Digital Insurance Published an Article on AI in Underwriting.

On October 5, 2024, Digital Insurance published an article titled *AI in Underwriting: Revolutionizing Risk with Smarter Insights*. In short, the article argues that AI is transforming insurance underwriting by automating data analysis, enhancing risk assessment accuracy, and supporting underwriters, though ethical and operational challenges remain. CAFII's Research Analyst, Robyn Jennings, has included a summary of the article below.

The article details how AI reshapes underwriting in insurance by addressing inefficiencies and leveraging large data sets. Below is an in-depth look at each key point:

1. **Improved Efficiency**: AI streamlines traditionally slow, manual underwriting tasks. By automating data collection and analysis, it frees underwriters to focus on more complex aspects, reducing operational costs and turnaround times.
2. **Enhanced Data Analysis**: AI tools, including machine learning and natural language processing (NLP), process vast amounts of structured and unstructured data (such as medical records or social media) more effectively than humans, offering a more comprehensive view of potential risks.
3. **Accuracy in Risk Assessment**: AI's ability to consider diverse data sources contributes to more accurate predictions of individual and aggregate risk, reducing bias and improving the reliability of assessments.
4. **Augmenting Human Judgment**: AI complements rather than replaces underwriters by handling data-heavy tasks. For complex cases, human expertise still plays a crucial role, as these require an understanding of nuanced, contextual factors that AI can't fully grasp.
5. **Future Potential and Challenges**: While AI holds promise for transformative efficiency, ethical and operational challenges—such as potential biases in AI algorithms and data privacy concerns—need to be addressed for successful integration.

Read Digital Insurance's article here (subscription required).

Economic Club of Canada

On November 5, 2024, the Economic Club of Canada Held a Fireside Chat with Doug Ford, the Premier of Ontario.

On November 5, 2024, the Economic Club of Canada hosted a fireside chat with Doug Ford, the Premier of Ontario in Ottawa. CAFII's Research Analyst, Robyn Jennings, attended the discussion. Her summary of the event has been included below.

After lunch and a few opening remarks from Robert Alger (President, LSTK, on behalf of TransitNext) and Bettina Hamelin (President, Innovative Medicines Canada), the Premier of Ontario, Doug Ford, sat down with the Mayor of Ottawa, Mark Sutcliffe, for a fireside chat.

Before the fireside chat, D. Ford made some opening comments in which expressed his thanks to all who organized the event. He then began talking about his plans for improving infrastructure across both Ontario and Ottawa. To do so, he intends to invest in new initiatives to improve public transit, community welfare, and more. He believes that new funding will help Ottawa's success and is, therefore, working closely with Mayor Sutcliffe. He then mentioned the US election and the upcoming review of the Canada-United States-Mexico trade agreement (CUSMA), which is crucial for Ontario's and Canada's economies. He assured the audience that, regardless of the election outcome, he would do what was needed to protect Ontario's economy. He explained that he is in regular conversation with governors and congressmen across the US, emphasizing the importance of relationship building and maintenance for economic ties. He then stressed the need for Canadians to shop Pan-American instead of just buying Canadian or local. Before concluding his speech, he stressed the importance of job creation and economic growth.

The fireside chat began with Mayor Sutcliffe asking D. Ford to expand on the deal they struck for Ottawa, a total of $543M, that focused particularly on public safety and welcoming newcomers. Addressing the public safety aspect of the deal, D. Ford explained that funding and protecting the servicemen and women of Ottawa is a priority for him. The deal was and remains his way of ensuring Ottawa has the funding to support its policemen and women. Beyond public safety, he wants to continue supporting Ottawa's at-risk populations, particularly its homeless population. He then mentioned the creation of another hospital in Ottawa which he considers another way to ensure the safety of Ottawa's population.

Mayor Sutcliffe commented that the deal was struck in March 2024, but progress takes time, which is why he is working closely with Ford's team. This partnership will continue, meaning that more news will arise from this deal as the months go on. D. Ford agreed, stating that he dislikes "government time," or the slow rate of progress associated with government efforts. He said that during his time as Premier, he has cut over a billion dollars in red tape, thereby saving over 400k hours to ensure Ontario's growth and prosperity.

Mayor Sutcliffe then commented that while Ottawa's growth is exciting, it is still facing many challenges, including homelessness and an opioid crisis. He asked D. Ford what they, as leaders, could do to support the most vulnerable. D. Ford replied that it is important to differentiate between people and classified two groups of people: those who suffer from mental health and addiction (who we need to support and care for) versus those healthy, able-bodied people who can work and who need to work but would rather take advantage of the system. He stated that he does not believe in safe supply sites and will eliminate them entirely. Instead, D. Ford created the Homelessness and Addiction Recovery Treatment (HART) Hubs Program, which will ensure that these folks have the support they need, like housing, social services, and care. He concluded his response by stressing the need for folks to get a job.

Mayor Sutcliffe commented that people have argued that supervised consumption sites (safe supply sites) are about harm reduction. He asked D. Ford if he could ensure the transition from safe supply to HART Hubs would go smoothly. He was also asked how he planned to make this transition? D. Ford replied that nothing is going to change until the HART Hubs are in place. He simply believes in a different approach, which is why he is putting three times as much funding into HART Hubs than the safe supply sites. His concern with the safe supply sites is that they are close to schools and attract drug dealers.

Moving on, Mayor Sutcliffe brought up the tech sector and asked the Premier how he plans to maintain sectoral growth for Kanata, Ottawa, and eastern Ontario. D. Ford said that it is paramount that leaders make sure they have the conditions to foster competition and the infrastructure to support industry, in this case, tech companies and start-ups. No one wants to come to a jurisdiction that's overly regulated; they want less red tape, less taxes, and lower energy costs. He then claimed that the previous Ontario government chased 300k jobs out of Ontario (and Canada, in fact), whereas his government created more manufacturing jobs than all fifty states combined. He concluded his response by stating that Ontario's tech sector is growing faster than Silicon Valley and the San Francisco area. He did clarify that he was not praising the government but the entrepreneurs for this sectoral growth.

Ontario wants to attract people as well as companies; therefore, it's critical that leaders target both. Mayor Sutcliffe asked D. Ford how important quality of life is in this. Quality of life is essential, he responded. D. Ford explained that quality of life in Ontario is actually second to none. He claimed that, compared to the US, there are practically no "tough" neighbourhoods in Ontario. While there is some crime, Ottawa is a very safe city, as is Toronto. Both cities have incredible police services. He added that Ontario graduates over 750 STEM graduates every year, meaning that it has both a talent pool and a high quality of life.

Mayor Sutcliffe brought up the recently announced Fall economic statement and asked the Premier what he considered to be its most important parts and which will impact Ottawa the most. Immediately, the Premier said healthcare, the cost of living, and a strong economy. He elaborated that without a strong economy, healthcare cannot be funded. This is why he claimed to have put record amounts of funding into Ontario's healthcare system. That being said, Ontario needs to increase its productivity in healthcare; we are pouring money in, but we need to deliver more. D. Ford stated that while he doesn't believe in the private healthcare system, there are reasons for delivering these services differently. There is something we can learn from the US's system to increase productivity and reduce wait times. He clarified that there are great hospitals across Ontario, but productivity just needs to increase.

Mayor Sutcliffe commented that this is difficult due to the ever-growing demands and pressures placed on the system. He asked, beyond more money, what else can be done to improve healthcare? The Premier replied that we must think outside the box! We must invest in technology, digitalization, and robotics. He is doing this by adding more medical seats and building more medical universities. What people forget, D. Ford added, is that last year, Ontario was the fastest-growing region in North America.

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This is a pro and a con because jobs are being created but it is putting stress on our healthcare system and the housing market. He said that asylum seekers are also putting pressure on Ontario, so while he vowed to continue supporting people, he needs to take care of those already here. He talked about the increased numbers of new people, ranging from all sorts of people – refugees, asylum seekers, and Canadians moving provinces for work. All want a better life, which he wants to give them. This is why he wants to give these newcomers to Ontario working permits so that they can contribute. The cost of people waiting for working permits, Ford said, is falling on the people of Ontario. To solve this issue, the Feds have to step up and care for these people because Ontario cannot do it alone. He pivoted and brought up taxes, commenting that governments have a spreading problem. He promised that, under him, Ontario has never and will never increase taxes. Under his government, revenue has increased by $64B because of new taxpayers and investments. He believes in increasing revenues without increasing taxes. He believes people can spend their money better than the government. He wants to give back to the people. In fact, Ontario's deficit is do

wn. Ontario will actually balance in the next few years.

As a final question, Mayor Sutcliffe asked the Premier if he was concerned about the US election and the potential impact on Ontario. Could Ontario and Canada be entering into a period of uncertainty? D. Ford said that he would work with anyone. Politics is about relationship building, be it with a Democratic or a Republican. Ford then brought up Trump's tariffs on Ontario steel. Ontario responded in turn and tariffed everything coming from the US. The US then removed the tariffs because it was economically damaging. D. Ford explained that he believes in free but fair trade.

Mayor Sutcliffe and Premier Doug Ford thanked everyone for coming and concluded the fireside chat.

The Globe and Mail

On September 24, 2024, The Globe and Mail Published an Article Summarizing the Book "Fleeced" by Economist and Financial Analyst Andrew Spence.

On October 5, 2024, Digital Insurance published an article titled *AI in Underwriting: Revolutionizing Risk with Smarter Insights*. In short, the article argues that AI is transforming insurance underwriting by automating data analysis, enhancing risk assessment accuracy, and supporting underwriters, though ethical and operational challenges remain. CAFII's Research Analyst, Robyn Jennings, has included a summary of the article below. Andrew Spence, an economist and financial analyst who has worked at the Bank of Canada, has written a short book entitled "Fleeced," in which he is highly critical of the Canadian banks. The book was summarized in an article by him in a Globe and Mail article. A taste of the highly subjective and critical nature of his analysis can be found here:

> *Our bankers are making out like bandits on the backs of consumers. And it's not just on fees. They've cut customer service to the bone, imposed outrageous rates of interest on credit cards, limited mortgage options and loaded expenses on mutual funds that torpedo your investment returns, among other anti-consumer measures – all while producing staggering profits that enrich bank executives and shareholders.*
>
> *And it's not like consumers have ready alternatives. Canada's banking sector is dominated by six federally chartered banks. They behave much the same way. Each treats customers*

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> *as abysmally as the others. It's not worth it for a consumer dissatisfied with the Royal Bank of Canada to cross the street to the Bank of Montreal, Toronto-Dominion Bank, Bank of Nova Scotia, Canadian Imperial Bank of Commerce or National Bank of Canada.*
>
> *The absence of real competition is a market failure, in which benefits to customers are fewer than they would otherwise be and prices are higher. When markets fail – especially when they fail to protect consumers – we expect competition authorities, backed by the government of the day, to step in.*
>
> *But while the Office of the Superintendent of Financial Institutions, responsible for big-picture matters such as financial stability, has delivered, the Financial Consumer Agency of Canada, responsible for protecting bank customers, is toothless and has been unable to prevent Canadians from being overcharged. Meanwhile, the Competition Bureau, responsible for ensuring that businesses operate in a fair and competitive manner, is equally disempowered.*

The author tackles mortgages, investments, and fees for regular chequing and savings accounts and credit cards and is critical of banking practices in each. However, despite having an entire chapter on mortgages and another one on credit cards, it is noteworthy that he does not mention credit protection insurance or balance protection insurance once in his entire book.

The article, which requires a subscription, can be found here.

McKinsey & Company

Over the Summer, McKinsey & Company Released an Article Exploring Asia's Use of AI for Social Good.

On August 27, 2024, McKinsey & Company published an article titled *How Asia is Harnessing AI for Social Good.* The article explores how Asian nations leverage AI for healthcare, education, and environmental protection, focusing on partnerships and ethical frameworks to ensure a positive societal impact. Read CAFII's Research Analyst, Robyn Jennings, summary below.

McKinsey's article looks at Asian nations' application of AI to address societal challenges, focusing on areas like healthcare, education, and environmental sustainability. Key initiatives include using AI for medical diagnoses, improving educational accessibility, and aiding in disaster response. Partnerships among governments, private sectors, and nonprofits drive these projects, leveraging Asia's rapid tech adoption and innovation. The article also highlights ethical considerations and regulatory approaches that aim to balance innovation with responsible use.

AI is used to enhance access to medical services, especially in remote and underserved areas. In regions like rural India, AI algorithms assist healthcare workers by analyzing medical data to detect diseases early. For example, AI-powered diagnostics improve the accuracy of medical imaging, making it easier to diagnose conditions such as tuberculosis and heart disease. Predictive analytics tools help hospitals optimize resources, reducing patient wait times and improving care delivery. In China, AI-driven mobile applications guide individuals through initial self-assessments, which are then reviewed by physicians.

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AI also has the ability to transform education. AI plays a significant role in bridging educational gaps by providing personalized learning experiences tailored to individual needs. By analyzing student data, AI can recommend resources or modify learning content based on each student's strengths and areas for improvement. This is especially helpful in Asia's linguistically diverse regions, as AI technology now translates and personalizes educational content in local languages, making it more accessible. In countries like Japan, predictive AI helps educators identify students at risk of falling behind, enabling timely intervention. AI also supports remote learning, which became crucial during the COVID-19 pandemic, allowing students across varying economic backgrounds to access quality education.

In terms of environmental sustainability efforts, AI aids in environmental monitoring, resource management, and disaster response. In China, for example, machine learning algorithms track and reduce air pollution by optimizing industrial processes. AI-powered satellite imagery helps monitor deforestation and illegal mining, with data analyzed in real time to allow for faster government responses. Predictive AI models also play a role in forecasting natural disasters, such as typhoons or floods, by processing vast amounts of meteorological data, helping authorities prepare and mitigate damage. Indonesia and the Philippines use AI systems to predict and respond to natural disasters, improving crisis management and resource allocation.

Finally, AI can act as a boon for collaborative and ethical developments. Governments in Asia work closely with private tech companies and NGOs to develop responsible and transparent AI applications. Collaborative efforts, like Singapore's AI governance frameworks, ensure that these AI applications adhere to ethical guidelines, with a focus on data privacy, fairness, and transparency. Regulatory bodies in Japan and South Korea prioritize ethical considerations in AI use, addressing public concerns around AI biases, accountability, and security. These frameworks seek to ensure that while AI drives innovation, it does so with respect for human rights and without compromising social welfare.

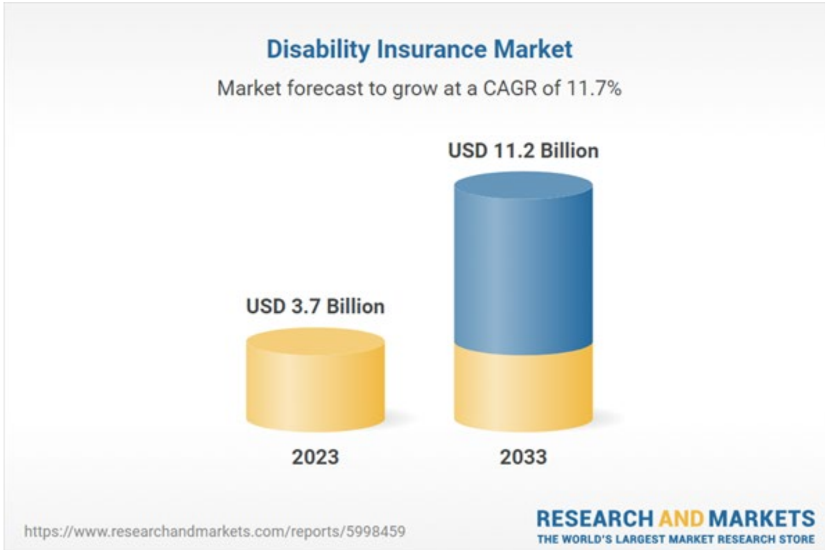
Read McKinsey & Company's full article here.

Research and Markets

In August 2024, Research and Markets Published a Report on Disability Insurance and the Global Market.

In August 2024, Research and Markets published a comprehensive report titled *Disability Insurance Global Market Opportunities and Strategies to 2033.* The report covers the disability insurance market's characteristics, size and growth, segmentation, regional and country breakdowns, competitive landscape, market shares, trends, and strategies for this market. It traces the market's history and forecasts market growth by geography. It places the market within the context of the wider disability insurance market and compares it with other markets. While the actual report is paywalled, a high-level summary of the report's findings has been included below.

> *This report describes and explains the disability insurance market. It covers 2018-2023, termed the historic period, and 2023-2028, 2033F, termed the forecast period. The report evaluates the market across each region and the major economies within each region.*



The global disability insurance market reached a value of nearly $3.7 billion in 2023, having grown at a compound annual growth rate (CAGR) of 8.93% since 2018. The market is expected to grow from $3.7 billion in 2023 to $6.36 billion in 2028 at a rate of 11.45%. From 2028, it is expected to grow at a CAGR of 12.00% and reach $11.21 billion in 2033.

Growth in the historic period resulted from increased number of insurance claims, increasing healthcare costs, government initiatives and efforts towards insurance reforms and rise in disposable income. Factors that negatively affected growth in the historic period include increased focus on self-insurance and lack of awareness.

Going forward, the rising prevalence of chronic diseases, strong economic growth in emerging markets, increasing aging population and rising urbanization will drive the market. Factors that could hinder the growth of the disability insurance market in the future include growing income inequality.

The disability insurance market is segmented by insurance type into employer supplied disability insurance, individual disability insurance, high limit disability insurance, business overhead expense disability insurance and other insurance types. The employer supplied disability insurance market was the largest segment of the disability insurance market segmented by insurance type, accounting for 43.49% or $1.6 billion of the total in 2023. Going forward, the business overhead expense disability insurance segment is expected to be the fastest growing segment in the disability insurance market segmented by insurance type, at a CAGR of 13.92% during 2023-2028.

The disability insurance market is segmented by coverage type into short term disability insurance and long term disability insurance. The long term disability insurance market was the largest segment of the disability insurance market segmented by coverage type, accounting for 62.06% or $2.29 billion of the total in 2023. Going forward, the short term disability insurance

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segment is expected to be the fastest growing segment in the disability insurance market segmented by coverage type, at a CAGR of 12.87% during 2023-2028.

The disability insurance market is segmented by end user into government, enterprise and individual. The enterprise market was the largest segment of the disability insurance market segmented by end user, accounting for 51.06% or $1.88 billion of the total in 2023. Going forward, the individual segment is expected to be the fastest growing segment in the disability insurance market segmented by end user, at a CAGR of 12.99% during 2023-2028.

North America was the largest region in the disability insurance market, accounting for 45.00% or $1.66 billion of the total in 2023. It was followed by Asia-Pacific, Western Europe and then the other regions. Going forward, the fastest-growing regions in the disability insurance market will be Asia-Pacific and Africa, where growth will be at CAGRs of 14.39% and 13.61% respectively. These will be followed by the Middle East and South America, where the markets are expected to grow at CAGRs of 13.09% and 12.61% respectively.

The global disability insurance market is concentrated, with large players operating in the market. The top ten competitors in the market made up to 40.4% of the total market in 2022. Aflac Incorporated was the largest competitor with a 5.1% share of the market, followed by Northwestern Mutual with 4.9%, AIA Group Limited with 4.7%, Ping An Insurance Company of China, Ltd. with 4.3%, China Life Insurance Company Limited with 4%, Mutual of Omaha with 3.8%, Aviva plc with 3.5%, Guardian Life Insurance Company of America with 3.4%, MetLife Services and Solutions, LLC with 3.4% and Allianz with 3.3%.

The top opportunities in the disability insurance market segmented by end users will arise in the employer-supplied disability insurance segment, which will gain $1.14 billion of global annual sales by 2028. The top opportunities in the disability insurance market segmented by coverage type will arise in the long-term disability insurance segment, which will gain $1.49 billion of global annual sales by 2028. The top opportunities in the disability insurance market segmented by insurance type will arise in the enterprise segment, which will gain $1.32 billion of global annual sales by 2028. The disability insurance market size will gain the most in the USA at $884.4 million.

Market-trend-based strategies for the disability insurance market include focus on integrating new technologies to automate insurance claims, use of AI-based insurance platforms to enhance efficiencies, focusing on providing new disability income policies, deploying advanced disability income protection plans, focus on offering new short-term disability insurance and adopting a strategic partnership approach.

Player-adopted strategies in the disability insurance market include focus on expanding business capabilities through new policy launches and focus on expanding insurance business through technological empowerment.

To take advantage of the opportunities, the analyst recommends the disability insurance companies to focus on technological advancements to drive efficiency in disability insurance

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operations, focus on AI-driven platforms to enhance efficiency in disability insurance operations, focus on innovative disability income policies to expand market reach, focus on tailored disability income protection plans to enhance market presence, focus on offering flexible short-term disability insurance solutions, focus on business overhead expense disability insurance segment, focus on short term disability insurance segment, expand in emerging markets, focus on strategic partnerships to enhance service offerings, focus on developing competitive pricing strategies, continue to use B2B promotions, focus on digital marketing and educational campaigns and focus on enterprise and individual market segments.

Read Research and Markets report summary here. You can purchase the complete report through the same link.

Torys

On November 5, 2024, Torys Published an Article Explaining the Amendments to Ontario's Insurance Act.

On November 5, 2024, Torys published an article titled *Amendments to Insurance Act (Ontario) to Require Licensing of Life and Accident & Sickness MGAs*. CAFII's Research Analyst, Robyn Jennings, has summarized the article below.

As Torys explains, Ontario's recent amendments to the Insurance Act require life and accident & sickness managing general agents (MGAs) to obtain licenses and establish standards and compliance requirements. With the amendments, the Financial Services Regulatory Authority (FSRA) will gain authority over these MGAs, including oversight of compliance and duties for insurers, MGAs, and agents. Furthermore, MGAs will be required to develop monitoring systems, designate compliance officers, and submit agreement updates to FSRA. These rules aim to enhance regulation but may diverge from other provinces' MGA requirements.

Below is a detailed breakdown of the amendments and what they entail:

- *Licensing Requirement for MGAs*: Ontario will now mandate that MGAs (entities managing life, accident, and sickness insurance products) obtain a license to operate. This licensing shift clarifies MGAs' roles and responsibilities, emphasizing their regulatory obligations. Previously, MGAs operated under informal arrangements with insurers, but licensing now places them under the direct oversight of the Financial Services Regulatory Authority (FSRA), promoting accountability and transparency in their business practices.
- *FSRA's Enhanced Oversight and Authority*: FSRA will gain regulatory control over licensed MGAs, including the power to enforce compliance, conduct inspections, and take corrective action as necessary. This regulatory shift enables FSRA to supervise MGA activities more closely, ensuring MGAs meet provincial standards and industry practices. For MGAs, this means heightened scrutiny, with FSRA positioned to audit records, evaluate business practices, and require corrective measures to address compliance issues.
- *Establishment of Compliance Requirements for MGAs*: MGAs will now be required to implement comprehensive internal monitoring systems. This entails developing policies and procedures to track compliance with licensing regulations, ensuring that all aspects of their business—ranging from sales practices to agent conduct—adhere to provincial guidelines. Each MGA must appoint

a compliance officer to oversee these obligations, which imposes a structured compliance framework similar to that of other insurance entities, bolstering operational integrity and protecting consumer interests.

- *Mandatory Reporting of Operational Changes to FSRA*: The amendments will introduce a structured reporting obligation for MGAs, requiring them to notify FSRA of significant operational changes or updates to agreements with insurers or agents. This transparency allows FSRA to maintain an accurate picture of the MGA landscape and quickly address any issues that arise. By requiring ongoing updates, the regulations aim to ensure that MGAs remain accountable and responsive to regulatory standards.

One important area of note is how the amendments to Ontario's insurance act for MGAs may cause Ontario's framework to differ from that of other Canadian provinces, potentially creating complexities for MGAs operating across jurisdictions. This divergence might lead to inconsistencies in MGA practices and compliance burdens on MGAs with multi-provincial operations. As a result, some MGAs might need to adjust their operations depending on where they operate, which could encourage harmonization efforts among provinces in the future.

These detailed amendments signify Ontario's commitment to establishing a robust regulatory environment for MGAs, focusing on compliance, accountability, and consumer protection.

Read Torys' article [here].

On November 4, 2024, Torys Published an Article Detailing the AMF's Publication of a New Security Incident Reporting Oglibation for Certain Financial Institutions in Quebec.

On November 4, 2024, Torys published an article detailing the AMF's publication of new security incident reporting obligations for certain financial institutions in Quebec. CAFII's Research Analyst, Robyn Jennings, has summarized the article below.

According to Torys, Quebec's new regulation mandates that certain financial institutions implement security incident policies, assign an oversight leader, and report incidents with potential negative impacts to the Autorité des marchés financiers (AMF) within 24 hours. Financial institutions are also required to provide updates every three days and a final report 30 days post-resolution. Penalties up to $2,500 apply for non-compliance, particularly for failing to maintain an incident management policy or register. The regulation, effective April 2025, aligns with existing reporting standards but adds stricter requirements.

When it comes to incident reporting, institutions must now establish and maintain a security incident policy that aims to streamline and standardize incident handling. This includes mandatory training and predefined protocols to ensure swift, effective responses. Financial institutions must engage in designated oversight like having a responsible leader within each organization to oversee the policy's execution. This role ensures accountability, continuity, and adherence to compliance requirements. Financial institutions must also commit to 24-hour reporting to the AMF. Incidents likely to impact client data, institutional operations, or legal obligations must be reported within 24 hours. This timeline stresses urgency in communicating potentially harmful incidents to regulators to mitigate risks quickly. After the initial report, organizations are expected to provide status updates every three days until the

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issue is resolved. A final report summarizing the incident's cause, impact, and remedial actions is due within 30 days after resolution, ensuring thorough documentation of each incident's lifecycle. Financial institutions must keep detailed incident records for at least five years. This requirement facilitates auditing and review by regulatory bodies, enhancing transparency and accountability. Penalties will be incurred for all non-compliance. Non-compliance can lead to fines of up to $2,500, especially for failures to maintain a comprehensive incident management policy and registry. These penalties emphasize the importance of adherence to the new regulatory standards.

Per the AMF, this regulation aligns with existing standards. While similar to Canada's national and international security incident reporting standards, this Québec regulation adds stricter oversight and timelines, encouraging better risk management.

The regulation, effective April 2025, underscores a proactive approach to handling security risks and aligns Québec's financial sector with international best practices.

Read Torys' article here.