

Summary of the FSRA Exchange Conference on March 4/24

On March 4, 2024, FSRA held a full-day in-person conference. The conference covered many topics, from climate change to issues within the life and health insurance industry to the Fair Treatment of Customers (FTC). It also explored Artificial Intelligence's (AI) continued impact on the financial sector. There were a myriad of speakers and panels. Later in the afternoon, Erica Hiemstra moderated a life and health insurance-specific panel that focused on compliance issues and the FTC, especially with respect to MGAs. The entire CAFII staff team attended this panel.

Over the course of the day, Keith Martin, Shanay Smith, and Robyn Jennings met with and had personal conversations with many FSRA regulators at the conference, including:

- **Erica Hiemstra**, Head, Insurance Conduct, Market Conduct;
- Glen Padassery, Executive Vice President, Policy and Auto/Insurance Products;
- **Huston Loke**, Executive Vice President, Market Conduct;
- **Swati Agurwal**, Director, Market Conduct, Life & Health Insurance Companies & National Supervision;
- Stuart Wilkinson, Chief Consumer Officer;
- Fern Karsh, Regulatory & Policy Lawyer;
- **Joanne De Laurentiis**, Board Chair;
- Ali Salahuddin, Board member.

An important takeaway from the conference was that CPI was not mentioned. This is positive as it implies that there isn't anything negative to discuss or analyze about CPI products, and they are not on the radar screen of FSRA executives.

In the morning, the conference began with opening remarks from Joanne De Laurentiis and then moved to a Q&A with FSRA CEO Mark White. When asked what FSRA has done to protect consumers, he responded that this is, in fact, its top priority, which is why FSRA created and continues to work on developing the Consumer Office. Financial literacy is another way in which FSRA prioritizes consumer protection. With events like Pension Awareness Day or Financial Literacy Day, FSRA promotes consumer education and builds consumer trust in financial institutions.

When asked about the regulator's response to AI and its ever-growing presence in the industry, M. White said that FSRA will not nor does it plan to prohibit AI. In fact, AI learning models based on consumer information are not new; what is new, however, is the breadth of information being generated. As a result, M. White forecasted that many of the coming regulations will revolve around privacy and AI boundaries to ensure consumer and institutional safety.

The Q&A concluded on the topic of climate change and climate-related disclosure. M. White explained that climate is a derived risk; FSRA doesn't generate carbon, but it finances those that do. FSRA, therefore, works to inform and educate companies on the importance of diversifying

investments. Ultimately, it is not up to FSRA to tell companies what to do, but it can and does work to protect the rights and interests of members.

Following M. White was a panel on climate change and the risk it poses to the financial industry. This discussion emphasized that climate change is irreversible but reduceable. With this comes evolving risks that will profoundly impact financial institutions, particularly those involved in P&C. Therefore, it is important that regulators, advisors, and institutions provide proper and informed advice for homeowners in terms of education and preparation. Another way institutions can prioritize climate change is by supporting research and subsequent solution deployment. The panel concluded that climate change will cut across all sectors; therefore, financial institutions must make efforts to get involved in mitigating its effects.

After a short break, the conference resumed with a panel on AI and industry. The speakers all agreed that AI will only continue to grow in importance within the insurance industry. This is because AI is data-hungry, and this industry is data-rich. And, considering that the insurance industry is already heavily regulated, this positions it well to engage safely with AI employment. The speakers went on to encourage the audience to look at AI as a professional augmentation tool. It can supercharge what can be and what is currently being done. AI's usefulness extends beyond the insurers – it can supercharge the customer experience as well! AI can increase accessibility, ease of communication, etc. That being said, it should be engaged with as a use-case predictive model.

This is not to say AI is without risk. Institutions need to build responsible mitigating frameworks, like acceptable use policies, when employing AI.

In the afternoon, the CAFII team attended a panel moderated by Erica Hiemstra on consumer-focused conduct behaviour and what it looks like. The panel discussed how sector regulation requires ecosystem investigations beyond agents to look at the entire sales process. The end-to-end distribution must be analyzed to identify gaps in the market and the impact these gaps have on consumers. This allows for the identification of consumer harm. Which begs the question: what does a reasonably designed compliance program look like? The answer to this revolves around education, particularly customer education. This needs to be a priority embedded into any code of conduct.

The Fair Treatment of Customers (FTC) is another priority that must be considered when designing company frameworks, including internal training. Language should change to reflect FTC priorities. An example of this is the Life Agent misconduct report, which was developed with FTC in mind. This not only prioritizes the customer but allows for proactive data collection.

The panel concluded with remarks on MGAs.

Afterwards, K. Martin, S. Smith, and R. Jennings went to speak with E. Hiemstra and congratulate her on a job well done.