

CAFII ALERTS WEEKLY DIGEST: December 08-December 15, 2023

December 15, 2023

The CAFII Alerts Weekly Digest is intended to provide a curated compendium of news on insurance, regulatory, and industry/business/societal topics of relevance to CAFII Members – drawn from domestic and international industry trade press and mainstream media – to aid in Members' awareness of recently published media content in those areas.

The Weekly Digest will take a three-week winter hiatus, spanning the months of December 2023 & January 2024. Following the December 22/23 edition, the next Weekly Digest will be produced for the week of January 8 to January 12/24.

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GOVERNMENT/LEGAL/REGULATORY DEVELOPMENTS

Federal Consultations On AI Regulations Heavily Skewed Toward Businesses, Industry Groups, Say Critics

By Joe Castaldo, The Globe and Mail, December 10, 2023

Critics of the federal government's bill to regulate artificial intelligence and mitigate its potential harms say Ottawa's consultations have been heavily skewed toward businesses and industry groups, even as AI applications could negatively affect wide swaths of society.

Innovation, Science and Economic Development Canada (ISED) held 216 consultations with businesses and industry representatives between June, 2022, and September, 2023, on Bill C-27, which contains the Artificial Intelligence and Data Act (AIDA). The bill also updates the country's consumer privacy and data protection regime.

Read Story (Subscription Required): [Federal consultations on AI regulations heavily skewed toward businesses, industry groups, say critics - The Globe and Mail](#)

FSRA Rolls Out Campaign To Boost Consumer Protection

The Initiative Is Part of Its Response To "Troubling Business Practices"

By Mika Pangilinan, Insurance Business, December 07, 2023

https://www.insurancebusinessmag.com/ca/news/life-insurance/fsra-rolls-out-campaign-to-boost-consumer-protection-469291.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20231212&hsmi=286158969&hsenc=p2ANqtz--9wsDFK-EguPrCqYZ5A1utJfIUHBQeqs2bT6iUsAhcTkSkqkKelrFml7sNPTQr955yqYylf6vI9Vq58ARPP7GyMYtYq&utm_content=&utm_source=

The Financial Services Regulatory Authority of Ontario (FSRA) is rolling out a new campaign to educate consumers about navigating the complexities of life and health insurance purchases.

It targets vulnerable consumers and their families, providing them with the knowledge to pose relevant queries, comprehend offered products, and make well-informed decisions.

A review conducted by FSRA earlier this year uncovered instances when managing general agencies (MGAs) and their agents used inappropriate training materials and sold complex products that failed to meet the needs of their clients.

This consumer education campaign is part of the regulator's response to these troubling business practices.

“Consumers deserve better,” said Huston Loke, executive vice president, market conduct. “The regulatory breaches and lapses in best practices among agents associated with these MGAs are unacceptable.”

“We will continue to scrutinize this sector, including insurance companies where necessary, take enforcement actions and educate consumers to help ensure they receive policies and products that are right for them and their families.”

FSRA’s New Consumer Education Campaign

The consumer education campaign is designed to furnish consumers with crucial information, including:

- Verifying that the insurance agent holds a licence to sell life insurance in Ontario
- Receiving written disclosure of the names of providers, services, and insurers represented by the agent
- Receiving written disclosure of any potential conflicts of interest

Additionally, consumers will be educated about how an agent is expected to elucidate the concept of life insurance, its workings, and the optimal options for the consumer and their family.

According to FSRA, the agent's responsibilities include conducting comprehensive insurance needs analysis, outlining the risks associated with investment components, and explaining ongoing costs or implications.

They should also assist in completing and submitting applications and addressing any queries raised by the consumer.

“Life insurance is meant to protect individuals, families and businesses, and these products should meet the consumer's individual needs and match their financial circumstances,” said Loke.

“It's important that individuals and families know about the potential risks of purchasing complex insurance policies and understand that they are not obligated to buy if they don't feel any of the products are right for them.”

Research conducted by FSRA in 2022 found that vulnerable consumers were 16 % more likely to encounter issues in the life and health sector compared to their non-vulnerable counterparts. This demographic includes new immigrants, older persons, students, and those with low financial literacy.

FSRA Launches Consultation on Appendix E: Quality Assurance and Reconsideration Process

By Financial Services Regulatory Authority of Ontario, December 11, 2023

https://www.fsrao.ca/engagement-and-consultations/consultation-appendix-e-quality-assurance-and-reconsideration-process?utm_source=linkedin&utm_medium=social&utm_campaign=QAssurance_Dec23

Type: Policy

Sector: Credit Unions and Caisses Populaires

Status: Open

Comment Due Date: February 8, 2024

In response to stakeholder feedback, FSRA is proposing to improve the transparency of its quality assurance and reconsideration processes for credit unions.

These processes will ensure that FSRA's assessments are accurate and consistent, promoting trust, confidence, and stability in the credit union sector while protecting member deposits.

FSRA describes the review process of up to five levels of quality assurance, depending on the credit union's size, complexity and risk profile.

Credit unions can have an assessment reconsidered if they do not agree with the results.

The processes will be included in a new appendix, which will enhance and further clarify FSRA's Risk-Based Supervisory Framework for Credit Unions.

FSRA welcomes feedback from all stakeholders. The consultation will close on February 8, 2024.

Joint Forum Of Financial Market Regulators' Continue To Enhance Collaborative Infrastructure

By The Financial and Consumer Services Commission, December 12, 2023

<https://fcnb.ca/en/news-alerts/joint-forum-of-financial-market-regulators-continue-to-enhance-collaborative-infrastructure>

Toronto – The Joint Forum of Financial Market Regulators (Joint Forum) held its annual meeting on November 20th, 2023, virtually, bringing together members of the Canadian Securities Administrators (CSA), the Canadian Council of Insurance Regulators (CCIR), the Canadian Association of Pension Supervisory Authorities (CAPSA) and representatives from the Canadian Insurance Services Regulatory Organizations (CISRO), as well as the Mortgage Broker Regulators' Council of Canada (MBRCC).

As part of the plenary session, Dr. Cristie Ford, Professor of Law at the Peter A. Allard School of Law, spoke to the importance of the Joint Forum's existing infrastructure. She encouraged members to continue to invest in that infrastructure and expand information-sharing and joint initiatives where appropriate, which is especially important when products are complex and when regulatory boundaries are unclear. Dr. Ford noted that "the outer boundaries where various regulatory regimes intersect are often areas for innovation." Angela Mazerolle, CAPSA Chair echoed Dr. Ford's assessment stating, "it is essential that Joint Forum members continue to collaborate and to forge relationships so we can move harmoniously to identify and assess the need for regulatory oversight for emerging financial products and services."

Joint Forum members continue to support industry stakeholders in their implementation of Total Cost Reporting (TCR), which plans to increase investor and policyholders' awareness of the ongoing costs of owning investment funds and individual segregated fund contracts. "The TCR initiative demonstrates the value of collaboration by Joint Forum members," said Huston Loke, Chair of the CCIR, "as it will enhance consumer protection by providing investors with the costs and performance of segregated funds on a basis that is harmonized with investment funds. This is the first time that this level of transparency will be available for funds." An Implementation Committee of regulators, including Joint Forum members, and industry representatives has been established with a mandate to provide guidance and assistance to registrants and insurers as they operationalize the TCR enhancements. "The TCR initiative came about as a result of extensive consultations with investor advocates and market participants," said Stan Magidson, CSA Chair and Chair and CEO of the Alberta Securities Commission. "Collaboration between the Implementation Committee and industry participants is important to the successful implementation of the TCR enhancements."

Ms. Mazerolle provided an update on two guidelines that were issued for consultation over the summer: Pension Plan Risk Management Guideline and Guideline No. 3-Capital Accumulation Plans Guideline (CAP Guideline). Both updates on the proposed initiatives provided insight into stakeholder feedback and next steps to address the comments received. The CAP Guideline generated five submissions with significant feedback. The CAP Guideline Committee includes members of CCIR and CSA to provide insight into the insurance and securities sectors and draw on members' expertise as part of the final drafting process.

CCIR is an inter-jurisdictional association of insurance regulators. The mandate of the CCIR is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest.

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

CAPSA is a national association of pension regulators whose mission is to facilitate an efficient and effective pension regulatory system in Canada. It develops practical solutions to further the coordination and harmonization of pension regulation across Canada.

Insurance Regulators Publish Market Conduct Statistics

By Kate McCaffery, Insurance Portal, December 08, 2023

The Canadian Council of Insurance Regulators (CCIR) has published its 2022 Annual Statement on Market Conduct Public Report, showing the number of complaints received by insurance regulators during the year and notable year-over-year changes identified during Annual Statement on Market Conduct (ASMC) collection of industry information.

Developed in 2017, the ASMC collects data from both the life and health and property and casualty (P&C) industries. For the P&C industry, commercial policies were excluded from the report's data.

Read article (subscription required): https://insurance-portal.ca/society/insurance-regulators-publish-market-conduct-statistics/?utm_source=sendinblue&utm_campaign=weekly_flash_202312-11&utm_medium=email

OTHER CAFII MEMBER-RELEVANT NEWS

Global Medical Costs Show No Signs Of Declining In 2024

By Kate McCaffery, Insurance Portal, November 30, 2023

Global advisory company, WTW, has published its most recent medical trends survey, showing medical care benefit costs continue to climb after recording double-digit increases in 2023.

The WTW Global Medical Trends Survey found the cost of medical care jumped from 7.4 per cent globally in 2022 to a record high of 10.7 per cent in 2023. Anticipated costs reported by insurers for 2024 are expected to be 9.9 per cent higher, on average. Over half of insurers surveyed, 58 per cent say they expect to incur higher or significantly higher medical costs in the coming three years.

Read article (subscription required): https://insurance-portal.ca/health/global-medical-costs-show-no-signs-of-declining-in-2024/?utm_source=sendinblue&utm_campaign=weekly_flash_202312-04&utm_medium=email

Pandemic Exacerbates U.S. Banks' Gender Parity Challenge

Pipeline Of Female Leaders Diverted By Workplace Shifts, DBRS Says

By James Langton, Investment Executive, December 12, 2023

https://www.investmentexecutive.com/news/research-and-markets/pandemic-exacerbates-u-s-banks-gender-parity-challenge/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-All-afternoon&hash=6d73923380f292a40dc042b455f0fde3

Gender diversity on Wall Street is being hampered by the long-run effects of the pandemic, which has thinned the ranks of female talent and altered workplace attitudes, according to a new report from DBRS Morningstar.

At the board level, the share of female directors for the six largest U.S. banks (the global systemically important banks, or G-SIBs) stood at 40% in 2022, up from 37% in 2021, the firm noted.

However, female representation in the executive ranks remained stalled at 27%, and only one of the largest banks, Citigroup Inc., boasted a female CEO, it said.

Indeed, career advancement remains a challenge for women in the banking sector.

“For every 100 men who are promoted from entry level to manager, only 87 women are promoted, and only 73 women of colour are promoted — likely indicating how women start to lose ground from the very first promotion,” the report said.

This issue was also exacerbated by the pandemic. Typically, men face heftier job losses during economic downturns but the pandemic was “a unique case where women were affected more than men,” the report noted.

Immediately prior to the pandemic in February 2020, the unemployment rate for women was slightly lower than the rate for men, but by April of that year, the rate for women jumped to 16.1%, far above the 13.6% rate for men, DBRS reported.

Alongside the impact on employment levels, the pandemic episode also altered workplace attitudes: “COVID-19 prompted a re-evaluation of work priorities, particularly for women, who prioritized work flexibility.”

As a result, there’s an increased risk of companies losing “younger women due to inflexible work cultures, potentially hindering the development of future female leaders,” the report said.

“There remains a huge untapped potential that U.S. banks are missing out on from female leadership,” it warned.

The report also found wide variation in gender diversity among the big banks, with women representing 49% of the workforce at JP Morgan and 42% of executive positions, compared with just 13% at Morgan Stanley.

“There is also a more encouraging presence of women in important executive positions at these banks,” the report said, pointing to women leading key divisions such as asset and wealth management, consumer and community banking, and retail banking at JPMorgan and Bank of America Corp.

“Such examples of women assuming pivotal roles in financial leadership within U.S. G-SIBs set a precedent and pave the way for other banks to prioritize such gender-inclusive practices,” it added. The report called for improved data collection and reporting, and stepped-up corporate efforts to close the gender gap.

TD Announces New Head Of Canadian Personal Banking After Departure Of Michael Rhodes

By Stefanie Marotta, The Globe and Mail, December 11, 2023

https://www.theglobeandmail.com/business/article-td-announces-new-head-of-canadian-personal-banking-after-departure-of/?utm_medium=email&utm_source=Streetwise&utm_content=2023-12-12_21&utm_term=TD%20announces%20new%20head%20of%20Canadian%20personal%20banking%20after%20departure%20of%20Michael%20Rhodes&utm_campaign=newsletter&cu_id=Ts6FwhWx6n2rSHC0x7MiReEeeFJOJkTb

Toronto-Dominion Bank’s head of Canadian personal banking is leaving to lead a U.S.-based digital banking and payments provider, prompting a leadership shakeup at this country’s second-largest lender.

Michael Rhodes is departing to take on the role of chief executive officer at Illinois-based Discover Financial Services, one of the largest credit-card issuers in the country. TD is tapping head of wealth Raymond Chun as Mr. Rhodes’ successor and promoting capital markets executive Tim Wiggan to lead the wealth business.

“At TD, we have a depth of talent and a strong leadership bench, and I am pleased to announce the following changes,” TD CEO Bharat Masrani said in an internal memo on Monday, December 11 that was viewed by The Globe and Mail.

Earlier this year, Discover launched an internal review of its risk management and corporate governance after regulators found issues with its compliance practices, including in its credit cards and student-loan servicing businesses. Former CEO Roger Hochschild resigned in August and the board installed one of its own directors as interim CEO. Mr. Rhodes will step into his new role on March 6.

TD is also in the midst of its own regulatory issues. The bank expects monetary and non-monetary penalties from U.S. regulatory and legal enforcement agencies, including the U.S. Department of Justice, which are investigating the lender's anti-money laundering practices.

Executives who oversee the personal and commercial banking units at the major banks are often considered to be potential successors for the top seat of chief executive officer. The CEOs of Canada's largest lenders typically serve a decade-long term, and Mr. Masrani has entered his tenth year at the helm of TD.

As the head of TD's personal and commercial business in Canada, Mr. Rhodes led the bank's largest business, which generates more than a third of the lender's revenue. He took on the role in January 2022, after leading the innovation, technology and shared services division for four years. He has also led the consumer bank and wealth management business in the bank's U.S. division, and the North American credit-card and merchant-services unit.

Mr. Chun, who has worked at TD for more than 30 years, steps into the role as head of Canadian personal banking effective immediately. Prior to his role as the head of wealth and insurance, he was the president of direct investing and wealth delivery, as well as president and CEO of TD insurance. He has also worked in other businesses including personal banking products, branch banking, TD Waterhouse's private client services, and direct channel sales.

"His proven leadership and knowledge of the retail market will help Ray drive the continued growth in Canadian Personal Banking," Mr. Masrani said in the internal memo.

Mr. Wiggan, TD Securities vice-chair and co-head of global investment banking, is taking on the job of head of wealth and insurance, joining Mr. Masrani's most senior leadership team. He also advised on TD's acquisition of New York-based investment bank Cowen Inc.

In his more than 25 years at the bank, Mr. Wiggan has worked in roles spanning the capital markets business, including co-head of global markets and head of equities and commodities. He also spent four years as the CEO of TD Asset Management in the wealth division.

TD said that the executives were not available to comment. Mr. Rhodes did not respond to a request for comment.

The Role Of DE&I In Filling The Insurance Talent Gap

Expert Highlights The Importance Of Building A Diverse Talent Pool

By Mika Pangilinan, Insurance Business, November 02, 2023

https://www.insurancebusinessmag.com/ca/news/breaking-news/the-role-of-deandi-in-filling-the-insurance-talent-gap-465345.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20231207&hsmi=285447627&hsenc=p2ANqtz--yyAX2i2flyfsnZ3qsBVZvxLraqqoFjiA3-aBlB30Ev--z8-Kiqi0WGtOMhR8DP7lHA-ztwgnxZW4rVf4RoUo-3aoPQ&utm_content=&utm_source=

The insurance industry is in the midst of a talent shortage that necessitates a different approach to recruitment and retention.

That is according to Jodie Kaufman Davis, executive vice president and board member at H.W. Kaufman Group, who recently spoke to Insurance Business about the role of DE&I initiatives in filling up the industry's dwindling talent pool.

Traditionally, the industry has leaned towards recruiting individuals who mirror the existing workforce, Kaufman Davis said, but this approach stifles growth and innovation.

"We've continued or consistently recruited people like us," she said. "And if we only stay where we're comfortable, we have an inability to progress."

Kaufman Davis also highlighted how leveraging DE&I initiatives isn't just good for increasing the talent pool.

"As an insurance industry, we're serving the whole world, we're not serving only specific populations, and we need to be representative in our talent pool," she said.

Breaking The Status Quo

In addressing barriers within the industry, Kaufman Davis said companies must pivot away from conventional methods.

She said one way to open the door for individuals who aren't typically represented in the industry is by creating an environment where they can feel valued and included.

"As leaders, one of the things we can do is really be vulnerable, share our own stories, and encourage others to do so," she said, pointing to programs that have been implemented by the Kaufman Group.

One such program centres on employee resource groups, which serve as platforms for employees to connect based on shared demographics, interests, or allyship.

“People often are attracted to work with others like them and so that kind of perpetuates the status quo,” said Kaufman Davis. “We have to think outside the box and really go beyond our comfort zones.”

Travellers Are Spending More Than In 2023

By Oliver Cuenca, *The International Travel & Health Insurance Journal*, December 04, 2023

https://www.itij.com/latest/news/travellers-are-spending-more-2023?utm_source=ITIJ%3A+International+Travel+%26+Health+Insurance+Journal&utm_campaign=48a3060ea7-email+news+011%2F12%2F2020_COPY_01&utm_medium=email&utm_term=0_4b07295d0e-48a3060ea7-16119179

Travellers are spending approximately 40 per cent more on travel than they did in 2023, according to Yonder Travel Insurance

The company noted that, according to its current travel insurance policy data for travel bookings, the average trip cost for its customers in 2024 was US\$8,815, with an average trip length of around 9.5 days.

Yonder also found that the top five destinations for its customers in 2024 were:

- The British Virgin Islands
- Mexico
- Guatemala
- French Polynesia
- The Bahamas.

This, it stated, suggests that travellers are seeking out destinations in warmer climates.

Travel Insurance

The average policy premiums for travel insurance coverage bought by Yonder customers for the coming year averages around 6.7 per cent of the cost of the trip (approximately \$590 based on the average trip cost).

Most travellers booked their trips around eight months in advance, and then purchased their travel insurance within a month of paying their first deposit.

The swift purchase of insurance post-booking may be due to increased awareness of the value of travel insurance to protect against unexpected events – awareness of the benefits of insurance has remained high since the COVID-19 pandemic.

Yonder suggested that it may also be to obtain time-sensitive benefits – such as its cancel for any reason (CAFR) benefit – which must be purchased within 21 days of the deposit date.

“Although travellers are booking trips for later in 2024, they understand how important it is to consider travel insurance earlier in the travel planning process,” said Terry Boynton, Co-Founder and President of Yonder.

UPCOMING CAFII-RELEVANT WEBINARS & EVENTS; AND RELATED EDUCATION CONTENT

Make A Positive Difference In The Lives Of Consumers In Ontario: FSRA Recruiting New Members For Its Consumer Advisory Panel

By The Financial Services Regulatory Authority of Ontario, November 20, 2023

<https://www.fsrao.ca/newsroom/make-positive-difference-lives-consumers-ontario>

The Financial Services Regulatory Authority of Ontario (FSRA) is looking for new members to join its Consumer Advisory Panel (the Panel). As a Panel member your perspectives would be considered when the regulator is developing policies or considering initiatives or decisions that could impact consumers.

FSRA regulates financial services that are critically important to the lives of individuals and families, including pensions, mortgage brokers, life and health insurance, auto insurance, health service providers, and credit unions.

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

Applicants will be selected based on their relevant professional and lived experiences, 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 current Terms of Reference.

Submission Requirements

Those interested in applying should submit the following two documents to ConsumerOffice@fsrao.ca by Friday, January 5, 2024.

- A current resume
- A cover letter that sets out:
 - why you are interested in serving on the Panel
 - how your skills and experiences match the purpose, mandate, and responsibilities of the Panel
 - the types of insights that you would bring to the Panel (e.g., consumer advocacy experience, technical expertise in a particular sector, general policy expertise, etc.)

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

To learn more about the Panel and its current members, please visit the Consumer Advisory Panel webpage.