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

200-411 Richmond Street E, Toronto, ON M5A 3S5
☎ (416) 494-9224 🖷 (416) 967-6320
info@cafii.com www.cafii.com

# CAFII ALERTS WEEKLY DIGEST: January 13 – January 20, 2023

January 20, 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.*

TABLE OF CONTENTS

# GOVERNMENT/LEGAL/REGULATORY DEVELOPMENTS

## AMF CEO Louis Morisset To Leave In July

### *Quebec's Top Regulator Will Leave The Agency After 17 Years, Including 10 At The Helm*

*By James Langton, Investment Executive, January 17, 2023*

*https://www.investmentexecutive.com/news/from-the-regulators/morisset-to-leave-amf-in-july/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-All-afternoon&hash=6d73923380f292a40dc042b455f0fde3*

After 10 years leading the Autorité des marchés financiers (AMF), Louis Morisset will leave the agency when his current term expires.

The AMF announced that Morisset, its president and CEO who also served as chair of the Canadian Securities Administrators, will not seek a third term as head of the regulator.

Morisset joined the AMF in 2006 and was appointed president and CEO in 2013. He was re-appointed in 2018, and will step down when that second term ends on July 1.

The agency said that Morisset will complete his current appointment "before giving some thought to his professional future."

"I believe that we have made enormous strides since 2013 and our great organization now occupies a very important place within the Quebec financial ecosystem," Morisset said in a release.

"I have given the best of myself throughout my years at the helm of the AMF and am very satisfied and proud of what we have accomplished together. After much thought, it is time for me to consider letting someone else lead the AMF to new heights," he added.

The next president and CEO will be appointed by the government, based on a recommendation from the regulator's board of directors.

Robert Panet-Raymond, chair of the AMF's board of directors, thanked Morisset for his vision and determination.

"He will have a lasting impact on the AMF and, because of his leadership, will be leaving behind a regulator providing even greater added value for consumers and the industry and with unprecedented local, national, and international reach," Panet-Raymond said in a release.

 Back to Table Of Contents

200-411 Richmond Street E, Toronto, ON M5A 3S5
(416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

## FSRA Penalizes Errant Life Insurance Agents

### *Ontario Regulator Slams 'Egregious' Conduct From Agents Who Exploited International Students For Fraudulent Purposes*

*By Leo Almazora, Wealth Professional, December 16, 2022*

https://www.wealthprofessional.ca/investments/life-and-health-insurance/fsra-penalizes-errant-life-insurance-agents/372420?utm_source=GA&e=YnJlbmRhbi53eWNrc0BjYWZpaS5jb20&utm_medium=20221216&utm_campaign=WPCW-Breaking-20221216&utm_content=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8&tu=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8

The Financial Services Regulatory Authority of Ontario (FSRA) is handing down administrative penalties against three insurance agents who the regulator said used international students to fraudulently generate insurance business.

The penalties range from $15,000 to $55,000.

According to the regulator, Jay Sanjay Patel, Nirali Chandrakant Patel, and Pratik Gohel targeted international students who needed income to meet their expenses in Canada by advertising non-existent job opportunities.

The three allegedly collected and misused personal information from the students to apply for insurance policies – often without their knowledge – and falsely claimed life insurance was a mandatory requirement to be employed. They made no effort to ensure the policies were suitable for the students, who had no stable income and were only temporarily in Canada because of study permits.

"What the three former insurance agents did to these students is egregious and completely unacceptable and our enforcement action should send a clear message that this kind of activity will not be tolerated," Elissa Sinha, Director, Litigation & Enforcement, Legal & Enforcement at FSRA, said in a statement.
Jay Sanjay Patel admitted that he violated the Insurance Act by offering to pay life insurance premiums for international students in order to gain additional business. Both he and Nirali Patel admitted that they violated the Act when they pressured the students into purchasing insurance.

All three further admitted that they breached the Act by misleading both the students and insurance companies, and providing false information to FSRA.

The penalties against the trio are being issued as part of a settlement with FSRA.

The three former life insurance agents are no longer licensed under the Act.

200-411 Richmond Street E, Toronto, ON M5A 3S5
☎ (416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

## Oversight Regimes For Canada's Credit Unions And Banks Converging, DBRS Finds

*Provincial Regulation Increasingly Tracks Federal Rules, But Gaps Remain*

*By James Langton, Investment Executive, January 10, 2023*

*https://www.investmentexecutive.com/news/research-and-markets/oversight-regimes-for-credit-unions-and-banks-converging-dbrs-finds/*

The provincially regulated credit union system is increasingly gravitating toward tougher federal standards, but gaps remain, DBRS says.

In a new report, the rating agency examined the state of credit union regulation, which has historically been a provincial domain; however, that's changing.

A couple of credit unions now operate nationally under the supervision of the federal regulator the Office of the Superintendent of Financial Institutions (OSFI), and a couple of other firms are pursuing national registration, the report said.

Against this backdrop, the report noted that some provincial regulators are aligning their regulatory requirements with OSFI, which generally imposes tougher requirements that meet global standards devised for the banking sector. In other areas, credit unions continue to have less onerous provincial regulations.

For instance, some of the provincial regulators have less stringent residential mortgage underwriting standards than OSFI has imposed at the federal level.

"Most credit unions have underwriting practices that emulate the spirit of the original [OSFI standards]; however, some provincial regulators, specifically those of British Columbia and Ontario, have not yet adopted the revisions made in 2018," it noted, referring to the tougher stress testing requirements OSFI introduced that year.

Yet, regulators in other provinces — namely Alberta and Saskatchewan — have aligned their standards more closely with OSFI's latest requirements, DBRS said, adding that it views that development as a positive.

The regulators in Alberta and Saskatchewan have also adopted added capital buffers for systemically important institutions, similar to the buffers OSFI adds to systemically important banks to guard against damage to the wider financial system if these firms failed, the report noted.

DBRS said it views the credit union systems' shift toward Basel III–style capital requirements as a positive, given that these rules were devised to address vulnerabilities that were exposed by the financial crisis.

200-411 Richmond Street E, Toronto, ON M5A 3S5
(416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

Most credit unions also meet liquidity standards that align with OSFI's standards, it said.

Again, DBRS said it "views the implementation of these metrics positively as they provide enhanced visibility into the liquidity profiles of individual credit unions."

Still, there remain differences between the federal and provincial regimes, the report said, including fewer restrictions on the activities of provincially regulated firms.

"For example, credit unions are still permitted to sell insurance products to their members, which adds to their product diversity and can support their franchise strength and enhance their non-interest income," the report said.

The credit unions that have pursued national registration face the same kinds of restrictions on their insurance activities as the banks, the report noted.

Ultimately, it concluded, "while federal and provincial regulators are not perfectly aligned on various regulatory requirements, there may be increasing pressure for provincial credit union regulators to align with OSFI's more rigorous standards and guidelines as larger provincial credit unions seek more wholesale funding."

---

## Canada's Banking Regulator Plans More Active Role Among Financial Institutions

*By Stefanie Marotta, The Globe and Mail, January 9, 2023*

Canada's banking regulator is gearing up to take a more active role among the country's largest financial institutions, signalling that it could continue to boost the amount of money lenders must hold as a buffer against economic risks.

Peter Routledge, who heads the Office of the Superintendent of Financial Institutions (OSFI), said at a Monday, January 9 conference held by Royal Bank of Canada that the regulator will "adapt or change course more readily and more frequently than in the past."

The message was delivered one month after the regulator adjusted the range of the capital level it could force the banks to maintain, sparking concerns over whether it would hike requirements just as some of Canada's largest banks are working on closing large takeovers.

"It's a message that we will change it in response to our risk environment," Mr. Routledge said. "If vulnerabilities build further, such that we think we need to add to the buffer, we'll do that."

On the other hand, in the case of a worse-than-expected recession, OSFI would lower the domestic stability buffer (DSB) – a reserve of capital that banks could later release during tougher economic times – to give banks flexibility to weather an economic downturn, he added.



Back to Table Of Contents

Mr. Routledge struck the assertive tone in his first public remarks since OSFI raised the DSB and ignored calls to relax the mortgage stress test in December, indicating that volatility and heightened economic risks could force the regulator to more frequently course correct how financial institutions prepare for potential downturns.

Mr. Routledge, who took the helm of OSFI in June 2021, pointed to a suite of unforeseen issues that have posed risks to the country's largest lenders during his tenure, including market volatility wrought by Russia's war in Ukraine, as well as the cryptocurrency asset bubble burst. With climate change and the digitization of financial services putting pressure on how banks do business, OSFI is working on ways that lenders can hedge against anticipated – and unforeseen – issues that could put stress on Canada's financial system.

"How must OSFI adapt to a perilous risk environment, one in which the visible risks are quite daunting and the unseen risks over the horizon could yet swamp those visible risks?" Mr. Routledge said. "We would rather err on the side of acting too early than be criticized for acting too late."

In December, OSFI raised the DSB and also expanded the potential maximum range of the buffer to 4 per cent from 2.5 per cent, giving the regulator the capacity to raise minimum capital levels even higher. That means that the common equity tier (CET1) ratio – a measure of a bank's ability to absorb loans that turn sour – could rise to as high as 12 per cent from the current 11 per cent, requiring the banks to hold onto billions of dollars in additional capital.

While the DSB provides banks with a buffer to manage risks, each increase to the buffer increases the capital burden on banks by restricting the amount of money that they can reinvest in their businesses or pay out to shareholders.

OSFI's recent move prompted Bank of Montreal to issue a share sale, raising $3.35-billion to boost its capital level as it works toward closing its deal to take over California-based Bank of the West. While all Big Six banks exceed the regulator's capital requirements, that could change if OSFI raises the level further or if costly expenses such as acquisitions or lawsuits arise.

With Royal Bank of Canada is in its initial stages of its takeover of HSBC Canada, RBC's chief executive officer, Dave McKay, said that the lender's capital level will rest at about 12 per cent once the deal closes – well above the current requirement, he told the conference on Monday, January 9.

"Irrespective of what happens with the DSB range, we're going to close – subject to approval – HSBC well above the current minimums," Mr. McKay said. "It gives us enormous ability to absorb an acquisition and to grow and not need an equity raise."

Toronto-Dominion Bank has the highest CET1 ratio at 16.2 per cent as it works on closing its acquisition of U.S. bank First Horizon Corp. Bank of Nova Scotia and Canadian Imperial Bank of Commerce carry the lowest capital levels of the group, prompting speculation from analysts that they may be next to take to public markets to raise equity.

200-411 Richmond Street E, Toronto, ON M5A 3S5
☎ (416) 494-9224 🖷 (416) 967-6320
info@cafii.com www.cafii.com

Scotiabank president Scott Thomson, who takes on the role of CEO in February, said at the conference that the lender expects to build its capital level to 12 per cent from 11.5 per cent by the end of the year by slowing risk-weighted assets growth and generating capital internally, avoiding the need to issue shares.

Meanwhile, CIBC expects to take a billion-dollar charge in its fiscal first quarter earnings for a U.S. court decision that found the bank liable for losses incurred by a New York hedge fund. The bank is appealing the ruling.

The charge could push CIBC's CET1 ratio down to 11.4 per cent, RBC analyst Darko Mihelic said in a note on Thursday, January 5. But CIBC CEO Victor Dodig said on Monday, January 9 that even if OSFI raises the buffer, the bank's capital level will rise throughout the year and that it also has other resources that it can use if it needs to boost its capital level.

"We don't foresee any equities raises based on everything that we know today," Mr. Dodig said.

Read Story (Subscription Required): *https://www.theglobeandmail.com/business/article-canada-banking-regulator-active-role/?utm_medium=email&utm_source=Market%20Update&utm_content=2023-1-10_5&utm_term=Canada%E2%80%99s%20banking%20regulator%20plans%20more%20active%20role%20among%20financial%20institutions&utm_campaign=newsletter&cu_id=Ts6FwhWx6n2rSHC0x7MiReEeeFJOJkTb*

---

## Decisions On Passenger Claims Will Extend To Other Travellers On Same Flight, Canadian Transportation Agency Says

*By Erica Alini, The Globe and Mail, January 11, 2022*

The Canadian Transportation Agency will extend decisions on individual air traveller complaints to others from the same flight, but consumer rights advocates say the changes are unlikely to result in meaningful benefits for most travellers.

The CTA, an industry regulator that also acts as a quasi-judicial tribunal handling disputes between airlines and passengers, can order carriers to pay compensation of up to $1,000 per passenger if it deems a cancellation or lengthy delay to be their fault and not required for safety reasons.

The agency told a federal parliamentary committee in November it would adopt the new process as it struggles to reduce a backlog of tens of thousands of complaints. However, the change doesn't mean that compensation awarded to one complainant will automatically apply to fellow passengers, the CTA said in an e-mail to The Globe.

200-411 Richmond Street E, Toronto, ON M5A 3S5
☎ (416) 494-9224 🖷 (416) 967-6320
info@cafii.com www.cafii.com

The regulator said that once it reaches a decision on a particular case, it may order airlines to notify others on the flight that they could be eligible for compensation or reimbursement of expenses incurred as a result of the flight disruption. Passengers would have to file their own individual claims to have their cases assessed.

Any compensation awarded would be determined by factors such as whether the passenger was delayed at destination or not and for how long, the agency said by e-mail. "For example, passengers on the same connecting flight, but with different final destinations may not experience the same disruption to their travel."

The CTA said it will extend decisions reached through adjudication to other passengers. Currently, the agency resolves 97 per cent of the complaints it receives through informal means, such as mediation, with only 3 per cent of cases decided through arbitration or formal adjudication.

The agency did not confirm whether it would extend decisions reached through adjudication in all applicable cases. However, it said it would apply the process to complaints involving the widespread flight disruptions that Canadians experienced in December.

The new approach amounts to a "baby step" in streamlining the way the agency deals with air traveller complaints, said John Lawford, executive director of the Public Interest Advocacy Centre in Ottawa. But the onus is still on consumers to complain, a burdensome and lengthy process, he added.

The CTA told the parliamentary committee that it had a backlog of 30,000 air passenger complaints, though it added that it had started to see the pace of new complaints slow down.

However, as of early January, the backlog had grown by another 3,000 complaints, the regulator said via e-mail. That figure does not fully reflect complaints relative to December flights, as passengers must first contact the airlines directly about their grievances and wait at least 30 days for a response before bringing their complaint to the CTA.

The current wait time between when the agency receives a complaint and when it reviews it is over 18 months.

Under federal rules, passengers are entitled to a rebooking or sometimes a refund for lengthy flight delays or cancellations. But whether airlines must also provide compensation or food and hotel accommodation depends on whether the cause of the flight disruption is deemed to be within the airline's control or required for safety reasons.

While Mr. Lawford believes the current regime has strengthened passenger protections, it also often results in the CTA weighing whether a particular flight disruption was within or outside a carrier's control or related to safety. It's an unworkable approach for high-volume, low-value complaints, he said.

Others take an even dimmer view of the regulations and the CTA's handling of complaints. Air passenger advocate Gabor Lukacs, who says that some of the new rules weaken passengers' rights and that the CTA has been too soft on the airlines, advises consumers to avoid the CTA entirely and take their airline complaints to small claims court instead.

But even there, Canadians may face lengthy waits stemming from the pandemic. In Toronto and Ontario's Waterloo region, for example, courts are still working their way through 2020 files, according to Jahne Baboulas, a Toronto-based licensed paralegal.

Mr. Lukacs, who is based in Halifax, says he isn't seeing significant delays in small claims hearings in Nova Scotia. But, he added, "it really depends on where you are."

Read Story (Subscription Required): *https://www.theglobeandmail.com/investing/personal-finance/article-cta-air-passenger-complaints/*

---

## OTHER CAFII MEMBER-RELEVANT NEWS

### Growing Interest In Travel Insurance Amid Travel Delays, Lost Luggage

*'Very Valuable Investment,' Travel Expert Says, Amid Post-COVID And Weather-Related Travel Chaos*

*By Safiyah Marhnouj, CBC News, January 16, 2023*

*https://www.cbc.ca/news/canada/prince-edward-island/travel-insurance-lost-luggage-1.6715673*

There's been a rising interest in people wanting to purchase travel insurance, some travel and insurance companies in Atlantic Canada say.

This comes after weather and staff shortages saw holiday travel disrupted across the country, and backlogged luggage became a common sight at Canadian airports. Passengers have been grappling with long wait times and unexpected delays since COVID-19 travel restrictions lifted less than a year ago.

Reports of travel woes haven't been dampening people's enthusiasm for travel, but they are taking more precautions, said Paulette Soloman, owner of The Travel Store in Charlottetown.

Soloman said more people are asking about and purchasing travel insurance.

"Travel is a really big investment for most of us, and we don't want people to be disappointed either in the lead up to their trip or while they're on vacation," she said.

Soloman said interest in travel insurance rose when COVID restrictions began to lift on P.E.I, and it only seems to be going up.

"I think that people have learned that it's a very valuable investment to make," Solomon said.
The cost of travel insurance can vary and depends on the type of coverage, a person's age, and the cost of the trip. But Soloman said that for many people, it's worth the added expense.

"Compared to the cost of an expensive trip, most people would find it, I think, pretty reasonable to add to their trip cost for that protection and peace of mind," she said.

Solomon said she's also seen Islanders finding ways to avoid common travel issues, such as by taking direct flights out of Halifax or Moncton to avoid connections, or trying to only bring carry-on luggage.

Solomon said she personally invested in Air Tags tracking devices to keep tabs on her suitcase when she went on a Europe trip with several connecting flights.

"It's not going to prevent lost luggage, but if your bag gets delayed or lost along the way you actually can track where it is," she said.

**Lost luggage concerns**

Lost luggage has become a "pretty consistent story" when it comes to travelling, said Steve Olmstead, Canadian Automobile Association Atlantic's director of social responsibility and advocacy.

"A lot of us have taken trips now where we've experienced arriving somewhere and our luggage hasn't arrived with us." he said, adding that some people wait hours, days, or even weeks to be reunited with their luggage.

That level of uncertainty is one of the reasons why travel insurance products have been in such high demand, he said.

Although people usually feel that travelling locally is more predictable, the rising interest in travel insurance has also extended to domestic travel as well, Olmstead added.

"It's very popular, those products, and I would expect that they'll continue to be popular for some time," he said.

While return to travel hasn't been easy for passengers or airlines, Olmstead said he expects the current difficulties to turn around in the long-term.

"I think it will get a little bit easier and a little bit more predictable. But right now, we're still trying to find that sweet spot."

**Insurance covers specific risks**

Gabor Lukacs, president of Air Passenger Rights, said that, while travel health insurance is important, there are certain travel issues where going through insurance might not be the right option.

Issues with lost or damaged luggage should always be brought to an airline first, he said.

"In those situations, by going through insurance, you may also be forgoing the behaviour modification effect that making the claims against the airlines would have," said Lukacs.

Passengers have rights against airlines whether they've purchased travel insurance or not, he added. "I think it's important for passengers to understand that insurance covers only specific risks, while as passengers they have rights against airlines and that's a far broader notion."

---

## Chaos-Weary Travellers Are Looking To An Old Friend For Help: The Travel Agent

*By Salman Farooqui, The Globe and Mail, December 21, 2022*

Barry Pilbeam had never used a travel agent before. But he decided to turn to one for a trip from Calgary to southeast Asia with his wife to make sure he was prepared for any restrictions and tricky visa situations.

Their first big trip in years, they didn't want a repeat of the last time they booked a hotel in Amsterdam that turned out to be awful.

"I figured I'm not going to do that ever again and I'm going to deal with a professional and know that I'll get what I'm looking for," said Mr. Pilbeam, 64.

"I got to use their expertise in what to do and where to go."

Now he plans to always use an agent, unless he's familiar with the location or has friends who live at his destination.

Travel agents are hearing from new customers looking for a sense of security after COVID-19 created an unstable vacation industry. Agents offer not just expertise in navigating lingering restrictions, but also have access to the inventory of multiple airlines and hotels – handy when a trip is disrupted by a major storm such as the travel chaos at Vancouver International Airport, where a snowstorm has led to mass cancellations.

"People who previously didn't book with a travel agent are feeling that it gives them a bit more comfort that they have someone to rely on," said Lesley Keyter, founder and chief executive of Calgary-based agency The Travel Lady.

"A lot of people have lost faith in the airlines helping them out."

As hotels and airlines struggle to reach pre-pandemic levels of business, Ms. Keyter said her own agency's sales are up 28 per cent from 2019. The clients she deals with are starting to trend younger, too, with more people under 50 looking to use her services. That sentiment was echoed by Virtuoso, a global travel agency network that reported a 50-per-cent increase in demand in the past year, with millennials and Gen Xers leading the charge.

Ms. Keyter said travellers don't want to worry about restrictions and are turning to agents for peace of mind.

"COVID definitely sparked the rejuvenation of travel agents," Ms. Keyter said. "Millennials don't have the time to plan but they want to travel, so they want to trust someone to do it for them and make a transformative and unique itinerary for them."

Travel agencies say consumers generally have nothing to lose in terms of how much they pay for flights and travel packages, since many agents work on commission from the companies they book with. There are some agencies that charge a fee for their services.

When something goes wrong, agents have access to back-end networks that allow them to instantly rebook your flight with alternative airlines or find vacant hotel rooms.

"A travel agent has access to live inventory, and you may not be able to see all the other options out there," said Marc Casto, president of the Leisure Americas section of Flight Centre. He added that agents can work with you to exchange tickets around different airlines, whereas if you booked directly with an airline you might only be able to work with that specific company.

That ability to view live inventory also works with hotel rooms, which can help in scenarios where you get stranded while on vacation.

Mr. Casto pointed to major delays and cancellations that airlines and airports faced as they tried to ramp up their operations after slashing work forces during the pandemic. "There's a higher likelihood for chaos to occur that can be difficult to manage, and we expect that to be the case for many years," he said.

The Canadian government reported that one in 20 flights were cancelled in July, and those cancellations resulted in hordes of people racing to rebook. Mr. Casto said agencies like his own can give people an edge in that fight.

Ms. Keyter said she's noticing that people's travel habits are changing, too. After years of being cooped up, her clients are opting for longer and more expensive trips to try and make up for the time they lost. With such a large expense, Ms. Keyter said using a travel agent to help choose the right vacation is akin to using a financial adviser to guide in how to allocate money.

"It's very much like, are you going to sit down at your computer and play with stock markets, or are you going to an adviser?" Ms. Keyter said.

There are some cases where independent travellers are safe to forego agents, Ms. Keyter said, such as for destinations that have stable, robust tourism infrastructures and where you can speak the language to get yourself out of tricky situations. She also said that agents don’t deal with short-term rentals such as Airbnb, so you’re on your own if that’s what you want.

However, even independent travellers are coming to her for advice these days. Recently, one couple asked for help planning a road trip through Ireland because they didn’t have the time or desire to research it themselves.

“It all depends on your comfort level, how experienced you are as a traveller, and how much work you want to do,” said Ms. Keyter.

Read Story (Subscription Required): *https://www.theglobeandmail.com/investing/personal-finance/household-finances/article-chaos-weary-travellers-are-looking-to-an-old-friend-for-help-the/?utm_medium=email&utm_source=Coronavirus%20Update&utm_content=2022-12-21_19&utm_term=Coronavirus%20Update%3A%20Hearses%20queue%20outside%20Beijing%20crematorium%2C%20even%20as%20China%20reports%20no%20new%20COVID-19%20deaths&utm_campaign=newsletter&cu_id=Ts6FwhWx6n2rSHC0x7MiReEeeFJOJkTb*

---

## Canada’s Life Insurers Face Some Headwinds In 2023

### *Lifecos Set To Face Muted Fund Flows, Lower Growth In Seg Fund Sales, And Slower Growth In Premiums, Says Report*

*By Jean Dondo, Wealth Professional, January 19, 2023*

*https://www.wealthprofessional.ca/investments/life-and-health-insurance/life-insurers-face-some-headwinds-in-2023/373007?utm_source=GA&e=YnJlbmRhbi53eWNrc0BjYWZpaS5jb20&utm_medium=20230119&utm_campaign=WPCW-Newsletter-20230119&utm_content=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8&tu=9B8F63D4-69B1-4D0C-AE64-59C8BBAFABC8*

A new report from DBRS Morningstar suggests Canada’s life insurance companies could be in for some challenges in 2023.

The company has a stable outlook for the Canadian life insurance sector, with rising interest rates being a welcome development for insurers that mostly invest in fixed-income instruments.

But after a few years of rising assets under management and administration (AUMA) fueled by favourable net flows and rising markets, it noted that most insurers experienced a slowdown in net flows and a drop in AUMA in 2022, except for those that underwent acquisitions such as Great-West Life.

"Growth in AUMA is expected to remain muted in 2023 as long as market volatility continues and high inflation persists," DBRS Morningstar said.

With investors' purchasing power dented by inflation, the investment management arms of life insurance companies could expect less discretionary cash going into the fund options they offer customers. That's in stark contrast to the previous two years when household savings reached all-time highs during the pandemic, and the previous five years of typically growing markets.

"In the current higher-yield environment, investors are also increasingly choosing lower-fee options such as GICs to invest in," the report said. "Similarly, sales of segregated funds may also see lower growth as a result of a challenging market environment for investment funds in general."

Following generally good growth in gross written premiums from 2018 to 2021 – which reflected a relatively stable economy and good operating capabilities – DBRS Morningstar said premium growth for the first nine months of 2022 generally slowed down year-over-year for most life insurance companies.

While many P&C insurance products such as home and vehicle insurance are required purchases, life insurance products are more prone to fluctuate with general economic growth and the strength of household balance sheets. Even though inflation is predicted to fall in 2023, the rate is still likely to remain elevated, which might result in consumers having less purchasing power to accommodate discretionary purchases.

"Demand for non-guaranteed or market-linked products in particular may be more vulnerable in 2023 as investors seek more certainty in their financial returns," the report said. "Conversely, demand for certain annuity products can increase as the payouts offered can be higher in a higher-yield environment."

DBRS Morningstar indicated that sales of group insurance products, which often closely track overall GDP growth, could be supported by the robust labour market, though that "can change depending on the length and severity of a potential recession."

---

## Insurers Still Hesitant To Consider Chronic Pain As A Disease

*By Denis Méthot, Insurance Portal, January 13, 2023*

*https://insurance-portal.ca/health/insurers-still-hesitant-to-consider-chronic-pain-as-a-disease/?utm_source=sendinblue&utm_campaign=daily_complete_202301-17&utm_medium=email*

Chronic pain is a disease recognized by the World Health Organization since 2019, on a par with diabetes, but private insurers have not yet followed suit. Knowledge and science have evolved in this field, but Dr. Anne-Marie Pinard, head of the chronic pain clinic at the CHU de Québec**,** is not convinced that insurance companies are up to speed. Currently, the prevalence rate of this type of pain is around 25 per cent. It is expected to increase as cancer rates multiply and the population ages.

200-411 Richmond Street E, Toronto, ON M5A 3S5
(416) 494-9224 (416) 967-6320
info@cafii.com www.cafii.com

Dr. Pinard is holder of the Medisca Leadership Chair in Chronic Pain Education at Université Laval. She is one of the leading clinical experts in pain in Quebec. Given the difficulties that health professionals encounter with insurers regarding their patients with this disease, this anesthesiologist believes that people who work in insurance compensation should have basic training in chronic pain in order to better understand their clients' condition.

**Pain lasting more than three months**

Pain becomes chronic when it lasts longer than three months. Percentage wise, it affects women slightly more than men. It can be associated with diseases such as arthritis and cancer, or it can simply occur for no known reason (idiopathic). The more chronic it becomes, says Dr. Pinard, and the longer it has been there, the more work needs to be done to unravel the pain circuits. Early intervention yields the best results. The goal with early management and treatment is to prevent the pain from becoming chronic.

Chronic pain can lead to severe limitations at work and in daily life, and in some cases result in complete disability. "I don't know what percentage of disability claims are related to a chronic pain issue, because I don't have access to that data," says Dr. Pinard, "but it must be pretty significant."

In Quebec, pain clinics are jam packed. Unfortunately for the patients, there is no miracle pill or injection to ease their suffering. Scientists are tackling the problem, but have yet to find a solution. In 2022-2023, care mainly involves a series of complementary actions, treatments, medication, diet, physical exercise, and psychology.

**Pain that is hard to measure**

Chronic pain is quite distinctive. One of the major problems, says the anesthesiologist who has been working on this disease for 20 years, is that it is hard to measure. We are not necessarily able to demonstrate permanent physical damage in patients who say they feel pain. However, there are measurement tools that are used every day in pain clinics.

"I think insurers should realize the risk factors for developing chronic pain after an acute event are known. Even so, insurers don't consider these factors. If they did, it would pay off for them and their insureds would benefit greatly," Pinard explains.

For people with low back pain, a person who has previously had chronic pain is more likely to develop it again. A large proportion of cancer survivors will experience chronic pain due to treatment or surgery. In addition, chemotherapy can lead to neuropathy, a form of nerve damage that can be difficult to treat.

Dr. Pinard says that if insurers acted on the evidence stemming from large numbers of studies to initiate early multidisciplinary team treatment for patients with risk factors, perhaps fewer people would be on disability or more individuals would still be able to work part-time.

**Problems with disability**

According to Dr. Pinard, insurers have no qualms about issuing payment or reimbursement for treatments such as physiotherapy. Yet the concept of disability is much more contentious. Because insurers do not consider pain to be a disease in itself, but rather a sign or symptom of another condition, health professionals are asked to prove where the pain is coming from. They should not have to do so.

Things get more complicated, the anesthesiologist continues, when you get to the famous two-year mark, and extended disability insurance.

“It's normal to explain to insurers what has been tried, what works and what doesn't," she says. “Where I have a problem is when we have a patient whose only symptom is pain, and they tell you the MRI is normal and they don't recognize their condition. That's where it gets extremely complex to justify. Chronic pain is a disease in and of itself, and it’s high time that insurance companies recognize that.”

**Provide insurers with chronic pain training**

As a physician, Dr. Pinard also complains of how difficult it is to communicate with insurers in-person. “They ask us to fill out forms,” she says, “but a piece of paper doesn't tell the whole story. I'd like to be able to talk to a human being in an insurance company to find out how it works because their world is not the world of health care, and my world is not the world of insurers.”

Dr. Pinard would also like to see more training in chronic pain for people in the insurance industry who disburse disability benefits. She points out that it would be feasible to develop training with insurance companies and is even willing to work with them to this end. “If people were trained to detect the risk factors for developing pain, it would make a real difference and it would pay off for everyone,” she says.

---

## Creditor Insurance Essential To Protect Repayments

*By Alain Thériault, Insurance Portal, January 19, 2023*

*Creditor insurance essential to protect repayments - Insurance Portal (insurance-portal.ca)* (Data tables displayed at this link)

Your clients will be eager to learn how creditor insurance can protect their debt repayment in the event of a misfortune, especially because the interest rate on loans has been soaring since the beginning of 2022.

The Bank of Canada raised its policy rate to 4.25 per cent on December 7, 2022, up from 0.25 per cent in early 2022. “Looking ahead, Governing Council will be considering whether the policy interest rate needs to rise further to bring supply and demand back into balance and return inflation to target,” the Canadian central bank said when announcing the latest policy rate hike.

200-411 Richmond Street E, Toronto, ON M5A 3S5
☎ (416) 494-9224 🖷 (416) 967-6320
info@cafii.com www.cafii.com

Meanwhile, the inflation rate, as measured by the consumer price index (CPI), fell to 6.3 percent in December 2022 from its peak of 8.1 percent last June. It is still high, given that 2022 rang in with an inflation rate of 5.1 percent.

**Young people have more debt**

Wealth declined among households in all age groups in second quarter of 2022, according to Statistics Canada data released in The Daily on October 3, 2022. Younger households were the most affected, Statistics Canada said in its analysis of the distribution of household economic accounts for wealth of Canadian households.

In the second quarter of 2022, the household debt to asset ratio increased in every age group for the first time since the start of the pandemic, particularly among younger households, the Statistics Canada analysis reports.

**Six suppliers, seven products**

In contrast, younger people's ability to repay their loans improved in second quarter 2022, Statistics Canada estimates. For example, the debt-to-income ratio fell by 8.3 per cent for households aged 35 to 44.

Seven insurance products can help households secure their ability to repay their debts, as illustrated in a comparison table produced for The Insurance Portal by its sister company, InsuranceINTEL. All of these products cover loans for homes, apartment buildings, and home equity lines of credit.

**Insurance coverage varies**

The insurance coverage varies by product. The only insurer to offer two creditor insurance products, iA Financial Group, requires for its Universal Loan Insurance that the loan covered be for the primary home only. Its other product, Pick-a-Term and disability credit rider, does not have this requirement.

SOLO Loan Insurance from Desjardins Insurance is the only product that covers all types of loans. In addition to loans related to a home, SOLO covers vehicle loans, vehicle lease loans, recreational vehicle loans, business loans, leverage loans, personal lines of credit, and credit card balances. However, the coverage is only in the case of disability.

Quebec Blue Cross' Mortgage Plan and Ontario Blue Cross' Mortgage Plan only cover the three loans associated with a home. Those two Canassurance Blue Cross brands provide coverage for life and disability insurance, but not for critical illness insurance.

Other providers offer creditor insurance coverage for life insurance, disability insurance (sometimes as a rider), and critical illness insurance (always as a rider).

# UPCOMING CAFII MEMBER-RELEVANT WEBINARS AND EVENTS

## Canadian Club Toronto Webinar On DEI In The Workplace

**Dates:** Thursday, January 26, 2023
**Time:** 12:00 p.m. – 1:00 p.m. EST

Over the past several years, society has taken great steps to address some of our historic inequities in business and beyond. Efforts to expand the diversity of boards of directors, executive teams, and senior leadership across industries have been imperative. How has this challenge been met? What are the obstacles to success, and how do we overcome them? How do we ensure diverse boards are, in fact, inclusive?

Join Canadian Club Toronto on January 26 for a virtual discussion on what practices are working now and where do we still need to lean in to take DEI forward?

Register Here

---

## The Fasken Spark Series Web Seminar: How to Be an Antiracist

**Dates:** Monday, February 13, 2023
**Time:** 11:50 a.m. – 1:05 p.m. EST
08:05 a.m. – 10:05 a.m. PST

*This Fasken Series brings notable guests to share their experiences and explore ideas around equity, diversity and inclusion in the legal industry and beyond.*

As part of our efforts to honour Black History Month and move towards a more equitable future, we invite you to join us for a conversation with New York Times best-selling author and activist Dr. Ibram X. Kendi.

Dr. Kendi has written several best-selling books on equity, race and justice. In 2020, he was named as one of the 100 Most Influential People in the world by Time Magazine. He is a Professor at Boston University, as well as the Founding Director for the University's Center for Antiracist Research.

*How to Be an Antiracist*, Kendi's award-winning memoir first published in 2019, with an updated edition coming in early 2023, has been called "the most courageous book to date on the problem of race in the Western mind" by the New York Times.

In a conversation hosted by Sandeep Tatla, Chief Equity, Diversity, and Inclusion Officer at Fasken, Dr. Kendi will share:

- What it means to be antiracist
- How to go beyond an awareness of racism to the next step of uprooting racism
- The growth in his thinking since 2019, including his work at the Center for Antiracist Research, and
- How members of the legal profession can help address systemic racism

*Please note that the session will be held in English. Live French translation will be available.*

To learn more about Dr. Kendi click here.

Register Here