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CAFII ALERTS WEEKLY DIGEST: July 21 – July 28, 2023

July 28, 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 summer hiatus for the weeks of August 27 to September 2/23 and September 3 to 9/23. Following the August 25/23 edition, the next Weekly Digest will be produced for the week of September 11 to September 15/23.

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GOVERNMENT/LEGAL/REGULATORY DEVELOPMENTS

FSRA Changes Criminal Background Check Processes

By Kate McCaffery, The Insurance Portal, July 19, 2023

The Financial Services Regulatory Authority of Ontario (FSRA) announced on July 17 that it is changing its processes for conducting criminal record checks. Effective July 24, all new licence applicants will be required to complete their criminal background checks through FSRA's approved vendor – Triton Canada.

The fee for Triton's service is $19.15. FSRA says it is changing the licensing qualification process for criminal record checks to ensure that the processes remain up to date. The notice applies to insurers and general insurance agents, as well as sponsoring insurers and life, accident and sickness agents.

"If you are currently licensed as a general agent, you may need to complete a criminal record check after submitting your renewal application," FSRA writes. "If you are currently licensed as a life and accident and sickness agent, you may need to complete a criminal record check after submitting your renewal application," FSRA indicated in a follow-up notice.

"FSRA will notify you if this is required after you submit the application. Monitor your email for further instructions from FSRA's licensing team to complete the process."

Read Story (Subscription Required): *Regulator changes criminal background check processes - Insurance Portal (insurance-portal.ca)*

Lucie Tedesco Appointed To FSRA Board Of Directors

By FSRA Staff, July 20, 2023

https://www.fsrao.ca/newsroom/lucie-tedesco-appointed-fsra-board-directors#:~:text=Financial%20Services%20Regulatory%20Authority%20of%20Ontario%20Chair%20Joanne%20De%20Laurentiis,%2C%20effective%20July%2013%2C%202023.

Financial Services Regulatory Authority of Ontario Chair Joanne De Laurentiis is pleased to announce the appointment of Lucie Tedesco to the FSRA Board of Directors for a two-year term, effective July 13, 2023.

Lucie Tedesco is an accomplished bilingual financial services executive with over 34 years experience in financial sector policy and regulation, governance, risk management, law, strategy and operations, and consumer protection.

Ms. Tedesco is a former Commissioner and Deputy Commissioner of the Financial Consumer Agency of Canada and, until September 2023, is a Strategic Adviser and Counsel at McCarthy Tétrault LLP in the Banking and Financial Services Regulatory Group.

She has held senior positions with Export Development Canada, including Vice-President, Insurance and Loan Operations, and Vice-President, Strategy and Planning. She has also served on the boards of the Investment Industry Regulatory Organization of Canada, the Canada Deposit Insurance Corporation, and as Chair and Vice-Chair of the International Financial Consumer Protection Organisation.

"Lucie is an accomplished lawyer with a deep knowledge of regulatory matters and financial sector policy. She has considerable experience in banking, insurance, payments, external complaint bodies, market conduct, consumer protection, and regulatory technology" said Chair Joanne De Laurentiis. "Her experience as former Commissioner of the Financial Consumer Agency of Canada also brings consumer insights onto the FSRA Board."

Biographical information on all FSRA Board Members is available at Governance.

Quebec's Bill 30 – Legislative Changes Concerning Insurance

By Dominic Boisvert, Partner, and Marie-Claude Cantin, Partner, Lavery, July 21, 2023

Bill 30 – legislative changes concerning insurance (lavery.ca)

On June 7, 2023, the Minister of Finance of Quebec tabled and presented Bill 30 before the National Assembly, an omnibus bill entitled *An Act to amend various provisions mainly with respect to the financial sector* (hereinafter the "Bill"). The Bill includes certain amendments to the provisions of the *Insurers Act* ("IA") and the *Act respecting the distribution of financial products and services* ("DA").

Although the Bill may evolve through the stages of the legislative process as Parliament resumes, here is an overview of the main amendments that are expected to have implications for the insurance industry.

Proposed Legislative Changes

As indicated, the legislative changes will affect both the IA and the DA. Below are the main amendments that will be made to each of these Acts should the Bill be assented to:

Insurers Act

- The Bill proposes that associations constituted under the *Civil Code of Québec* be allowed to apply for authorization to carry on insurer activities among their members as a reciprocal union, and it sets out several provisions relating to the organization and governance of such an entity.

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- The Bill clarifies the meaning of a reciprocal union, defining it as a group of parties that, under the terms of the contract constituting the union, join together to pool sums enabling them to be reciprocally bound by damage insurance contracts.
- The restriction preventing reciprocal unions from accepting a risk that would require them to pay, after reinsurance, an amount that exceeds 10% of the net value of their assets will also be lifted and replaced with a more general obligation to reserve sufficient sums to carry on their insurer activities.
- Life and health insurers will become subject to a new obligation to take the necessary means (which may be specified by regulation) to obtain certain information in order to determine whether an amount they have committed to pay under a life insurance contract is payable.
- As such, life and health insurers that know that a sum is payable will be bound, for a period of three years from the date the sum is payable, to take the necessary means (which may be specified by regulation) to inform beneficiaries that a sum is payable and provide them with support in making their claim.

Act Respecting The Distribution Of Financial Products And Services

Under the Bill, a person employed by a firm, an independent partnership, or a claims adjuster will be allowed to carry out activities under the supervision of a claims adjuster in certain situations.

The restriction preventing claims adjusters from acting in a sector other than claims adjustment will also be lifted.

Section 424 of the ARDFPS will be amended to remove vehicle replacement insurance from products that can be distributed without a representative, which will particularly affect vehicle dealers.

The directors and officers of a regulated entity will become solidarily liable with that entity for the payment of a monetary administrative penalty, unless they establish that they exercised due care and diligence. It will be possible to secure the payment of such monetary administrative penalty by a legal hypothec on the debtor's movable and immovable property.

What To Expect

It is important to note that the Bill is in its first stage of the legislative process and may be subject to change. Anyone wishing to comment on it may do so online on the National Assembly website.

We will continue to follow the progress of this Bill. Do not hesitate to contact a member of Lavery's insurance team if you have questions on the subject matter of this article.

1. Section 1 of the Bill, amending section 6 of the IA
2. Section 2 of the Bill, amending section 7 of the IA
3. Section 21 of the Bill, amending section 188 of the IA
4. Section 74 of the Bill, introducing section 72.1 in the IA
5. Section 90 of the Bill, amending section 10 of the ARDFPS
6. Section 92 of the Bill, striking out section 45 of the ARDFPS

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7. Sections 105 and 106 of the Bill, amending section 424 of the ARDFPS
8. Section 71 of the Bill, introducing sections 115.2.1 and 115.2.2 in the ARDFPS

Canada's Federal Bank Regulator To Impose A New Cap On Home Equity Lines Of Credit

Office Of The Superintendent Of Financial Institutions Has Told Banks To Cap Borrowing Available Through Helocs, The Latest In A Series Of New Rules To Strengthen Canada's Banking System.

By Dhriti Gupta, Toronto Star, July 26, 2023

Some Canadians will soon see a cap on their home equity line of credit as the federal bank regulator reinforces the financial system against loan defaults.

The new rules target re-advanceable mortgages, which allow home equity line of credit (HELOC) borrowers to increase their credit limit as they pay down the principal on their mortgage. Essentially, once consumers hit a specific threshold of borrowing, they will no longer be able to increase the limit available through their HELOC.

The mandate will take effect at the end of this year to address "the underlying issue (of) persistent debt amongst Canadian households," according to a spokesperson for the Office of the Superintendent of Financial Institutions (OSFI).

Mortgage broker Ron Butler said some people are already receiving letters from their bank informing them that this feature of their combined line of credit and mortgage will soon cease to exist.

He added that this kind of mortgage product was popular earlier in the pandemic, when interest rates were as low as 2.95 per cent.

Butler said banks encouraged people to take on these combined loan plans, and many used them for home renovations or to fund a down payment on a second property.

"Every time you made an equity payment on your mortgage, the bank would increase the available line of credit," he said, using the example of a $2,000 monthly mortgage payment, with $1,200 going to interest, and $800 going to principal. "That $800 would automatically increase your limit (by the same amount)."

Why? Because it's more profitable for the banks, Butler said. "A home equity line of credit is eternally a higher interest rate and a higher profit centre to the bank than a mortgage."

But now, OSFI has decided that this type of lending comes with a risk.

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"It can sometimes lead to imbalances in the amount of credit facilities available," Butler said. "It's not as if you're studying the client or asking them for any information to determine whether it's a good idea to increase the line of credit."

Butler added that this can be particularly problematic when people have their line of credit fully utilized, since that's an indication that their total borrowing has grown. "Even though you're at limit, you would see that limit increase," he said. "The regulator has decided that's not a good lending practice … and they're asking banks to bring that system to an end."

That being said, Butler said that this change will have little effect on consumers, beyond the loss of the feature — it won't bring about payment increases or the elimination of one's HELOC.

Specifically, the guidance impacts lending above a 65 per cent loan-to-value ratio, meaning that the outstanding balance is 65 per cent or more of the value of the collateral. Anything above that limit, OSFI expects to be "amortizing and non-re-advanceable," a spokesperson explained by email. They added that this will apply to all new and renewing loans by the end of this year's final quarter.

"It's all an effort to avoid people over-extending themselves and to protect the default rates, which are incredibly low in Canada," said mortgage broker Ross Taylor. "They want to keep it that way."

A report from the Canada Mortgage and Housing Corporation found that in 2022, delinquencies on car loans and credit cards rose to roughly two per cent and 1.5 per cent, respectively — back to pre-pandemic levels. Experts previously told the Star that mortgages could be next.

OSFI has recently employed a number of efforts to protect banks from this kind of risk, including cracking down on mortgages with amortization periods extending to 60, 70 and even 90 years. In a rising rate environment, this kind of a product can lead to a mortgage with a growing balance, when your monthly payment is no longer enough to cover interest charges. To deter banks from offering this as an option, the regulator will soon require lenders to reserve more capital against those types of mortgages.

Victor Tran, a mortgage broker with Ratesdotca, said that both of these new regulations will force banks to lend out less money, reducing their profits.

"I can see them maybe increasing rates or coming up with new fees just to offset those potential losses."

Read Story (Subscription Required): *https://www.thestar.com/business/canadian-federal-bank-regulator-to-impose-a-new-cap-on-home-equity-lines-of-credit/article_6a878fa7-bacc-562b-8499-08b5d46b1d53.html?source=newsletter&utm_source=ts_nl&utm_medium=email&utm_email=7AF7A90431AF70E2802DD8C2679207A5&utm_campaign=frst_192759*

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OSFI Consults On Crypto Rules For Banks, Insurers

New Guidelines Adopt Global Banking Regulators' Standards

By James Langton, Investment Executive, July 26, 2023

[*OSFI consults on crypto rules for banks, insurers | Investment Executive*]

As part of the ongoing global effort to regulate the fledgling crypto sector, federal financial regulators are proposing new capital and liquidity treatments for financial institutions' crypto exposures.

Canada's Office of the Superintendent of Financial Institutions (OSFI) has issued a pair of draft guidelines — one for banks and one for insurers — setting out its proposed approach to capital and liquidity treatment for firms' crypto-asset exposure.

The regulator said that the new guidance, which will take effect in the fiscal first quarter of 2025, is designed to "reflect an evolving risk environment and international developments."

Those developments include global policymakers' latest efforts to address crypto-related risks. In particular, OSFI's draft guidance reflects new standards issued by the Basel Committee on Banking Supervision in December 2022.

"In response [to those standards], OSFI has taken the opportunity to draft this more detailed guidance for Canada," the regulator said, adding that its guidance follows the new Basel standards and is tailored to the Canadian industry.

The draft guidance features both a "simplified" and "comprehensive" option for firms. The simplified approach, for firms with limited crypto exposure, requires them to simply deduct all these exposures from their capital. The comprehensive option requires firms to categorize their crypto holdings into one of four buckets and then apply specific capital treatments to those different categories.

"Deposit-taking institutions and insurers need clarity on how to treat crypto-asset exposures when it comes to capital and liquidity," said Peter Routledge, superintendent of financial institutions, in a release. "We look forward to giving them this clarity through these new guidelines that reflect industry input and international standards."

When the new guidance takes effect, it will replace OSFI's interim approach to banks' and insurers' crypto exposures, which was adopted last August.

"Our approach will continue to evolve along with the crypto-asset market," the regulator said in a letter to industry firms setting out the draft guidance.

The drafts are now out for comment until September 20. OSFI intends to finalize its rules by March of next year.

OTHER CAFII MEMBER-RELEVANT NEWS

Air Canada Ranks Last For On-Time Performance In June, Data Shows. Should August Long-Weekend Travellers Be Worried?

The Numbers Mark A Drop From The Airline's Performance In May, When Roughly 70 Per Cent Of The Airline's 32,037 Flights Arrived On Time.

By Ghada Alsharif, Toronto Star, July 25, 2023

Less than two weeks before the travel-packed August long weekend kicks off, new data shows that Canada's largest airline had the worst on-time performance last month among nine North American airlines.

Out of more than 33,544 Air Canada flights, only 53 per cent of flights flown in June arrived at their destinations on time, according to aviation analytics firm Cirium. This marks a drop from the airline's performance in May, when roughly 70 per cent of the airline's 32,037 flights arrived on time.

WestJet, Canada's second-largest carrier, ranked sixth, with 67 per cent of 16,325 flights flown in June landing at their destinations on time.

Air Canada's on-time record remains significantly lower than airlines with a comparable number of flights. U.S. carrier Alaska Airlines, which flew 35,057 flights last month, had an on-time arrival rate of 80 per cent, ranking first in June. Larger U.S. airlines such as Delta Air Lines, which ranked second in June for on-time performance, had a nearly 80 per cent on-time arrival rate out of 140,786 flights.

The data come after the Greater Toronto Airports Authority (GTAA), which operates Toronto Pearson International Airport, touted its improved performance last week after ranking the worst airport in the world for delays last summer, with thousands of flights delayed or cancelled, leaving passengers stranded and bags lost in the wake of COVID flight restrictions being lifted.

At this time last summer, on-time performance for Canada's largest airport was 35 per cent, but in recent weeks it has reached as high as 74.5 per cent, the GTAA said at last week's news conference.

In May, it was announced that Pearson airport employers had hired 10,000 new employees since last summer, giving it 22 per cent more staff, or 50,000 workers in total. The GTAA has also spent money on beefing up its baggage-handling systems. The increase includes the hiring of 130 new staff to help in critical areas such as busing, baggage handling, and terminal operations. There have also been more security guards hired by the Canadian Air Transport Security Agency, as well as more customs agents and border guards hired by the Canada Border Services Agency.

But if Air Canada's on-time performance — which has struggled to get above 65 per cent — does not improve, Pearson's on-time rates as a whole will also remain below industry standards, industry experts say.

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"At least half of Pearson's operations are Air Canada," said John Gradek, a former Air Canada executive and head of McGill University's Global Aviation Leadership Program. "This means that Air Canada is dragging Pearson down on time performance."

"On an annual basis, Air Canada currently makes up approximately 52 per cent of our operations," confirmed GTAA spokesperson Guy Nicholson in an email. "It was 54 per cent in June."

From July 21 to 23, on-time departure performance at Pearson for Air Canada flights hovered at around 50 to 64 per cent, Gradek said, using data from flight-tracking company FlightAware.

And over Canada Day weekend, thousands of flights were cancelled and delayed at the country's biggest airports, including Pearson.

"If Air Canada was at 70 per cent, Pearson would be somewhere around 80 per cent on-time performance," Gradek said.

Gradek speculated that part of the problem is that Air Canada is running its fleet at full capacity, which means "there's little availability of aircraft that can pick up or cover the schedule during unexpected situations like fight delays."

Neither Air Canada nor the GTAA responded to inquiries on the reasons behind poor on-time performance rates and whether passengers should expect delays to improve for the August long weekend.

The travel woes at Pearson can't be placed on Air Canada alone, said David Gillen, transportation business professor at the University of British Columbia.

Other factors include weather conditions and the persistent labour shortages at NAV Canada, which employs air traffic controllers, which are also heavily impacting performance, Gillen said.

"This creates problems for all of the carriers, not just Air Canada," he said, adding that there is also an overall shortage of staff, particularly pilots who are refusing overtime because they are overworked.

Gradek said he is not optimistic about what this means for the rest of the summer travel season.

"I've been tracking the numbers since the end of June and thought with time they would get a better handle on their summer," Gradek said. "But I don't see any significant improvement that gives me warm and fuzzy feelings for the August long weekend."

Read Story (Subscription Required): *Air Canada ranks last for on-time performance in June (thestar.com)*

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Shortage Of Air Traffic Controllers Causing Delays, Cancellations In Canadian Airports

Nav Canada Says It's Working To Train New Staff To Fill Gaps Left By Pandemic Layoffs

By Kate McKenna and Stephen Hoff, CBC News, July 19, 2023

https://www.cbc.ca/news/politics/air-traffic-controller-shortage-1.6910566

Canada's federal transport minister says he's pressuring the corporation that oversees the country's air traffic controllers to find solutions to staffing woes affecting passenger flights.

"I am having regular conversations with the CEO of Nav Canada, including one this week to keep asking him for an update on the status of their staffing operations," said Omar Alghabra.

Nav Canada, the corporation that oversees Canada's air traffic controllers, admits that some summer flight delays have been caused by personnel shortages.

"We do certainly acknowledge the fact that we have had some staffing-related challenges," said Marie-Pier Berman, Nav Canada's vice-president and chief of operations.

The union representing air traffic controllers in British Columbia has been sounding the alarm on staffing since 2021.

Berman said that Nav Canada is training more than 400 new employees now and the organization hopes to increase that number.

Unlike in the United States, there is no publicly available data that breaks down why or how many flights are delayed, but the president of the Canadian Airports Council says the number of delays caused by a lack of air traffic controllers has been noteworthy.

"Staffing shortages have impacted our air carrier flight schedules and airspace management from time to time and in major regions of the country," said Monette Pasher. "We have seen this most acutely in the B.C. mainland airspace."

Post-pandemic air travel in Canada has been marked by challenges, both because of a surge in demand, and because of labour shortages throughout the industry, many of which are at least partially attributable to pandemic layoffs.

"This summer, we've seen a variety of run-of-the-mill delays that travellers are frankly very used to ... thunderstorms, weather delays, issues related to congestion," said Duncan Dee, an aviation consultant and the former COO of Air Canada.

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"What makes this summer particularly different with regard to delays is the fact that we've seen a tremendous number of delays related to shortages of air traffic controllers."

Dee says he's tracked an increase in this type of delay dating back to last summer, and notes that they've become more frequent since March.

Shortage Follows Pandemic Layoffs

In 2020, Nav Canada announced it was cutting more than 720 jobs, representing about 14 per cent of its workforce. It also terminated its training program during the pandemic.

P.E.I. native Matthew Gillis, a mechanical engineer, had moved to two different cities for on-the-job air traffic controller training, then felt left in the lurch when that training was cancelled due to COVID-19. "I'd invested years into this pursuit," he said. "It certainly gutted me."

Gillis has since found another job and moved to New Brunswick, and though Nav Canada asked him if he would restart his training after the pandemic, he declined, saying he had neither the "energy nor the appetite."

Still, he said he takes no pleasure in seeing air traffic controller shortages causing delays.

"To know that Nav Canada management made this decision without planning for how it would impact the future of the organization to meet their service requirements is concerning," he said.

Nav Canada Defends Layoffs

"There were very difficult decisions that had to be made during the pandemic," said Berman. "The reality is, we barely had any planes that were in the sky at that time."

She said that cancelling the training program was a matter of safety, as there were strict physical distancing rules in place at the time.

Canada is not the only country dealing with a shortage of air traffic controllers. Similar issues have been reported in the United States.

Berman said that Nav Canada is currently focused on recruiting and training the largest number of people possible to fix the labour shortage and keep operations running smoothly.

New Bill Could End 'Finger Pointing'

In June, Alghabra introduced a new proposed law, Bill C-52, which he said will increase accountability when flights are delayed.

"It will really deal with this issue of finger pointing because the sector is highly inter-connected," the transport minister said.

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"Each organization should be responsible for their own operation and held accountable."

If passed, the law would require airports to publish their performance metrics publicly.

Airlines Increasingly Using Dynamic Pricing For Everything From Luggage To Legroom

By Erica Alini, The Globe and Mail, July 25, 2023

https://www.theglobeandmail.com/investing/personal-finance/household-finances/article-airlines-dynamic-pricing-baggage-rates/

Canadians accustomed to adjusting travel dates and booking times to land the cheapest airfares may want to start doing the same with their baggage fees as well, as a growing number of carriers have adopted flexible pricing for luggage based on factors such as demand, flight routes, and time of purchase.

While flexible rates for bags and other add-on services could result in lower costs for some passengers, they are likely to drive up the overall cost of flying at peak travel times, according to some aviation experts. The changes also make it harder for consumers to gauge how much their total flight cost might be before committing to a booking.

Among the Canadian carriers surveyed by The Globe and Mail, only Porter Airlines said it is currently using dynamic pricing to set rates for bags and seat selection, an approach the company said it adopted in 2019. U.S. carrier Spirit Airlines has also disclosed that it uses dynamic pricing for ancillary services. The strategy, which airlines already use widely to set airfares, allows companies to charge flexible rates based on users' browsing behaviour and market demand.

A more common pricing strategy among Canadian airlines involves rates that change within set boundaries based on variables such as flight routes and dates – what aviation expert John Gradek calls "variable prices." That pricing strategy doesn't require a complex algorithm to gauge in real time a passenger's willingness to pay or the collective demand for a particular flight segment. But the use of a range of prices, instead of a single rate, is also aimed at maximizing revenue for airlines, said Mr. Gradek, who is the co-ordinator of the aviation management program at McGill University.

"The airlines are trying to outsmart the buyer at every opportunity," he said.

The switch to more complex price ranges for bag fees appears to be recent, at least for some Canadian carriers.

Budget carrier Lynx Air advises on its website that new rates apply for bookings made from February 14.

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For example, a carry-on bag on its short-haul flights (less than 1,000 kilometres) is now subject to a fee of $59.99 to $66.49 when the booking or check-in are done online. By comparison, for bookings made before that date, the airline lists a single $39.99 charge for a carry-on allowance purchased online.

Lynx did not respond to questions about what determines its new price ranges.

Juliana Ramirez, who is responsible for ancillary revenue generation, digital experience and distribution at no-frills carrier Flair Airlines, did not directly respond to a question about when the company adopted its price ranges for baggage fees. But she did say the airline conducted "testing" specifically related to those fees in the second half of last year.

On the Flair website, baggage fees vary by as much as $40. Ms. Ramirez confirmed that such price variations are based on travel dates and routes.

"You would see, for example, a different price point in a Vancouver-Toronto trip for Christmas as opposed to a Vancouver-Edmonton flight for September," she said. However, passengers always get the lowest fees if they pay for their bags when they book their flights, she added.

With Swoop, which doesn't apply dynamic pricing to bag fees, rates depend on the departure date and flight destination, in addition to differences in applicable taxes, according to spokesperson Julia Brunet.

With the adoption of variable bag fees, Canada's ultra-low-cost carriers are catching up to their peers in Europe, where budget airlines have been around for much longer, Mr. Gradek said.

But it's not just low-cost carriers showing increasingly complex prices for bags. On its website, WestJet warns customers that baggage fees for a first and second checked bag increase by $10 within 24 hours of departure. The airline, which doesn't use dynamic pricing for any ancillary products, changed its checked baggage fee policy in April 2022, spokesperson Julia Kaiser said via e-mail.

Air Transat does not display baggage fee ranges, but company spokesperson Andréan Gagné said prices vary based on flight destinations, in addition to factors such as service class and whether the purchase occurs through online booking or at the airport. Passengers can estimate their luggage rates using an online tool on the airline's website, Ms. Gagné said via e-mail.

Air Canada, which revised some of its checked baggage policies last August, has a similar baggage-fee calculator. Both airlines said they don't use dynamic pricing for bag fees at the moment.

The more complex fee structures make it more difficult for passengers to compare flight costs beyond base fares, said Tom Bacon, an airline industry consultant based in Denver. And a more widespread adoption of dynamic pricing would make cost comparisons even more complicated, he said.

While passengers may be less than thrilled about algorithm-driven airline fees, for the industry the promise of extending dynamic pricing beyond base fares is enticing. Revgauge, a startup that provides airlines with a dynamic pricing platform for add-on services, says its partner carriers have seen revenue from ancillaries rise between 8 per cent and 16 per cent on average.

Revgauge's chief executive officer Roopa Mathur says there are benefits for consumers as well. While dynamic pricing may result in higher rates during peak travel times, it can also yield deeper discounts during shoulder and off seasons, she said. And if an airline's priority is to gain market share, a dynamic algorithm will produce highly competitive rates, she added.

Still, whether they're using variable or dynamic prices, airlines must ensure they're clearly showing fees and overall costs to consumers, Mr. Bacon said.

The issue, he said, is "the difficulty we all have in communicating complex fees."

MIB Group Publishes Second Quarter Canadian Life Insurance Application Activity

By Kate McCaffery, The Insurance Portal, July 19, 2023

https://insurance-portal.ca/life/mib-group-publishes-second-quarter-canadian-application-activity/?utm_source=sendinblue&utm_campaign=daily_complete_202307-20&utm_medium=email

The *MIB Life Index for Canada*, published by Massachusetts-based MIB Group Inc**.**, shows that life insurance application activity grew in the second quarter of 2023, both year-over-year and year-to-date.

However, if the data are modified to remove those applications where a product type was missing in the information obtained by MIB, activity declined both year-over-year in June and year-to-date.

"About 36 per cent of total life index volume for Canada in Q2-2023 did not include a product type. We believe the vast majority of these submissions are for life insurance applications and have included them in the composite analysis presented in this report," say authors of the June 2023 MIB Life Index report for Canada.

That composite analysis paints a much rosier picture, with Canadian life insurance application activity ending the second quarter of 2023 up 3.3 per cent year-to-date in June, and up 6.2 per cent year-over-year. Activity for the whole quarter was up 4.3 per cent compared to the second quarter of 2022.

Compared to May 2023, June activity was down slightly, declining 1.1 per cent. MIB says all age groups showed year-over-year growth in June, and in the double digits for applications for clients over age 61.

Breaking down the figures, MIB says activity was flat for applications for face amounts between $250,000 and $1-million, declined for face amounts over $5-million, and saw growth for all other face amounts, "in the double digits for amounts over $1-million, up to and including $5-million." "On a quarterly basis, Q2-2023, when compared to Q2-2022, saw year-over-year declines for face amounts over $250,000, up to and including $500,000, flat activity for amounts over $500,000 up to and including $1-million, and growth for all other face amounts."

Where product types were identified and submitted to MIB, universal life products saw double digit growth in application activity of 19.8 per cent year-over-year in June. Whole life applications increased 2.4 per cent and term life activity declined 16 per cent.

That said, the report's authors also state that the missing product type data has a significant impact on the Canadian analysis. "When looking solely at submissions identified as life insurance products, we saw a reversal of trends with activity down 3.3 per cent in June, year-over-year; down six per cent when comparing Q2-2023 to Q2-2022; and down 6.6 per cent, mid-year, year-to-date."

Will Canada Import America's Anti-ESG Campaign?

The Backlash Has Limited Prospects In Canada For Four Reasons

By Dustyn Lanz, Senior Advisor, ESG Global Advisors Inc., Contributed To Investment Executive, July 26, 2023

https://www.investmentexecutive.com/inside-track_/dustyn-lanz/will-canada-import-americas-anti-esg-campaign/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-morning&hash=6d73923380f292a40dc042b455f0fde3

Canada's business community is familiar with the old adage, "When the U.S. sneezes, Canada catches a cold." The idea is that American economic trends usually spill over to Canada in one way or another.

But does this motto apply to America's backlash against investments that consider ESG issues? To answer that question, we need to look at the drivers of the U.S. anti-ESG campaign and explore whether similar drivers could emerge in Canada.

The term "ESG" has been dragged into America's so-called culture war, resulting in a major impact in the U.S. market. For example, Florida banned state pensions from considering ESG issues, and Texas banned state pensions from investing with BlackRock and other asset managers deemed to be discriminatory against the oil and gas industry (despite the fact that BlackRock has billions invested in oil and gas). At least 15 states have enacted various anti-ESG laws, and S&P Global found that at least 165 anti-ESG bills and resolutions were introduced in 37 states in the first half of 2023.

America's anti-ESG campaign likely started in March 2021 in West Virginia. According to InfluenceMap, a London, U.K.–based non-profit think tank that reports on corporate climate lobbying, a coal industry association helped draft a Bill to ban state retirement funds from investing in companies that divest from fossil fuels. Although the Bill failed, it led to copycat Bills in other states such as Texas, where a similar Bill became law, as mentioned.

So, America's anti-ESG movement is driven by politics, rather than markets or facts. The movement fails to recognize that ESG issues are financially material, as evidenced by the growing number of insurance companies fleeing Florida and California due to those regions' exposure to climate-related financial risk.

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Anti-ESG sentiments are also evident in Canada, for example through think tank publications and shareholder proposals demanding that TD, BMO and CIBC clarify their commitments to oil and gas, which each received around 1% support.

Just as those shareholder proposals saw trivial support, the anti-ESG campaign faces limited prospects in Canada for at least four reasons:

Canada's oil patch supports ESG considerations. Fossil fuel companies and states such as Texas have played a key role in America's anti-ESG push. Here in Canada, the oil patch has taken a different approach: Alberta's government has launched an ESG Secretariat that proclaims: "Alberta is positioning itself to be a global ESG leader for clean, secure and ethically sourced energy." Similarly, the Alberta government–funded Canadian Energy Centre touts Canadian energy companies as global ESG leaders. Meanwhile, Canadian oil and gas companies launched the Pathways Alliance to reduce emissions in the sector. These activities strategically support the industry's social licence and its access to capital markets.

Canadian investors have a positive attitude towards ESG considerations. This year, Montreal-based Millani, another ESG advisory firm, published a study of 27 Canadian institutional investors managing $6 trillion in assets. It found that 100% of respondents had not changed their approaches to ESG despite what's happening in the U.S. On the retail side, annual Ipsos surveys commissioned by the Responsible Investment Association have found strong retail investor support for corporate action on diversity, climate change and biodiversity.

Stakeholder and environmental considerations are compatible with fiduciary duty in Canada. Canada and America have different laws around fiduciary duty. While a short-term notion of "shareholder primacy" underpins U.S. laws pertaining to fiduciary duty, Canada's Bill C-97 codifies stakeholder capitalism in federal law by explicitly stating that directors and officers acting in the best interests of a corporation may consider the interests of shareholders, employees, retirees and pensioners, creditors, consumers, governments, the environment, and the long-term interests of the corporation.

Canada's financial regulators are on board with ESG and climate disclosures. The Canadian Securities Administrators issued disclosure guidance for ESG funds in January 2022 and recently welcomed the International Sustainability Standards Board's (ISSB) new corporate sustainability disclosure standards, saying it plans to use the ISSB standards as a point of reference for a consultation on similar standards in Canada. The Office of the Superintendent of Financial Institutions issued climate disclosure guidance for federally regulated financial institutions in March 2023.

While we may see more anti-ESG activity in Canada, such as publications and shareholder proposals, it's hard to see how a U.S.-style investment-banning campaign would gain traction here given the considerations detailed above. From a market perspective, the ESG train has already left the station, and Canadian regulators seem to get it. Core strategies are unlikely to change, because material issues are material issues.

Having said that, it would not be surprising to see a change in communication strategies. For example, some Canadian institutional investors may start to make less use of terms like ESG, opting instead for more straightforward terminology to avoid confusion and manipulation by a small but noisy opposition.

We'll probably hear more spokespeople leading with comments such as "We consider *all* material risks and opportunities" and speaking to more specific issues, rather than ESG in general.

And we can surely expect to see some Canadian institutions with U.S. offices modifying their communication strategies to mitigate a new form of political risk at the state level.

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