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: June 16 – June 23, 2023

June 23, 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

An Economist Will Be The Next CEO Of Québec's Autorité Des Marchés Financiers

By Alain Castonguay, The Insurance Portal, June 20, 2023

[An economist will be the next CEO of the Autorité des marchés financiers - Portail de l'assurance (portail-assurance.ca)]

The Québec government will soon appoint, if it has not already done so, Louis Morisset's successor as head of the Autorité des marchés financiers. That successor is Yves Ouellet, current Secretary General of the Government and Clerk of the Executive Council.

Journalist Denis Lessard reported the information in a dispatch published on Tuesday, June 20 in *La Presse+*, where his article focuses on the appointment of Dominique Savoie to the position held by Mr. Ouellet since October 2018. Ms. Savoie, currently Deputy Minister of Health, will become the first woman to serve as Secretary General of the Executive Council.

Prior to his appointment as the government's top official, Mr. Ouellet was Secretary General of the Treasury Board from September 2012 to April 2017.

Not a lawyer

The next holder of the position of CEO of the AMF is not a lawyer, as is often the case in other regulatory bodies, particularly those responsible for overseeing the securities and financial services sector.
Yves Ouellet holds bachelor's and master's degrees in economics from the Université du Québec à Montréal (UQAM).

According to the École nationale d'administration publique (ÉNAP), Mr. Ouellet joined the public service in 1991. He worked at the Ministère des Finances and the Ministère du Conseil exécutif, where he was Associate Secretary General for Strategic Priorities and Projects between 2006 and 2012.

When he was appointed Secretary General by the Legault government after the October 2018 election, Yves Ouellet had been CEO of the Société québécoise des infrastructures since May 2017.

At the AMF, spokesperson Sylvain Théberge refused to comment on Denis Lessard's article. "It is the prerogative of the Council of Ministers to officially announce appointments," he said.

Not a first

Louis Morisset announced his departure on January 17. He is due to step down from the AMF on July 1.

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

This is the second time that the CEO of the Authority has taken office by relinquishing the function of Secretary General of the Government. Jean St-Gelais, who was CEO of the AMF from 2004 to 2011, made the same journey when he arrived after having been Secretary General of the Executive Council under Bernard Landry's government.

Mr. St-Gelais left the AMF to create the new Agence du revenu du Québec in January 2011. Mario Albert then served as CEO of the organization until Mr. Morisset's appointment.

In the *La Presse+* edition of October 12, 2018, Denis Lessard reported that Jean St-Gelais had himself suggested Yves Ouellet's candidacy as the lead public servant to newly elected Premier François Legault. The two men met at the Ministry of Finance.

In the fall of 2012, Mr. St-Gelais was again appointed Secretary General to the Pauline Marois' government. Mr. Ouellet became Secretary General of the Treasury Board under Stéphane Bédard. He retained his position when the Liberals returned to power and worked with Martin Coiteux, another economist, under the government of Philippe Couillard.

CISRO Declares National Insurance Awareness Day

By Kate McCaffery, The Insurance Portal, June 20, 2023

https://insurance-portal.ca/damage/regulators-declare-national-insurance-awareness-day/?utm_source=sendinblue&utm_campaign=daily_complete_202306-21&utm_medium=email

The Canadian Insurance Services Regulatory Organizations (CISRO) and its member organizations are encouraging industry professionals to touch base with their clients and help further spread the message that consumers should be reviewing their policies to ensure that they have proper coverage.

“By proclaiming national insurance awareness day, CISRO and its members hope to raise awareness for all Canadians on the importance of being properly insured and highlight insurance professionals as a resource to help navigate an individual’s unique needs,” the organizations state in a CISRO dossier, including suggested social media messaging for professionals to use in their own channels.

“Join us in getting the message out on and around June 28 to encourage Canadians to take the opportunity to review their insurance policies. To help do this, we’ve provided a number of resources for your use.”

The campaign for both life and health, and property and casualty insurance industries encourages consumers to think about changes in their life and employment circumstances; about the changing value of items or property they may have; and whether the insurance policies they have offer the right amount of protection. “Check your insurance policy. Review your coverage today so you’re protected when you need it most,” CISRO suggests.

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

FSRA Fines Insurance Representative For Fraudulent Representations

By Kate McCaffery, The Insurance Portal, June 21, 2023

The Financial Services Regulatory Authority of Ontario (FSRA) has imposed a $20,000 administrative monetary penalty upon Sudeep Sharma, after Sharma placed business without a client's informed consent on at least three different occasions.

In the first instance, Sharma submitted an application for a guaranteed acceptance life insurance policy for an existing client who did not consent to, review, or sign for the policy. The client's financial information was used without authorization to make payments.

In two other instances, Sharma placed existing policies on a premium holiday in order to pay for the majority of the premiums on new policies which he applied for without the client's consent, telling the clients that the new polices would only be a small amount more each month (they didn't know their existing polices were taking premium holidays) or no charge, calling it a promotion.

In all instances, RBC Insurance cancelled the new policies and returned the premiums of $2,772.75, $2,021.16, and $597.50, respectively. All told, Sharma earned approximately $3,992 in commissions.

FSRA says as part of the settlement, Sharma undertook not to apply for a license for 18 months. He withdrew his request for a hearing in May 2023.

Read Story (Subscription Required): Ontario representative fined for fraudulent representations - Insurance Portal (insurance-portal.ca)

New Brunswick Passes Title Protection Legislation

Like Ontario And Saskatchewan, The Province Will Restrict Use Of "Financial Planner" And "Financial Advisor"

By Investment Executive Staff, June 19, 2023

New Brunswick passes title protection legislation | Investment Executive

Title protection continues to roll out across the country, with New Brunswick being the latest province to pass legislation that restricts the use of the "financial advisor" and "financial planner" titles.
The province's *Financial Advisors and Financial Planners Title Protection Act* received royal assent on Friday, June 16, officially making the Act law.

The next step will be creating rules based on the legislation so that only those with a credential approved by the Financial and Consumer Services Commission of New Brunswick (FCNB) will be allowed to use "financial advisor" or "financial planner."

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

New Brunswick's legislation is similar to that of Ontario, which implemented title protection last year, and Saskatchewan, which ended a second consultation on proposed rules for title protection last fall.

Including Quebec, New Brunswick is the fourth province to regulate "financial planner," FP Canada noted in a release. The certification body said it expects to apply as a credentialing body for the financial planner title in New Brunswick. The province has about 300 professionals with the designations that FP Canada oversees, the release said, referring to the certified financial planner (CFP) and the qualified associate financial planner (QAFP).

In total, Ontario has approved four credentialing bodies and nine credentials under title protection, including FP Canada and the CFP and QAFP.

The new self-regulatory organization, the Canadian Investment Regulatory Organization (CIRO), will be a credentialing body for the financial advisor title, with details still in the works. In Ontario, the competency profile for the title has been criticized for its product focus — something Saskatchewan aims to address by including education requirements for financial advisors related to financial planning.

Canada's Banking Regulator Boosts Capital Buffer As Debt Levels, Borrowing Costs Climb

By Stefanie Marotta, The Globe and Mail, June 20, 2023

Canada's banking regulator has raised the capital cushion that the biggest banks must hold, increasing the guardrails against high household and corporate debt levels, rising borrowing costs, and increased global fiscal and monetary policy uncertainty.

The Office of the Superintendent of Financial Institutions (OSFI) said on Tuesday, June 20 that it will increase the buffer – a capital reserve that banks build to soften the blow of an economic downturn – on November 1, hiking it to 3.5 per cent from 3 per cent of a bank's risk-weighted assets. The move is the second increase in the past six months as OSFI ramps up "insurance" against mounting risks to the financial sector.

The regulator last increased the potential range of the buffer in December from 0 to 4 per cent of a bank's risk-weighted assets. OSFI also raised the buffer to 3 per cent from 2.5 per cent, which had been the top end of the DSB's range since it was introduced in 2018.

"Today's decision reflects our assessment that financial system vulnerabilities remain elevated and, in some cases, have continued to increase," said OSFI superintendent Peter Routledge told reporters on Tuesday, June 20. "We are in a period of rising interest rates and home prices have begun to climb again. Households and corporates remain highly leveraged, making them more vulnerable to economic shocks."

A change in the DSB also prompts an adjustment in the minimum capital levels that a bank is expected to hold. The common equity tier 1 (CET1) ratio – a measure of a lender's ability of absorb losses – will increase to 11.5 per cent from 11 per cent. The hike means that the banks will have to hold billions of dollars in excess capital. All six banks currently exceed the minimum threshold.

When the economy is strong and loan losses are lower, banks are expected to build capital reserves. The regulator can later release it to help banks absorb losses if the economy sours. But by tasking the lenders with holding onto money, they have less capital to invest in growth opportunities or to give back to shareholders through dividend increases or share buybacks.

While OSFI can change the DSB at any time, it announces a decision to change or hold the level twice each year. The buffer applies only to the institutions that are considered systemically important, including Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce, and National Bank of Canada.

Read Story (Subscription Required*): https://www.theglobeandmail.com/business/article-osfi-banks-domestic-stability-buffer-2/?utm_medium=email&utm_source=Market%20Update&utm_content=2023-6-20_10&utm_term=Canada%E2%80%99s%20banking%20regulator%20boosts%20capital%20buffer%20as%20debt%20levels%2C%20borrowing%20costs%20climb&utm_campaign=newsletter&cu_id=Ts6FwhWx6n2rSHC0x7MiReEeeFJOJkTb*

OTHER CAFII MEMBER-RELEVANT NEWS

Pervasive Sales Culture At Canadian Banks Designed To Push Customers Into High-Fee Products

By Tim Shufelt and Clare O'Hara, The Globe and Mail, June 19, 2023

(Canada's investor protection framework has long had a reputation for being weak and not particularly well-enforced. Investors are still often paying excessively high fees and hidden charges on investment funds. Advisers are often under no legal obligation to act in their clients' best interest. And even when an investor has been harmed by their investment dealer, there is no binding dispute resolution system to ensure their losses will be recovered. This is the second explainer of an occasional series examining why the pace of progress in advancing investor rights in Canada has been so painfully slow, and what changes are needed to fill in the gaps.)

Nearly two decades of working for the big banks was more than enough for Jane Bolstad. She still believed in her job itself – lots of regular Canadians could use a good financial planner to help meet major goals or map out a retirement plan, she said. And she had her certified financial planner designation – the gold standard for the profession. But she grew uncomfortable with the sales culture that has taken root in the Canadian banking system.

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

Branch-based financial planners are typically paid on a 100-per-cent commission basis. The rewards are greater for selling products that make your employer more money such as the bank's own lineup of mutual funds, rather than a guaranteed investment certificate (GIC). The commission earned from selling the bank's products may be five times higher than on a GIC, for example. In this way, the system always incentivizes the sale of funds with higher fees, even when a GIC might be a better fit for the client.

Most bank advisers and planners are evaluated on whether they hit sales targets. Top performers are celebrated with galas and prizes. Under-performers are shamed and held back from promotions. "There is just extreme pressure on people to meet quotas, right from the tellers up to what they would call a financial planner," Ms. Bolstad said. "It's an obsession."

In 2018, she decided to go off on her own, charging clients fees for service rather than earning commissions on transactions. "I just kept looking for a place in the banks where I could do real financial planning without being a salesperson and it doesn't exist."

Gone are the days when Canadian bank branches were largely based on processing transactions for customers. In its place is a model that revolves around sales. Branches have become more like "stores," selling advice and investments, the Financial Consumer Agency of Canada (FCAC) said in a 2018 review of the sector.

There are dangers inherent with that kind of system. There may be a higher risk of Canadians being sold unsuitable products, and banks are not doing enough to prevent that from happening, the report said.

Last December, for example, Bank of Nova Scotia admitted that advisers at its securities arm used improper transactions and unsuitable investments to boost their own performance figures. Nearly 50 advisers were involved, exposing more than 10,000 client accounts to potential losses. The bank paid a fine, fired some advisers, and said it addressed its supervisory lapses.

But to the critics who have lobbied for regulatory change for decades, the incident was a byproduct of the flaws at the heart of the sales-based model of financial advice. "'Advice' is really the wrong term," said Jason Heath, a fee-only financial planner at Objective Financial Partners in Toronto. "At the bank branch level, you're generally not getting investment or financial planning advice. You're getting a sales pitch masquerading as financial advice."

It's a system which the banks have fought to keep in place. Investor-friendly initiatives tend to get watered down, delayed, or thwarted in the face of industry lobbying, said Andrew Teasdale, an economist and independent financial consultant who has spent 15 years pushing for changes to Canadian securities regulation.

Progress in recent years has generally focused on making things clearer for customers. Disclosure of fees and conflicts of interest have been improved, and there have been attempts to clean up the use of professional titles. But sales practices have been largely untouched by regulators.

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

There are just too many problems associated with a system of financial advice based on commissions and sales, Mr. Teasdale said. Advisers are motivated to put clients into expensive, actively managed strategies over cheaper index funds. "There's a kind of cultural submission to this model in Canada," he said. "I find it difficult to understand why it's allowed to persist."

Since the start of the COVID-19 pandemic, demand for financial help has been growing. At one point, Google searches for financial advice were up 88 per cent. Part of that surge was owing to the spike in Canadians' cash savings – with billions of dollars sitting in bank accounts. But it was also driven by anxiety about the economy – a concern that has not dissipated with the growing fear of a recession.

In response, banks have pushed their advice services more aggressively to forge stronger ties to clients, promoting themselves as trustworthy confidantes. "Everyone in financial services has realized that the stickiest and most sustainable form of connection is around advice," said Kendra Thompson, a partner at Deloitte in Toronto.

Trust is a big part of the big banks' image these days. Marketing campaigns have mostly moved past pitching financial products, and instead frame the banks as the place to get good unbiased advice. "Maybe it's time for a different kind of advice," says the voiceover in a Scotiabank ad campaign launched last year. "Advice that comes from getting to know you, not trying to sell you."

But a few months after the launch, an internal investigation at Scotiabank revealed a pattern of adviser misconduct. From 2017 to 2020, the bank found instances in which employees manually adjusted their own sales results in its tracking system, set up and quickly cancelled preauthorized contribution plans for clients without their approval and improperly processed clients' requests to switch between mutual funds as fund redemptions and new purchases. All of those moves counted toward employee sales targets, while harming some clients in the process.

In a settlement agreement with the Mutual Fund Dealers Association of Canada, Scotiabank admitted to supervisory lapses and agreed to pay a $1-million fine, as well as up to $10.8-million in compensation to clients.

"To mitigate future incidents, as outlined in the settlement agreement, we have proactively implemented ongoing educational campaigns, ongoing communications about proper processes and procedures, and introduced system enhancements," Scotiabank said in an e-mail to the Globe.

The incident was not a one-off.

In 2017, all five of Canada's largest banks settled with regulators after it was found they had overcharged customers for investments – "excess fees" that amounted to tens of millions of dollars. In some instances, banks sold investment funds that had an embedded yearly trailer fee for the adviser, even though the customers were fee-based clients who were already paying a fixed annual fee to have their investments managed.

In other cases, clients who had a high-enough account size were not notified when they became eligible for lower-fee versions of investments.

In all five cases, the banks repaid millions of fees to clients.

And while the banks have reported that they have cleaned up their procedures that did not detect the excess fees, the incentives built into the financial advice system remain largely the same.

Bank advisers are still subjected to sales targets, which can put their own interests at odds with the client's. "Nothing will change unless the compensation methods change," said Scott Plaskett, chief executive of Ironshield Financial Planning. "When your compensation comes from sales and not from the delivery of advice, there is always the potential for problems."

The industry has consistently argued against the idea that there are major gaps in the regulatory framework. "The issues raised have all been subject to extensive reforms introduced by securities regulators and provincial financial services regulators," the Canadian Bankers Association (CBA), which represents about 60 domestic and foreign banks, said in an e-mail to The Globe and Mail.

The client-focused reforms, for example, require firms to address material conflicts of interest in the client's best interest. Yet some investment firms are not complying with the new rules, according to a report released in March by the Canadian Investment Regulatory Organization (CIRO), a new group of merged regulators that oversees all investment dealers in Canada. Some big banks have even resorted to stripping their product shelves of independent mutual funds, raising more doubts about what the reforms have accomplished for investors.

A branch-based adviser at a Big Six bank is typically a salaried employee who holds a mutual-fund sales licence. Those advisers are not permitted to sell stocks and bonds. But securities legislation allows them to also sell exchange-traded funds (ETFs), which typically have much lower fees than mutual funds.

Even so, the banks have moved at a snail's pace to provide branch advisers with access to trading platforms for a product that has spiked in demand because of its lower fees. To date, only one bank – Toronto-Dominion Bank – has limited access for branch clients to buy TD-branded ETFs.

However, despite the similarity in licensing rules, there is no uniform set of requirements across the major banks for providing investment advice. Nor is there much commonality to the titles these employees use. They may be called banking advisers, financial advisers, personal banking associates, or mutual fund sales representatives. (A review by the Ontario Securities Commission in 2015 found advisers using no fewer than 48 different titles.)

Impressive-sounding titles are known to give customers the wrong impression about the credentials and motivations of the bank rep sitting across from them. Whatever it says on their business cards, bank advisers are typically paid an annual bonus for hitting performance goals, which include sales targets, and they are limited to selling proprietary products such as the bank's own mutual funds and GICs.

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

Until recently – outside of Quebec, which has its own rules – anyone could call themselves a financial planner or adviser, regardless of certification, designation, or educational background. After more than three decades of pressure from financial planning groups, several provinces are finally looking to tighten up the rules to protect investors from unqualified individuals.

In Ontario, the financial services industry voiced its concerns early on in the process. The CBA told regulators that the proposals would duplicate proficiency and conduct requirements that are the same for a securities licence or a mutual fund licence. The Association began to lobby for an exemption for anyone who holds either licence, which would include the bulk of advisers working in the industry – more than 100,000 people.

CIRO has asked for the right to grant credentials. That means offering a designation that would allow its members to use the financial adviser title, even if they are only allowed to sell mutual funds.

Investor advocates raised the alarm. Mutual fund representatives, who complete an entry level course to become licensed, should not be presented to consumers as sophisticated advisers, said Jason Pereira, president of the Financial Planning Association of Canada. “These are sales reps for the bank who are in most cases selling 100-per-cent proprietary products. Now, this framework creates the veneer of credibility that the consumer should be able to trust these people.”

Say you walk into a bank with a little money to invest. Chances are high that you will be urged to buy mutual funds from the bank’s own lineup. Should you expect the adviser that sells you the funds to be legally obligated to act in your best interest?

Many investors would be surprised to learn that the answer is no. With few exceptions, advisers are not held to a formal legal fiduciary standard in Canada. A fiduciary must put the client’s interest ahead of their own.

Instead, advisers are held to a “suitability” requirement based on the investor’s broad circumstances. But while an investment might be suitable for an investor’s portfolio, it may not necessarily be the cheapest or best-performing option. For years, this has allowed advisers to sell proprietary funds that might pay them a higher commission than lower-cost third-party products.

“Most people just assume their adviser must act in their best interest,” said Kelly Rodgers, a Toronto-based consultant who has spent the last 30 years advising individuals and foundations on their portfolios. “And look who has been arguing the hardest against advisers being held to a fiduciary standard? The banks.”

Regulators have floated the idea of a fiduciary or best-interest standard for Canadian advisers for years, similar to what is in place in Britain, the European Union, and Australia. But the Canadian fund industry has consistently fought against the concept, claiming the status quo works just fine.

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

"One could easily argue that there is no evidence of a systemic issue or regulatory gap involving the provision of advice to retail clients," Scotiabank wrote to regulators when they revisited the best interest standard in 2012. Even if such a gap existed, the bank argued, "the adoption of a statutory best interest duty could unintentionally harm retail clients by creating uncertainty, reducing access to products and services, and raising the costs of investing."

After 20 years of consultation and debate, the push to heighten the duty owed to investors culminated with the client-focused reforms, the first of which took effect in 2021. These changes were "narrower, more complicated, and would allow systemic conflicts of interest to continue," Ontario's Auditor-General Bonnie Lysyk wrote in a 2021 report. She found evidence that intense industry lobbying helped weaken the ultimate policy, and that many people in the industry were "pleased at how watered down" the client-based reforms were in their final form.

Scotiabank spokesperson Andrew Garas told The Globe that the bank monitors and enhances its business practices on an "ongoing basis" to support employees in "putting the needs of customers at the forefront of what they do." Royal Bank of Canada also reviews its sales practices and compensation structures annually to ensure that "product neutrality" is maintained, said spokesperson Kathy Bevan.

"RBC has a strong culture of always doing what is right for our clients and we have reinforced this by embedding 'put client needs above our own, whatever our role' into our Code of Conduct and sales practices," Ms. Bevan said in an e-mail. "We also adhere to the spirit and requirements under the client focused reforms."

Yet even when rule changes are put in place, the industry may at times find a way to sidestep the regulators' intentions. The client-focused reforms, for example, require advisers to have a deeper knowledge of the investment funds they sell to clients. Rather than adapt to that rule through employee training and enhanced monitoring of investment funds, several banks responded by simply halting the sale of third-party funds altogether.

RBC, TD, and Canadian Imperial Bank of Commerce notified all clients in their financial-planning businesses that advisers will no longer sell third-party funds for any investment portfolios. (The changes do not apply to any of the banks' full-service brokerage accounts or to their do-it-yourself investing clients.)

That move sparked an outcry from investor advocates, industry Associations, and regulators who said the new rules were not meant to create less choice for investors. "The reforms are there to increase professionalism in registrants and give them more in terms of tools to do a better job with their clients," Louis Morisset, chair of the Canadian Securities Administrators, the national umbrella group for provincial and territorial securities commissions, said shortly after the banks' announcements. "If that boils down to reducing what they can sell, then we have a big problem."

At the same time, Ontario Finance Minister Peter Bethlenfalvy commissioned a review of the banks' removal of outside investment funds – a report which the Ontario Securities Commission (OSC) submitted to his office in February, 2022. The report has not yet been made public. Earlier this year, the Finance Minister's office told The Globe that the six-page document was still being reviewed.

In 2017, the big banks' sales practices came under intense public scrutiny. A series of CBC stories quoted unnamed current and former employees at Canadian banks who claimed to have bent the rules or ignored clients' best interests under pressure to meet aggressive sales targets. Bank executives were summoned to testify before a parliamentary committee. A federal consumer watchdog, the Financial Consumer Agency of Canada (FCAC), struck a review.

About a year later, the results were published. The FCAC said that the sales culture at the banks may give rise to the "mis-selling" of unsuitable products. It also concluded that "governance frameworks do not manage sales practices risk effectively," and that "controls to mitigate the risks associated with sales practices are under-developed." Despite those issues, the FCAC said it "did not find widespread mis-selling."

The CBA said it was "encouraged" by the findings. "Banks devote considerable time, effort, and resources to help ensure customers are provided products and services that are appropriate for them and which they have consented to receive," the Association said in a recent e-mail to the Globe.

The FCAC later admitted that a draft of the report was shared with the big banks for review prior to publication. "The banks get to have input into a number of these kinds of reports," Mr. Teasdale, the independent financial consultant, said. That influence helps to ensure that ambitious regulatory change is held in check, he added.

Attempts to modernize the system end up merely clarifying and refining the sales-based advice model, rather than moving past it. "The industry has far too much of a say in what happens with regulatory policy," he said.

Read Story (Subscription Required): *https://www.theglobeandmail.com/investing/personal-finance/article-pervasive-sales-culture-at-canadian-banks-positions-system-against-its/*

University Of Montreal To Launch New ESG Institute Funded By Canadian Executive, Scotiabank

By James Bradshaw, The Globe and Mail, June 19, 2023

The University of Montreal is creating a new multi-disciplinary research hub to study a broad range of environmental, social and governance issues with donations from Canadian private-equity executive Michael Penner and the Bank of Nova Scotia.

The university is announcing on Monday, June 19 that it will establish the Michael D. Penner Institute for ESG Issues. The institute aims to draw expertise from a wide array of academic disciplines to study pressing challenges for the business sector, and bring academic rigour to an increasingly fierce debate about companies' responsibilities to act on issues such as climate change and diversity.

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

The institute will be funded at the outset by a foundational gift from Mr. Penner, a Canadian private-equity executive who is chairman of Partners Group (Canada) and operating partner at Swiss-based Partners Group AG. A former chair of the board of Hydro-Québec, he is also currently a director at Bank of Nova Scotia.

An advisory committee led by two high-powered Canadian executives will steer the institute: Charles Emond, the chief executive of the Caisse de dépôt et placement du Québec, and Laurentian Bank CEO Rania Llewellyn will be co-chairs. And Isabelle Martin, a professor in U of M's School of Industrial Relations, will lead the institute.

Scotiabank is donating an additional $1.5-million to create the Sustainable Development Innovation Observatory within the Penner Institute, to spur research and training on innovations in sustainable development.

Neither Mr. Penner nor the university would disclose the amount of his donation, though he described it as significant enough to establish the institute and ensure its viability over the near and medium term. The university will look to raise more donations, and has had expressions of interest from individuals and institutions, he said.

The burgeoning field of ESG has spawned a growing number of experts, standard-setting bodies and alliances, but also devoted critics. Advocates of ESG have framed it as an existential challenge for businesses as well as a moral imperative, while detractors have dismissed it as activist over-reach and a distraction from a traditional focus on shareholders that has helped companies create new wealth.

To date, the rush to address ESG has been "a bit of a Wild West," Mr. Penner said in an interview. "Everybody was a self-professed expert."

In that context, he said there is a pressing need for more thoughtful, thorough, and reliable information to underpin debates between ESG's advocates and its naysayers.

"At this juncture, at this crossroads we're at, it's more important than ever to first of all have the thought leadership that a university can bring, and the academic rigour," he said. "ESG, if it's not handled properly, risks being characterized as wokeism or as a distraction to running the business, and that's a very serious risk."

Researchers at the institute will delve into issues such as the climate transition, labour, corruption, human rights, and the treatment of Indigenous communities. And they will be drawn from across disciplines that include law, business, engineering, industrial relations, philosophy, sociology, mathematics, artificial intelligence, political science, and economics.

"I think ESG needs to start becoming a reflex within organizations, where every thought process is intuitive," Mr. Penner said.

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

Mr. Penner said he chose the University of Montreal because, after sitting down with rector Daniel Jutras, he concluded that the U of M had the right ecosystem of academic talent to conduct the research and amplify its conclusions. By basing that work in Quebec, he hopes to help build bridges between the province's business community and the rest of Canada.

"The university community is well equipped to decompartmentalize and disseminate knowledge," Mr. Jutras said in a statement. Researchers who will be involved from the university, its HEC Montréal business school, and Polytechnique Montréal engineering school "have the expertise to develop it into a far-reaching interdisciplinary project."

Read Story (Subscription Required): *University of Montreal to launch new ESG institute funded by Canadian executive, Scotiabank - The Globe and Mail*

Ottawa Targets Canadian Airport Chaos, But Critics Say Measures Lack Teeth

Transport Minister Omar Alghabra Says Law Would Demand More Transparency And Accountability From Airports And Carriers.

By Jeremy Nuttall, Toronto Star, June 20, 2023

Critics say legislative measures introduced by Ottawa to improve service standards for airline passengers lack teeth to enforce any changes made in efforts to better Canadians' travel experiences.

Federal Transport Minister Omar Alghabra introduced the Air Transportation Accountability Act in Parliament on Tuesday, June 20 along with a slate of other measures meant to improve operations in airports across the country.

"I feel that we're taking real action as quickly as we can to ensure that we shore up the industry, we regain confidence that Canadians need to have in the industry, and ensuring that Canadians have the best experience," Alghabra said at a media conference in Ottawa.

But critics weren't as optimistic. Gábor Lukács, president of the advocacy organization Air Passenger Rights, said the legislation is vague and lacks teeth.

"What I'm missing overall from this is a clear vision of what they're really trying to accomplish," Lukács said. "What are we trying to do?"

Flight cancellations, delays, and lost baggage are among the many challenges which a growing number of passengers faced as travel increased post-pandemic — particularly last summer.

Last month, Alghabra told the Star's editorial board that he didn't foresee the kind of travel problems faced last year. Just days later, system-wide technical problems began plaguing Air Canada, leading to flight delays and cancellations across Canada.

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

The legislation allows the government to set service standards requiring airports and carriers to publish compliance levels with those regulations and would also set up a dispute resolution process.

Such standards, according to the Transport Canada release, include time limits for how long it can take a bag to arrive on the baggage carousel. It also will require airlines to publish their own performance against meeting the standards.

The Act will also require airports to create a formal process to engage the public around changes leading to increases in noise around airports. Reporting on pollution reduction plans and diversity in management are going to be required as well.

Airport noise isn't a pressing concern, Lukács said, suggesting that the government's efforts would be best spent on issues such as airport capacity and how many flights they can accommodate.

"If the capacity is, say, 10,000 passengers per hour and you try to put 12,000 or 15,000 passengers (through), then it is doomed to fail," Lukács said. "In the same airport, if you handle 10,000 passengers, it would be flawless and no delays."

John Gradek, a supply network and aviation expert at McGill University, said customer service has not been thoroughly addressed in the new legislation.

Gradek wondered what the plan is to ensure that airlines adhere to the customer service standards once they're set.

"What is the Minister doing about ensuring that passengers who get mishandled, as they were last summer, have an outlet, have a mechanism in place that allows them to be heard?" he said.

He said the government is on track in some parts of the legislation, such as the collection of airport data to be shared and examined to improve service later.

The new Act looks like "a work in progress" he said, suggesting that it was released before summer to ease any upcoming concerns from travellers and airlines and that airports would likely not be concerned with it for now.

"There's nothing in here that would garner anyone's immediate attention," Gradek said, saying there's no solid administrative monetary penalties for failing to comply.

Further measures brought in on Tuesday, June 20 include greater efforts to help ensure that those with disabilities have fewer barriers when travelling via changes to the Canada Transportation Act.

A third measure in the legislative slate introduced amendments the Canada Marine Act to increase transparencies for ports around their fees, among other issues.

But in Ottawa, Minister Alghabra defended the new measures laid out, making assurances that airlines will be held to account for failing to meet the newly set standards.

 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

“There is no other country in the world that has a similar framework to what we are proposing,” he said. “We are a world-leading jurisdiction in ensuring further accountability and transparency in the air sector.”

Read Story (Subscription Required): *https://www.thestar.com/business/2023/06/20/ottawa-takes-aim-at-canadian-airport-chaos-with-new-legislation.html*

WestJet To Shut Down Sunwing Airlines, Merge It With Mainline Business

Calgary-Based Carrier Says Sunwing Vacations Will Continue To Operate As Part Of The Westjet Group

By Christopher Reynolds, The Canadian Press, June 17, 2023

https://www.cbc.ca/news/canada/calgary/westjet-sunwing-airlines-1.6880320

WestJet is planning to wind down Sunwing Airlines, integrating the low-cost carrier into its mainline business within two years as part of a plan to streamline operations.

In an internal memo obtained by The Canadian Press, Sunwing Airlines president Len Corrado said the change will open up markets for the 18-year-old company as well as its workers. CBC has not independently verified that memo.

In a statement sent to CBC News, the Calgary-based carrier verified the move.

"While we can confirm the eventual integration of Sunwing Airlines into WestJet, the anticipated timeline to do so has not been determined at this time," Julia Kaiser, spokesperson for WestJet, said in an email.

"Our immediate focus remains on the integration of Swoop's highly successful business model across WestJet's operations."

The decision comes the week after WestJet opted to fold budget subsidiary Swoop's operations under its flagship banner.

"WestJet will eventually move to a one jet aircraft operating certificate (AOC) model and Sunwing Airlines will be integrated into WestJet," Corrado said in the memo, dated Wednesday, June 14.
He said he expects that the integration could take up to a couple of years.

Both moves magnify the major consolidation of the Canadian aviation market that followed WestJet's acquisition of Sunwing's main airline and vacation divisions last month.

The memo gave no indication that Sunwing Vacations would also shut down, suggesting that WestJet planes could be flying Sunwing tour package customers to their sun-soaked getaways.

"The WestJet Group remains committed to growing sun flying in the East alongside expansion plans in Western Canada, and this strategy will only be strengthened as we ultimately transition to a one jet AOC," Corrado wrote.

Sunwing did not immediately respond to requests for comment on Saturday, June 17.

In the statement, Kaiser confirmed that Sunwing Vacations will continue to operate as part of the WestJet Group and will not be impacted by the airline integration.

WestJet announced on June 9 that it would merge Swoop with its main business by late October as the country's second-biggest airline recalibrates amid a fiercely competitive market.

The shift came five years after Swoop first surfaced as a response to discount rival Flair Airlines' launch in 2017.

It also landed after pilots with WestJet and Swoop ratified a new collective agreement that brings them onto a level pay scale, giving them a 24 per cent pay bump over four years.

In an interview last week, WestJet CEO Alexis von Hoensbroech said that he mulled keeping Swoop separate, but concluded that higher wages for its flight crews made the option less feasible.

In March, the federal government approved WestJet's takeover of Sunwing Vacations and Sunwing Airlines, despite a warning from the Competition Bureau that the purchase would likely result in higher prices and decreased services, especially around package deals.

In signing off on the deal, Ottawa attached conditions that include extending Sunwing packages to five new cities, maintaining capacity on the most affected routes and keeping both a vacations business head office in Toronto and a regional one in Montreal for at least five years.

The agreement added some 2,000 employees and 18 Boeing 737s to WestJet's 130-aircraft fleet, made up entirely of Boeing planes, according to the federal aircraft registry.

That includes Swoop's planes but not those of regional service WestJet Encore.

Do You Need Trip Cancellation Insurance? What To Know Before Buying

By Sabina Wex, The Canadian Press, June 20, 2023

https://globalnews.ca/news/9781090/canada-trip-cancellation-insurance/

Noah Meyer-Delouya, 25, only bought trip cancellation insurance once – and it paid off.

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

The Toronto-based accountant did it because he, his mom, and his brother bought cheap tickets to Los Angeles this past January. They figured $67.89 for trip cancellation insurance for all three of them wasn't too much extra money to protect their trip.

They also liked that this trip cancellation insurance policy explicitly included the ability to receive a full refund for their airfare if somebody contracted COVID-19.

"With COVID-19, it's become so much more normal to be more cautious and be aware of the chance of getting sick and it impacting your trip," Meyer-Delouya said.

Five days before the trip, his mom tested positive for COVID-19. Two days later, his brother tested positive too. Meyer-Delouya got lucky and didn't contract COVID-19. But the family decided to cancel all their tickets and cash in their trip cancellation policy.

Trip cancellation insurance is different from medical travel insurance. It means that if something unexpected happens and you need to cancel your trip, you can get your money back for non-refundable items, such as plane tickets, any time "before you set foot on the plane," said Will McAleer, Executive Director of the Travel Health Insurance Association of Canada.

Meyer-Delouya's circumstance perfectly illustrates how trip cancellation insurance works: the trip was cancelled because of illness before the plane took off.

According to McAleer, not only does trip cancellation insurance cover a flight fare if a ticket holder becomes ill and can't fly, but also if a family member gets sick, an accident before the trip, or some other unforeseen circumstance. Other non-refundable trip purchases, such as accommodation, may also be included under the policy.

McAleer added that trip cancellation insurance usually includes trip interruption insurance for travellers who have to return early for reasons outside of their control.

For instance, if a hurricane hits your resort, trip interruption insurance covers the non-refundable costs of the trip that you haven't used, such as the return plane rides and remaining days for hotel rooms, but also any incurred expenses because of the interruption, such as booking a new flight to get home.

Despite his success with trip cancellation insurance in January, Meyer-Delouya doesn't plan on buying trip cancellation insurance for his summer travels to Morocco, Spain, and Japan.
"Why would you spend up to 20 or 30 per cent more for your ticket ? for something that might never happen?" Meyer-Delouya said.

Even with a busy summer travel season ahead, a third of Canadians 18-to-34 years old agree with Meyer-Delouya, and think that travel insurance is too expensive, according to a 2023 TD Insurance survey. However, the same survey discovered that 31 per cent of these young Canadians couldn't cover out-of-pocket expenses for more than $300 on a trip.

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

Trip cancellation tends to amount to about four to 10 per cent of the cost of the non-refundable expense of a trip, according to Ratehub. The site estimates that the average trip cancellation insurance costs $170, which is close to half of that inaccessible $300.

McAleer recommends that travellers think about three things when they're assessing whether or not they need trip cancellation insurance: health concerns, policy options, and travel plans.

Though trip cancellation insurance isn't medical travel insurance, it's often used in medical scenarios, McAleer said. Just like Meyer-Delouya's mom and brother, an illness could prevent you from getting on your plane at any point before the flight takes off. If you buy trip cancellation insurance, McAleer recommends checking your policy closely to ensure that any pre-existing medical conditions are covered.

The next thing to consider is the actual trip cancellation policy. McAleer said that many people have trip cancellation insurance through their credit cards and employers, so you may not need to purchase an additional policy.

In fact, Meyer-Delouya discovered that the same company that insured him for his January trip covers him via his credit card. This is another reason why he doesn't feel the need to buy trip insurance for his summer travels.

The final factor is the nature of your trip. McAleer said that he's been seeing an increase in adventure tourism trips, which come with quite a bit of risk. A scuba diving or bungee jumping trip has a much higher risk factor than a weekend away to visit family, so investing in trip insurance may be prudent because so many things could go wrong.

Whatever you decide to do, McAleer emphasized the importance of thinking about trip cancellation insurance as a part of booking your travels, not a last-minute thing so that you feel prepared for your trip.

"Understand your policy and understand the type of trip you're taking," McAleer said.