

CAFII ALERTS WEEKLY DIGEST: May 13-17, 2024

May 17, 2024

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/ Business Developments | 2 |
| Association Says Government Can Improve Insurance Market Conditions For Businesses | 2 |
| Banks ‘Have To Get Better’ At Solving Money Laundering, Says OSFI Head..... | 2 |
| Global Risk Institute Reissues Its Report On “Canada’s Consumer-Driven Banking Framework (Open Banking)” | 4 |
| Other CAFII Member-Relevant News..... | 5 |
| Health Insurance Fraud Constantly On The Rise | 5 |
| Canadian Application Activity Grows In April | 6 |
| "Women Belong In The Room" – How One Insurance Leader Is Tackling Impostor Syndrome..... | 7 |
| Canada Headed For A Hybrid Open-Banking Regime | 9 |
| Artificial Intelligence Can Help Insurers’ Streamline Claims Processing | 10 |
| Upcoming CAFII-Relevant Webinars & Events; and Related Education Content | 11 |
| THIA's 2024 Annual Conference | 11 |

GOVERNMENT/LEGAL/REGULATORY/ BUSINESS DEVELOPMENTS

Association Says Government Can Improve Insurance Market Conditions For Businesses

By Kate McCaffery, Insurance Portal, May 08, 2024

Full article can be found here—requires subscription.

<https://insurance-portal.ca/article/association-says-government-can-improve-insurance-market-conditions-for-businesses/>

The Insurance Bureau of Canada (IBC) is recommending governments address the tax burden applied to insurance sales, focus on enabling businesses in the face of climate change and reform tort laws to help stabilize commercial insurance premiums for businesses and reduce cost pressures within the commercial insurance market.

In addition, the new report from the IBC, entitled *Fuelling business prosperity: Government's role in fostering a sustainable commercial insurance market*, also looks at commercial trucking, cyber risk and risk management.

"A thriving commercial insurance market is crucial for the economy," they write. "Recent challenges in the commercial insurance landscape have led to difficult market conditions, but governments can play a role in enhancing the market."

IBC report can be found here:

<https://businessinsurancehelp.ca/commercial-insurance-in-canada-a-socio-economic-analysis-of-a-vital-industry/>

Banks 'Have To Get Better' At Solving Money Laundering, Says OSFI Head

By Stefanie Marotta, The Globe and Mail, May 08, 2024

https://www.theglobeandmail.com/business/article-banks-have-to-get-better-at-solving-money-laundering-says-osfi-head/?utm_medium=email&utm_source=Top%20Business%20Headlines%20Morning%20Edition&utm_content=2024-5-9%20&utm_term=Banks%20%E2%80%98have%20to%20get%20better%E2%80%99%20at%20solving%20money%20laundering%2C%20says%20OSFI%20head&utm_campaign=newsletter&utm_id=V8XwSKMQyE%2Bn79APco1YDTDr7ffWvd7R

The head of Canada's banking regulator is comfortable with the ability of the country's largest banks to curb money laundering crimes, but says that there is room for improvement.

The Office of the Superintendent of Financial Institutions (OSFI) is developing new processes and guidelines as it adjusts to its expanded mandate to oversee non-financial risks at the country's largest lenders. Over the past year, Ottawa has granted the regulator with a broader authority to address rising threats to the banking sector.

And last week, media reports disclosed that a U.S. probe into Toronto-Dominion Bank's TD-T -0.18% decrease weaknesses in its anti-money-laundering practices is tied to a US\$653-million money-laundering and drug-trafficking operation.

On Wednesday, at a roundtable with journalists after an event hosted by the C.D. Howe Institute in Toronto, OSFI superintendent Peter Routledge said that all industry players have opportunities to add to their anti-money-laundering practices as digitalization and geopolitical risks intensify financial crime.

“It is incumbent upon regulators and boards of directors to redouble efforts on surveillance detection and response,” Mr. Routledge said. “I’m confident, but am I satisfied with where we are? No, we have to get better.”

Prime Minister Justin Trudeau’s government has been bolstering enforcement measures on Canada’s banks, including new tools to address weaknesses in Canada’s anti-money-laundering regime by expanding the powers of OSFI and the Financial Transactions and Reports Analysis Centre of Canada (FinTRAC).

That heightened focus on enforcement comes as Canada prepares for an evaluation by the Financial Action Task Force, a global body that sets standards to combat financial crime.

Canada’s banks have been thrust into the spotlight as U.S. and Canadian regulators crack down on financial crime.

TD expects monetary and non-monetary penalties from the current U.S. investigation, and some analysts have estimated that the amount could range as high as US\$ 2 billion.

The U.S. Office of the Comptroller of the Currency in February said that it had imposed a US\$ 65 million fine on Royal Bank of Canada’s U.S.-based subsidiary, City National Bank after the regulator found failings in many of the bank’s internal controls and risk-management processes.

Last week, Canada’s financial crimes watchdog imposed its largest-ever monetary penalty on TD – nearly \$9.2-million – after a compliance examination found the lender had faulty anti-money-laundering controls.

FinTRAC also levied penalties on Royal Bank of Canada and Canadian Imperial Bank of Commerce last year for weaknesses in their anti-money-laundering procedures.

While FinTRAC is the anti-money-laundering authority in Canada, OSFI is implementing its own procedures to oversee financial crime risks at federally regulated banks. Mr. Routledge said that OSFI plans to distinguish its responsibilities from those of FinTRAC.

When FinTRAC finds an issue at a financial institution, it will share those details with OSFI to engage with the bank’s senior executives and board of directors to remediate the issue, Mr. Routledge said.

OSFI also has the ability to impose monetary administrative penalties but generally does not apply them to the lenders it regulates.

At the event, Mr. Routledge spoke to a room of senior members of Canada’s financial institutions about the regulator’s new rules aimed at tamping down non-financial threats.

In January, OSFI told banks they have one year to comply with the final guidelines on integrity and security issues affecting the country’s financial system, including regulations on how banks manage risks involving cybersecurity, technology, third-party providers, corporate culture and compliance.

The changes come as regulatory requirements rise in Canada and the United States, more stringent rules prompted in part by the threat of a recession, the banking crisis unleashed in March 2023, and mounting geopolitical tensions. While those changes are intended to enhance the stability of the financial system, they could also crimp bank profits as higher expenses and slower loan growth weigh on balance sheets.

On the integrity and security guidelines, Mr. Routledge said OSFI's role is not to establish those rules for the banks, but rather to ensure banks set and uphold standards that maintain stability.

"We have an in-depth and elongated consultation process, and if you think we're being rules-based and that undermines a broader contribution to public confidence in the Canadian financial system, then call us out," Mr. Routledge said in response to an audience question. "We welcome the challenge. Steel sharpens steel. We'll get better if you criticize us."

Global Risk Institute Reissues Its Report On "Canada's Consumer-Driven Banking Framework (Open Banking)"

April 2024

[Open Banking Update - Global Risk Institute](#)

With the 2024 federal budget announcing that Financial Consumer Agency of Canada (FCAC) will be mandated to oversee, administer, and enforce Canada's Consumer-Driven Banking Framework (Open Banking), GRI has re-issued this report from 2020. The report introduces basic concepts and principles related to open banking, and reviews the journeys of other jurisdictions.

Data-sharing frameworks in financial services are becoming increasingly prevalent with the potential to shape drastically the future of banking and finance. As data assets are of strategic importance to financial institutions and central to their 'datafication' and digital transformation processes, sharing and accessing new data can alter the dynamics of competition and lead to the emergence of new players as well as nascent markets. Innovative technologies such as application programming interfaces (APIs) can help simplify data communication between systems and thus standardize the exchange of information between organizations allowing them to experiment with new, more open, business models. APIs also give the ability to effectively control openness and orchestrate ecosystems of third-parties that can add value to organizations' supply chain and end users. Having said that, the deployment of open APIs in financial services raises numerous questions regarding the appropriate regulatory (or not) framework and infrastructure for opening up data in the banking sector.

The current paper examines the potential for an open banking framework in the Canadian market and makes an effort to identify the regulatory, economic, technological, sociological, and political debates in the industry concerning data openness. During the course of the study there was consensus from participants that discussing the "merits of open banking" or opportunities that it will bring is an outdated topic and instead the discussions should focus on the real issues and 'pain-points' around open banking implementation in Canada. Following a good number of interviews with FinTechs, challenger and incumbent banks, regulators, legal experts, consultants, and financial services professionals (in various part of the business as well as IT) in the Canadian market, the paper outlines a number of themes and frictions that the industry as well as policy-makers in Canada should consider when implementing an open banking framework.

We believe that the findings can be generalized and be useful for practitioners and regulators around the world when exploring similar frameworks.

The paper starts with an introduction to data-sharing and open finance providing some workable definitions and comparing the relevant technologies in place. In this section we also clear various misunderstandings around 'open banking'. The following section provides a brief description of the most popular open banking paradigms around the world: UK, EU, and Australia before we move to the Canadian context. The main findings section is organized in four parts discussing a) the objectives of open banking in Canada and whether a potential scheme should be policy-mandated or market-driven, b) the relevant regulatory issues such as liability and related data-privacy laws, c) the key debates and tensions when designing the data-sharing infrastructure (such as data openness, digital identity, security, API and data standards), and finally d) the relevant concerns and participant goals around identification of third-parties and access to the national payments infrastructure. The paper concludes with some insights from previous research on the impact of open banking on the market structure and business models in banking.

OTHER CAFII MEMBER-RELEVANT NEWS

Health Insurance Fraud Constantly On The Rise

By Kate McCaffery, Insurance Portal, May 16, 2024

[Health insurance fraud constantly on the rise - Insurance Portal \(insurance-portal.ca\)](https://insurance-portal.ca/health-insurance-fraud-constantly-on-the-rise)

Subscription required

Dr. Steve Woh, medical director and health claims, global medical with **RGA Re** says the one thing to know about fraud is that it is an ever-present factor in a health insurer's day-to-day business.

"Fraud, waste and abuse. Prevalence of all three of these challenges is constantly on the rise for healthcare providers and insurers, leading to materially increased costs for payers, be they consumers, government bodies or insurers," he writes in the recent RGA Re bulletin entitled *Fraud. Waste. Abuse*.

"Fraud, waste and abuse can also be either planned or opportunistic. Planned actions are more likely to meet legal definitions of fraud as there would have been premeditated intent to gain," he adds. "Opportunistic actions of this sort, on the other hand, are more likely to be viewed as waste or abuse." (Waste, he says, could be a case of providing extravagant or unnecessary treatment. Abuse is defined as being harmfully or morally wrong.)

Abusive Practices

The report goes on to identify and explain a number of abusive practices, including non-disclosure and misrepresentation, phantom billing, overutilization and over charging, duplicate claims, unbundling (where practitioners claim individual elements of each procedure to increase reimbursement), upcoding (where providers submit a billing code for a more expensive service), identity theft and kickbacks.

"Insurers require controls, processes and strategies to detect and combat all three (elements – fraud, waste and abuse), as each can be perpetrated by several healthcare stakeholders."

Although not infallible, he goes on to say that artificial intelligence (AI) is emerging as a tool. He also urges companies to look at their policy language and assessment criteria. "Client-facing strategies should include strong policy terms and conditions language, especially around definitions of 'medical necessity' and 'reasonable and customary,'" he adds.

Prosecuting Fraud

The briefing concludes with a discussion about legal issues and urges insurers to report appropriate cases to local law enforcement, recommend prosecution and be prepared to assist. "Insurers should not shy away from pursuing such cases," he says. "Prosecution of insurance fraud is in the public interest."

The RGA report can be found at:

<https://www.rgare.com/knowledge-center/article/global-health-brief--health-insurance-fraud--waste--and-abuse>

Canadian Application Activity Grows In April

By Kate McCaffery, Insurance Portal, May 13, 2024

[Canadian application activity grows in April - Insurance Portal \(insurance-portal.ca\)](#)

It was a notable month of positive application activity in Canada in April 2024, with all measures recorded by Massachusetts-based **MIB Group** growing during the month.

Most notable might be the year-over-year application activity figures for clients over age 71. These applications jumped 103.4 per cent. Activity for those up to age 30 rose 17.8 per cent year-over-year, ages 31 to 50 saw a 16.5 per cent jump, ages 51 to 60 gained 21.2 per cent and ages 61 to 70 increased 39.9 per cent year-over-year during the month.

Double-Digit Growth

"Canadian life insurance application activity achieved double-digit growth of 22.1 per cent year-over-year in April 2024," the firm writes. Year-to-date application activity grew 9.1 per cent. Similarly, on a month-over-month basis, application activity was up nine per cent.

Application activity grew for all face amounts and across all products. "When examining activity patterns where a product type was submitted to MIB, all product types saw double-digit growth year-over-year in April 2024," the monthly MIB Life Index report states. "About 34 per cent of total life index volume for Canada in April 2024 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."

When looking solely at submissions specifically identified as being for life insurance products, activity was up 25.8 per cent year-over-year and 11.7 per cent, year-to-date.

"Women Belong In The Room" – How One Insurance Leader Is Tackling Impostor Syndrome

She Shares Tips For Women Climbing The Leadership Ladder

By Gia Snape, Insurance Business, May 09, 2024

https://www.insurancebusinessmag.com/ca/news/breaking-news/women-belong-in-the-room--how-one-insurance-leader-is-tackling-impostor-syndrome-488574.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240509&hsenc=p2ANqtz--QHqdfVhWPwpl7r-ySezrhrGsCzUst9bX-lajY-rd_opMPIN_9SKCVn8CFxXKfHvUX781eS2CQXr3JMKH9inWs4UL-ig&hsmi=306366145&utm_content=&utm_source=

Despite progress in closing the gender representation gap in insurance, women continue to face persistent challenges in attaining leadership roles in male-dominated environments.

For Laura Doddington, being the only woman in a room full of male colleagues is still common and can contribute to implicit biases in the field.

"When I first entered the insurance industry, there were very few women in leadership roles," recalled Doddington, who serves as head of personal lines insurance consulting and technology, North America, at WTW.

"The situation is much better than it used to be, but there are still times when I might be the only senior female leader in the room. When you're the sole woman, it's hard not to feel like an impostor."

How Can Women Dismantle Impostor Syndrome And Reclaim Power?

Toronto-based Doddington is one of several esteemed insurance leaders who will share their insights at the Women in Insurance Canada summit in June. The summit aims to champion gender equality in the industry.

With nearly 20 years of experience in property and casualty insurance spanning the UK and North America, she has had the privilege of leading talented teams in diverse business areas.

Doddington spoke to Insurance Business ahead of the conference about navigating the complexities of the industry with grace and determination and how fellow women leaders can pave the way for others to follow in their footsteps.

"I've been a leader for a long time, and I've often had people assume that the men in my team were my boss," she revealed. "There have even been times when people have assumed that I was the man's EA (executive assistant)."

"You have to rise above these situations and correct people in a thoughtful way. Implicit biases are still real challenges today."

Doddington added that women can regain power over impostor syndrome by acknowledging they belong in the spaces they're in and reframing their perspectives.

“You need to believe you deserve to be in that room,” she said. “You have worked hard to get to that room, so you belong there.”

Strategies For Women Climbing The Leadership Ladder

Sometimes, having the confidence to be the sole woman in the room can mean needing to “fake it till you make it.”

“If you don’t try to appear to have confidence, other people won’t have confidence in you either, and it becomes this vicious cycle,” Doddington pointed out.

This mental strategy becomes easier with trusted allies who can provide encouragement and affirmation. One key strategy that Doddington credits for her success is the ability to cultivate strong relationships and build a network of supporters.

“In a male-dominated industry, having a support system is crucial,” she told Insurance Business. “I’ve been fortunate to have mentors and colleagues who have championed me throughout my career.”

But it’s not just about networking. Doddington also emphasized the importance of being assertive and advocating for oneself in the workplace.

Another leadership strategy that Doddington swears by is taking calculated risks and pursuing opportunities outside one’s comfort zone.

She encouraged women to assertively communicate their career goals and aspirations and to say “yes” to new challenges, even when faced with uncertainty or self-doubt.

“I think women often don’t feel like they should say what they want. Part of that is imposter syndrome, but another part is when we see assumptions made about us, such as when a person has a young family or has been on maternity leave, [people assume] they probably don’t want promotions. But maybe they do,” Doddington said.

“Knowing those implicit biases makes it even more important for women to say, ‘This is what I want’. You have to be willing to stand up for yourself and take risks for roles even when you don’t check the vast majority of boxes.”

Finally, Doddington urged other women to practice authenticity, seek growth in their leadership, and take feedback while staying true to their core values.

“My leadership style isn’t static; it evolves. Over the past decade, it’s transformed, reflecting my growth,” she reflected. “Leadership, to me, isn’t about the leader but empowering the team and nurturing their growth. I believe in bringing them along on the journey of development.”

Canada Headed For A Hybrid Open-Banking Regime

The Government Will Set The Standards For The Private Sector To Implement

By Jonathan Got, Investment Executive, May 08, 2024

<https://www.investmentexecutive.com/news/industry-news/canada-headed-for-a-hybrid-open-banking-regime/>

The federal government mandated the Financial Consumer Agency of Canada to administer and enforce the nation's consumer-driven banking framework last month. Success will depend on how the private sector uses the framework.

Open banking allows financial institutions, with consent, to securely share client account details with third parties such as other banks and wealth management firms. Currently, data-sharing services depend on screen scraping, which requires clients to share their login details with third parties, raising security risks.

With open banking, the government sets financial data exchange standards, mandates participation and sets rules concerning cybersecurity, technical standards and dispute resolution, said Hwan Kim, a partner with Deloitte Canada in Toronto who specializes in the financial services sector.

"They're not the players, but they're setting the playground," Kim said of the government's role.

The private sector, meanwhile, will be responsible for implementing open banking's many uses.

Canada could be headed to a hybrid open-banking model in which the industry pursues market-driven objectives under government-set parameters, said Saba Shariff, head of new product development and corporate strategy with Symcor, a payment processing company based in Mississauga, Ont.

For example, budget implementation bill C-69, which completed its first reading on May 2, defines financial data as deposit accounts, investment accounts, payment products, and lines of credit.

Kim said that once the rules are set, the success of open banking will depend on whether the private sector can best use the framework.

Budget 2024 promoted broadened access to credit as one way to use open banking.

One company that extends credit to people who may not qualify for traditional loans, such as newcomers and young adults, is Vancouver-based Spring Financial.

Tyler Thielmann, president and CEO of Spring Financial, said the application process either involves screen scraping or sending bank statements to the lender. Nine in 10 of his borrowers apply through a mobile device, which makes it difficult to email or fax documents.

"It's a very arduous process and there's so much friction in it. It's very painful," Thielmann said, referring to traditional processes. "We're walking literally hundreds of customers through this process every day."

Further, screen scraping doesn't work all the time, Thielmann said, and consumers must download their statements or scan paper copies when it fails. Open banking would remove this friction by providing lenders with a direct application programming interface (API) connection to a borrower's bank.

Currently, screen scraping is done through an intermediary called an aggregator, which scrapes a consumer's account and transmits that information to the receiving financial institution, Thielmann said. Even when open banking is fully implemented, fintechs will still need to use an intermediary as fintechs don't usually have direct APIs to banks.

One such intermediary is Symcor. The company currently clears payments for financial institutions, utilities, and insurance providers. Symcor has been working on an open-banking data exchange for Canada since 2018 and can build an API on a bank's behalf.

Symcor chose to follow the standard from the Financial Data Exchange (FDX), a non-profit industry body, which was implemented in 2018 and is now used by more than 60 financial institutions in Canada and the U.S., Shariff said.

"If the government was to come out and choose something other than FDX, we can mitigate the gap," she said. "We'll update [it] on our end."

Shariff said any company can receive financial information through open banking as long as it passes regulatory accreditation and receives consumer consent. Consumers may be willing to share information as long as the company offers something meaningful in return.

"We don't know what all the use cases are going to be," she said.

Retailers with loyalty programs, for example, don't have information on consumer habits beyond their own network. Having access to consumer transaction data can help them understand where people shop, what they buy and how to customize offers to customers, Kim said.

Companies with a younger customer base will likely benefit from open banking as young people are more likely to be comfortable with new digital features, Kim said. Those with more frequent digital engagement with their customers will also come out ahead.

Artificial Intelligence Can Help Insurers' Streamline Claims Processing

By Kate McCaffery, Insurance Portal, May 07, 2024

Out of the United States, ratings agency **AM Best** also produces an insurance law podcast series, most recently featuring a discussion about the impact of artificial intelligence (AI) on the claims handling process.

In the discussion with AM Best's managing editor of benefits insurance professional resources, **John Czuba**, **Dan Thompson**, president and CEO of **DeeGe Rehabilitation Ltd.** says AI is likely impacting everyone on a regular basis without us even knowing it.

After defining AI, machine learning (ML), deep learning, natural language processing and discussing systems designed to mimic the decision-making ability of human experts in specific domains, he says AI can empower insurance companies to streamline claims processing, enhance risk management practices and deliver better experiences for policyholders.

Thompson, a registered rehabilitation professional, provides expert opinion to insurance carriers, attorneys and medical professionals when assessing the needs and vocational capabilities of people with disabilities. The firm's offices include one in Ontario.

Fraud Detection

He says the technology is being used in fraud detection, claims processing automation, in data entry and decision-making. "AI models can assess the risk associated with individual claims by analyzing their history, the policy details and external factors such as weather patterns, or economic indicators. This helps insurers prioritize claims and allocate resources more efficiently" he says. He adds that the biggest gains for the technology, which is currently being used across industries, will be made in health sciences. Regarding insurance, the technology is also being used in predictive analysis. "AI can optimize the claim settlement process by determining the appropriate amount to pay based on policy coverages, the damages assessed and other relevant factor," he says.

Essential To Recognize AI's Limitations

That said, he adds that it's essential to recognize AI's limitations and ensure that humans remain in control, noting that potential pitfalls to using the technology include bias and fairness concerns. "AI and systems can inherit biases based on the data used to train them. They're only as good as the programming that goes into them," he warns. The technology also presents new ethical dilemmas, he says, as the rapid advancement of AI has outpaced the development of regulations, legal frameworks, guidelines and standards.

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

THIA's 2024 Annual Conference

Date: May 22-24, 2024

Location: Quebec City, Canada

THIA's conference is the highlight of the Canadian travel insurance year and for the first time we are hosting this special event on Canadian soil. We expect to welcome many returning attendees and, by holding our premier event in beautiful Quebec City, we hope to meet many first-time attendees as well.

As always, you won't want to miss:

- Engaging insights from industry experts
- Networking opportunities with peers and prospects from across the globe

A chance to participate in scheduled professional and leisure activities

[Register Here](#) - 'Early Bird' registration for THIA and UStiA members is \$1,025 CAD until March 31, 2024.