

CAFII ALERTS WEEKLY DIGEST: November 4-8, 2024

November 8, 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
OBSI Reform Slated For Second Half Of 2025.....	2
Other CAFII Member-Relevant News.....	3
When Will OBSI Have Binding Authority For Investment Complaints?.....	3
Life Insurance Application Activity Increases Across The Board In October	4
Safe Travels: Experts Say Travel Insurance May Save You Thousands On Vacation Abroad.....	4
How AI And Automation Will Revolutionize Claims In 2025.....	6
Reimagines Life Insurance With Fast, Affordable, Digital Solution	9
Desjardins Industry Adapts To Client Needs With Modular, Flexible Products	11

GOVERNMENT/LEGAL/REGULATORY/BUSINESS DEVELOPMENTS

OBSI Reform Slated For Second Half Of 2025

CSA Says Next Phase Of Consultation To Come Next Year

By James Langton, Investment Executive, November 07, 2024

<https://www.investmentexecutive.com/news/from-the-regulators/obsi-reform-slated-for-second-half-of-2025/>

With the one-year anniversary of the release of the Canadian Securities Administrators' (CSA) proposed framework for binding dispute resolution looming on the horizon, the CSA signalled that the next phase of the project won't come until the back half of next year.

On Nov. 30 last year, the CSA published its initial proposals for reforming the dispute resolution system to enable the existing provider, the Ombudsman for Banking Services and Investments (OBSI), to hand down investor compensation recommendations that would be binding on industry firms.

The move to introduce binding authority is intended to address the long-standing criticism from independent reviewers, and investor advocates, of OBSI's current capacity to enforce its decisions, which is limited to its "name and shame" powers.

Over the years, a number of firms have refused to pay OBSI recommendations.

And, more recently, OBSI's lack of enforcement authority has resulted in harmed investors accepting "low-ball" settlement offers for fear of receiving no compensation.

To address this issue, the CSA has proposed a new regulatory framework that would allow for binding dispute resolution.

"With the proposed binding dispute resolution mechanism, complainants would have more certainty that they would receive fair redress that reflects the harm suffered, including potentially compensation where OBSI determines that financial redress is warranted to address a dispute," the CSA said in a release outlining its proposed framework.

Today, the regulators said that they have been reviewing the feedback that they received on that initial consultation, and they revealed their timing for the next phase of the initiative.

"As work continues on introducing binding authority, the CSA plans to issue a further publication for comment in the second half of 2025 that includes the CSA's proposed approach to oversight," it said.

The CSA's proposal envisaged enhanced regulatory oversight of a reformed OBSI that has binding authority to ensure procedural fairness in the process, and the service's accountability.

In the meantime, the Canadian Investment Regulatory Organization also just launched a consultation on proposed reforms to its arbitration program, which aims to position it as a viable alternative for larger, more complex disputes between industry dealers and their clients — specifically, claims that are larger than OBSI is able to handle.

That consultation is open for comment until Jan. 31, 2025.

OTHER CAFII MEMBER-RELEVANT NEWS

When Will OBSI Have Binding Authority For Investment Complaints?

There's Another Consultation Ahead But It's Some Way Down The Road

By Steve Randall, November 08, 2024

https://www.wealthprofessional.ca/news/industry-news/when-will-obsi-have-binding-authority-for-investment-complaints/387510?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20241108&hsenc=p2ANqtz-Ccn70Pfc0CE5s009g3N475oUQ2vJcNRZ2-b6DatAhEjvkoGXXqmuvtiJEyFuD0nC6E785oekGKYljg89jwe79oGZJcq&hsmi=332995548&utm_content=&utm_source=

Canadian investor advocates have been calling for a change to how complaints about investments are handled for many years, but it seems the wait goes on.

The Canadian Securities Administrators gave an update this week stating that it has been reviewing responses to a consultation on a proposed regulatory framework for an independent dispute resolution service which would have binding authority, expected to be the Ombudsman for Banking Services and Investments (OBSI). Comments opened at the end of November 2023 and closed in February 2024 and included recommendations from IFIC.

OBSI officially became the single external complaints body for banking complaints about federally regulated banks in Canada at the start of this month.

The CSA says that it intends to issue a further publication for comment regarding similar powers for investment complaints but that this will not happen until the second half of 2025.

The case for a single external complaints resolution service was highlighted in a five-year study by Professor Poonam Puri that was published in 2022 and found that “weakness in OBSI’s current ability to use the ‘name and shame’ system effectively due to a presupposition that firms that are named will comply with recommendations.”

Investor advocate Kenmar Associates commented in 2021 that OBSI weakness is not just about the lack of binding authority and called out industry practices and structural issues that take away from ombudsman's authority.

OBSI’s new authority for banking complaints was welcomed by FAIR Canada, but the organization said there is still more to be done to ensure investors gain stronger protection from a single external complaints body for investment, stating

that some investment firms pressure customers into accepting lower compensation than what OBSI suggests and that from 2015 to 2020, investment firms paid consumers nearly \$3 million less than OBSI had recommended.

“For more than a decade, FAIR Canada and fellow consumer groups have advocated for binding authority, as it will level the playing field between consumers and investment firms,” said Jean-Paul Bureaud, executive director, FAIR Canada. “It will also align Canada with international standards for dispute resolution and boost confidence in its financial markets. Binding authority would mark a major milestone in ensuring fairer outcomes for consumers in their investment disputes.”

Life Insurance Application Activity Increases Across The Board In October

By Kate McCaffery, Insurance Portal, November 08, 2024

Canadian life insurance application activity was higher across the board – year-to-date, year-over-year and month-over-month, according to the most recent MIB Life Index report from Massachusetts-based, MIB Group Inc.

They say life insurance application activity overall saw double-digit growth of 12.1 per cent year-over-year in October 2024. Year-to-date activity also grew 6.6 per cent when compared to October 2023 figures. Month-over-month, October applications were 4.9 per cent higher than the number of applications made in September.

Read full article (Subscription required): <https://insurance-portal.ca/life/life-insurance-application-activity-increases-across-the-board-in-october/>

Safe Travels: Experts Say Travel Insurance May Save You Thousands On Vacation Abroad

Buying Travel Insurance Isn't Just A Nice-To-Have Before A Trip. It's A Must, Says One Travel Blogger

By Sammy Hudes, The Reminder, November 07, 2024

<https://www.thereminder.ca/the-mix/safe-travels-experts-say-travel-insurance-may-save-you-thousands-on-vacation-abroad-9773655>

TORONTO — Hannah Logan didn't expect to wind up in the hospital, or face a pricey bill for X-rays and medication when she travelled to Bosnia over a decade ago.

The Ottawa woman recalls staying in a "mouldy hostel" at the time, which led to her developing a lung infection and needing nine different types of antibiotics while abroad.

Despite the nightmarish situation, Logan said she was fortunate because she had planned ahead.

"Travel insurance came through for me," she said.

The 35-year-old self-described "digital nomad" now works as a travel blogger and influencer, leading group trips around the world — including an upcoming trek to Antarctica in January.

She said buying travel insurance isn't just a nice-to-have before a trip. It's a must.

"Yeah, it kind of sucks to throw out an extra \$50, \$100, whatever the coverage ends up being, but if you do need it, it can save you thousands," said Logan.

"And I just think for the peace of mind and knowing that's there just in case the worst does happen ... I think it's worth it."

Financial planners agree with that sentiment, adding it's important for consumers to shop around for a plan that best fits their individual needs when taking out travel insurance.

While most credit card companies provide some form of coverage for health or trip protection, personal finance and travel expert Barry Choi said he recommends taking out "extended" travel insurance on top of that.

He said extended coverage may offer protection for unforeseen circumstances such as trip cancellations and delays, lost baggage, or complications from natural disasters.

"Anything can happen these days," said Choi.

"We're seeing more flight delays. We saw what happened during the pandemic, even more recently hurricanes and how that affected travellers too."

While plans vary across providers, a full year of unlimited medical coverage for an individual traveller who is relatively healthy can cost less than \$200, he said, while wider packages that include extra features like cancellation insurance might be closer to \$350.

"I tell people, if you can't afford travel insurance, you can't afford to travel," said Choi.

"It's such a minimal cost, it's not worth it to not have it. I would rather not sleep in an airport, I would rather not have to panic or worry if my flight is cancelled and I don't have any compensation in place."

He said it's especially important for those over 55 years old to have a separate travel insurance policy in advance of a trip, as credit card coverage tends to reduce at that age in anticipation of increased medical issues.

Choi cautioned travellers should be aware of other factors that may arise which void coverage of certain costs. For instance, jetting off somewhere the Canadian government has formally advised to avoid due to the threat of a hurricane may mean you won't get reimbursed for the cost of changing your return flight.

"It really comes down to the fine print. You've really got to pay attention to your policies," said Choi.

John Lysack, a financial adviser and founder of Toronto-based John Lysack Wealth Management, said clients are more willing to take out extra travel insurance than they used to be.

He attributes the shift to the COVID-19 pandemic, when travel restrictions often complicated flight plans and the risk of getting sick on vacation meant potentially having to isolate in place before being allowed to board a plane.

"Since COVID happened, I think people are a lot more willing to get travel insurance, just because it's a real-life situation," said Lysack.

"People are starting to look into that a lot more as they realize that life happens and things can change very, very quickly."

Logan said she learned that lesson when COVID first hit in 2020. She said she was in a Middle Eastern desert when the Canadian government told citizens abroad to come home as borders began to close amid the unfolding public health crisis.

"I was panicking, trying to figure out, 'How do I get home?' The flights were so expensive," she recalled.

Logan learned from her insurance provider she would qualify for emergency evacuation coverage through her plan, which was specifically tailored for people like her who often work remotely outside their home country.

"My one-way flight ended up being almost \$2,000, so I paid for the flight out of pocket, and I think that it was reimbursed in about 90 days," she said.

Lysack said that while younger clients are sometimes less appreciative of the value that insurance provides, it's simply not worth the risk to go somewhere without it.

"When it comes to your own life, if something happens abroad, those expenses can add up very, very quickly depending on the circumstance," he said.

This report by The Canadian Press was first published Nov. 7, 2024.

How AI And Automation Will Revolutionize Claims In 2025

By Abhishek Peter, Digital Insurance, November 07, 2024

https://www.dig-in.com/opinion/how-ai-and-automation-will-revolutionize-claims-in-2025?utm_campaign=NL_DIG_Morning_Briefing_11082024&position=1&utm_source=newsletter&utm_medium=email&campaignname=NL_DIG_Morning_Briefing_11082024&oly_enc_id=179419343067F0V

In 2025, artificial intelligence (AI) and automation will continue transforming the claims process across industries. These cutting-edge technologies are reshaping how insurance companies, healthcare providers, and financial institutions manage claims, bringing efficiency, speed, and accuracy to the forefront. The integration of AI and automation enables organizations to streamline operations, reduce costs, and enhance customer satisfaction, marking a significant shift from

traditional manual processes. In this article, we will explore how AI and automation are revolutionizing claims management, with an in-depth look at key advancements, benefits, and future implications.

AI-powered claims processing: Enhancing efficiency and speed

Artificial intelligence is playing a pivotal role in claims processing by automating time-consuming tasks, allowing claims adjusters to focus on more complex and high-value cases. AI algorithms can sift through vast amounts of data, identify patterns, and make recommendations faster than any human could. This not only improves efficiency but also dramatically reduces the turnaround time for claim settlements.

AI systems can automate the verification of policyholder information, analyze the validity of claims, and even predict fraudulent activities. For instance, AI-powered chatbots and virtual assistants are used to provide 24/7 support to customers, helping them file claims and answer queries in real-time. These tools free up human resources and ensure claims are processed at lightning speed.

Natural language processing (NLP) in claims management

One of the most groundbreaking uses of AI in claims processing is natural language processing (NLP). NLP enables machines to understand and interpret human language, allowing insurers to automate the extraction of critical data from claims documents, emails, and other textual sources. This reduces the need for manual data entry, accelerates claim assessment, and enhances overall accuracy. By leveraging NLP, insurers can rapidly analyze customer communications and detect potential issues before they escalate, ensuring a smoother claims experience.

Automation and robotic process automation (RPA): Streamlining operations

Robotic process automation (RPA) is revolutionizing how insurers handle repetitive tasks such as data entry, policy verification, and compliance checks. RPA utilizes software "robots" to mimic human actions within digital systems, allowing for the automatic completion of tasks with high precision and speed. These bots can work continuously without error, reducing the chances of human mistakes and speeding up claim approvals.

For instance, RPA is widely used in automating the claims adjudication process, where claims are evaluated, processed, and either approved or denied based on the policy terms. Automated systems can assess claims data, check it against predefined rules, and trigger appropriate actions without requiring manual intervention. This has led to reduced operational costs and faster processing times, ultimately benefiting both insurers and policyholders.

Automation for fraud detection

Fraud remains a major concern for insurers, and automation has emerged as a powerful tool in combating fraudulent claims. AI systems are trained to identify unusual patterns or discrepancies in claims submissions, which may indicate fraudulent activity. These systems can cross-reference data from multiple sources, such as social media, public records, and claims history, to flag suspicious claims for further investigation.

By automating fraud detection, insurers can minimize losses and ensure that genuine claims are settled more quickly. Automated fraud detection not only protects the bottom line but also instills confidence in policyholders, knowing that their premiums are being safeguarded from fraudsters.

Personalization and customer experience: AI's impact on claims

Integrating AI into the claims process has significantly improved the customer experience by offering personalized, data-driven services. Insurers can now tailor their communications and offers based on individual policyholders' behaviors

and preferences. AI-powered systems can predict customer needs and provide personalized recommendations, such as suggesting the most suitable policy or coverage options based on the customer's history and lifestyle.

In addition, AI-driven customer service platforms have become more sophisticated, using machine learning to understand customer sentiment and deliver more empathetic, context-aware responses. Automated systems can anticipate potential customer issues and proactively address them, creating a seamless and frictionless experience from claim submission to settlement.

AI and predictive analytics for proactive claims management

Predictive analytics is another area where AI is making a significant impact. By analyzing historical data and using advanced machine learning algorithms, insurers can predict future claim trends, allowing them to anticipate risks and optimize their claims processes accordingly. Predictive models help insurers forecast potential bottlenecks, resource needs, and high-risk claims, enabling them to take proactive measures before issues arise.

With real-time data analytics, insurers can also provide personalized insights to customers, such as suggesting preventive measures based on individual risk profiles. This enhances the relationship between insurers and policyholders and fosters a culture of proactive claims management.

The role of AI in claims decision-making

One of the most profound impacts of AI is its ability to assist in decision-making during the claims process. By leveraging AI-powered analytics, insurers can make data-driven decisions about claim approvals, settlements, and rejections. AI systems can analyze complex variables such as medical records, financial statements, and accident reports to provide recommendations based on objective data, reducing the risk of human bias and error.

AI-powered decision-making tools enable insurers to achieve greater consistency and fairness in claims outcomes, ensuring that customers are treated equitably. This, in turn, fosters trust and transparency, which are critical to maintaining customer loyalty in a highly competitive insurance landscape.

AI in subrogation and recovery processes

AI is also transforming the subrogation and recovery process, where insurers attempt to recover costs from third parties responsible for the loss. AI systems can quickly identify recovery opportunities by analyzing data and identifying responsible parties. Automated subrogation tools streamline the recovery process, reducing the time and resources needed to recoup losses, and improving insurers' overall profitability.

The future of AI and automation in claims: What to expect

As we move further into the future, AI and automation will continue to evolve and play an even more significant role in claims management. With advancements in deep learning, AI systems will become even more capable of handling complex claims, improving both the speed and accuracy of decision-making.

We anticipate greater integration between AI and blockchain technology to create transparent, tamper-proof claims processes that increase trust between insurers and policyholders. Additionally, the growing use of AI-powered drones and IoT devices for data collection in property claims will enable insurers to assess damages in real-time, reducing the need for on-site visits and speeding up the settlement process.

Challenges and ethical considerations

While the benefits of AI and automation in claims are clear, there are challenges and ethical considerations that insurers must address. Ensuring data privacy, managing AI bias, and maintaining transparency in AI-driven decisions are critical concerns that must be addressed as these technologies become more widespread. Insurers will need to balance automation and human oversight to ensure fairness and accountability.

Conclusion: A new era for claims management

The rise of AI and automation in claims processing is ushering in a new era of efficiency, accuracy, and customer satisfaction. By leveraging AI-powered tools, insurers can streamline their operations, reduce costs, and improve the overall claims experience for policyholders. As these technologies continue to evolve, we can expect even greater advancements in the way claims are handled, from fraud detection to personalized customer service.

Reimagines Life Insurance With Fast, Affordable, Digital Solution Why Insurance Operations Could Be Hampered By Talent Gap

How Will It Impact Organizations' Roadmaps For The Future?

By Gia Snape, Insurance Business, November 07, 2024

<https://www.insurancebusinessmag.com/ca/news/breaking-news/why-insurance-operations-could-be-hampered-by-talent-gap-512946.aspx>

Insurance operations will bear the brunt of the industry's widening talent gap over the next few years, according to Markel Corporation chief operations officer Carys Lawton-Bryce (pictured).

As many more people retire from the insurance industry than young people join it, the lack of skilled talent will be "more acute" in critical operations functions, she warned. Lawton-Bryce delivered remarks during the second day of the Insurance Innovators Summit in London on Wednesday (November 6).

"Traditionally, insurance operations has been very much an accidental career," she said. "Young people join support teams in the hope that it gives them an opportunity to progress through to underwriting or claims."

Unlike roles like CFO or CEO, where a career path is well-defined, Lawton-Bryce pointed out, operations lack a structured progression. "Some people come in, potentially from project areas or other places, but there's no real career path," she said.

The key to resilient insurance operations

The changing landscape of outsourcing also adds complexity to the talent issue. Vendors are moving beyond traditional business process outsourcing to offer more value-added services in data and analytics. This shift underscores the need for technical expertise in-house, according to the Markel COO.

"If we want to make sure that our operations going forward are more resilient, more effective, then we do need to invest in more technical skill sets," Lawton-Bryce said. She listed change management, process improvement, and vendor management as examples of skills that need nurturing.

Efforts to uplift technical skills within existing teams, while ensuring operations are attractive to early-career individuals and those from other industries, will be essential to maintaining resilient organizations moving forward. However, the main challenge isn't just finding the right people; it's making sure those within the industry see a future worth investing in, Lawton-Bryce stressed.

"Are we selling that to early careers, people joining the industry? Are we selling it to people from other industries, or what the opportunity is in the insurance industry?" she asked.

Why operations 'roadmaps' are overrated

The talent gap is part of a network of factors that could transform insurance operations over the next several years. Coupled with the unpredictability of technologies, particularly artificial intelligence (AI), the workforce challenge could make long-term planning a bugbear for insurance organizations.

For Lawton-Bryce, the notion of a fixed roadmap for navigating the future of insurance operations is, at best, speculative. "I think if anyone presented you with a roadmap for 2030, I'd probably take it with a little bit of cynicism," she told the audience of insurance professionals at Wednesday's summit.

Instead, Lawton-Bryce advocated for introducing incremental change rather than following big, multi-year roadmaps.

"Flexing that 'change muscle' and seeing progress is crucial," she said. "It helps bring our operations staff along. Insurance ops teams aren't known for being dynamic, so empowering them to engage in change is transformative."

Real-time adaptation does more than fine-tune processes, it gradually shifts the culture within operational teams. Concrete examples from real-world practices illustrate the power of this approach, said Lawton-Bryce.

In Markel's London market operations, for instance, when the team collaborated with an outsourced provider, operations staff retained the autonomy to decide what work would be outsourced and what they would keep in-house.

In Canada, Markel achieved a similar breakthrough using Robotic Process Automation (RPA). By integrating RPA over their primary system, Lawton-Bryce said, the team could automate simpler tasks, freeing up their subject matter experts to identify and work on improvements elsewhere.

The big lesson for insurance companies? Incremental steps generate momentum. "What we've seen is that within quite a short period, the attitude and the dynamic of the team changes," said Lawton-Bryce.

"Suddenly they're engaged in this process and believe that change is possible in a way that they probably didn't a year or two ago."

Desjardins Industry Adapts To Client Needs With Modular, Flexible Products

Digital Shifts Prompt Desjardins Industry To Strengthen Advisor Support Through Targeted Training

By Freschia Gonzales, Wealth Professional, October 28, 2024

https://www.wealthprofessional.ca/investments/life-and-health-insurance/desjardins-industry-adapts-to-client-needs-with-modular-flexible-products/387385?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20241107&hsenc=p2ANqtz-DZHQRW_for5lpTZ8KqB2EplwhX8vsrDdfc_HWq3TzZd0Ced318Xn7irG9e6EnOvzjQYPcTTFB2OSeJVC1QQcpwfkAJA&hsmi=332900781&utm_content=&utm_source=

According to Wealth Professional, Desjardins Insurance is adapting to shifts in the insurance industry, prioritizing personalized, flexible products and an efficient client experience.

With the rise of digital distribution, insurers must differentiate themselves in a market that demands ‘seamless, no-hassle experiences,’ particularly to meet evolving client needs and risks.

Desjardins Insurance vice president of Individual Insurance, Michel Martineau, explains that the company’s focus remains on delivering value through tailored products that adapt over time. “The fact that we’re here to support our clients is what gets me going in the morning,” Martineau states.

The insurer’s offerings include modular products like the critical illness insurance, which covers all types of cancer and unique cardiovascular procedures.

Martineau notes that advisors consistently value Desjardins’ “approachability and responsiveness,” with the company maintaining a human touch even as digital tools become essential in the industry.

Staying connected to client needs is central to Desjardins Insurance’s approach.

Martineau highlights the importance of feedback from clients and advisors, saying, “Their needs are evolving quickly, and our role is to ensure that we remain responsive to those changes.

This commitment is reflected in products like the 5 Pay Participating Life Insurance, designed to meet the needs of clients approaching retirement by offering guaranteed premiums over five years.

Financial strength enables Desjardins Insurance to lead with innovation and adaptability. As part of a large group, the company has the resources to expand its product line, evident in moves like the acquisition of IDC Worldsource Insurance Network Inc.

“We’re not limited by the constraints smaller companies face,” Martineau says, emphasizing the advantages that financial capacity brings to their growth and market presence.

Desjardins has also invested in technology to streamline operations, focusing on “reducing friction in the sales process” and ensuring clients are protected quickly.

Martineau states, “Efficiency is critical in today’s market... We’re using technology to make things easier for both clients and advisors.” Alongside product innovation, Desjardins has built a strong feedback loop, consulting advisors and clients regularly to refine its offerings.

Martineau mentions that “improving distribution” is key, with insights guiding Desjardins to adapt its products to varied life stages rather than simply following market trends.

With a shifting advisor demographic, Desjardins supports both new and experienced advisors through initiatives like the Discovery and Masterclass Series webinars, equipping them to stay competitive.

Martineau underscores the company’s commitment to advisor growth, saying, “We believe in supporting them through education and resources that help them grow, not just as Desjardins Insurance partners, but as leaders in their own right.”