

CAFII ALERTS WEEKLY DIGEST: November 18-22, 2024

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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.

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GOVERNMENT/LEGAL/REGULATORY/BUSINESS DEVELOPMENTS

OSFI's Tolga Yalkin To Lead BCFSA

By Government of Canada, November 19, 2024

<https://www.osfi-bsif.gc.ca/en/news/osfis-tolga-yalkin-lead-bcfsa>

The Office of the Superintendent of Financial Institutions (OSFI) is proud to announce that Tolga Yalkin, Assistant Superintendent of Regulatory Response, will become the new Chief Executive Officer and Chief Statutory Officer of the BC Financial Services Authority (BCFSA).

In his role, Mr. Yalkin has been responsible for setting expectations and guidance that help keep Canada's banks and insurance companies strong and resilient.

Since joining OSFI in 2022, Mr. Yalkin has led the development of a number of key guidelines on critical issues such as cyber security, crypto-assets, culture, operational resilience, mortgage rules and climate risks, among others.

Mr. Yalkin's forward-thinking leadership has also driven major initiatives, including OSFI's first Integrity and Security guideline and the Policy Review to ensure regulations remain effective and reduce unnecessary burden on the industry. He also introduced the Quarterly Release pilot to help regulated industries anticipate OSFI's updates.

His tenure has been marked by a clear vision and practical solutions that balance strong oversight with industry collaboration, ensuring guidance that is both effective and adaptable to emerging challenges.

Mr. Yalkin's last day with OSFI will be January 3, 2025. Angie Radiskovic, Assistant Superintendent, Strategy Risk and Governance will assume temporary responsibility for the Regulatory Response sector starting on January 6, 2025, in addition to her current role.

Roy Gori Steps Down As President And Chief Executive Officer Of Manulife

By Aurélia Morvan, Insurance Portal, November 18, 2024

<https://insurance-portal.ca/life/roy-gori-steps-down-as-president-and-chief-executive-officer-of-manulife/>

After more than seven years at the helm of Manulife, Roy Gori will step down as President and Chief Executive Officer (CEO) on May 8, 2025.

He will be replaced by Phil Witherington. Formerly associated with KPMG, AIA, and HSBC, Witherington has been President and CEO of Manulife Asia since July 2023.

It was also while he was leading Manulife's Asian division that Gori was appointed President, which took effect June 5, 2017. He became Chief Executive Officer on October 1, 2017.

"To support this transition, following Mr. Gori's retirement, he has agreed to serve as an Advisor through August 31, 2025," the announcement reads.

Ontario Consults On Future Variable Payment Life Annuity Framework

By Kate McCaffery, Insurance Portal, November 14, 2024

The Ontario Ministry of Finance has published a new consultation paper in the lead up to the development of a new framework governing variable life benefits (VLBs).

Also known as variable payment life annuities, 2021 amendments to the federal Income Tax Act gives provinces the authority to regulate the relatively new pension option. In order to establish VLBs in Ontario, however, amendments to both the Pension Benefits Act (PBA) and the Pooled Registered Pension Plans Act, 2015 (PRPPA) are also required.

Read full article (Subscription required): <https://insurance-portal.ca/society/ontario-consults-on-future-variable-payment-life-annuity-framework/>

Canada Designates OBSI As Single Body For Banking Complaints

OBSI Takes On Role As Sole Complaints Handler For Federally Regulated Banks, Standardizing The Process

By Freschia Gonzales, Wealth Professional, November 04, 2024

https://www.wealthprofessional.ca/news/industry-news/canada-designates-obsi-as-single-body-for-banking-complaints/387460?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20241104&hsenc=p2ANqtz-k6RVaBO3yAhI7nvHNAC78JHyQf9vYD_BwwBqHzNpE4ky5BBmZsmnEsBzBNsa5ole7JalBdNGiLrdEdrToNANlAQHysq&hsmi=332226600&utm_content=&utm_source=

As of November 1, the Ombudsman for Banking Services, and Investments (OBSI) has assumed its new role as the single external complaints body (ECB) for federally regulated banks in Canada.

This shift, initiated by Finance Minister Chrystia Freeland in October 2023 and based on the Financial Consumer Agency of Canada's (FCAC) recommendation, consolidates banking complaints under one independent organization.

The aim is to simplify the complaints process for consumers who previously had to navigate a two-body system.

The move to designate OBSI as the sole ECB comes after findings from FCAC's 2020 report on the operations of external complaints bodies. The report highlighted consumer challenges, such as delays and procedural issues, when escalating complaints.

Before OBSI's sole designation, banks could choose between OBSI and the ADR Chambers Banking Ombuds Office (ADRBO) to handle complaints. Under the new mandate, all federally regulated banks are now required to work with OBSI.

The six banks that previously partnered with ADRBO, including Royal Bank of Canada, TD Bank, and Scotiabank, have now transferred to OBSI. ADRBO, meanwhile, will continue to address any unresolved complaints it received before November 1.

Werner Liedtke, interim commissioner of the FCAC, emphasized the significance of this transition for Canadian consumers. "As a result of the move to a single ECB, Canadians now have a simpler and fairer complaint handling system," he stated.

Liedtke also underscored FCAC's role in overseeing the complaints process and "enhancing trust and confidence in financial institutions and the financial system."

The FCAC will continue to supervise the complaint-handling standards in banking under the Bank Act, the FCAC Act, and the Financial Consumer Protection Framework Regulations.

Consumer rights groups, including FAIR Canada, support the shift to a single ECB, highlighting that it aligns with international standards for dispute resolution.

Jean-Paul Bureaud, executive director of FAIR Canada, noted, "Having OBSI as the single ECB will be better for everyone—especially for consumers who don't have the capacity, time, or money to navigate the complex complaint-handling landscape."

However, Bureaud and other advocates argue that more needs to be done to improve the complaints system, particularly in the investment sector.

FAIR Canada has long pushed for OBSI to be granted binding authority, which would require investment firms to adhere to OBSI's recommendations for complaint resolutions.

Currently, investment firms can disregard OBSI's recommendations, sometimes pressuring customers to accept lower compensation than what OBSI suggests.

According to FAIR Canada, from 2015 to 2020, investment firms provided consumers nearly \$3m less than OBSI's recommended amounts.

Binding authority, Bureaud said, would “align Canada with international standards for dispute resolution and boost confidence in its financial markets.”

OBSI is a national non-profit with over 25 years of experience in Canada. It provides an independent review for unresolved cases pending for over 56 days, as per the Financial Consumer Protection Framework.

OBSI has up to 120 days to issue a final recommendation to the bank and consumer if the complaint meets its mandate.

OTHER CAFII MEMBER-RELEVANT NEWS

Financial Services' Adoption Of AI Comes With Significant Risks, Warns FSB

Global Financial Stability Organization Highlights Pros And Cons Of Technology

By Steve Randall, Wealth Professional, November 15, 2024

https://www.wealthprofessional.ca/news/industry-news/financial-services-adoption-of-ai-comes-with-significant-risks-warns-fsb/387578?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20241115&hsenc=p2ANqtz-IL9yrXcF8hBsvq1zBH_CteFthqcdcCoNnixpgGTINyInB62kYFAJl1dnJynA3Gwz0QCEBMM5FPP-d9-KZxJNi-3S-jQ&hsmi=334095671&utm_content=&utm_source=

As the financial services sector continues to consider how artificial intelligence can be used to boost productivity and profitability, there's a warning about its potential risks to financial stability.

The global Financial Stability Board says that, while the tech comes with great benefits for the sector, it also poses some threats that could lead to weakened financial stability.

In a new report called The Financial Stability Implications of Artificial Intelligence, the FSB says that financial services firms are typically using AI to enhance operational improvements and regulatory compliance.

The use of Generative AI for document summarization, information retrieval, and code generation is growing but firms are generally taking a cautious approach, although it notes that the potential for rapid adoption is clear, especially in areas such as personalization of products and advanced data analytics.

AI is also being used for supervision but this is one area that the report highlights as potentially risky due to rapid adoption and limited data on AI usage, posing “challenges for monitoring vulnerabilities and potential financial stability implications.”

The use of AI could “amplify certain financial sector vulnerabilities and thereby pose risks to financial stability,” the report states.

Some of these vulnerabilities could also increase systemic risk including:

- third-party dependencies and service provider concentration
- market correlations
- cyber risks and
- model risk, data quality and governance.

The FSB warns that financial fraud and disinformation in financial markets could be exacerbated by GenAI while systems that are not aligned to operate within legal, regulatory, and ethical boundaries can also engage in behaviour that harms financial stability.

There is also longer-term risk of changes to market structure, macroeconomic conditions, and energy use that could impact financial markets and institutions.

The organization says that regulators need to ensure that frameworks around the use of AI are sufficiently comprehensive.

Florida Man Sues Canadian Travel Insurance Company, MSH International, Over Denied Claim

The Company Denied Critical Care Transport, Reports Say

By Jonalyn Cueto, Insurance Business, November 12, 2024

https://www.insurancebusinessmag.com/ca/news/breaking-news/florida-man-sues-msh-international-over-denied-claim-513476.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20241112&hsenc=p2ANqtz-wQhPiPpi_gwui0BLOYGEJknF2Ce0yamYn0M8jQ8KJZSWcqSmcDGHBzoQelmhppqlpFq-tA7DRZbLFzlizySKy3rmqiQ&hsmi=333519700&utm_content=&utm_source=

A Florida man has filed a lawsuit against a Canadian travel insurance company after it denied a \$175,000 claim for an air ambulance.

According to a report from Vancouver Sun, the claim stems from his attempt to transport his wife from Germany to the US for emergency medical treatment after she contracted COVID-19 and pneumonia while on vacation in 2022.

Stephen McNally is suing MSH International (Canada) Ltd., a BC-based travel insurer, after it refused to cover the medical air transport of his wife, Fiona McNally, who passed away in 2023.

The lawsuit, filed in British Columbia, claims MSH wrongfully denied the couple's claim for emergency transportation to an American hospital, as was stipulated in their policy.

According to court documents, McNally's wife, who held both Canadian and American citizenship, fell ill with COVID-19, pulmonary pneumonia, and aspiration pneumonia.

The couple, who reside in Florida during the winter and in NanOOSE Bay, BC, during the summer, had taken out the travel insurance policy to ensure coverage for serious health emergencies. McNally's suit contends that the policy included provisions for air ambulance transportation to her home country should emergency care be needed.

A race against time

The couple departed for Europe from Washington state on July 12, 2022, and after 10 days in Europe, Fiona McNally was hospitalized in an intensive care unit in Frankfurt. By August 1, Stephen McNally had contacted MSH to initiate a claim, with plans to transport her via air ambulance to the Mayo Clinic in Jacksonville, Fla., where her doctors said she could receive the necessary intensive care that was not available on a commercial flight.

The lawsuit claims that McNally worked "diligently" between August 1 and August 15 to supply MSH with all required documentation to expedite his wife's return. On August 15, McNally said he was assured by MSH staff that he could proceed with the air ambulance arrangements and file the claim afterward. However, later that same day, MSH allegedly "informally" denied the claim, advising McNally to submit a formal claim instead.

Fiona McNally was flown home on August 22, but in December, MSH issued a formal denial, stating that Fiona's condition could have been managed in Germany, making the costly air ambulance unnecessary. MSH also asserted that the transportation had not been pre-approved or pre-arranged through them, which they say was a condition of coverage.

The lawsuit argues that the insurance policy's language did not require that Fiona be treated only where the medical issue occurred. The policy allows emergency air transportation to "the nearest appropriate facility" or to a hospital in Canada or the policyholder's home country, McNally claimed.

McNally is seeking \$175,000 in compensation for the air ambulance costs as well as \$100,000 in damages for alleged bad faith and punitive damages, citing misrepresentation and a breach of duty for good faith and honest performance in the contract.

Vancouver Sun noted none of the allegations has been proved in court.

Stable Outlook For Canadian Life And General Insurance Companies

By Kate McCaffery, Insurance Portal, November 11, 2024

Ratings agency, AM Best has a lot of good things to say about the companies it rates in both the life and health and property and casualty (P&C) insurance industries in Canada. Although it takes some time for companies and users of company information to grow accustomed to the new accounting regime, it says IFRS 17 impacts have been minimal, not having the negative effects that many feared.

At a recent briefing in Toronto – AM Best's Insurance Market Briefing on October 25, 2024, AM Best's analysts discussed both industries in depth, touching on both cyber risks and merger and acquisition (M&A) activity along the way.

Read full article (subscription required): <https://insurance-portal.ca/society/stable-outlook-for-canadian-life-and-general-insurance-companies/>

Major Study Will Consider Barriers To Diversity In Canadian Financial Services Sector

Over Three Years The Research Aims To Help Drive Lasting Change

By Steve Randall, Wealth Professional, November 06, 2024

https://www.wealthprofessional.ca/news/industry-news/major-study-will-consider-barriers-to-diversity-in-canadian-financial-services-sector/387480?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20241106&hsenc=p2ANqtz--rUPEjL5kB73os8DL6agZNtk0lyU2lo3N_BqBY8Lq2CM99A8XLkoPnugGLKAsnAx49vc7DBiyyM7Q9uNSanEmKilbHw&hsmi=332616805&utm_content=&utm_source=

How Canada's financial services sector can better support the entry and progression of underrepresented groups is the focus of a major new study over the coming years.

VersaFi is spearheading the three-year research project thanks to funding from the Women and Gender Equality Canada (WAGE), through the Women's Economic and Leadership Opportunities Fund (WELOF).

It will look at the challenges faced by Black, Indigenous, People of Colour (BIPOC), women and gender-diverse professionals in the Canadian finance sector and both review existing diversity initiatives and provide practical evidence-based strategies to drive meaningful and lasting change.

"BIPOC women and gender-diverse professionals face significant hurdles on their path to senior leadership, driven by entrenched structural and cultural biases," said Tanya van Biesen, VersaFi president and CEO. "These barriers manifest in a variety of ways, including through stereotyping, insufficient mentorship and sponsorship, and exclusion from informal networks. Add to this the double burden of intersectional discrimination and scarce representation at the top, and the need for organizations to act decisively becomes urgent. Our goal is to identify effective and actionable strategies that organizations can implement to foster the success of these professionals at every stage of their careers."

VersaFi has been keen to highlight the issues of attracting and retaining women and other underrepresented groups within the industry. This new multi-year study will further its aim for change by providing tools that industry leaders can use to improve opportunities and remove challenges for those groups.

"We're thrilled to launch this transformative, three-year study," adds Rosheeka Parahoo, director, Research & Advocacy, VersaFi. "Our aim is to drive impactful and meaningful change that will accelerate equity across the finance sector. We're committed to ensuring that this research becomes a vital tool for change, enabling firms to find new and impactful ways of addressing the challenges BIPOC women and gender-diverse professionals face."

How Can Health Insurers Benefit From GenAI?

New Report Looks At Key Considerations

By Terry Gangcuangco, Insurance Business, October 18, 2024

https://www.insurancebusinessmag.com/ca/news/life-insurance/how-can-health-insurers-benefit-from-genai-510291.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20241018&hsenc=p2ANqtz-80mXjNR6zxCuSi6m-eDE-QPKqKQg9EIQFH6cml8-vE0jQAIQFKXIXyPRDQ7885qY2XvUlab3Oo12F7p3D-XcfbdG7_Ow&hsmi=329753180&utm_content=&utm_source=

A new Forrester report, led by senior analyst Shannon Germain Farraher (pictured), stresses the need for health insurers to adopt generative artificial intelligence (genAI) and invest in change management strategies to unlock the technology's full potential.

According to Farraher, health insurance companies are increasingly experimenting with genAI in hopes of streamlining back-office operations and improving both employee and member experiences. However, this transformation is being hindered by outdated IT infrastructure.

To truly capitalize on the potential of genAI, health insurers must not only modernize their technical systems but also build internal capabilities for change management. Farraher's report, "Generative AI: What It Means for Health Insurers," highlights how GenAI could reshape the industry and offers guidance on adoption strategies, as well as risk mitigation.

Among the highlighted early benefits of genAI applications include improved care coordination by digitizing the intake process and automating clinical reviews for prior authorizations; contextual insights, helping insurers gain a deeper understanding of how members perceive their products and services; knowledge management, with tools enabling customer service agents to resolve issues more efficiently; and enhanced experience across the member lifecycle.

Despite the rapid evolution of genAI, Farraher advises healthcare leaders to align on organizational values and goals before diving in. She suggests that senior leadership decide whether to transform their operations comprehensively or begin with smaller pilot programs to enhance specific functions.

Forrester will continue to explore the role of genAI in healthcare, focusing not only on the core issues but also on the technology's security implications and impact on employees. Interested participants can reach out via sgermain@forrester.com.

