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CAFII ALERTS WEEKLY DIGEST: October 13 – October 20, 2023

October 20, 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.

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GOVERNMENT/LEGAL/REGULATORY DEVELOPMENTS

OBSI Named Sole External Mediator For Bank Complaints Resolution

Finance Also Announced Measures To Tackle Bank Fees And Mortgage Relief

By James Langton, Investment Executive, October 17, 2023

[OBSI named sole provider for bank complaints | Investment Executive]

Amid a surge in consumer complaints about their banks, the federal Finance department is mandating that the non-profit Ombudsman for Banking Services and Investments (OBSI) serve as the sole provider of external complaint handling.

Canada's Finance Minister Chrystia Freeland said that OBSI will be designated as the single external complaints body for the banking sector effective November 1, 2024, putting an end to the fragmented dispute resolution system for banking complaints.

The announcement was among a series of measures which the Finance Department said are intended to improve the treatment of Canadians at the hands of their banks. The measures include pushing the banks to work with homeowners who are facing sharply rising mortgage costs, directing the banks to reduce "junk" fees (such as fees for insufficient funds) and calling on the Financial Consumer Agency of Canada (FCAC) to work with banks to improve access to low-cost accounts.

Making OBSI the sole complaint handler will put an end to the controversial practice of allowing banks to chose their own referee for resolving consumer complaints.

"For too long, banks have been able to choose who adjudicated complaints that Canadians have had with their bank. Canadians deserve an impartial advocate that will work on their behalf," the government said in a release.

"Over the next year, OBSI will transition to better serve Canadians in dealing with their complaints in a timely, effective, and fair manner."

OBSI got its start as the dispute resolution service for the banking industry before expanding to deal with investment industry complaints as well. Over the years, a number of banks withdrew from the service and began using mediation firm ADR Chambers Banking Ombuds Office (ADRBO) instead.

In 2015, following an effort to set standards for dispute resolution, the federal government formally designated both OBSI and ADRBO to deal with customer complaints that the banks couldn't resolve internally.

Currently, four of the Big Six banks — Bank of Nova Scotia, National Bank, Royal Bank of Canada, and TD Bank Group — use ADRBO, as does Digital Commerce Bank and Tangerine.

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Consumer advocates have long called for policy-makers to put an end to the fragmentation of complaint handling at the banks, and they've advocated for OBSI to be named the sole provider.

Organizations including FAIR Canada, the Public Interest Advocacy Centre, and Kenmar Associates applauded the government's decision on Tuesday, October 17.

"FAIR Canada and other consumer groups have repeatedly pointed out how Canada's approach to banking complaints fell short of international standards and best practice," said Jean-Paul Bureaud, executive director at FAIR Canada, in a release.

"We're pleased to see the federal government take these steps to improve it and to designate OBSI as the sole ECB for all banking customers."

In 2020, a report from the FCAC found that the fragmented system resulted in consumers suffering delays and complications in getting their complaints resolved. It also concluded that the multiple-provider model "introduces inefficiencies and complexities and is not consistent with international standards."

The choice of OBSI as the sole provider is based on a recommendation from the FCAC, following an open application process.

"FCAC welcomes the designation of a single external complaints body for banking. When combined with the complaint handling requirements introduced last year under Canada's Financial Consumer Protection Framework, this change will provide Canadians with a simpler, fairer, and more effective complaint handling system in banking," said Judith Robertson, commissioner of the FCAC, in a release.

Over the next year, both OBSI and ADRBO will continue their work resolving banking complaints until OBSI takes over the job on its own in late 2024.

Last week, OBSI reported that banking complaints have soared this year, rising by over 300% year-over-year.

In response to surging case volumes, the non-profit mediator said that the fees it charges the banking sector will increase by about 160% for fiscal 2024.

"In the coming year, we look forward to working with the FCAC, the banks that will be returning to OBSI, as well as the Canadian Bankers Association, our existing participating banks, and other stakeholders to ensure a smooth transition," said Sarah Bradley, ombudsman and CEO at OBSI, in a release.

In other measures announced by the Minister of Finance on Tuesday, October 17, the government said that some banks have already agreed to offer basic, low-cost bank accounts and that the FCAC will begin work to enhance access to these accounts and to establish caps on fees for insufficient funds.

"Where necessary, the government will negotiate the implementation of these reforms with banks and the Canadian Bankers Association," it said.

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On mortgages, Minister Freeland said that she met with the CEOs of the big banks last week and "outlined her expectations that they abide by the government's new mortgage guideline" that was issued by the FCAC, "which directs banks to proactively work with mortgage holders at risk of default on their principal residence to provide tailored mortgage relief."

Those relief measures can include waiving prepayment penalties, waiving internal fees and costs, extending amortization, and not charging interest on interest, the government said.

Freeland "emphasized to the bank CEOs that she will be closely monitoring the banks' compliance," the government's announcement said.

With Complaints Soaring, OBSI Fees Set To Climb

Banks To Bear The Brunt Of Fee Increase, As Case Volumes Jump

By James Langton, Investment Executive, October 13, 2023

https://www.investmentexecutive.com/news/from-the-regulators/with-complaints-soaring-obsi-fees-set-to-climb/

With complaint volumes soaring, the fees that firms pay to fund dispute resolution will be rising too.

The Ombudsman for Banking Services and Investments (OBSI) reported that case volume has jumped 261% this year, led by a 300% spike in banking sector complaints. Investment-related complaints are also up by more than 60% from last year's numbers, which were already at a record high.

As a result, the fees that firms pay to fund OBSI's activities are also heading higher.

For fiscal 2023, OBSI had a $12 million budget, but the large increase in its caseload prompted extra hiring that required it to spend $13 million. The agency had to tap its reserves to finance the added expenses, with the extra $1 million now being added to the bill for 2024.

"Our board has determined that it is appropriate for us to recover the full amount of this deficit from participating firms in 2024," OBSI said in a bulletin — adding that this is expected to be a one-time event, not a recurring expense.

Given that the bulk of the increase in complaints is being driven by the banking sector, banks will take the hardest fees increase hit — an increase of about 160% from 2023.

For investment dealers and mutual fund dealers, fees are also expected to rise by 9%. And fees on exempt market dealers (EMDs) and portfolio managers are going up 4%.

Complaints involving investment dealers and fund dealers were up 40% year-over-year, while volumes in the EMD and portfolio manager sector were up 23%, OBSI said.

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For scholarship plan dealers, fees are set to rise by 6%, while credit unions' fees will remain unchanged, as their case volumes were flat.

OBSI's budget for fiscal 2024 (which starts November 1) is $15.5 million, up by 30% from 2023, to accommodate the sharp increase in complaints.

"For 2024, we expect to continue to respond to increased case volumes due to regulatory changes in the banking sector, and continued market volatility and financial uncertainty related to inflation and interest rate changes," it said.

"To deal effectively with this ongoing consumer demand and growth in case volume, we will need to ensure that we have adequate staff resources to maintain our service levels," it added.

Pierre Poilievre Urges Finance Minister To Reject Proposed RBC Takeover Of HSBC Canada

By Bill Curry and Stefanie Marotta, The Globe and Mail, October 19, 2023

https://www.theglobeandmail.com/politics/article-pierre-poilievre-urges-chrystia-freeland-to-reject-proposed-rbc/

Conservative Leader Pierre Poilievre is calling for the federal government to reject Royal Bank of Canada's proposed takeover of HSBC Bank Canada, saying the deal would reduce banking competition at a time when homeowners are struggling with high borrowing costs.

In an interview with The Globe and Mail on Thursday, October 19, Mr. Poilievre said blocking the deal is a clear step which the government could take to address affordability concerns.

"If the biggest bank in Canada simply buys up a growing smaller player, then there's no hope of ever having more competition in Canadian banking," he said. "If you remove HSBC, then you'll be removing downward pressure on lending rates."

Mr. Poilievre did not say what he believed would become of HSBC Canada if Ottawa were to terminate RBC's deal, which it clinched after Britain-based banking giant HSBC Holdings PLC decided to sell off its Canadian unit. If RBC is unable to buy HSBC Canada, the British lender could simply relaunch the bidding process.

Canada's Competition Bureau greenlit RBC's takeover of HSBC Canada in September. It was the first major approval required for the country's largest lender to clinch the biggest domestic banking deal on record. The takeover would bolster RBC's dominance over its rivals by tens of billions of dollars in loans and deposits.

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The country's big banks had been eyeing HSBC Canada for years, coveting its strength in commercial lending and mortgages. London-based HSBC put its Canadian subsidiary on the auction block in October 2022, as part of a strategic review, offering its competitors the rare opportunity to substantially grow their operations domestically through an acquisition. In recent years, HSBC has also trimmed its operations in other regions, including Brazil, France, and the U.S., to re-allocate resources to areas where it has greater growth opportunities.

RBC emerged as the victor with a $13.5-billion offer – the most a Canadian bank has ever paid for a domestic competitor, at 2.5 times HSBC Canada's tangible book value.

RBC spokesperson Andrew McGrath said in an e-mailed statement that the deal will keep financial sector jobs in Canada and provide a comfortable transition for HSBC Canada's clients.

"HSBC Canada's parent company has announced their decision to exit the Canadian marketplace, leading to uncertainty for HSBC's 700,000 Canadian clients," Mr. McGrath said. "We strongly believe that RBC's proposed acquisition offers HSBC's Canadian clients the best possibility for continuity and stability, while providing them with innovative made-in-Canada international banking solutions and advanced digital capabilities."

In June, the federal Finance Department launched a public consultation on the deal to collect feedback on how it could affect the financial sector. The takeover requires approval from Canada's banking regulator, the Office of the Superintendent of Financial Institutions. And it also needs sign-off from the Finance Minister, who has the final say.

Many banking analysts expect the deal to close. In a note to clients in September, Canadian Imperial Bank of Commerce analyst Paul Holden said there should not be "any significant hurdles" in securing further regulatory approvals.

Katherine Cuplinskas, a spokesperson for Finance Minister Chrystia Freeland, responded to a request for comment by pointing to a statement which the Minister issued nearly a year ago when the plan was first announced.

"The Minister of Finance's decision on the acquisition will be informed by all required regulatory review processes, including those administered by the Office of the Superintendent of Financial Institutions and the Competition Bureau," Ms. Cuplinskas said.

The Liberal government is also facing calls from the NDP to reject the merger.

NDP MP Laurel Collins sent a letter this month to Ms. Freeland urging her to stop the merger.

The letter said HSBC has been an environmental leader, while RBC has been singled out by environmental organizations as the world's largest financier of fossil fuels.

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In April, a report from a coalition of environmental groups said that last year, RBC was the biggest fossil fuel financier globally. The rest of Canada's big banks ranked in the top 20 on the list. In December, HSBC said it would stop financing new oil and gas developments.

"If RBC were to acquire HSBC under the current conditions, it would undo the work that has been done by HSBC to tackle climate change," Ms. Collins wrote. The NDP also suggested that blocking the merger could assist with the current high cost of living faced by Canadians.

In the interview, Mr. Poilievre criticized the Competition Bureau's recent finding that the merger is not likely to result in a substantial lessening of competition. The Bureau received more than 1,500 submissions from Canadians and said that market share changes would not exceed the level where the Competition Commissioner would decide to challenge it.

"I don't understand how the Competition Bureau found that the deal would not be a threat to competition, even though it reduces rivalry," Mr. Poilievre said.

Mr. Poilievre said that he supports reforms to the Competition Act, but that he doesn't think the proposed changes to the Act that are currently before Parliament would make a difference in this situation. Those changes are contained in Bill C-56, which would give the government the power to direct the Commissioner of Competition to conduct inquiries into the state of competition in markets or industries.

"There's no question we need to reform the Competition Act to bring more choice and competition for consumers generally," he said. "In this instance, though, the Finance Minister has the power to block this merger, and she should use that power."

OSFI Outlines Climate Scenario Analysis Exercise

The Regulator Is Planning The Industry's First Standardized Climate Exercise For Next Year

By James Langton, Investment Executive, October 16, 2023

https://www.investmentexecutive.com/news/from-the-regulators/osfi-outlines-climate-scenario-analysis-exercise/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-All-afternoon&hash=6d73923380f292a40dc042b455f0fde3

The Office of the Superintendent of Financial Institutions' (OSFI) has set out plans for banks and insurers to sketch out their exposures to climate change under various potential scenarios.

The OSFI draft methodology for a standardized climate scenario exercise (SCSE) is intended to help both financial institutions and regulators understand the sector's climate-related risks.

"The adoption of sound climate risk management practices at financial institutions will give OSFI confidence that those institutions have the necessary policies and procedures in place to manage financial risks," said Peter Routledge, superintendent of financial institutions, in a release.

Rather than trying to quantify climate-related risks under different scenarios, the initial exercise aims to examine the differences in exposure between firms.

"While absolute risks can be hard to measure, OSFI believes that risk discrimination between counter-parties, industries, and even [financial firms] is achievable, even utilizing relatively less sophisticated approaches and modeling methodologies," the draft said.

The exercise aims to raise awareness and improve firms' understanding of their potential exposures to climate change, establish a standardized quantitative assessment of climate-related risks, and build financial institutions' capacity to assess the impact of climate-related catastrophic events and policies and conduct their own internal scenario analysis exercises.

"These exercises will enable OSFI to assess aggregate exposures to physical and transition risks and compare [financial institutions'] approaches to climate scenario analysis," the regulator said.
The draft approach to standardized climate exercises is out for comment until December 16, 2023. OSFI plans to finalize the methodology and carry out the exercise next year.

Colorado Regulates Life Insurers' Use Of Data To Prevent Bias And Algorithmic Racial Discrimination

By Kate McCaffery, The Insurance Portal, October 3, 2023

[Colorado regulates use of data to prevent bias and algorithmic racial discrimination - Insurance Portal (insurance-portal.ca)]

AM Best is reporting that the Colorado Division of Insurance is adopting new guidelines for how insurers use external consumer data and information sources – dubbed ECDIS – in order to prevent discrimination caused by emerging technologies.

Insurers using ECDIS and predictive models that rely on outside information sources after November 14 this year have until June 1, 2024 to submit a report to the Division outlining progress made toward compliance. "After that, companies using ECDIS, as well as algorithms or predictive models based on ECDIS, will need to submit a written report annually on December 1 outlining compliance and the title and qualifications of those responsible for doing so," AM Best writes in its note, *Colorado Adopts Regulation Aiming to Curb Racial Discrimination in Life Insurer Use of Outside Data*.

"Life insurers that use ECDIS, as well as algorithms and predictive models that use ECDIS in any insurance practice, must establish a risk-based governance and risk management framework that facilitates and supports policies, procedures, systems, and controls designed to determine whether the use of such ECDIS, algorithms, and predictive models potentially result in unfair discrimination with respect to race and remediate unfair discrimination, if detected."

OTHER CAFII MEMBER-RELEVANT NEWS

Canadians Less Satisfied With The Big 5 Banks: Survey

Most Respondents Said The Banks Could Do Better At Communicating About Fees

By Investment Executive Staff, October 19, 2023

https://www.investmentexecutive.com/news/research-and-markets/canadians-less-satisfied-with-big-5-banks-survey/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-All-afternoon&hash=6d73923380f292a40dc042b455f0fde3

Stressed about higher interest rates, inflation, and mounting debt, Canadians are less satisfied with Canada's big banks than in previous years. In particular, they want fees to be clearly communicated, based on findings from J.D. Power's 18th annual survey of retail banking clients.

The survey, based on responses earlier this year from almost 14,000 customers, measured satisfaction across seven factors, the most important of which were trust, people, and account offerings.

Overall, customer satisfaction with the Big Five declined by 10 points (on a 1,000-point scale) year-over-year to 603, J.D. Power said in a release on Thursday, October 19. Mid-size banks saw a decline of seven points to 637.

Half of respondents (50%) were considered financially vulnerable or stressed, up from 44% a year ago, the survey said.

J.D Power found that more customers were paying banking fees, mainly for account maintenance/minimum balance (18%), overdraft or insufficient funds (14%), and automated banking (12%).

Nearly 80% of respondents said the banks could do a better job communicating about how to avoid those fees.

In fact, the study found a strong correlation between higher satisfaction and fees-related communications, suggesting that fees are not necessarily what upsets customers, but rather being surprised by them.

"Customers want banks to communicate how to avoid paying fees, provide advice on how to build savings and reduce debt, and resolve problems efficiently," said Paul McAdam, senior director of banking and payments intelligence with J.D. Power, in the release.

On Tuesday, October 17, the federal Finance department announced several measures to improve how banks treat clients, including pushing them to work with homeowners who are facing sharply rising mortgage costs, reducing certain fees such as for insufficient funds, and improving access to low-cost accounts.

The Department of Finance also named the Ombudsman for Banking Services and Investments as the sole provider of external complaint handling, effective November 1, 2024.

Bank of Montreal scored 612 in the J.D. Power survey, followed by previous survey leader Royal Bank of Canada (610) and CIBC (604). Bank of Nova Scotia (597) and Toronto-Dominion Bank (594) had below-average results.

The leader among mid-size banks was Scotiabank-owned Tangerine (684).

The survey was conducted during January, February, July, and August of this year.

Desjardins Lays Off 400, But Advisors Unaffected

The Announcement Comes A Day After Scotiabank Said It Was Cutting 3% Of Its Global Workforce

By Investment Executive Staff, October 19, 2023

https://www.investmentexecutive.com/news/industry-news/desjardins-lays-off-400-but-advisors-unaffected/?utm_source=newsletter&utm_medium=nl&utm_content=investmentexecutive&utm_campaign=INT-EN-All-afternoon&hash=6d73923380f292a40dc042b455f0fde3

Desjardins Group says it is cutting close to 400 jobs as it responds to economic uncertainty.

The financial services co-operative says that heightened volatility, inflation, and the potential for an economic slowdown have added pressure to the need for prudent management.

Spokesman Jean-Benoit Turcotti says in a statement that Desjardins is also still working to recoup the benefits of its "massive investments" in recent years, particularly in technology, and so it needs to step up the pace on these efforts.

Turcotti told *Investment Executive* that the affected employees "are spread mainly between our Montreal and Lévis offices, [and are] mostly professionals to support branches in Quebec."

He added that advisors with Desjardins Financial Security Independent Network are independent advisors, not employees, so they were unaffected by the cuts. Neither were the network support teams for those advisors.

The layoffs at Desjardins, amounting to about 0.6% of its workforce, come a day after Scotiabank said it would cut about 3% of its global workforce, which works out to about 2,700 staff.

The bank said that the cuts are the result of digitization and automation, as well as its streamlining efforts and shifting consumer preferences.

Other banks have also been trimming staff in recent months after a major hiring push during the pandemic.

More Than Half Of Canadian Flight Delays Are Caused By Reasons Within Airlines' Control, New Data Show

One Advocate For Passengers Says Things Won't Improve Until The Canadian Transportation Agency Spurs Airlines To Prevent Delays.

By Jeremy Nuttall, Toronto Star, October 12, 2023

More than half of all flight delays in Canada in 2022 were due to reasons within the control of airlines, according to data from Transport Canada, sparking renewed calls from a passenger advocate to get tougher with carriers.

In 2022, there were nearly 199,000 delayed flights in Canada, with 116,000 of them having a reason classified as "within carrier control," Transport Canada's air travel performance data reveal.

According to one advocate for passengers, the figures show that the Canadian Transportation Agency (CTA) is ineffective and must use its powers — which include the ability to force airlines to pay passengers compensation for delays — more robustly, to motivate airlines to prevent delays.

"Once obligation to pay compensation becomes real and not illusionary, then the balance of probability tilts toward decreasing the number of delays," said Gábor Lukács, president of Air Passenger Rights. "The purpose is to ensure that passengers' time factors into the airlines' decision making."

The recently arrived data on delays come from a quarterly survey of 65 international and domestic carriers.

Under Canada's Airline Passenger Protection Regulations (APPR), only delays within the control of the airlines and not related to safety are eligible for passenger compensation. In 2022, about 87,500 delays were classified as "delay within carrier control" and 28,500 as "delay within carrier control — safety."

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Nearly 43,000 flights were delayed due to air traffic control or the national aviation system. The next three classifications, all under 15,000 incidents, cited weather, security or other reasons.

The figures come as airlines continue to wrestle with Canadian authorities over compensation regulations for passengers.

Critics of the airlines have said that the current system of classification has enabled carriers to use loopholes to avoid paying passengers compensation for delayed flights. A consortium of 19 airlines and industry groups is now challenging Canada's ability to impose penalties on airlines beyond those laid out in the 1999 Montreal Convention.

In the meantime, the CTA, which did not reply to a request for comment, has been given the power by the federal government to tighten loopholes. In June, changes to the Canada Transportation Act were made to "simplify and strengthen the Canadian air passenger protection regime," according to the CTA's website.

Still, Lukács charges that the agency is not using the powers granted to it last summer to force airlines to compensate travellers, and is not performing its function. He said that until it does, airlines will operate according to the bottom line.

"Their job is to maximize profits for the corporation," he said. In 2022, the CTA found 643 violations by those in the airline industry, issuing 33 monetary fines adding up to $725,000.

An industry analyst said that the data from Transport Canada lacks depth. John Gradek, a former Air Canada executive and head of McGill University's Global Aviation Leadership Program, said to have more than 87,000 delays simply classified as within carrier control doesn't reveal where problems exist.

"What are some of those causes for those delays within the area within control that are not safety?" he said. What is meant by safety concerns is also an issue, Gradek added, wondering if it includes crew shortages alongside mechanical issues.

In an emailed statement, Jeff Morrison — president and CEO of the National Airlines Council of Canada, an industry group — said that airlines must acknowledge their responsibility to compensate passengers when flight delays are within their control.

"The only way in which air travel will be strengthened is if all entities within the aviation ecosystem are held to account," Morrison said. "Canada's airlines will continue to advocate for a model of true shared accountability, with the goal of making the Canadian air travel system the most competitive and efficient in the world."

He said that 2022 was a unique year partly due to increased demand in the wake of the COVID pandemic and significantly higher travel numbers.

In total, Canada had 723,000 foreign and domestic flights in 2022.

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Push For Insurance Innovation Urged Amid New Digital Risks

Increased Dependency On Digital Platforms Will Leave Many Vulnerable, Reinsurer Says

By Kenneth Araullo, Insurance Business Canada, October 11, 2023

Push for insurance innovation urged amid new digital risks | Insurance Business Canada (insurancebusinessmag.com)

In its latest sigma study, the Swiss Re Institute finds that potential digitalisation benefits across countries and throughout the insurance value chain are far from exhausted.

According to the reinsurer's "The economics of digitalisation in insurance" sigma report, digitalisation is a source of new growth, new risks, and new efficiencies for the insurance industry. Digital value creation has led to an increase in firms' intangible assets, including digital data. At the same time, increased dependency on digital infrastructure makes such assets more vulnerable, e.g., to business interruption and cyber-attacks.

In the report, the Swiss Re Institute also introduced the Insurance Digitalisation Index, which tracks the progress made in 29 sample countries with respect to the digitalisation of their insurance markets. South Korea came out on top of the index, followed by Sweden, Finland, and the U.S.

While advanced markets with strong physical infrastructure and high internet access rates have made the most progress in digitalising their economies, China, Slovenia, and India are catching up. China, for example, has moved up by 10 places in just 10 years. This is because emerging markets can jump straight into adopting newer digital technologies rather than transitioning from legacy systems.

"The study clearly shows a positive correlation between resilience and digitalisation. For society, digitalisation is a force for giving more people access to insurance and thereby closing protection gaps. For insurers, gains from better underwriting, risk mitigation, and risk measurement from 2/4 digitalisation of insurance improve the quality and efficiency of their work," Swiss Re Group chief economist Jerome Haegeli said.

New risk pools mean more opportunities.

Digitalisation of the wider economy will also create new risk pools, opening opportunities for insurers. For example, digital technology has facilitated sharing-economy business models, resulting in fundamental shifts in operational risks and liabilities that require innovative insurance risk transfer solutions.

Sharing services such as Uber and Airbnb are increasingly replacing private ownership, the sigma study said. This requires a shift in business mix from personal to commercial lines based on usage, as personal lines typically exclude coverage for the commercial use of vehicles and homes. Insurers can help achieve such coverage through innovative digital risk transfer solutions.

With the shift from producing physical goods to providing information and services, the global value of intangible assets – which increasingly include digital assets – of listed companies has increased five-fold over the past 20 years, to US$76 trillion in 2021. Close to 80% of that value remains uninsured.

Firms will need protection against digital risks, for example, business interruption and cyber risks, as well as the emerging liability risks related to AI. Cyber-security is a key concern for businesses globally, as reflected by the rapid growth in demand for cyber insurance; the Swiss Re Institute estimates global cyber premiums will reach US$16 billion in 2023, up 60% from 2021, and US$25 billion by 2026.

Digital technology allows insurers to gather and process large sets of data using connected devices, data analytics, and machine learning. This will allow more holistic and accurate risk assessments and better pricing of risks. Digital solutions can also automate standardised tasks, such as data collection and analysis for underwriting, driving down costs and ultimately leading to lower premiums. Insurers' digital transformation projects are targeting 3% to 8% improvement in loss ratios and savings of 10% to 20% in other parts of the value chain.

“Despite the rapid digital transformation of the insurance industry, accelerated by recent advancements in cutting-edge technology, we still see significant potential to make insurance more accessible and affordable for consumers. Our industry should see this as an encouragement to continue investing in innovative solutions and adapting to emerging risks,” Swiss Re Group chief digital & technology officer Pravina Ladva said.

Recently, Swiss Re chief underwriting officer of P&C reinsurance Gianfranco Lot also spoke to Insurance Business about its sigma report delving into the benefits for non-life companies in a higher-risk, higher-return world.

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Buyer's Guide: Travel Insurance For Snowbirds

By Salmaan Farooqui, Special To The Globe and Mail, August 18, 2023

[Buyer's guide: Travel insurance for snowbirds - The Globe and Mail]

Retirement may be the time in your life where you can make those travel dreams come true, but it also comes around the age where travel insurance gets seriously more complicated.

That's because at 60 years and above, insurers will generally start to ask much more detailed questions about your health history to better calculate the risk they're taking on.

"Answering these questions is where the problems begin. You have to be careful," says Martin Firestone, president of Toronto-based insurance brokerage Travel Secure.

He says the information you need to provide isn't always straightforward, and answering any questions incorrectly can jeopardize your coverage. If you're travelling in the U.S., that could mean tens or hundreds of thousands of dollars in medical bills.

Also not covered in this article is trip cancellation and trip interruption insurance, which are particularly important as climate change continues to create destructive weather events such as the wildfires in Hawaii. This form of insurance can have all sorts of different conditions, so it's important to know your policy's limitations and keep all receipts if things go wrong.

If you're planning to become a snowbird, picking the right insurance plan will be critical to your peace of mind. We list some top tips from insurance experts below.

Don't expect to be able to escape if disaster strikes

Many travellers think they can get whisked back to Canada by plane in a medical emergency. But Firestone says he knows of all sorts of situations where a person in medical distress has been deemed unable to fly. You could be at risk of paying large sums out-of-pocket if you're in that scenario without insurance.

Relying on your credit card's basic insurance likely will not cut it

Credit card insurance often comes with all kinds of limitations, including restrictions on how long each trip can be and whether people over a certain age are eligible. Inquire with your credit card provider for exact details, but you'll likely need to purchase extra coverage.

Speak to a real person, rather than filling out an online form
Firestone says a lot of online insurance companies let you buy a package without ever speaking to a real person. All you do is fill out an online form and the company spits out a number.

Here's the problem, though: Those questions about your health history are not always straightforward.

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If you answer something wrong, even on a technicality, an insurer could refuse you coverage.

The consequences of misunderstanding questions can be enormous. Brad Dance, chief customer officer at the insurance company TuGo, says his company is being forgiving by applying a $15,000 U.S. deductible if it turns out that a client misrepresented their medical history by mistake. Firestone says he has heard many stories of people left without any coverage at all in the same scenario with other insurers.

Pending tests, investigations, or results can upend your claim process

Make any major doctors' appointments months in advance before you leave, because any change in your health status that goes unreported to your insurance company could jeopardize your insurance.

That includes if, for instance, a doctor recommends you get a test related to your heart, but says that you're stable enough to travel for now. If you end up having a heart attack on vacation and your insurer finds a record of that doctor's recommendation, you could lose coverage.

"Doctors have no issue saying 'go away and have a good time,' but they're not the ones who'll be on the hook for $500,000 for a triple bypass," says Firestone.

Multi-trip annual coverage can be a great way to save money for certain travellers

The reality is that your coverage may become prohibitively expensive if you're a senior with an extensive medical history. Firestone has seen premiums quoted anywhere from $2,500 to upward of $20,000 for such people.

One option for people looking to lower their premium is to shorten the length of coverage for each trip. For example, if you plan to spend three months each year in Florida, you can have your coverage for each trip set to 31 days. Then you can fly back to Canada twice during the winter.

That may seem time- and money-intensive, but you only have to set foot on Canadian soil for a moment before flying back. For certain customers, the money saved on insurance would outweigh the cost of flying.