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CAFII ALERTS WEEKLY DIGEST: September 23-27, 2024

September 27, 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

Competition Bureau Approves National Bank's Takeover Of Canadian Western Bank

By Andrew Willis, The Globe and Mail, September 25, 2024

National Bank of Canada received the federal competition watchdog's blessing for its proposed $5-billion takeover of Canadian Western Bank on Thursday, a key regulatory approval for the Montreal-based bank's domestic expansion strategy.

The Competition Bureau of Canada signed off on the second planned takeover of one of the country's 10 largest banks in the past year. In March, Royal Bank of Canada purchased HSBC Bank Canada for $13.5-billion.

In June, National Bank announced plans to scale up across the country by acquiring Edmonton-based Canadian Western, the country's eighth-largest lender, with a $37-billion loan portfolio and 39 branches in Western Canada and Ontario. National Bank is the country's sixth-largest bank, with $454-billion in assets.

National Bank pledged it will maintain Canadian Western's branch network and Alberta executive team when it announced the takeover.

Read full article (Subscription required): https://www.theglobeandmail.com/business/article-competition-bureau-approves-national-banks-takeover-of-canadian/

What's New With Artificial Intelligence Regulation In Canada And Abroad?

By Julie Himo, Nic Wall, Rosalie Jetté, Mavra Choudhry, Lauren Nickerson, Anne Merminod, and Gabrielle da Silva, Torys, September 2024

https://www.torys.com/our-latest-thinking/resources/forging-your-ai-path/artificial-intelligence-regulation-in-canada-and-abroad?utm_source=email&utm_medium=email&utm_campaign=Q4_2024

Since publishing our comprehensive guide to artificial intelligence regulation in Canada in April 2023, the rapid rise of AI has prompted countries to revise their approaches to safeguarding the deployment of AI systems. In this article, we examine differing approaches to AI regulation across Canada, the United States and Europe, and ask: as industries strive to keep pace with constantly evolving AI technology, how are jurisdictions in Canada and abroad shifting their regulatory policies?

AI regulation in Canada: what is the current and future (and in-between) state?

The AI and Data Act remains in Parliament

Canada's first comprehensive AI legislation, the AI and Data Act (AIDA) is still making its way through the House of Commons as part of Bill C-27 (the Bill). It is currently being considered by the Standing Committee on Industry and Technology after its second reading. In November 2023, the Minister of Innovation, Science and Industry wrote to the

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Committee proposing a number of substantial amendments in response to stakeholder feedback. These amendments are likely to be considered by the Committee as it continues its clause-by-clause review; however, given the committee's progress to date, the Bill is unlikely to receive Royal Assent before the end of this year.

New sector-specific laws and guidance
Beyond new laws aimed specifically at regulating AI, many existing areas of law are fast becoming a key feature of the AI regulatory landscape in Canada, notably including employment, privacy, and human rights.

In March 2024, Ontario became the first province to pass a law requiring employers to disclose the use of AI in the hiring process—specifically, in the screening, assessment, or selection process for applications to a position (while passed, a date has not yet been set for the requirement to come into force). Though it is the first Canadian jurisdiction to impose such a requirement, Ontario follows in the footsteps of New York City's Local Law 144, which requires similar transparency measures in the hiring process and which became enforceable in July 2023 (for more on the intersection of AI and employment law, read "Can HR use AI to recruit, manage and evaluate employees?").

On the privacy side, federal and provincial regulators in Canada came together in December 2023 to issue joint guidance for public and private sector entities on how to ensure compliance with existing privacy laws (including PIPEDA) while developing, providing, or using generative AI in their operations. This guidance emphasizes the protection of vulnerable groups, confirms that privacy law principles of consent and transparency remain paramount in the Gen AI context, and outlines concrete practices for businesses to document compliance with privacy laws when making use of generative AI. Certain uses of Gen AI were deemed "no-go zones" under existing privacy laws, like creating AI-generated content for malicious or defamatory purposes. While this guidance is non-binding, it is an interpretation of existing, binding privacy laws and provides critical insight into how privacy regulators are going to adjudicate privacy-related Gen AI complaints.

Other lawmakers have also recently highlighted the malicious use of Gen AI as a key concern, particularly the creation of "deepfake" intimate images without consent1. For example, recently proposed federal legislation aimed at promoting online safety (Bill C-63) currently includes deepfake images in its definition of "intimate content communicated without consent"—a form of harmful online content that Bill C-63 seeks to address by placing content moderation obligations on social media services. For more on developing responsible AI practices, read "What should be included in my organization's AI policy?: A data governance checklist".

Looking ahead in Québec
Québec's recent privacy law reforms have resulted in the regulation of some technologies using artificial intelligence. In particular, fully automated decision-making processes should be disclosed to individuals. The collection of information using technological tools offered to the public which have the functions to identify, locate or profile individuals should also be disclosed and, in some circumstances, should be activated by the users.

Despite these advances, there have also been calls for the implementation of a regulatory framework to specifically govern the use of artificial intelligence. In January 2024, the Québec Innovation Council (the Council) submitted a comprehensive report to the Ministry of the Economy and Energy, outlining steps and recommendations for such a regulatory framework. Based on consultations with hundreds of experts, the Council recommends a review of existing laws, particularly in the field of employment, to accommodate the rapid changes in artificial intelligence, as well as the creation of an interim AI governance steering committee to work on regulating AI and integrating it into Québec society.

Recommendation for businesses

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The overall posture in Canada remains forward-looking. While a patchwork of AI-specific requirements is taking shape, there is much that remains to be passed, confirmed, worked out, and implemented.

Even with omnibus AI legislation still before Parliament, Canadian businesses should be mindful of existing legal risks that can arise from the use of AI (including those related to privacy, intellectual property, consumer protection, and employment) and how to manage them. Many businesses have developed, or are developing, an AI governance framework to document internal AI policies, requirements, and accountabilities. An AI governance framework that aligns with best practices will help manage existing legal risks and ease the compliance burden as new requirements come into force.

Businesses that are incorporating AI systems and tools into their operations should stay on top of these developments even before they are legally binding, to avoid running the risk of having to adopt costly and difficult compliance measures after their AI practices are already entrenched once enforcement begins.

How is AI being regulated beyond Canada?
Around the world, a patchwork of regulations, treaties, and guidelines is emerging in response to the increasingly widespread adoption of AI. These key measures are designed to promote the responsible development, distribution, and use of AI in Europe, the United States, and international law.

Europe: AIA and related directives
EU's Artificial Intelligence Act
The main legislative response to AI in the European Union is the Artificial Intelligence Act (the AIA), which came into force in August 2024 and is set to take effect incrementally over the next two years. The AIA imposes obligations pertaining to risk management, data governance, documentation and record-keeping, human oversight, cybersecurity, transparency, and quality control, among others.

The AIA applies to providers, deployers, importers, distributors, and other actors responsible for AI systems within the EU, and to providers and deployers located outside the EU whose AI outputs are used within the EU. As with the EU's data privacy regulations, this means that the AIA can apply to Canadian businesses with operations or customers in the EEA.

Notably, the AIA prohibits the use of AI systems that pose an "unacceptable risk", including—for example—social scoring, real-time biometric identification and categorization (with some exceptions), and systems that cause harm by manipulating behaviour and exploiting vulnerable groups. Similar to how Canada's AIDA focuses on "high-impact systems", the AIA also focuses on systems that pose a "high risk" along with its regulation of certain aspects of general-purpose AI systems. High-risk systems include those used in the management and operation of critical infrastructure, educational and vocational training, granting access to essential services and benefits, law enforcement, border control, and the administration of justice.

Other EU directives and frameworks

A proposed complement to the AIA, the AI Liability Directive would—if passed—provide a non-contractual civil liability framework for persons harmed by AI systems.

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In May 2024, the Council of Europe adopted the Framework Convention on Artificial Intelligence (the Convention), the first international treaty regulating the use of AI. The Convention sets out a framework that would apply to public authorities and private actors whose AI systems have the "potential to interfere with human rights, democracy and the rule of law." It also contains provisions requiring AI providers to disclose the use of AI, conduct risk and impact assessments, and provide complaint mechanisms. The Convention is open to signatures from member states as of September 5, 2024.

In Spring 2024, the Council of Europe and European Parliaments reached a provisional agreement on the Platform Work Directive (the Directive) which introduces rules regulating the working conditions of platform—or "gig economy"—workers. The Directive ensures that platform workers cannot be dismissed solely based on automated decision-making processes, and that some degree of human oversight is required for decisions directly affecting persons performing platform work.

United States: the Algorithmic Accountability Act of 2023 and state legislation

Federal level regulation

There is currently no proposed comprehensive federal legislation in the U.S. aimed at regulating AI like the AIDA in Canada or the AIA in the EU—although legislation governing the use of automated decision-making in similar "high-impact" contexts was proposed in the Senate in 2023.

This piece of federal legislation, the Algorithmic Accountability Act of 2023, would regulate the use of automated decision-making processes in "high-impact" scenarios, such as housing, finance, employment and education. The draft proposes that the Federal Trade Commission (FTC) establish a Bureau of Technology to see to its enforcement and implementation.

Other U.S. federal legal instruments aimed at regulating AI include the following:

- *National Institute of Standards and Technology (NIST):* NIST, an agency of the United States Department of Commerce, published a voluntary set of guidelines in 2023 titled the AI Risk Management Framework, with the goal of managing AI-related risk and increasing trustworthiness in the design, development, and use of AI systems.
- *The White House:* Signed by President Biden in October 2023, Executive Order 14110 on AI: Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence sets out a principles-based approach to governing the development and use of AI by U.S. government executive departments and agencies. The Order focuses on: (i) safety and security, (ii) responsible research and development, (iii) equity and anti-discrimination, and (iv) safeguarding privacy and civil liberties. Among other priorities, the Order mandates the development of federal standards in accordance with its guiding principles.

State level regulation

Several U.S. states have proposed or enacted state legislation to regulate the development, provision, or use of AI in the private sector. These include Colorado, Utah, Illinois, Massachusetts, Ohio, and California. These state-level laws are more often concerned with specific categories of AI systems, including higher-impact systems and generative AI systems.

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California's SB 1047, which has been passed by the California Senate and the California State Assembly but has not yet been signed into law, has garnered a fair amount of attention given the state's status as a stronghold of the tech industry. The law is focused on the safe development of AI models and will apply to AI developers that offer services in California regardless of whether the developer is headquartered there. SB 1047 aims to regulate only large and powerful AI models: unlike Canada and Europe, whether or not the system is covered by the law will depend on the computing power of the system rather than qualitative factors about its use or purpose. Developers will be subject to various testing and safety requirements for covered systems, as well as compliance enforcement measures including civil penalties up to 10% of the cost of the computing power used to train the model.

International instruments
Several public international legal bodies have issued instruments or guidance in this area. Though generally nonbinding, they are nevertheless instructive regarding policy priorities at the highest levels of international law, both for private and public entities.

- *United Nations*: In March 2024, the UN General Assembly adopted a non-binding resolution, Seizing the opportunities of safe, secure and trustworthy artificial intelligence systems for sustainable development, which endorses an approach to AI regulation that prioritizes safety, respect for human rights and fundamental freedoms, and global inclusivity.
- *Organisation for Economic Co-operation and Development (OECD)*: Adopted in 2019 and amended in May 2024, the OECD's Recommendation of the Council on Artificial Intelligence provides non-binding guidance for member states and AI stakeholders with respect to the cross-sectoral regulation of AI, including principles for responsible stewardship of AI and recommendations for AI governance.
- *The G7:* The G7's non-binding Hiroshima AI Process Comprehensive Policy Framework, launched in 2023, adopts an AI policy framework based on the following principles: promoting safe, secure, and trustworthy AI; providing actions for organizations to follow when designing, deploying, and using AI; analyzing priority risks, challenges, and opportunities of generative AI; and promoting project-based cooperation for the development of AI tools and practices.

A note on class actions in the era of AI
As the prevalence of AI expands, so does its intersection with class action litigation, particularly in the United States, where legal trends often predict the trajectory of the Canadian class action field. AI's integration into various industries has brought new AI-related class actions in areas like data protection, antitrust and competition law, copyright, and securities.

In the realm of privacy law and data protection, AI systems are increasingly scrutinized for potential violations, especially as they process vast amounts of personal data. Class actions targeting companies for data breaches or improper data handling practices are on the rise, often hinging on the workings of AI algorithms. Similarly, in antitrust cases, AI's role in price-fixing, market manipulation, and collusion presents new grounds for class action.

The copyright domain also faces disruptions, with AI-generated content blurring the lines of ownership and infringement. Class actions in this area often intersect with questions of authorship and the misuse of copyrighted materials by AI. Furthermore, AI's impact on financial markets has given rise to securities class actions, where plaintiffs argue that AI-driven trading or analysis has led to financial losses of securities fraud.

As Canada often looks to U.S. litigation as a predictor, these developments signal a future where AI and class actions will intersect, shaping the legal landscape on both sides of the border. We will continue to monitor new class actions being filed, with some already initiated in Québec.

Recommendations for businesses
Even where organizations are not directly subject to the international requirements and instruments above, they are likely to be impacted indirectly as they influence pending and new legislation in Canada, contractual requirements of international customers, vendors, or partners, and industry best practices. We recommend that businesses operating in Europe in particular should take note of these developments and work towards ensuring that their internal AI governance frameworks are aligned with anticipated laws and regulations.

OTHER CAFII MEMBER-RELEVANT NEWS

New Annualized Premiums Up 10 Percent In The Second Quarter Of 2024
By Kate McCaffery, Insurance Portal, September 26, 2024

For the first time in three years, all companies participating in the LIMRA Retail Canadian Life Insurance Sales Survey reported positive gains in total premium. These companies represent 93 per cent of the Canadian market.

Furthermore, LIMRA says awareness about the need for life insurance remains high: "Almost one in three Canadian adults, representing 8.4-million adults, say they need or need more life insurance coverage," they state in the September 24 note, Canadian Life Insurance New Premium Leaps 10% in Second Quarter 2024.

"Total Canadian life insurance new annualized premium was $522-million in the second quarter of 2024, up 10 per cent," they add. "Year-to-date new annualized premium totalled $972-million, increasing six per cent from prior year. In the first half of 2024, policy count rose two per cent, compared with results from the first half of 2023." In the second quarter of 2024, policy count numbers increased four per cent.

Read full article (Subscription reqiured): https://insurance-portal.ca/life/new-annualized-premiums-up-10-per-cent-in-the-second-quarter-of-2024/?utm_source=sendinblue&utm_campaign=daily_complete_202409-27&utm_medium=email

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Canada's Life & Health Insurance Sector Breaks Records
By Terry Gangcuangco, September 25, 2024

https://www.insurancebusinessmag.com/ca/news/life-insurance/canadas-life-and-health-insurance-sector-breaks-records-507071.aspx?hsmemberId=83982452&tu=&utm_campaign=&utm_medium=20240925&_hsenc=p2ANqtz-93t-mHqGwWRCiJqas953AmgYZ7psBM13KrqyntQ_5BfDKM_FyjbKEPpPF-gKEw3zWHqAR3n39Cvj_FuEkZj0qz2S5PqQ&_hsmi=326220057&utm_content=&utm_source=

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The Canadian life and health insurance sector experienced a record 2023, paying out a historic $128 billion in benefits last year. Spanning health insurance, life insurance, and retirement products, the payouts marked a 13% increase over 2022, with daily disbursements exceeding $350 million.

Stephen Frank (pictured), president and chief executive of the Canadian Life and Health Insurance Association (CLHIA), noted: "The benefits that life and health insurers provide through workplace plans and individual policies contributed significantly to Canadians' health and financial security.

"To put this into context, the amount insurers paid out last year to Canadians is greater than what the federal government provided in old age benefits, child benefits, and employment insurance combined."

According to CLHIA's newly published "Canadian Life & Health Insurance Facts" report, the sector provided coverage for nearly 30 million Canadians in 2023, equivalent to 75% of the population. The payouts include $36.6 billion in claims for health, drugs, and dental care.

Disability benefits reached almost $10 billion, offering wage replacement for 12 million Canadians unable to work. In 2023, the sector paid nearly $63 billion in retirement benefits through annuities, alongside $48 billion in health claims and $17 billion in life insurance payments.

Prescription drugs remained the largest health expense at $15 billion, but there was notable growth in claims for paramedical services like massage and physiotherapy. Additionally, mental health claims continued their upward trend, with counselling services amounting to $730 million – more than doubling in four years.

Highlighting the industry's broader economic impact, Frank added: "Insurers also did their part to contribute to Canada's economic growth with $960 billion invested in long-term assets. They also contributed $11 billion to the country's tax base, including a staggering 80% increase in corporate and federal capital taxes paid in 2023."

At the same time, the life insurance market experienced growth in the second quarter of 2024. According to LIMRA's (Life Insurance Marketing and Research Association) retail Canadian life insurance sales survey, total life insurance new annualized premium rose to $522 million in the period, reflecting a 10% increase. Policy count also grew by 4%.

"It was a strong quarter with all product lines recording premium and policy count growth," declared John Carroll, senior vice president of life & annuities at LIMRA and LOMA (Life Office Management Association). "Remarkably, for the first time in three years, all participating companies reported positive gains in total premium.

"New LIMRA research shows the need for life insurance remains high. Almost one in three Canadian adults, representing 8.4 million adults, say they need or need more life insurance coverage. With inflation easing in Canada, consumers may be more open to purchasing the life insurance they know they need, providing a great opportunity for the industry."

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Catalysing Productivity And Growth: A Change In Mindset On Financial Inclusion

By Financial Conduct Authority, September 19, 2024

https://www.fca.org.uk/news/speeches/catalysing-productivity-and-growth-change-mindset-financial-inclusion

It's great to be here for my second time at StepChangeLink is external. Thank you Vikki for inviting me and for all you and your team do to protect vulnerable consumers.

And I'm delighted that the FCA, like StepChange, has become a major employer in Leeds. With an office on Queen Street since 2022, we are now expanding by a further 100 colleagues - up from 225 today.

It has transformed how we engage with StepChange and the financial community here up North. And what better backdrop for today than the stunning Aspire building?

As you entered, you might have spotted the blue plaque commemorating this building as the Yorkshire Penny Bank Head Office. A bank founded by Colonel Edward Akroyd in the mid-1800s. His vision? Let anyone open an account – even with a penny.

When the Victorian working class faced crushing poverty and little hope, Akroyd offered something revolutionary - financial inclusion for all:

- He promoted financial literacy, opening the world's first school bank to inspire healthy financial habits.
- He established a pension scheme, supporting workers' financial resilience.
- And above all, he listened to customers, introducing cheque books for tradesmen.

Akroyd grasped that financial inclusion isn't just a moral issue, but also an economic one.

Today, I would like to explore the links between financial inclusion and growth. And the idea that financial inclusion, approached thoughtfully, can actually catalyse productivity and growth.

The FCA's work to support consumers

Before I do, let me talk about the FCA's support for consumers over a tough few years.

In April, I visited Money Advice TrustLink is external in Birmingham. I spoke with advisers, listened to calls, directly hearing the pressure some consumers face. And while regulation can't insulate consumers from economic stress, we hope the FCA has helped mitigate the worst impacts.

During the pandemic we introduced temporary Guidance, making clear how lenders could support customers in difficulty. Guidance that is now incorporated into rules, permanently strengthening protections.

And in May, we fined HSBC £6.2m for historic failures in treatment of customers in arrears or difficulty, and ensured that 1.5 million of their customers were compensated by around £185m.

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Our price cap introduced in 2015 for high-cost short-term credit saved consumers around £150m per year, and we have simplified overdraft charges and tackled high unarranged overdraft fees, saving consumers nearly £1 billion.

In 2023, we banned debt advice providers from receiving referral fees from debt solution providers. Thanks to StepChange for your valuable input.

This stopped egregious business models that incentivised debt packagers to recommend options that made them more money, rather than serving customer interests. The ban will save consumers thousands in unnecessary fees and ensure they receive better advice.

Let me also be clear. We want a credit market that serves a wide range of people; affordable credit helps consumers manage finances and short-term or unexpected cash flow issues.

So we continue to work with the Government and Fair4All FinanceLink is external on initiatives for consumers who struggle to access credit.

Our most recent Financial Lives Survey showed that almost a third of adults had used Deferred Payment Credit – or 'Buy Now Pay Later' - in the year to January 2024.

Despite not yet regulating BNPL firms, we have already secured changes to unfair contract terms and warned firms about misleading advertising, and stand ready to make new rules once the law allows us to.

As you can see, we are using all the tools at our disposal, but ultimately need to tackle the root causes which prompted this regulatory activity.

Consumer Duty and Call for Input
That is where the Consumer Duty comes in.

Unabashedly focused on good consumer outcomes. Putting the onus on firms to communicate well and be proactive, innovative and data-driven – responsive to vulnerable customers' needs. Providing protections that enable consumers to take responsibility for their decisions.

StepChange and other consumer organisations supported the Duty, and we will maintain ongoing dialogue about its impact on credit and debt advice markets.

The Consumer Duty entails a change in philosophy and fewer new rules.

With it now fully in force, it is timely to consider whether there are rules we should review to reduce burdens and duplication, delivering good outcomes whilst maintaining appropriate protection. Acknowledging tensions between the prescription previously necessary, and what a fast-digitising financial services market now requires.

To explore this, we launched a Call for Input in July and would welcome your feedback by the end of October.

Financial inclusion and growth
Alongside that launch, we reported on our new secondary international competitiveness and growth objective.

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So how do we reconcile this objective with consumer protection, market integrity, competition and goals like financial inclusion?
We are proud of the FCA's work over recent years to support consumers.

We must now go further and look at fixing the foundations of our economy and financial system that made these interventions necessary.

Take financial inclusion. Published research suggests a causal link - it appears both ways - between improving financial inclusion and economic growth. To date, this research has been limited and focussed on developing economies.

But improving financial inclusion and capability can help mitigate barriers to, and possibly catalyse, growth. Links between over-indebtedness and mental health can impair productivity at work or even leave people unable to work.

The Money and Mental Health Policy InstituteLink is external have argued these issues can be long-lasting, with not just devastating human costs, but avoidable taxpayer costs too.

A G20/ OECD-INFELink is external report argues that greater individual and household resilience can contribute to national economic resilience and economic development.

And some evidence suggests economic growth and wealth creation can in turn bolster financial inclusion. Singapore tops the Global Financial Inclusion Index - a successful global financial centre and financially inclusive economy can go hand-in-hand.

Noting the caveats inherent in such indices, the UK lags in 7th place, despite hosting the second largest global financial centre. So there appears to be a link between higher economic growth and increasing financial inclusion, with gaps in our understanding of how that link works and its direction.

There's further interesting work to be done to inform the debate.

Change in mindset and a new conversation about risk
But a fundamental change in mindset will be needed.

Focusing not just on products, but on what customers actually need and putting systems in place that deliver those in the long term.

For example, through our recent work on the provision of banking services, we pressed firms to build greater awareness of Basic Bank Accounts, and make the application journey easier. To reduce the estimated 1.1 million people without a bank account.

Yesterday our new rules came into force requiring banks and building societies to assess and fill gaps in cash access – a concern for the 3 million people relying on cash for most, or all, purchases.

But what we cannot change is the rapid shift towards digital payments.

UK FinanceLink is external project cash will constitute just 6% of payments by 2033 and FCA research indicates it is likely that more than half of UK adults now use digital wallets, up from 14% in 2017. So while access to bank accounts and cash is important, what we're hearing now and what the City Minister reinforced last week, is that it's also about access to wider services, including savings and credit products.

It's about access to what you need to live your life. And these needs are not static. As markets digitise, what is needed to be a full economic participant will keep changing.

So to sustain a growing economy, and if we want a step change in financial inclusion, we will need to adapt too. That will require:

- a willingness to take more risk and to experiment, accepting that not every idea will work
- and a determination from everyone with a part to play to improve outcomes

Financial literacy and education
This will involve tackling the root causes of financial exclusion, not just symptoms.

Without a sustained commitment to financial and digital literacy alongside numeracy, we face an uphill battle. As consistently highlighted by many, including the FT's Financial Literacy and Inclusion CampaignLink is external, and in the last Parliament, the Education Select Committee issued a significant report on financial education.

It shone a light on how children use money at ever younger ages, and their vulnerability to online marketing.

Financial apps are now available for children as young as 6, whilst 8% of 13-16 year olds own high risk cryptocurrencies, sometimes confusing gambling, trading, investing and entertainment.

Submissions to the Committee unanimously argued that financial education in English schools is inadequate and must be improved urgently.

A problem amplified by 40% of school leavers not passing GSCE Maths this year, and 1 in 7 16-24 year olds not in education or employment - the highest level of inactivity for a decade.

In short - effective financial education needs to begin early. Potentially even at primary level, as the Select Committee called for, and should now be considered in the Government's curriculum review.

With its financial literacy levels, it is no surprise that Singapore scores as highly as it does on financial inclusion, showing an economic dividend.

So as one commentator said this week – we simply cannot afford a lost generation. But that's not to say financial education begins and ends in the classroom.

The UK scores weakly in the Global Financial Inclusion Index on employer support with only 7% of firms having a mature approach to financial wellbeing.

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Auto-enrolment has been impactful. 85% of eligible private sector employees participate in workplace pensions, up from 41% in 2012. Good progress, and the FCA is working with the Government on its pensions review.

But should we go further? Take workplace saving.

NEST InsightLink is external has been assessing workplace savings auto-enrolment trials. An opt-out approach – where employees automatically start saving unless they actively decline – led to numbers of savers increasing by around 50%.

Such schemes were also almost universally approved of, 93% respondents liked them. With an estimated 1 in 3 working age people not having access to £1000 of cash savings to help with unexpected life events, this could be a game changer.

Any reforms would need to be balanced with the risk of overburdening employers, but the data suggests a huge potential for appropriately-backed schemes to help promote a saving culture at scale.

Even opt-in schemes may bolster engagement, as a major supermarket has reportedly found with its new workplace savings app. And as financial education is something that continues throughout life, we know that the advice and guidance market in the UK does not work well.

Working with Government, it is our hope to reform the system so consumers get the help they want, when they need it, and at an affordable cost. This could improve support for making pension decisions or choices with long-term savings and investments.

The demonisation of digitisation
But financial literacy won't be enough – digital literacy, and inclusion too, help secure financial inclusion.

Just as Colonel Akroyd adapted to tradesmen's needs by introducing cheques centuries ago, we must recognise that to be included financially, requires inclusion digitally.

That means access to devices and data, and the confidence to use them. Yet OfcomLink is external statistics show that around 1.5 million households didn't have broadband as of March 2023, with lower-income and financially vulnerable households being least likely to have internet access.

And only around 5% of the 4 million households estimated to be eligible for broadband social tariffs had actually taken them up.

Could financial services providers be more active in nudging customers towards a social tariff? What about employers? Or public service providers?

While those who can't use digital services need to be supported, they need not remain digitally excluded.

India's unique biometric ID system 'Aadhaar' has enabled over 85% of India's underserved communities access financial services through Aadhaar-enabled payment systems.

Including through AI-powered voice access, targeting those with limited literacy and internet access.

The Brazilian Central Bank's instant payment service 'Pix', with free interbank transactions for millions of customers, has revolutionised financial inclusion.

And closer to home, the Liverpool City Region Combined Authority has a scheme with Lloyds, Vodafone and Assurant, which provides participants with a free Android tablet and six months of free mobile connectivity. This includes in-person training, helping people build the confidence to maximise their newfound digital freedom.

So digital inclusion can foster financial inclusion, if we take an innovative and proactive approach.

And we are well positioned to do so, with the UK ranked joint first globally with the US for the presence and quality of fintechs.

The FCA has already supported around 200 firms developing solutions to encourage inclusion, including Finexos, who are working on increasing availability of affordable credit, and Noggin, who produce an alternative credit score that aims to more accurately describe consumers with limited credit history.

In Edinburgh, one fintech told me of the benefits they had seen of anonymous chatbots providing debt advice, helping to reduce the associated stigma. We want safe and responsible use of AI to drive beneficial innovation.

But also an open conversation about the risks and trade-offs. For example, AI-enabled hyper-personalisation of insurance could benefit many by providing more tailored premiums, but at the same time runs the risk of rendering some customers 'uninsurable', or even potential discrimination.

Citizens AdviceLink is external have long argued for better data sharing between creditors but run into privacy concerns. The recent controversy surrounding dynamic pricing for Oasis concert tickets shows the need for vigilance. Just because something can be done, doesn't necessarily mean the public will accept it. Not everyone will 'Roll With It'!

Do we accept that the risk of a few experiments failing or some people not benefiting from innovation, is outweighed by the potential benefit to the majority of consumers, and long-term growth and productivity improvements?

I freely admit that we don't yet have full estimates of the benefits of inclusion to growth and productivity. But experience elsewhere suggests that resolving foundational issues could have big impacts.

For example, a recent calculation by NESTA suggested that simply fixing wi-fi on trains could deliver benefits equivalent to one third of the London-Birmingham leg of HS2.

So let's open up this debate and be willing to experiment and learn. And that includes experimenting with our processes and rules.

Some argue that our affordability rules might discourage lending to groups who can't otherwise access finance - maybe even inhibiting entrepreneurs' access to microfinance - while others suggest that more prescriptive rules would improve outcomes for consumers.

We will engage on these concerns, balancing rules on consumer protection and financial crime with access to basic services.

 Back to Table Of Contents

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Conclusion
It's not surprising that when he died in 1887, 15,000 mourners paid their respects at Edward Akroyd's funeral, to a man who cared deeply about his fellow citizens and the morality of financial inclusion, but understood the social and economic benefits too.

So here today in the Aspire building, let's think about the kind of society and economy we aspire to. We often find ourselves dealing with the symptoms of financial exclusion. But we also need to confront the causes:

- Improving financial literacy, and digital literacy and inclusion - from schools through to the workplace.
- Embracing digitalisation and technological innovation.
- And being more ready to experiment and take some measured risk to deliver better long-term economic outcomes.

That includes the FCA being ready to rethink some of our rules and regulatory approaches, and we would ask for your support as we do.

Because this will require a broader coalition to work together – government, industry, regulators, schools, employers, organisations such as StepChange – with candour, determination and dynamism. Financial inclusion is not a target to be met but an evolving journey.

We must evolve too, working together, educating, enfranchising and empowering every single person. Because that is the way our society will thrive, our economy will grow, and how we will ultimately protect consumers in the long-term.

Inside National Bank's New Montreal HQ With CEO Laurent Ferreira
Nicolas Van Praet, The Globe and Mail, September 19, 2024

National Bank of Canada has spent more than half a billion dollars to build a new 40-storey headquarters in the heart of Montreal's Quartier de l'innovation in what the lender calls the city's biggest commercial real estate project in 30 years. The building, which includes a 40,000-square-foot park at its foot, brings together 11,000 employees from across its operations in the city. In many ways, it's much more than a head office. It's a beacon for a company that's bulking up and claiming more space in the Canadian consciousness as it focuses on expanding its business beyond Quebec, most notably with its $5-billion bid for Edmonton-based Canadian Western Bank. It's also a nod to the past: The location at 800 Saint-Jacques St. W. harks back to the artery's history as the centre of Canadian finance in the 19th and early 20th centuries. We spoke to chief executive officer Laurent Ferreira this week about the bank's new digs. This is what he said, edited for length and clarity.

Read full article (Subscription required): https://www.theglobeandmail.com/business/article-inside-national-banks-new-montreal-hq-with-ceo-laurent-ferreira/

IG Wealth Management Aims To Make Its Mark In Life And Health Insurance

By Alain Thériault, Insurance Portal, September 18, 2024

IG Wealth Management, a subsidiary of IGM, a member of the Power Corporation group of companies, wants to break into the individual life and health insurance segment. This is one of the reasons why Claude Paquin, President of IGM Financial Quebec, recruited Stéphane Dulude on December 18, 2023, as Vice-President of Business Development for Quebec and the Maritimes. Dulude will be responsible for carrying out this mission.

In an exclusive interview with Insurance Portal, Dulude explains how IG will succeed in a network dominated by managing general agencies. Dulude knows this environment well. From 2018 to 2020, he was Vice President, Business Development, at Peak Financial Group. Prior to that, he spent 11 years in executive positions at SFL Wealth Management and SFL Investments, including President and General Manager of both Desjardins Group subsidiaries.

To illustrate the importance of life and health insurance to his organization, Stéphane Dulude reveals that IG Wealth Management has set itself the five-year goal of “doubling the share of revenues from our other sources, of which life and health insurance is a part, compared with those from our investment-related activities.”

Read full article (Subscription required): https://insurance-portal.ca/life/ig-wealth-management-aims-to-make-its-mark-in-life-and-health-insurance/?utm_source=sendinblue&utm_campaign=daily_complete_202409-20&utm_medium=email