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CAFII ALERTS WEEKLY DIGEST: September 29 – October 6, 2023

October 6, 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

Insurance Agents Facing Penalties And Discipline After FSRA Uncovers 'Harmful' Sales Practices

By Clare O'Hara, The Globe and Mail, October 3, 2023

Ontario's insurance regulator has launched dozens of enforcement actions against agents who work at some of Canada's largest insurance brokerages after a review uncovered troubling sales practices.

The Financial Services Regulatory Authority of Ontario (FSRA) released two separate compliance reports early on Tuesday, October 3 that reveal the regulator took enforcement actions against 65 life insurance agents after examining a sample of about 130 advisers at three separate managing general agencies. The FSRA review found the offending agents broke about 184 rules under the province's Insurance Act.

Of the 65 agents who broke rules, 55 per cent were issued monetary penalties, 14 per cent were issued letters of warnings, and 18 per cent remain under review by a regulatory discipline officer.

The infractions included unsuitable sales practices, gaps in adviser training, advisers failing to complete continuing education courses as required to maintain an insurance licence, not following best practices, and advisers not disclosing conflicts of interest to clients when they are being compensated by insurers.

FSRA's two recent reports – which include reviews done between May 2022, and April 2023 – examined agents from World Financial Group Insurance Agency of Canada, Greatway Financial Inc., and Experior Financial Inc.

"In the period leading up to the recent report, we've implemented significant measures to ensure compliance and address concerns," Greatway's Chief Compliance Officer Ray Burgher told The Globe in an e-mail. "These measures, including improved training and heightened agent supervision, aim to better serve our clients and align with regulatory expectations."

Experior chief executive Shelden Smollan told The Globe in an e-mail that the MGA has always followed industry standards and that its agents are properly licensed by local provincial licensing bodies.

Mr. Smollan disputes FSRA's findings in Tuesday, October 3's report saying, "there has been no action taken against Experior or any Experior agents." During an industry meeting in April where FSRA spoke, Mr. Smollan said the regulator recommended compliance practices to insurers which Experior already had in place.

World Financial Group did not respond to questions from The Globe about the two reports.

Combined, the three managing general agencies represent about 20 per cent of the agents in the Ontario market, with World Financial Group consisting of almost 11,000 agents alone. Almost 80 per cent of these individuals reported being a part-time life insurance agent, with 86 per cent saying they have a second occupation outside the role of a life insurance agent.

"When compensation for life agents is heavily influenced by the sales of individuals they recruit, this creates the potential to focus on recruiting to greater extent than agent suitability and customer needs analysis," FSRA said in Tuesday, October 3's report.

Managing general agencies are intermediaries that connect distribution networks, such as independent life advisers or agents, with Canadian insurance companies to sell products. In some instances, the agencies use tiered recruitment business models, also known as multi-level marketing or network marketing, where advisers are asked to recruit new advisers, including from their own client base.

Over the past two years, multi-tiered recruitment business models have been a major focus of insurance regulators, particularly when it comes to adviser proficiency and client accounts. Last year, FSRA issued a compliance order asking Calgary-based Greatway Financial to revise its training regime for its 3,500 agents after finding that it could result in unfair or deceptive acts by agents when selling insurance products to clients.

And in August, the Autorite des Marches Financiers (AMF), the regulatory and supervisory body for Quebec's financial sector, imposed $200,000 in administrative monetary penalties and issued orders against World Financial Group Insurance Agency of Canada after a review of its supervision, transactional activities, and product suitability found that it did not have an adequate compliance system.

In response to FSRA's recent reports, Mr. Burgher said Greatway's role in recruiting "essential new agents for Ontario's middle market remains vital," and the company is "dedicated to ensuring that efforts result in positive consumer outcomes."

As a result of the findings published on Tuesday, October 3, FSRA announced that it has set up further investigations into certain managing general agency business models and has started the process of setting up a new regulatory framework for companies working under that business model, including a rule proposal that will directly look at the types of distribution networks that can be used by the agencies.

"The practices of the life agents selected from the MGAs were observed to be worse than prior reviews of life agents whom we had specifically selected due to past misconduct or having been the subject of complaints," FSRA's executive vice-president of market conduct, Huston Loke, said in an interview. "This is extremely harmful to consumers and points to the need for additional regulatory action in respect of agents, MGAs, and insurers."

FSRA found that many inexperienced life insurance agents at the agencies were predominantly selling universal life products – a complex and specialized insurance product that typically allows consumers to pay a fixed premium for a specific amount of death benefit, as well as a second monetary portion to be placed in a savings cash account. The product is considered to be unsuitable for many consumers as it is an expensive product to save for retirement.

Yet, in 2020, FSRA found that 56 per cent of insurance policies sold by the three managing general agencies were universal life policies. Approximately 92 per cent of Greatway's $42.8-million gross income for 2020 came from the sale of permanent life insurance products, according to FSRA, of which 99 per cent was from the sale of universal life insurance products.

In 2021, about 57 per cent of policies sold at all three firms were universal life policies.

In some client files reviewed, universal life policies were sold on the premise that they were appropriate for almost everyone, without regard to risk or the client's financial sophistication or personal circumstances. FSRA said lower-cost and lower-risk strategies, such as tax-free savings accounts or registered retirement saving plans, were generally not considered or discussed as alternatives to "over-funded universal life (UL) policies" – where a client is paying a higher than the monthly premium to invest in a tax-free, self-directed investment account.

"FSRA is concerned the insurers and MGAs captured in this report may not have effective oversight processes in place to manage potential risks to the consumer, and to demonstrate suitable sales, particularly in the case of inexperienced life agents selling universal life policies," the report said.

The introduction of TFSAs in 2009, along with tax rule changes in 2017 that limit contributions to insurance policies, left universal life policies most appropriate for specific niche clients who have typically already maxed out other savings vehicles.

Yet, in 33 per cent of client files reviewed, customers were sold a universal life policy with the implicit purpose of saving for retirement. In 75 per cent of those cases, the client did not appear to have a TFSA or RRSP.

In all of these instances, the clients were a single person in their 20s or early 30s with no dependents and only modest income – typically not aligned with the sale of a more complex insurance product.

In almost 30 per cent of the cases reviewed, the client was also carrying high-interest personal debt which was not factored into the product recommendations. The report found universal life funds "may well have been put to better use through investment in TFSAs or by reducing their personal debt."
In addition to proposing new regulation for the sector, FSRA said it will continue to review insurers where appropriate, continue to take enforcement action when necessary, launch a consumer education campaign, and provide enhanced guidance to managing general agencies.

Read Story (Subscription Required): *https://www.theglobeandmail.com/business/article-ontario-fsra-insurance-agents-sales-practices/*

FSRA Publishes 2022-2023 Annual Report

By Kate McCaffery, Insurance Portal, September 29, 2023

[Ontario regulator publishes annual report - Insurance Portal (insurance-portal.ca)]

The Financial Services Regulatory Authority of Ontario (FSRA) released its 2022-2023 Annual Report on September 28, describing the regulator's activities over the past year and examining accomplishments made against its 2022-2025 Annual Business Plan.

FSRA says that during the past year, it met all targets in responding to public inquiries and complaints, established a new whistle-blower program, launched a pension awareness day, and conducted the regulator's first consumer research study. The annual report also includes board appointments and remuneration, risk identification, assessment and mitigation strategies, audited financial statements, and statistics on FSRA's operations.

As of March 31, 2023, FSRA regulated 290 insurance companies, 4,516 registered pension plans, 68,956 insurance agents, and 6,838 corporate insurance agencies. It also oversaw four credentialing bodies issuing credentials allowing agents to use the financial planner and financial advisor titles.

During the year, the regulator levied $1.267-million in administrative monetary penalties and conducted 16 public consultations, including the release of guidance and rules.

"We are working dynamically with consumers, regulated entities, government, and other regulators to ensure that consumers get financial products and services that meet their needs. We are a young regulator and are very much a work-in-progress, but we have made substantial progress to-date and are on a clear path to better protecting consumers while working more efficiently and strategically," wrote FSRA's CEO, Mark White.

FSRA also now has 16 technical advisory committees, a consumer advisory panel, and a retiree advisory panel. "These groups enable FSRA's stakeholders, including the public, to participate more actively in FSRA's policy-making processes and support our goal of being a high-performing regulator."

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Canadian Artificial Intelligence Code Of Conduct Is Voluntary, Says Federal Minister

By Kate McCaffery, Insurance Portal, September 29, 2023

Canada's Minister of innovation, science and industry, François-Philippe Champagne, announced on September 27 that Canada has a new voluntary code of conduct for firms developing and managing generative artificial intelligence (AI) systems.

Effective immediately, the code identifies measures that organizations are encouraged to apply to their operations, the minister said in a statement from Innovation, Science and Economic Development Canada.

"The Government of Canada has already taken significant steps toward ensuring that AI technology evolves responsibly and safely through the proposed *Artificial Intelligence and Data Act* (AIDA), which was introduced as part of Bill C-27 in June 2022. This code is a critical bridge between now and when that legislation would be coming into force," the Ministry stated.

Bill C-27 was adopted at second reading in the House of Commons in April 2023 and referred to the standing committee on industry and technology for study.

Signatories to the code of conduct agree that they will implement a clear risk management framework proportionate to the scale and impact of their activities. Organizations will perform impact assessments and take steps to mitigate risks to safety, "including addressing malicious or inappropriate uses," the Ministry states.

Organizations are also expected to test systems for biases, operational concerns, and security against attack. Notably, the Ministry says that organizations must also publish information on systems and ensure that AI-systems and AI-generated content can be identified.

"Signatories also commit to support the ongoing development of a robust, responsible AI ecosystem in Canada. This includes contributing to the development and application of standards, sharing information, and best practices with other members of the AI ecosystem," the Ministry states. "Signatories also commit to develop and deploy AI systems in a manner that will drive inclusive and sustainable growth in Canada, including by prioritizing human rights, accessibility, and environmental sustainability, and to harness the potential of AI to address the most pressing global challenges of our time."

Read Story (Subscription Required): *Canadian artificial intelligence code of conduct is voluntary, says minister - Insurance Portal (insurance-portal.ca)*

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UK Regulators Seek To Boost Diversity, Combat Groupthink

The Proposals Include Guidance For Firms To Take Action Against Bullying And Sexual Harassment

By James Langton, Investment Executive, September 25, 2023

https://www.investmentexecutive.com/news/from-the-regulators/u-k-regulators-seek-to-boost-diversity-combat-groupthink/

The UK's financial regulatory authorities — the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) — are proposing measures to boost diversity and inclusion in the financial services sector.

The regulators published consultation papers setting out proposed new rules and guidance that seek to set certain minimum standards for the industry. The proposals would also impose more specific requirements on larger firms, including requirements to develop a diversity and inclusion strategy, to report and disclose certain data on diversity, and to set targets to deal with under-representation of certain minority groups.

The proposals would not impose diversity targets on the industry overall, leaving it up to firms to establish their own targets.

"The proposed rules aim to see increased diversity and inclusion in firms translate into better internal governance, decision-making, and risk management. That contributes to promoting the safety and soundness of firms, policy holder protection, and better outcomes for markets and consumers," the regulators said in a joint notice.

Among other things, the proposals aim to combat the lack of gender balance in the industry. The regulators reported that recent data indicate that only 12% of fund managers are female, and that women account for just 19% of executives in the banking and capital markets sectors.

The regulators also want to address the problem of "groupthink on boards [that] has been a shortcoming contributing to serious problems at firms."

"For UK financial services to be competitive and for the companies in it to be well run with healthy work environments, it's vital that they attract, retain, and promote the best talent," said FCA chief executive Nikhil Rathi in a release. "The data suggest this isn't happening. Our proposals will encourage the largest firms to put in place plans and report against their delivery."

In addition to improving diversity within the industry, the proposals also include guidance to ensure that firms take action internally against bullying, sexual harassment, and other forms of workplace misconduct that represent a regulatory risk.

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"We have taken a lead among regulators in taking a clear stance that non-financial misconduct, such as sexual harassment, is misconduct for regulatory purposes. We're strengthening our expectations on how the firms we regulate consider such misconduct when deciding whether someone is fit and proper to work within the industry," Rathi added.

The deadline for feedback on the consultation papers is December 18, 2023.

The regulators said that they intend to issue final rules in 2024, and anticipate giving firms a year before the new rules take effect.

In Canada, regulators recently completed a consultation on diversity among issuers generally, which set out competing visions among members of the Canadian Securities Administrators (CSA) when it comes to reporting on diversity in corporate boardrooms and executive suites.

It remains to be seen whether the CSA will reach a consensus approach on diversity disclosure.

Regulatory Activities To Consider While Embracing Digital Transformation

By Robert Aske, Mike Lamberth, and Alissa Ristic, Digital Insurance, October 6, 2023

https://www.dig-in.com/opinion/regulatory-activities-to-consider-digital-transformation?utm_source=newsletter&utm_medium=email&utm_campaign=V3_DIG_Daily_Briefing_2023%2B%27-%27%2B10062023&bt_ee=80HHohziDXIYJWW%2FUkdwdiPb%2FWi9ZKfLNhXDnte5EcczzFhzsNuowUdrtkzpQsYV&bt_ts=1696597235674

Digital transformation is cementing itself in the insurance industry, enabling new avenues for profitable growth and revenue, streamlining operations and customer service to transform companies' business models. Innovative technologies, including generative artificial intelligence (Gen AI), machine learning, and the Internet of Things, provide an opportunity for the industry to enhance customer service to meet the needs of policyholders.

As insurance companies develop strategies to execute digital transformation within their organizations, it is essential to keep in mind several regulatory considerations regarding data and cybersecurity, technology and resilience, and fairness and inclusion to stay ahead of the evolving supervisory and regulatory trends.

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Data And Cybersecurity

Data collection and cybersecurity are critical for insurance companies because of the large volume of policyholder information the companies collect. In the 2023 KPMG Insurance Outlook survey, 54% of insurance executives believe cybersecurity risk poses the greatest threat to their company's growth over the next three years. Integrating new technology such as data analytics, automation and mobile applications can improve their business but potentially make them vulnerable to cyberattacks that compromise sensitive policyholder data.

As insurance companies invest in technology and software solutions to transform and improve their cybersecurity, understanding regulatory expectations should be prioritized. Legislators and regulators at the federal and state levels have introduced actions to frame appropriate guardrails on data and cybersecurity risks. The White House issued a 2023 National Cybersecurity Strategy, a plan consisting of more than 65 federal initiatives to fight cybercrime. Furthermore, the SEC adopted rules requiring public company registrants to disclose material cybersecurity incidents and annual information about their cybersecurity risk management, strategy, and governance. Since June of last year, 22 states have adopted the National Association of Insurance Commissioners (NAIC) Insurance Data Security Model Law requiring insurers to develop an information security program and investigate and notify the state insurance commissioner of any cybersecurity events. Lastly, on the international front, insurance firms operating or based in the U.S. that collect data from EU citizens, must comply with the EU General Data Protection Regulation (GDPR), data protection law.

At mid-year, KPMG identified regulatory challenges related to data and cybersecurity including a supervisory focus on accountability and potential limitations for data stewards (e.g., collection, protection, storage, retention, and use); attention to model inputs and outputs, including automated systems (data sets, opacity, design and results); requirements to safeguard and dispose of consumer/customer data; and access authorization and controls.

Tech And Resilience

Innovative technologies and large language models, such as ChatGPT and other AI systems are heightening public policy and regulatory monitoring around the life cycle of AI systems. As technology evolves, new rules are being put forth to monitor potential risks.

The White House Office of Science and Technology Policy's released the "Blueprint for an AI Bill of Rights," a set of principles and practices to help guide the design, use, and deployment of automated systems to protect the rights of the American public. In addition, the NAIC formed the Innovation Cybersecurity and Technology (H) Committee to provide a forum for state insurance regulators to discuss innovation and technology developments and how these will affect consumer protection. With increasing regulatory activity and scrutiny being directed toward technology and resiliency, companies developing new systems should consider tech and system assurances, interactions with cloud and legacy systems, third-party risks (including ransomware and resilience), and "trustworthiness" — safety, efficacy, fairness, privacy, explainability and accountability— to ensure the systems meet the expected purpose and application as well as customer impacts.

Fairness And Inclusion

Companies should prioritize fairness and inclusion when undertaking digital transformation. From an operations perspective, AI can streamline the recruitment process to make diverse hiring decisions, but there are inherent risks. According to two University of Cambridge Centre of Gender Studies professors who published a paper on race, gender, and AI-powered recruitment tools, AI systems have the potential to perpetuate biases and promote uniformity in hiring by favoring white or male candidates.

To protect against bias by automated hiring processes, New York City adopted a law requiring employers that utilize AI to conduct annual audits to check for built-in bias. California, New Jersey, Maryland and Illinois are currently considering laws that may limit the use of AI tools in hiring. With continuing focus on AI in recruiting, insurance companies should be mindful of the public policy discussions and regulatory pressure that may arise centered on the transparency of organizational commitments to diversity, equity, and inclusion, in addition to diverse supplier outreach and access and inclusivity.

From a customer-focused perspective, concerns around digital tools used for insurance underwriting have been rising. For example, AI is being used for life insurance underwriting to improve efficiency, but there are concerns from life insurance regulators about the risks of using external consumer data and information sources (ECDIS) such as credit scores, education, and occupation to establish lifestyle indicators to help determine how to issue life insurance policies. The risk is that these sources could lead to unfair discriminatory practices based on customers' primary characteristics including race, ethnicity, gender, disability, and more.

In April, four federal agencies including the Federal Trade Commission (FTC) released a joint statement on enforcement efforts against discrimination and bias in automated systems, citing that AI tools have the "potential to perpetuate unlawful bias, automate unlawful discrimination, and produce harmful outcomes." Similarly, there have been efforts to protect consumers from unfair discriminatory practices at the state level. In 2021, Colorado passed a law to hold insurance companies accountable for testing their big data systems that could unfairly discriminate against customers. This year, they followed up with additional guidance imposing requirements for Colorado licensed life insurance companies that utilize ECDIS and AI models.

Overall, digital transformation can provide immense opportunities for the insurance industry to modernize its approach to serving customers. However, as the industry incorporates new technology within their organizations, understanding regulatory trends across state and federal jurisdictions is critical for growth to achieve the promise of digital transformation.

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OTHER CAFII MEMBER-RELEVANT NEWS

Laurentian Bank Replaces CEO And Board Chair, Amid Turmoil As Review Fails To Find Buyer

By Andrew Willis, The Globe and Mail, October 2, 2023

Laurentian Bank of Canada replaced its board chair and its chief executive officer on Monday, October 2, after months of turmoil at the country's ninth largest lender that included a customer service outage last week and a sales process this summer that failed to find a buyer.

Montreal-based Laurentian Bank announced that CEO Rania Llewellyn, the first woman to run a major Canadian-based bank, would "leave immediately" after three years at the helm. The new CEO is Eric Provost, who has been at Laurentian for 11 years, most recently as head of personal and commercial banking.

Laurentian also announced that board chair Michael Mueller has resigned, replaced by Michael Boychuk, who was previously head of the board's audit committee. Mr. Boychuk played a central role in recently-concluded strategic review of Laurentian that included the potential sale of the bank, which has struggled to grow profits and is far less efficient than larger rivals.

"Eric is the right executive to lead the Bank at this critical point in its evolution," said Mr. Boychuk in a press release. "We have experienced challenges recently and the board is confident that Eric will successfully focus the organization on our customer experience and operational effectiveness."

Mr. Boychuk, CEO of BCE Inc. pension manager Bimcor, said: "I want to thank Mike Mueller for his many years of dedicated service as both a board member and chair. I would also like to thank Rania Llewellyn for her hard work and contributions."

Early on Monday, October 2, Laurentian's share price fell 4 per cent on the Toronto Stock Exchange. The bank's shares are now trading at approximately half their book value, a significant discount to the lender's historic valuation.

Canadian banks rarely replace their CEOs abruptly, without clearly telegraphing that succession is in the works. Previously, Laurentian aggressively promoted Ms. Llewellyn as a change agent.

Laurentian recruited Ms. Llewellyn from Bank of Nova Scotia almost four years ago. She was mid-way through a three-year turnaround strategy which the board endorsed in September, when it concluded the strategic review. While a number of Canadian banks kicked the tires at Laurentian over the summer, the lender failed to attract an offer that met the board's expectations.

In contrast, HSBC Holdings PLC drew multiple bids last year for its Canadian bank, and eventually agreed to sell the business to Royal Bank of Canada for $13.5-billion.

On Monday, October 2, Laurentian said Mr. Provost's top priority as CEO "will be to rebuild trust with the bank's customers and address the impacts of a mainframe outage that occurred last week." The service outage took place during a planned technology maintenance update.

"Once the issues related to the outage are fully behind us, we will develop a new plan to ensure the sustained success of our bank," Mr. Provost said in a press release.

Laurentian's online platform shut down on Sunday, September 24 and remained out of service for five days. Customers were able to log back in on Friday, September 29, although a spokesperson for the bank said a few clients are still unable to get accurate information on their account balances.

On Monday, October 2, the bank said: "At all times, customer data and financial information remained secure." Laurentian said Mr. Provost is rolling out a three-part plan to resolve all outstanding issues related to the outage, enhance customer communications around the problem and review what led to the shutdown.

"The trigger for this morning's leadership changes appears to be more tied to the bank's ongoing systems issues, but it is hard to believe that the outcome of the recent strategic review was not a factor as well," said analyst Meny Grauman at Bank of Nova Scotia in a report.

On Monday, October 2, Laurentian announced that as a result of the outage, it will reverse all monthly services fees for September.

"Laurentian has been undergoing a significant modernization of digital tools and the IT outage clearly appears to be a significant issue for customers to lead to such an abrupt management change (if indeed this was the only reason for these changes)," said analyst Darko Mihelic at RBC Capital Markets in a report.

When Laurentian concluded its strategic review in September, the bank said that it planned to speed up the three-year turnaround plan which Ms. Llewellyn put in place, with an increased emphasis on improving efficiency and simplification. At the time, two senior executives departed and the bank promoted Mr. Provost.

In September, Mr. Mihelic said that Laurentian faced significant challenges as it tried to increase profits and reduce operating costs as it trails larger rivals. In a report, he said; "Perhaps more aggressive measures (i.e., a restructuring charge) may be needed to right-size the expense base."

Read Story (Subscription Required): *https://www.theglobeandmail.com/business/article-laurentian-bank-new-ceo-chair-eric-profost/*

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How Climate Change Could Affect Where And When People Travel

By Sam Kemmis, Nerdwallet, For The Associated Press, September 26, 2023

Travelers encountered many weather surprises this summer, from wildfires in Europe to knee-deep mud at Burning Man. Indeed, it was the hottest summer on record around the globe, according to the European Union's Copernicus Climate Change Service.

"The dog days of summer are not just barking, they are biting," said U.N. Secretary-General António Guterres in a prepared statement published on September 6. "Our planet has just endured a season of simmering — the hottest summer on record. Climate breakdown has begun."

Shifting weather patterns are raising questions about where, when, how, and whether tourists will travel.

For example, does it still make sense to visit Italy in July, despite high temperatures, large crowds, and minimal air conditioning? Or should "peak" travel season move to the more hospitable autumn or spring months?

Tourism destinations are starting to take note — and get worried — about the toll climate change could take on this enormous industry.

Hot Destinations

Escaping to the Spanish coast for the summer used to sound like a dream. This year it turned into more of a nightmare for Mediterranean travelers. The coastal city of Valencia, Spain saw temperatures reach 116 degrees Fahrenheit in August, a record high. That came amid Spain's limits on air conditioning use in public spaces, leaving tourists to sweat it out.

These trends are only likely to get worse, driving travelers away from hot beach-side destinations in Europe, according to a July report from the European Commission's Joint Research Centre. Southern coastal regions such as Greece, Italy, and Spain are expected to see a drop in tourism if temperatures continue to increase.

On the other hand, colder destinations in Northern Europe could actually see more vacationers. Denmark, France, and the United Kingdom could receive more tourists because of higher temperatures, according to the report. Greenland, which is mostly covered with ice, is expecting to see far more tourists in the coming decades, with a new airport set to open in 2024.

Closer to home, many popular destinations have already been affected by rising temperatures. The namesake glaciers of Glacier National Park have lost an average of 40% of their size between 1966 and 2015, according to the National Park Service. Florida's coral reefs were bleaching and dying under the stress of record ocean temperatures this summer.

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Peak Travel Seasons

Summers are for vacations — that's a truth so universally acknowledged as to be almost self-evident. Families travel while kids are out of school, and office workers flee to vacation in ideal weather.

Yet, as summers continue to warm, these vacations could give way to "shoulder season" alternatives in spring and autumn months. In other words, tourists could change when (rather than where) they visit.

Indeed, this change may already be taking place. Short-term rental analytics platform AirDNA reported that occupancy rates at mountain and lake destinations in October 2022 were nearly as high as 2019's peak occupancy (in July), bucking the typical sharp downward trend after the summer.

Cherry blossoms in Japan are flowering 11 days earlier than they used to, according to a 2022 report in the journal Environmental Research Letters. That has shifted the tourist-attracting cherry blossom festival from April into March.

Changes in flexible working conditions, as well as pent-up demand from the pandemic, could also be contributing to the rise of shoulder season travel. Yet as more travelers take stock of changing weather patterns, they will likely adjust their schedules to avoid stifling summer heat. The European Commission's Joint Research Centre estimates that southern coastal regions could lose as much as 10% of tourists during peak summer months.

A Climate Catch-22

A changing climate will affect how and when tourists travel. Yet this causation runs the other way, as well: tourism is itself affecting the climate.

Tourism accounts for about 8% of global emissions, according to some estimates. A single trans-Atlantic flight would require an acre of forest to absorb its carbon emissions. Although the airline industry is racing to reduce emissions, it lags far behind other major emitters, such as passenger vehicles, in making meaningful change.

What does that mean for airline passengers? Either they must begin reducing the number of miles they fly, or governments may begin imposing restrictions in order to reduce emissions.

For example, France has already banned short-haul domestic flights for routes already serviced by rail. That is, if travelers can get there in less than two and a half hours on a train, they can no longer fly. Similar bans could appear throughout Europe as countries get more aggressive on combatting climate change.

Some advocates have even proposed a frequent flyer tax that scales with the number of flights a traveler takes — an effort to curb large carbon footprints.

Whether these or similar measures take off in the coming years or not, this much is clear: the days of unfettered jet-setting could be coming to an end.

Read Story (Subscription Required): [*How climate change could affect where and when people travel (therecord.com)*]

WestJet Suspends Flights Between Toronto And Montreal Until Next April

Airline Says Route Will Start Up Again In The Spring

By Pete Evans, CBC News, October 4, 2023

https://www.cbc.ca/news/business/westjet-flights-toronto-montreal-1.6986307

WestJet is temporarily suspending flights between Canada's two biggest cities this winter, but plans to resume service between Toronto and Montreal next spring.

The Calgary-based airline confirmed the news to CBC News on Wednesday, October 4, after CTV first reported it.

The once-a-day route has been temporarily cut "as a result of performance and in alignment with our strategic direction to expand our presence in Eastern Canada this winter, with increased non-stop connectivity to Western Canada, as well as providing more affordable leisure and sun travel opportunities across Canada," the airline said.

WestJet says it plans to resume the service in April of next year.

The move is the latest development after a tumultuous year for the airline industry, as WestJet recently gobbled up vacation carrier Sunwing and folded its discount carrier Swoop.

John Gradek, a former executive at Air Canada who now lectures about aviation management at McGill University, says the move is part of WestJet's strategy to focus on its strengths in Western Canada.

"So they're trading off Montreal and Toronto to fly [for] longer haul Canadian flights," he said in an interview. "They're using the assets that were in Montreal and Toronto now to fly other long-haul markets [and] focusing in on non-stop services to and from Calgary."

Air Canada has also recently made adjustments to its routes, with the Montreal-based carrier announcing that an ongoing pilot shortage had forced the airline to cut back a variety of routes out of Calgary, including non-stop service to Ottawa, Halifax, Los Angeles, Honolulu, Cancun, and Frankfurt.

Two Hubs Emerging

Prior to WestJet's move, the corridor between Toronto and Montreal was among the best served in the country, with four carriers operating more than 360 trips per week, according to aviation data firm Cirium.

But WestJet currently flies 80 per cent fewer trips between Toronto and Montreal than it did in 2019 as the company has slashed routes in Ontario, Quebec, and Atlantic Canada to refocus on the West. Gradek says it's hard to ignore the trend that WestJet is consolidating its efforts in its backyard of Western Canada, while Air Canada beefs up in its home turf in the East.

"It's an evolution of the typical hub strategy," Gradek said, where WestJet will orient itself around Calgary while Air Canada centres on Toronto and Montreal.

"We're getting less competition among the carriers in terms of competition from these fiefdoms that they've created for themselves, and there is less choice for Canadian consumers."

Arajet Is Latest Entrant To Canada's Crowded Budget Airline Market

By Christopher Reynolds, The Canadian Press, October 2, 2023

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Arajet, a discount airline based in the Dominican Republic, is set to launch flights between that country and Toronto and Montreal this fall.

The announcement by the year-old carrier marks the latest entrant to an already crowded field of low-cost airlines, and comes two weeks after U.S. budget carrier Breeze Airways made a pitch to Quebeckers bound for Florida.

Unlike many low-price players, Arajet CEO Victor Pacheco said his strategy will bank on a hub-and-spoke model that connects passengers from far-flung airports via the airline's hub of Santo Domingo, his home country's capital.

As proof, he said that well over half of the 10,000-plus Arajet tickets sold to Canadians thus far are for other destinations in the Caribbean and Central and South America, to be reached via connecting flights from the Dominican Republic.

"The ULCCs (ultra-low-cost carriers) are mainly point-to-point airlines," Pacheco said in an interview. "We're bidding on connections. And if we didn't have that, it would be very difficult then to compete with Canadian carriers."

Though no other airlines fly direct between Santo Domingo and Canada, Air Canada, United Airlines, and American Airlines all touch down there regularly. Meanwhile, other rapidly expanding discount carriers are trying to woo Canadians with cheap flights to an array of sunny destinations.

By the end of next year, Flair Airlines aims to beef up its fleet to 26 planes from 21 now, and Lynx Air to 17 aircraft from its current nine. The latter's inaugural flight only took off in April 2022, while Flair launched in late 2017, illustrating Canada's increasingly congested skies of late.

Canada Jetlines also flies to a handful of sun destinations, while Porter Airlines -- though not a budget carrier -- plans to grow its fleet to 79 planes by 2025 from 46 currently.

"I think the pie is growing," Pacheco said. "Competitors do react to us, they lower prices as well. And that means that now more people have access to travel even with them."

Ironically, the door to the travel market opened up when international travel shut down during the COVID-19 pandemic, the CEO said.

"The grounding of the Max combined with the pandemic, I think that there was a moment or a small window of time where there was an opportunity (for low-cost airlines) to be able to access and get deals," he added, noting how carriers sprouted after mainline airlines, leasing companies, and manufacturers sought to dump planes in 2020.

He said that the greater availability of the Boeing 737 Max 8 was a key selling point -- for Arajet as well as other small airlines such as Flair and Lynx that rely heavily on the 189-seat narrow-body.

The Max 8 was grounded for 20 months after two crashes in 2018 and 2019 that killed 346 people, including 18 Canadians.

Backed by majority investor Bain Capital, the 10-aircraft Arajet will launch direct routes to Santo Domingo from Toronto and Montreal on October 24 and November 7, respectively, with one-way trips starting at $98.

Bain's deep pockets as well as its majority stake in Virgin Australia and minority stake in Icelandair mean that Arajet has "the backing in order to purchase aircraft directly from Boeing" -- rather than relying solely on leases, as many start-up ULCCs have to do -- Pacheco said.

The company, which has ordered 20 planes from Boeing with an option for 15 more -- on top of the 10 currently in its fleet -- now flies to 22 destinations in 15 countries.

"We're bringing Latin America basically at the feet of Canada," Pacheco said.

AI Won't Take Your Insurance Job. Here's What It'll Do Instead

By Alyssa DiSabatino, Canadian Underwriter, September 28, 2023

[AI won't take your insurance job. Here's what it'll do instead (canadianunderwriter.ca)]

Artificial intelligence (AI) will undoubtedly change the property and casualty insurance industry, but not in the ways you might assume.

No, it's not going to take your job. But it will make it easier, Sinead Bovell, futurist and founder of WAYE told attendees at the recent RIMS Canada Conference in Ottawa.

According to Bovell, AI can do two things for the industry: improve risk modelling and streamline administrative tasks.

"The most important thing to recognize about AI, especially as it relates to risk management, is that it improves the value of decision-making," Bovell said during her keynote address.

"Maybe you have a statistical regression model that allows you to evaluate a few hundred or even a few thousand data points about a company, a person, a situation," she said. "AI systems can analyze hundreds of thousands of data points, and point out insights that humans don't even know to look for."

This can help the P&C insurance industry generate an accurate prediction of the level of risk that a client or current policyholder may present.

Of course, there are limits to this technology. "What AI can't do is make a judgment call," Bovell said. Humans will need to step in to make the final decision on the data which AI produces.

Pairing AI's forecast prediction abilities with human intelligence makes for well-rounded decision-making on the level of risk which a policy, client, or business decision may hold.

For example, if a policyholder went on vacation, but their property is located in an area experiencing an uptick in thefts, the AI could create a set of predictions for how likely the home owner is to get robbed. "Maybe the AI gives the [broker] a number that says there's a 1% chance if [the owner] leaves that this house is going to be broken into, and based on that, it will raise his insurance premiums $100 each month," Bovell said.

The broker could proactively reach out to the homeowner and ask them to take further measures to deter break-ins.

Insurance companies will also be able to leverage AI to accelerate tedious tasks. This will free employees up to work on more thoughtful projects.

Companies can train their AI on proprietary company data or need-to-know materials and use the output to create training materials for new hires and get them on the ground with clients quicker.

AI can also be useful for note-taking, Bovell said. “Maybe when you’ve attended a meeting, your AI comes with you digitally and you’re both listening for insights.”

Then, you can refer to your AI to compare notes and combine them to optimize your personal take-aways.

This can be a transformative tool for the workplace, especially for lower-tier or new employees, who may benefit from detailed data and notes.

AI also can help you write that email you’ve been procrastinating on, or perhaps help distill the points you want to convey.

“It can do things like [suggesting] ‘Before you send that petty email to your manager, maybe try rewording it this way,’” Bovell said.

Real-time language translation is another tool which AI can provide for multi-national companies, or those with international teammates.

“Speaking different languages would [become] irrelevant, which is [helpful for] companies that want to expand their hiring pool.” Bovell said. “You may literally have a teammate that speaks a different language from you across the world, but it’s irrelevant, and you have an amazing chemistry because of these real-time devices.”

UPCOMING CAFII MEMBER-RELEVANT WEBINARS AND EVENTS

Webinar By Digital Insurance: The Future Of Insurance: Grow Trusted Relationships With Data, AI, And Trust

Date: Tuesday, October 17, 2023
Time: 2:00 pm – 3:00 pm EST

The insurance industry is experiencing a profound transformation driven by cutting-edge technologies. Join our webinar, "The Future of Insurance: Grow Trusted Relationships with Data, AI, and Trust," where we delve into the pivotal role of artificial intelligence, data analytics, and automation in reshaping the insurance sector.

Featuring insights from the Salesforce/Arizent Future of Insurance Study, attendees will hear how insurance leaders are integrating AI in front, middle, and back office operations. Discover how AI can revolutionize underwriting and claims processing, enhancing accuracy and efficiency while minimizing risks. By attending this webinar, you'll gain the knowledge and strategies needed to position your business at the forefront of this transformative wave.

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The Travel Health Insurance Association of Canada's Innovation Summit

Date: Friday, October 20, 2023
Time: 9:00 am – 5:00 pm EST

Explore the leading edges of technology, business and insurance advancements, while meeting travel health insurance influencers and other industry leaders. The day will feature keynote speaker Amber Mac, an award-winning podcaster (#TheFeed, This Is Mining, The AI Effect, Marketing Disrupted), co-host of the weekly emerging technology radio show and podcast #TheFeed on SiriusXM, and a bestselling author. Spend the day learning from a range of experts, including Data Scientist Mike Delorme of Manulife and Mukul Ahuja, AI Strategy Leader at Deloitte. See what's on the horizon during our startup showcase of companies and services that are breaking new ground in the industry and adjacent industries.

A light breakfast, lunch and a networking reception at the end of the day are included in your purchase price.

THIA "Friends", including CAFII Member representatives, can take advantage of Early Bird pricing of $200 per person until September 29, 2023 inclusive.

On September 30, this price increases to $250.

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