CANADA'S INSURANCE AND RISK MAGAZINE. CANADIANUNDERWRITER.CA

CANADIAN UNDERWRITER

FEBRUARY 2014

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Alternate Channel

BY CRAIG HARRIS

The Problem with Portals

BY JEFF ROY

Electronic Signatures

BY CATHERINE SMOLA


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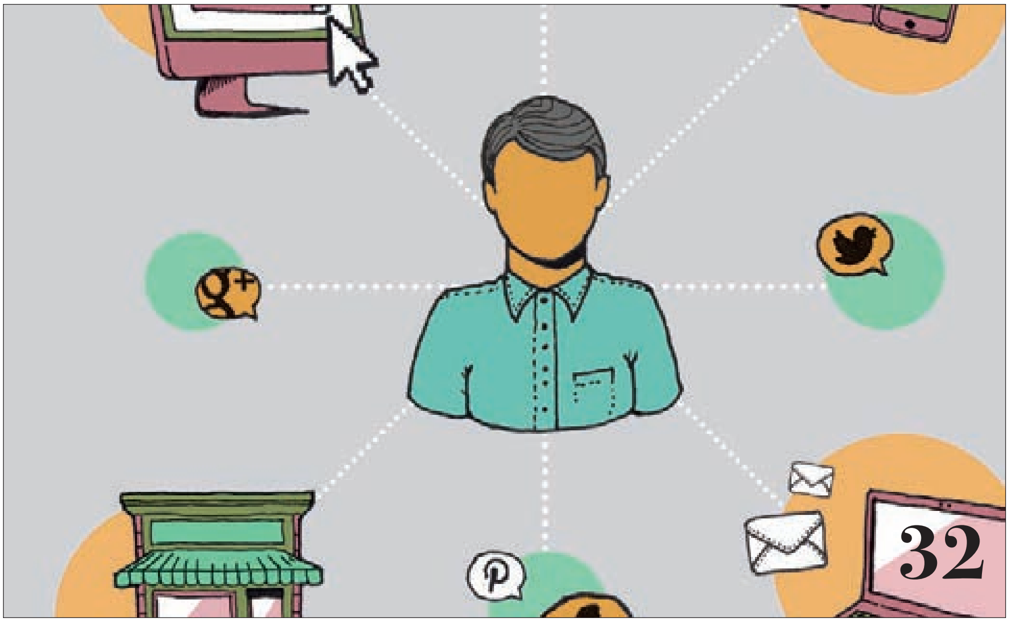

COVER STORY

Alternate Channels
While some retailers are letting customers interact using mobile technologies, social media and self-serve kiosks, the insurance industry is just starting to grapple with this "omni-channel environment." Some say that carriers have done little more than move the paper-based transaction process online, while others note legacy policy administration systems are one obstacle.

BY CRAIG HARRIS

FEATURES

Electronic Signatures
The Centre for Study of Insurance Operations has released a report on eSignatures, which help to make workflow less cumbersome, reduce the risk of repudiation and produce audit trails.

BY CATHERINE SMOLA

Wording Lookup
SGI Canada has implemented real-time wording lookup in commercial lines. This eliminates the need for brokers to remember a user name and password every time they look up a policy.

BY KEVIN CAMPBELL

Delaying the Sale
What should a broker do if a producer is "sleeving" sales, and intentionally failing to advise clients of necessary documents or pieces of information until a sales contest is underway?

BY THE CIP SOCIETY

Data Visualization
By using auto charting and other data visualization methods, insurance professionals can make quick decisions in order to reduce costs, detect fraud and make decisions on pricing.

BY STUART ROSE

20 Carrier Portals
Imagine if ordering a book through Amazon was just as difficult as working with insurance carriers' portals. Brokerages with as few as five markets are far too preoccupied with training users, managing passwords and keeping procedures current.

BY JEFF ROY

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In a recent survey of brokers by a technology vendor, only1% of respondents said they work in real time with their insurers and fewer than half work in a paperless environment.

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Telematics, mandated auto rate reductions in Ontario, severe weather and low interest rates were all topics of discussion at the 13th Annual Property & Casualty Crystal Ball, produced by CW Consulting and held in Toronto January 23.

BY GREG MECKBACH

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Telematics is generating plenty of buzz in the insurance industry, but it remains to be seen whether the technology turns out to be just an expensive discounting tool.

BY KARL GREENLAW

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CANADIAN UNDERWRITER

Editor
Angela Stelmakowich
astelmakowich@canadianunderwriter.ca
(416) 510-6793

Associate Editor
Greg Meckbach
gmeckbach@canadianunderwriter.ca
Twitter: @CU_Greg
(416) 510-6796

Online Editor
Harmeet Singh
hsingh@canadianunderwriter.ca
Twitter: @CU_Harmeet
(416) 442-5600 ext. 3652

Associate Publisher
Paul Aquino
paul@canadianunderwriter.ca
Twitter: @InsuranceCanuk
(416) 510-6788

Account Manager
Michael Wells
michael@canadianunderwriter.ca
(416) 510-5122

Account Manager
Christine Giovis
christine@canadianunderwriter.ca
(416) 510-5114

Account Manager
Elliot Ford
eford@canadianunderwriter.ca
(416) 510-5117

Senior Publisher
Steve Wilson
steve@canadianunderwriter.ca
Twitter: @InsuranceMedia
(416) 510-6800

Art Director
Gerald Heydens

Art Consultation
Sascha Hass

Production Manager
Gary White
(416) 510-6760

Subscriptions/Customer Service
Gail Page
gpage@bizinfogroup.ca
(416) 510-5187

Circulation Manager
Mary Garufi
mgarufi@bizinfogroup.ca
(416) 442-5600 ext. 3545

Print Production Manager
Phyllis Wright

President
Bruce Creighton

Vice President
Alex Papanou

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EDITORIAL

Monitoring Use

Knowing how an automobile is being used and operated should be of some use to the company underwriting the risk associated with the vehicle's use and operation.

Greg Meckbach
Associate Editor
gmeckbach@
canadianunderwriter.ca

For property and casualty underwriters, there is probably no line of coverage as badly in need of automation as private passenger auto. Tracking how insured vehicles are actually being used — and detecting high-risk behaviour on the part of policyholders — is critical if insurers want to price according to actual risk.

This type of detection is starting to take shape, as carriers and brokers offer telematics to their policyholders. But at CW Consulting's recent Property & Casualty Crystal Ball, two speakers who are involved in telematics trials spoke of limitations. Alister Campbell, chief executive officer of The Guarantee Company of North America, suggested he would be penalized for exceeding the posted speed limit of 100 kilometres per hour on Highway 401 in southern Ontario, while Randy Carroll, CEO of the Insurance Brokers Association of Ontario, indicated that in the trial in which he is participating, he has the highest frequency and severity of braking.

Campbell did not say exactly how quickly he drives, but if he is driving 112 km/h on the 401 in optimum driving conditions, he is actually driving what was the posted maximum speed in the mid-1970s. Back then, the 401 had a maximum of 70 miles per hour, reflecting the speed for which the highway was designed.

As for Carroll, it is not clear why he is braking so much. He might be overly risk-averse, but in any line of insurance this should not normally warrant a rate increase. Alternatively, Carroll might be watching what's in front of his vehicle and actually preventing collisions. Either way, by flagging excessive braking as a collision risk, a telematics program is being used not to detect risky behaviour. Instead, it is being used as a tool to presume — correctly or incorrectly — that risky behaviour was undertaken prior to braking. Would it not be nice if underwriters could use technology to avoid making presumptions in the first place?

Granted, telematics is a fairer (and probably more accurate) method of determining risk than making presumptions based on demographic data, especially gender and marital status. Certainly, if telematics devices are telling carriers how far the insured vehicles are going, how fast — and if they are swerving, braking hard or drifting out of their lanes — those are probably much better indicators of risk than the policyholder's gender, marital status or credit score (which most Ontario auto carriers would likely use if it were not prohibited by law).

But in order to have true underwriting in auto, there are two critical things the insurer needs to know in order to assess actual risk. One is whether the driver is adjusting to conditions. If insurers could use instrumentation and computer programs to detect the road surface conditions (whether bare and dry, wet, snow-covered or icy), traffic volume and visibility — and then cross-reference this information with the behaviour of the vehicle (including speed and whether cruise-control is used inappropriately) — this would take insurance automation to a new level. The second important factor is distraction. If video cameras were installed in cars — giving the underwriter the ability to record a visual of the driver at all times — there should be no question of whether a driver was looking straight ahead.

Sure, this type of monitoring would have the privacy advocates screaming blue murder, as if driving on a public road is an entitlement rather than a privilege. Nonetheless, it would give underwriters a good indicator of behaviour that is becoming a leading cause of collisions. Knowing how an automobile is being used and operated should be of some use to the company underwriting the risk associated with the vehicle's use and operation.

Claims

$3.2 BILLION IN WEATHER-RELATED LOSSES IN 2013

The $3.2 billion in insured losses from severe weather represents the highest ever in Canadian history, the Insurance Bureau of Canada (IBC) recently reported.

The late-year ice storm — which wreaked havoc on parts of southern Ontario and eastern Canada — generated an estimated $200 million in insured losses and was enough to push the annual total for severe weather to a record high for the country.

Data about insured damage is from PCS-Canada.

Events include: the floods in Alberta, with insured damage of more than $1.74 billion; the July 8 storm in Toronto, ($940 million); and the severe thunderstorm last July that hit central and southern Ontario and southwest Quebec (about $200 million).

Canadian Market

DESJARDINS ACQUIRES STATE FARM CANADA FIRMS

Desjardins Group announced January 14 it has entered into a definitive agreement to acquire State Farm Canada's property and casualty and life insurance business, as well as its mutual fund, loan and living benefits companies.

The transaction is expected to close in January 2015, subject to regulatory approval. Following the closing, Desjardins will continue operating the State Farm Canada businesses under the State Farm brand for an agreed licence period.

Once the deal has closed, State Farm's 1,700 Canadian employees and roughly 500 agents will continue to serve about 1.2 million customers in Ontario, Alberta and New Brunswick. Desjardins will continue to operate its other insurance brands separately, the company reported.

Regulation

AUTO POLICY LANGUAGE SIMPLIFIED IN QUEBEC

The Groupement des assureurs automobiles (GAA), an industry group in Quebec, recently announced a new plain language auto insurance policy, scheduled to take effect March 1.

In 2010, GAA and the province's regulator, Autorité des marchés financiers (AMF), began reviewing policies Q.E.F. No. 1 and 5, and their endorsements, so that consumers would find them easier to read and to understand.

The new policy includes shorter sentences and bulleted lists, along with simplifying legal language.

Policyholders will receive the new policy language upon renewal.

For example, the term "financial consequences" replaces the term "pecuniary consequences" and "additional coverages" replaces "additional agreements."

ONTARIO AUTO RATES DROP 4.66% SINCE AUGUST

Auto insurance rates in Ontario have dropped 4.66% on average since August 2013, Ontario's Ministry of Finance announced in January.

Rate filings approved during the fourth quarter of 2013 declined on average by 3.98% and during the third quarter of 2013 by 0.68%, which together make up the average reduction announced in January.

The Insurance Bureau of Canada noted that rates have dropped for a fourth consecutive quarter, and for the second year in a row.

The announcement from the government is based on rate filings set and approved by the Financial Services Commission of Ontario quarterly, and not all companies were ordered to file new rates, IBC noted.

ONTARIO CONSIDERS DRIVERLESS CAR PILOT

Ontario's Ministry of Transportation is seeking public comment on a proposal to create a pilot project testing the safety of "autonomous vehicles," often referred to as "driverless" cars. Comments were due February 24.

The proposal is for a five-year pilot program testing the safety of self-driving vehicles before they are widely available to the public, which could be between 2020 and 2025, based on industry estimates.

The proposal "will allow the ministry to proactively evaluate and determine how these vehicles can be safely integrated with other road users prior to them becoming widely available to the public," MTO stated at the time.

According to its proposal, only "vehicles manufactured and equipped by recognized parties" would be permitted in the pilot and proof of third-party liability insurance would also be required.

Reinsurance

SOME CAT BOND RETURN RATES HIT 18%

Catastrophe bonds have been "extremely profitable" lately, says Philip Cook, chief executive officer of Omega Insurance Holdings Inc.

"The hottest area of new investment into the business is not going directly into insurance companies," Cook said during the recent CIP Society Industry Trends breakfast. "It's going into insurance-linked securities and cat bonds in particular."

According to the latest study Cook has seen, there was $20.5 billion in capital invested in the cat bond market around the world, while $2.5 billion in new capital was invested into that market in 2013.

"Most of those cat bonds have been extremely profitable," Cook noted, adding some of them had no losses. "As a result, the cat bond funds now are returning rates of return in the mid-teens and I have seen them as high as 17% and 18%."

Nonetheless, the cat bonds still pose some risk for investors, he suggested.

"It would only take one or two major exposures, I think, to reverse the whole popularity of the cat bonds."

INSURANCE-LINKED SECURITIES SALES GROW

The insurance-linked securities market continued to grow in 2013, though new issuances were not as large last year as they were in 2007, notes a recent report by Swiss Re Capital Markets Corp.

"For the second year in a row the new issuance ILS market climbed to its 2nd largest yearly total," Swiss Re stated in its *Insurance Linked Securities* market update.

Swiss Re added there were $7.42 billion worth of new ILS issued, across 31 transactions, in 2013. All figures are in United States currency. Last year "surpassed" the 2012 total by $1.14 billion, though $8.24 billion was issued in 2007.

But 2013 "ends up being the largest year on record" if one excludes securities that are related to natural catastrophes, Swiss Re suggests

Risk

NAT CATS, BI TOP RISKS FOR CANADIAN FIRMS

Natural catastrophes, business interruption(BI)/supply chain, pollution, legislative and regulatory changes, and loss of reputation/brand value represent the top risks for Canadian companies in 2014, notes the third annual *Allianz Risk Barometer,* issued in January.

"We are seeing an increased interconnectivity and dependency of different risks. Thus, client's business continuity plans must prepare for different risk scenarios that reflect hidden incidental effects," notes Kevin Leong, CEO of Allianz Global Corporate & Specialty SE (AGCS) Canada, in a statement.

"For example, a natural catastrophe such as the floods we experienced last year in Alberta and Toronto or the recent ice storm can result in BI, IT-systems failure and power blackouts, among other perils," Leong points out.

The barometer is based on feedback from an AGCS survey of more than 400 corporate insurance experts from 33 countries.

Specifically, 50% of Canadian respondents identified natural catastrophes as the number one risk for 2014. AGCS reports that BI/supply chain losses — accounting for 50% to 70% of all insured property losses, or as much as $28 billion annually in Canada (based on 2013 data) — followed nat cats.

BI/supply chain was cited by 42% of Canadian respondents, but topped the global list. Pollution, changes in legislation and regulation, and loss of reputation/brand value tied for third place at 25% in Canada.

GLOBAL TEMPERATURES CONTINUE TO RISE

It has been 38 years since the world has had a year of cooler-than-average temperatures, while 2013 was either the fourth or the seventh warmest year since 1880, depending on which United States government agency figures are used.

2013 is tied with 2009 and 2006 as the seventh warmest year since 1880, according to a recent study from the United States National Aeronautics and Space Administration (NASA).

In a separate release, the National Climatic Data Center (NCDC) of the National Oceanic and Atmospheric Administration (NOAA) stated that 2013 "ties with 2003 as the fourth warmest year globally since records began in 1880."

In December, 2013, NCDC published a table listing the 10 warmest years since 1880, when ranked by temperature anomoly, which is the difference between the average temperature that year and the 20th-century average. The highest anomoly, in 2010, was 0.66 degrees Celsius. Two years (2013 and 2003) were tied for fourth place, with anomolies of 0.62 degrees Celsius.

"With the exception of 1998, the 10 warmest years in the 134-year record all have occurred since 2000, with 2010 and 2005 ranking as the warmest years on record," according to a release in January from NASA's Goddard Institute for Space Studies (GISS).

Both NCDC and GISS noted that 1976 was the most recent year in which the global average temperature had been cooler than the norm.

Technology

TOP BRASS CONTRIBUTE MOST TO CYBER RISK

Senior management accounts for the greatest information security risks within organizations, according to a recent survey out of the United States from risk services firm Stroz Friedberg.

According to its survey of 764 workers, 87% of senior managers send work materials to a personal e-mail or cloud account to work remotely (either frequently or occasionally), the firm noted.

A significant percentage (58%) also reported having accidentally sent the wrong personal sensitive information, according to the survey. That compares with just 25% of workers overall, the company noted.

Overall, 71% of survey respondents indicated sending themselves company information, often because they prefer working on their own home computers.

Management also creates more potential risk of intellectual property loss, with 51% of senior management and 37% of mid-level management admitting to having taken job-related e-mails, files or material with them when they left a job.

CU 80 Years *Articles – 1936*

April 1, 1936

44,246 More Vehicles Were Driven in 1935 Than in 1934

How Car Sales in 1935 Show Phenomenal Gains Over 1934 — What This Means to Insurance

By J. L. STEWART, Manager, Canadian Automobile Chamber of Commerce

Canadian Underwriter

Has Suing for Damages Become a Habit?

It May be a Libel on the Human Race to Say So But It Does Not Seem to be Any Exaggeration to Those Who Read the Papers

Canadian Underwriter

How Agents Can Co-operate With Adjusters "Let Us Pull Together"

Says L. S. FREEMAN, Claims Adjuster, The Zurich Insurance Company, Toronto; President, Ontario Insurance Adjusters' Assn.

August 1, 1936

Farm Prices Raised by Heat and Drought

Crop Shortages in Great Farming Area of United States and Canada Ushers in Sharp Advance in Prices—Means Difficulties in Dry Areas but General Good for Agricultural Producers

By W. A. McKAGUE, M.A.

Poor Crop Prospects

Companies That Have Retired From the Insurance Business in Canada Since 1926

February 1, 1936

His Late Majesty King George the Fifth

Born June 3rd, 1865 · Succeeded to the Throne May 6th, 1910 · Died January 20th, 1936

His Majesty King Edward the Eighth

Born June 23rd, 1894 · Succeeded to the Throne January 20th, 1936 · Whom God Preserve

Agents 100% Successful in Drive to Eliminate Mutual Competition

Hit Where It Hurt

Canadian Fire Losses of $20,000 and Over Reported During the Year 1935

Will Compulsory Insurance Reduce the Accident Record? Massachusetts Says "No"—Quite the Contrary.

Compulsory Automobile Insurance Law

A Sincere But Mistaken Ideal

Canadian Underwriter

It Wasn't War!—It Wasn't Dynamite!—It Was WIND!!

"For de Win' She Blow Lak Hurricane —Bimeby She Blow Some More!"

WARNED L'HABITANT

Nowadays It's Insurance ... Tell Folks ...

May 1, 1936

Inland Transportation a Fast Growing Line

Set New High Record in Premiums in 1935—A Broad Classification Covering a Great Variety of Special Risks

By W. A. McKAGUE, M.A.

Canadian Underwriter

A Big Apple Crop Ruined by a Hail Storm

Don't Let Your Clients Be Hailed Out— This Year Without HAIL Insurance

The Banquet in the Crystal Ball Room, King Edward Hotel

Important Problems Discussed at the 16th Convention of Ontario Agents

October 15, 1936

Important Matters Under Discussion at the Ontario Agents' Association Convention Now Being Held in Toronto

The 1936 Convention Pro...

Canadian Underwriter

The Essentials of a Successful Sales Campaign

"Plan Your Work and Work Your Plan" a Good Motto in Canvassing for Auto Insurance

By CHAS. E. FRANCIS

The Campaign

September 15, 1936

1936 Maintains Consistent Recovery

Gains Over 1935 Recorded Each Month to Date—Quantity Business in Some Lines Sets New Records, But Low Prices Hold Down Money Volume and Profits

By W. A. McKAGUE, M.A.

Renewed Advances

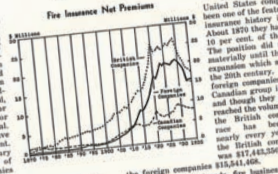
The Rails Lag

Canadian, British and Foreign Companies' Business

Rise of Foreign Group to Prominence Since 1900 Has Been Feature of Fire Insurance History in Canada—British Companies Have Retained Leadership, While Canadian Companies Have Relatively Declined

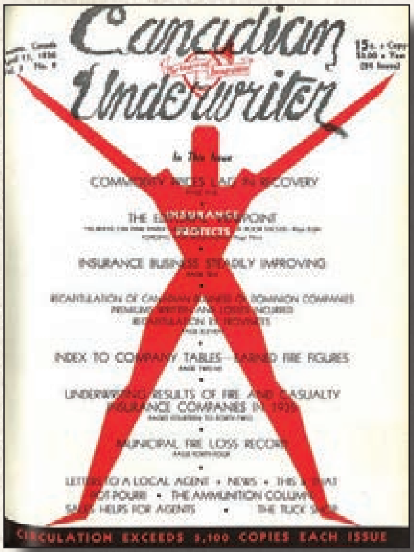
By WILLIAM WESTON

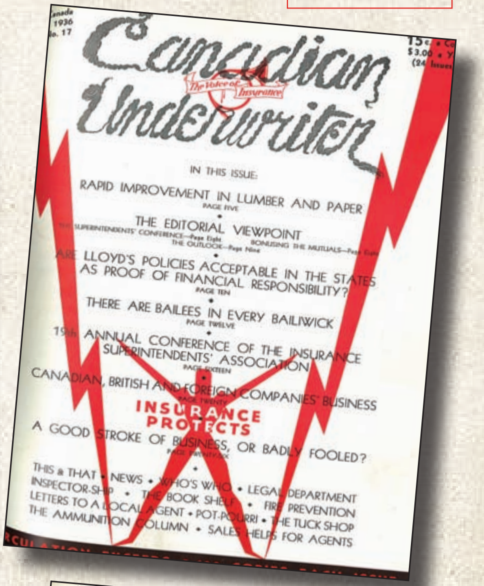
Fire Insurance Net Premiums

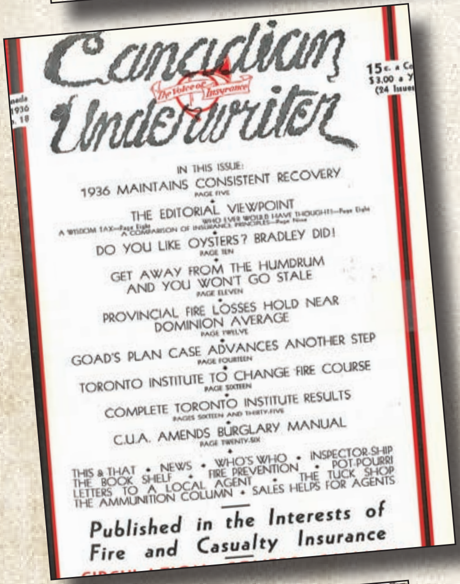


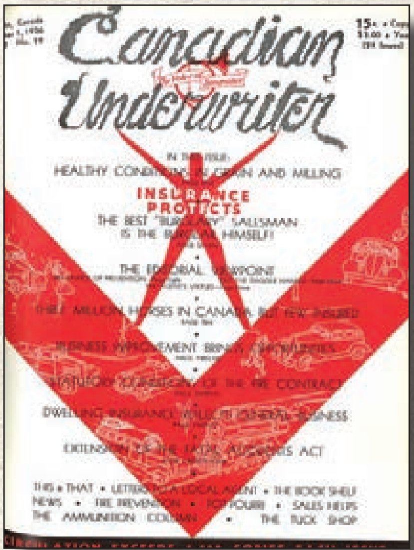
CU 80 Years *Covers – 1936, 1937, 1938*

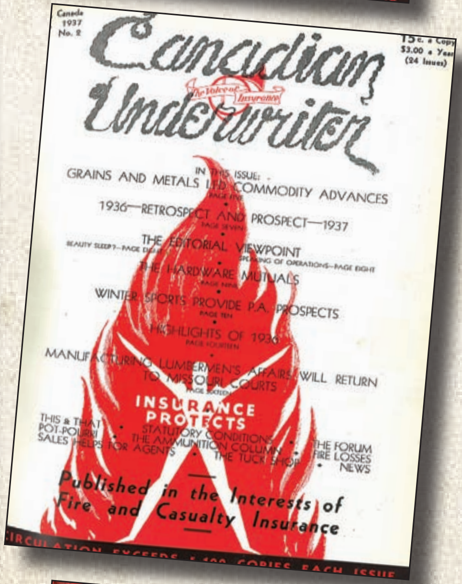
80
1934-2014

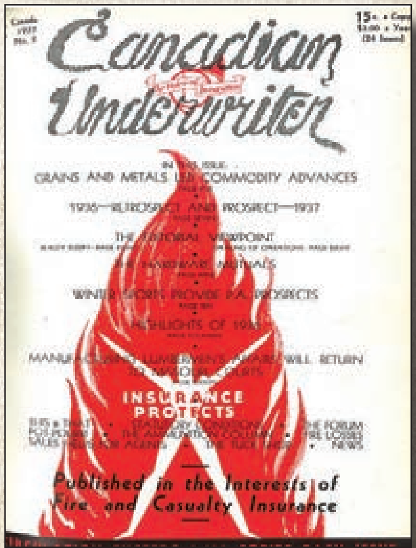




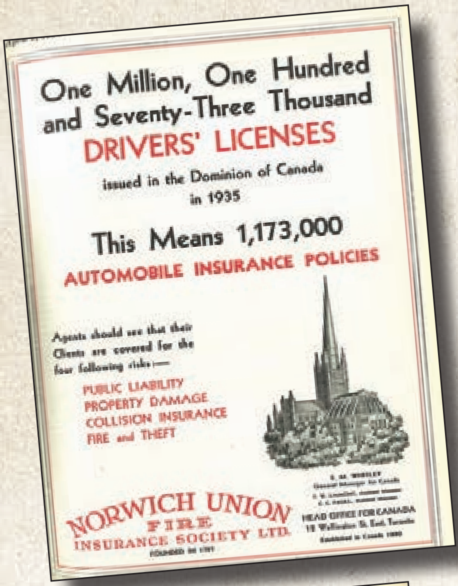


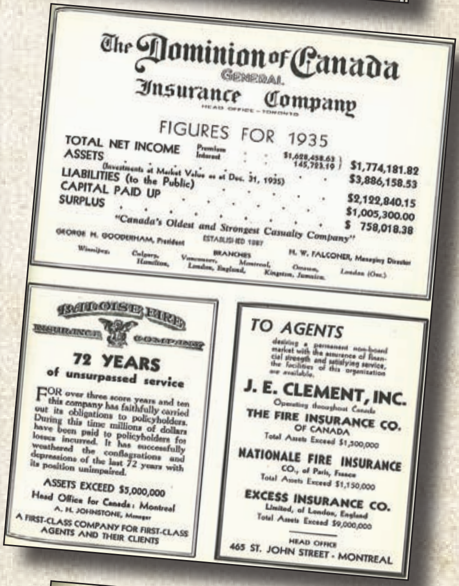


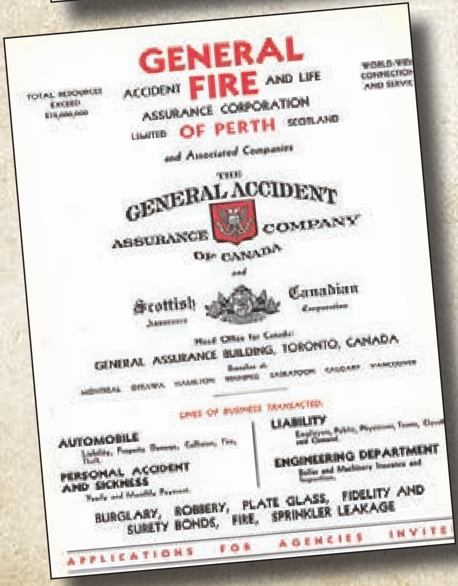




CU 80 Years *Advertisments – 1936*

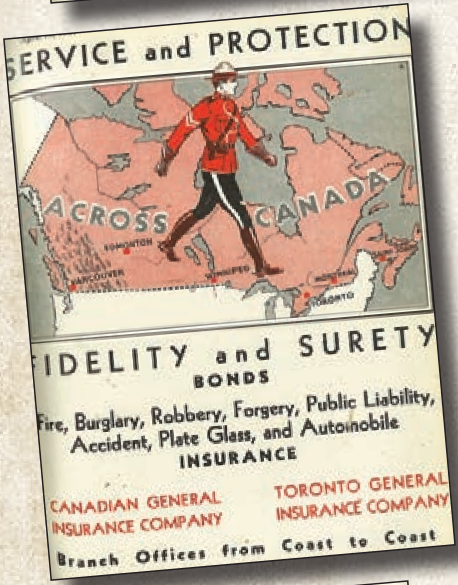


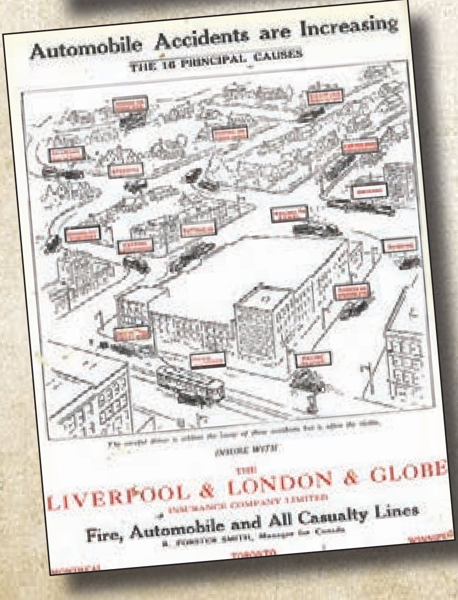




CU 80 Years *Advertisments – 1936, 1937*

80
1934-2014





Leading by Example

Angela Stelmakowich
Editor

James Cameron, honoured last fall with the Established Leader Award from The CIP Society, knows full well the value of giving back to one's industry, one's business and one's self.

Ask James Cameron if he believes there is value in giving back and the response from the four-decades veteran of the insurance industry is immediate. "Absolutely," says the president of Toronto-based Cameron & Associates Insurance Consultants Limited. "The rewards are so great."

Cameron's long-time efforts and leadership in the insurance industry were recognized most recently in September, when The CIP Society, the graduate division of the Insurance Institute of Canada, named him the 2013 recipient of the Established Leader Award. Cameron received the award less than two years after being recognized by The CIP Society with its 2012 GTA Fellow of Distinction Award, which is nominated by industry peers.

"You go back and think about the things you've done. I would do them all again, for sure," Cameron says.

GATHERING EXPERIENCE

Cameron has had quite an education on his road to recognition, a road that did not start in insurance at all.

That said, his first full-time job investigating rail accidents, as part of CN Rail's legal claims department, in the mid-1960s whetted his appetite. "It wasn't insurance," he says, "but it was claims training, for sure."

The job also provided lessons about the importance of detail, information that would prove useful in future. Having attended two trials related to investigations in which he had been involved, Cameron saw the trial process first-hand. That process makes clear "if you've taken a statement, the information you've obtained, how critical certain answers to questions can be at the time that you take them."

But he "wanted to expand beyond just railway accidents, so I moved into an insurance company." He was hired as a supervisor at Phoenix Insurance Company in Toronto, he says, calling it "a bold move by the boss because I hadn't had any insurance experience *per se*."

Being responsible for hiring and developing claims staff, Cameron learned plenty. Among other things, he set up five regional offices, leaving Phoenix Insurance after having reached the position of claims superintendent for Ontario.

Cameron then joined Symons General Insurance Company, where he ran the claims operation. Having what he characterizes as "very varied business plans in terms of what it was writing," his tenure at Symons General provided him exposure to different types and sizes of claims.

"I enjoyed presenting, speaking in public and was called upon to do a number of those," Cameron says, "which expanded my network of contacts."

He was also involved in establishing a consulting operation within the company that provided services to clients for a fee — "whetted my appetite into getting into what I'm doing now" — and was exposed to reinsurance as a user of said services. "I was fascinated by the reinsurance world," Cameron relays, so when a vice president position became available at Canadian Reinsurance Company, now Swiss Re Canada, in the late 1980s, he was up for tackling the challenge.

Along the way, Cameron obtained his Chartered Insurance Professional (CIP) and Fellow Chartered Insurance Professional (FCIP) designations, and later his Canadian Risk Manager (CRM) designation and accreditation as a mediator and arbitrator. He has also served on industry associations (he is a past president of the Ontario Insurance Adjusters Association), taught Insurance Institute courses, served as a mediator and arbitrator for dispute resolution, spoke at conferences and taken part in countless social activities.

"I enjoyed presenting, speaking in public and was called upon to do a number of those," Cameron says, "which expanded my network of contacts. That, I think, was one of the strengths that I brought to Canadian Reinsurance, the networking ability," he notes.

"It was a new thing for me — to look at the business from that different perspective," Cameron says of his time there. He returned the opportunity for the new view by using his network to help raise the profile of reinsurance, certainly among claims people.

Then in October 1994, he launched Cameron & Associates, a risk management and insurance consulting firm that provides specialized expertise in insurance-related matters, which celebrates its 20th anniversary this year.

Cameron settled on a consulting company "because I felt there was a need in the industry for some consulting services assistance and some

Photo: Patrick Thompson

presentation of reinsurance claims by companies on claims involving multiple exposures."

His commitment to education, whatever form that takes, is reflected in the people he has hired — all have or are pursing designations.

He sees education as always being of use. "You may recall something from a class 10 years ago that you thought was totally unimportant," Cameron says. "At least you can have that thought and can then explore more of the up-to-date details. It helps you to become a better insurance person."

FOSTERING UNDERSTANDING

This is a positive Cameron has seen grow over the years. "There's a much higher level of professionalism than there was when I started in the business," he says, crediting efforts by the Insurance Institute.

Having more knowledgeable and articulate insurance professionals helps with providing more detailed explanations of what the product is and how it works — especially useful in these times of change.

Consider Ontario auto. It is a compulsory product, prices are fixed by government and government recently mandated rate reductions. Add that it looks like the product will again become a political issue in the next provincial election, setting the stage for even more change, and "for the industry, that's an ominous thing."

Education is also needed with regard to water-related coverage, Cameron suggests. "There could be a market for — and there should be a market for — that type of flood insurance (overland flood) within the insurance community," he suggests. "It requires a change in the mindset of the insurance-buying population," starting with "recognizing the limitations of the existing product and then collectively doing something about it."

Overall, Cameron sees some encouraging signs in the insurance industry, including what he calls the emergence of Canadian companies through mergers and acquisitions. Part of that has to do with the Canadian banks getting into the insurance sector, mostly on a direct writer basis, but the share of non-Canadian-owned companies is much less than it was 20 or 30 years ago.

On the commercial side, Cameron notes more London and European players have started writing business, often higher-hazard business, such as professional liability.

"It's good for the insurance industry, the diversification you get," he suggests. There is now more competition chasing some lines of business that "were not as sought after by the bigger insurance companies as others, so they helped keep the rates reasonable."

GIVING BACK

Cameron has given much of his time and effort to the industry over the years, but has received plenty in return. For example, his fundraising and efforts to create awareness on behalf of the Huntington Society of Canada were recognized in late 2012 with a Queen's Diamond Jubilee Medal. Over the last eight years, he says more than a quarter-million dollars has been raised.

Among other charitable efforts, he has also lent his support to the Women In Insurance Cancer Crusade, the Starlight Children's Foundation Canada, Camp Oochigeas and the Canadian Cancer Society.

"I've been a student of the insurance business and still am really," Cameron says, adding the time and commitment this has taken has been well worth it. "There's such a varied number of jobs in the insurance field that if you have a leaning towards a certain discipline, you can find an insurance job that will allow you to satisfy that."

It has certainly proved the case for Cameron's wife, Sharon, and two of their three daughters, all of whom have successful insurance careers.

Electronic Signatures

Catherine Smola
President and CEO,
Centre for Study of
Insurance Operations

Electronic signatures make workflow less cumbersome. They can also produce an audit trail for each transaction and provide proof that the customer received and read the documentation before he or she signed it.

Electronic signatures, or eSignatures technology, enable the creation and use of secure and verifiable signatures over computers, tablets and smartphones. More than just another means of conducting business, they are a key tool for retaining and growing market share. The technology has already begun to establish a presence in the Canadian insurance space, building momentum within the broker distribution channel.

The Centre for Study of Insurance Operations (CSIO), recognizing the benefits of widespread adoption, released its Advisory Report on eSignatures in 2013. CSIO commissioned law firm Fasken Martineau DuMoulin LLP to produce the report, a document designed to educate brokers and insurers on the Canadian legal and regulatory landscape concerning eSignatures in property and casualty insurance and provide guidance in researching and selecting a solution.

FEWER ERRORS, LESS PAPER

The advantages of eSignatures extend to all participants in the sales process: brokers, insurers and customers. By enabling the instant completion of applications and policies, brokers and customers can conclude the sales cycle in a single interaction without the cumbersome and manual process of printing, signing, scanning, sending and filing the necessary documentation. Furthermore, brokers can use eSignatures to do business remotely, extending their geographic territories and growing their client bases.

Sproule Insurance, a Calgary-based brokerage, uses eSignatures technology almost exclusively. "It has certainly been great feedback from our clients," says president Jay Sproule. "We receive comments of excitement, comments on the ease of doing business. They are enamoured by the process."

Illustration by Guy Parsons/threeinabox.com

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Many eSignature solutions include automatic document validation, dramatically reducing the occurrence of mistakes and re-writes. eSignature-enabled forms can also contain rules to prevent customers from signing until all required fields have been populated. Some even contain dependencies whereby populating one field triggers a need to complete subsequent ones.

"eSignatures are an easier way for us to do business, save time and reduce errors," adds Sproule. "In fact, eSignatures is more about creating a seamless digital insurance transaction than simply obtaining an electronic signature. It is about amalgamating various documents, possibly from different sources, into a single client-ready document."

Operationally, eSignatures are a natural extension of the workflow efficiencies and cost savings already realized by the broker channel through CSIO eDocs and CSIOnet. "It is quite incredible," remarks Sproule. "Three, four years ago I would have a room full of paper — literally. Now, you walk into my office and you may see 10 sheets. In conjunction with eDocs and other technologies, we need very little space to conduct business."

Andrew Wood, chief information officer at Northbridge Financial, and a member of the CSIO Board of Directors, sees great synergy between eSignatures and existing workflow solutions. "I'm very keen to see eSignatures work with the expansion of CSIO eDocs," says Wood. "The ability to remove as much paper as possible from the channel has got significant benefit. Not only from an operational standpoint, but from a cost benefit as well."

PREVENT UNAUTHORIZED CHANGES

eSignatures solutions play an important role in risk management by producing an audit trail for each transaction. While the level of detail varies from vendor to vendor, the effect is identical: proof that the customer received and read the documentation prior to signing. "It is fantastic from our point of view," states Sproule. "Everything is time-stamped. Every time you touch the document, there is a new version. We have better control over verifying documents than we did on paper."

Furthermore, eSignatures equips documents with tamper-proof seals that can block unauthorized changes and invalidate the signature if a change does occur. In fact, the combination of electronic evidence with tamper-proof technology reduces the risk of repudiation and can help reduce the likelihood of contract disputes, litigation and settlements.

The combination of electronic evidence with tamper-proof technology reduces the risk of repudiation and can help reduce the likelihood of disputes.

"Reducing the cost of doing business is always a win," adds Wood, "but the added authority of eSignatures goes a step further and provides added confidence in the authenticity and validity of the contract for all parties. That is a huge win."

eSIGNATURES IN CANADIAN INSURANCE

Electronic commerce legislation recognizes eSignatures as valid documentation, even when there may be laws requiring that information be set out in writing or in paper form. As a result, brokers and insurers may employ eSignatures for the vast majority of transactions, including new business, endorsements and billing.

While specific regulations vary from province to province and certain restrictions exist universally (e.g., eSignatures may not be used for policy cancellations), the benefits and savings of adoption are broadly available to brokers, insurers and customers from coast to coast.

A common concern is that digital files are infinitely modifiable and easily duplicated — that maintaining an authoritative "original" copy is impossible. However, the same tamper-proofing technology that protects the integrity of an eSignature is capable of ensuring the integrity of an entire file, leaving the digital original intact for evidentiary purposes.

CSIO ON eSIGNATURES LEADERSHIP

With standardized requirements and approved solutions, brokers and insurers may proceed confidently in selecting an eSignatures solution that suits their needs and those of their business partners. The efficiencies, cost savings and convenience of eSignatures are a tremendous opportunity for the Canadian p&c marketplace, and CSIO's Advisory Services exists for precisely this kind of advancement: identifying advantageous technology and providing education on how best to implement it.

Releasing the eSignatures Advisory Report was the first deliverable. Already engaged on the next deliverable, CSIO is working closely with members to identify a common requirements checklist for selecting an eSignature solution. In addition, CSIO is reaching out to brokers who already use eSignatures to identify best practices and workflow efficiencies, and to provide a knowledge base for those interested in realizing the benefits in their own organization.

The Canadian p&c insurance industry has shown itself to be adaptable and receptive in moving to digitized, paperless workflows that benefit the broker channel as a whole. Working in tandem with eDocs and CSIOnet, eSignatures technology will undoubtedly make a positive impact in 2014 and beyond.

Tear Down This Wall

Imagine if Amazon's online book-buying process worked the same way that insurance company portals work. Brokerages with as few as five markets are too busy doing training, managing passwords and keeping procedures current. Several improvements are required.

Jeff Roy
President and CEO, Excalibur Insurance Group Member, Innovation Working Group, Organization of Real Time Brokers Implementing Technology (ORBiT)

The cold war is still alive and well in the Canadian insurance industry in the form of cumbersome insurance company portals. These effectively form a wall between brokers and carriers, increasing costs, adding delays, hurting broker profitability and, ultimately, reducing customer satisfaction.

The solution to this situation is for brokers, insurance companies and broker management system vendors to work together to break down the wall by evolving portals towards real time, or what the techies in the innovation working group of the Organization of Real Time Brokers Implementing Technology (ORBiT) call "straight-through processing." Currently, that is just a vision, but if brokers raise a united voice on the importance of this issue, then insurance companies and BMS vendors will surely join in its resolution. This would be a win for brokers, for the end customer and, ultimately, for the entire industry.

Portals have been around for a number of years. Although, they were introduced with the goal of automating the interaction between broker and carrier, most portals still require significant manual intervention. As a result, our industry is unable to pass data seamlessly from the BMS through to the company system, without manual intervention by the broker. For the broker, this wastes time, slows down client service, leads to inefficient work-arounds and increases training time. This lack of efficiency not only increases brokerage expenses by 10%, but it can also prompt customers who are frustrated by a lack of real-time interaction to buy from direct writers.

WHAT IF WEB COMMERCE WORKED THE SAME WAY?

What if Amazon.com's online book buying process worked the same way that insurance company portals work? Here's how the process would work:

- before you order your first book, Amazon would send out a portal training specialist to your office or home;
- the trainer would spend three hours teaching you how to use Amazon's unique unintuitive process;
- after training, you attempt to place your first order;
- you enter your unique user ID and password;
- you answer the unique questions and follow the prompts for additional information;
- you have to call the Amazon help desk to finish placing your order, because your memory from the training session is not perfect; and
- you press "done" and your book is finally ordered.

What would be the impact on Amazon's market share if it forced this inefficient workflow on its customers? Imagine further that you deal


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with eight different book selling companies, meaning you have to learn eight different processes in order to do business with each of them? Well, thankfully, Amazon figured out how to make book ordering easy for their customers. When will insurance companies do this for brokers?

How would you rate insurance companies on their portal improvement process?

Portals are required in the insurance business because there is both a BMS, which includes a broker's view of customers and policies, and the insurance companies' systems, which include detailed information on clients' policies.

Technically, portals are a good way to reconcile and prepare the data for transfer between these two systems so that they can interact seamlessly and in real time. How well that is accomplished is another matter entirely!

THE PROBLEM WITH PORTALS

The portals initially rolled out by the carriers required significant manual intervention from brokers, who were told that portals would eventually be enhanced for ease of use and would eventually evolve to real-time, round- trip processing. But this has not happened.

Common problems with portals include the following:

- different passwords are required to log in to each carrier;
- passwords expire every X number of days, necessitating sticky notes on monitors, which reduce security;
- duplicate entry in both the BMS and the portal;
- the need to learn specific navigation for each carrier;
- rules and error-handling are not standardized; and
- specific training is required for each carrier, extending training time.

For a brokerage with as few as five markets, its hands are full doing training, managing passwords and keeping procedures current.

Take as an example an auto new business policy with one car and two drivers. The application form completed by the broker asks for "the % used by each driver," so every BMS duly records this information. This data is exported out in a data stream to the insurance company so it can be rated and recorded in the insurance company system the same way the broker quoted it.

Almost all insurance company rating systems need to know which driver is the principal driver, but that information is not captured specifically in the BMS so it cannot be exported by the BMS to send to the insurer.

The best portals handle this case by creating rules and logic that assigns the principal and secondary drivers, adding this information to the BMS data stream, so that the insurance company gets what it needs. The rules are fairly simple: when the broker indicates the split of driving is 60/40 or 30/70, the best portals reconcile this information and send what the carrier needs without the broker having to enter the portal to fill in the blanks. The best portals are designed with the expectation of straight-through processing.

If an insurance company wants unique data, it needs to deal with CSIO to get it into the standards before brokers need to collect it. There are enough analytics done by the actuaries (predictive analytics) that one data field is not going to make that big a difference.

It is not necessary to have a perfect solution in order to make progress towards real time.

So, what is the solution? Here are some specific suggestions to move everyone in the right direction:

•Improve the data that is captured in the BMS. If a field needs to be added to the BMS, then add it.

•If an insurance company wants unique data, it needs to deal with CSIO to get it into the standards before brokers need to collect it. There are enough analytics done by the actuaries (predictive analytics) that one data field is not going to make that big a difference.

- If there is a problem between the BMS and the company system, a common screen should come up advising what standardized data is missing, so the broker can enter it. Politics in the industry will likely prevent having standardized portals, so why not standardize the screen asking for missing data?
- Make real-time or I-chat available for when information is missing; a company person comes up on the bottom of your screen in real time and tells you what is needed.

SET A DEADLINE FOR CHANGE

These are some ideas, and certainly many brokers who are living with the pain of portals today will have more ideas.

So, how do we knock down this "Berlin Wall" to achieve real-time, straight-through processing in insurance? And how do we do this at a time when insurance companies are seeing a reduction in revenue in the auto insurance product? Start by saying, "People, we have an industry problem."

Brokers need to raise awareness of the negative impacts of inefficient portals on the industry overall, and the importance of all players participating in the solution.

The key industry players —ORBiT, the Insurance Brokers Association of Canada (IBAC), the Insurance Brokers Association of Ontario (IBAO) and the Centre for the Study of Insurance Operations (CSIO) — along with the BMS vendors and the company CEOs, need to meet, collaborate and solve this problem. A deadline for completing this needs to be set. Brokers need to talk to executives at all levels of the carriers and to BMS vendors.

Change will not happen overnight, but a journey of a thousand miles begins with a single step.

Amazon had to make many improvements in order to make it easy for consumers to buy books on the Internet. Hopefully, it will not be long before the wall comes down and insurance company portals achieve similar levels of efficiency and ease of use.

Vive la revolution.

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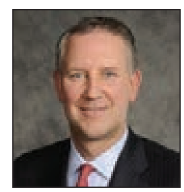

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Peter Zaffino
President and CEO
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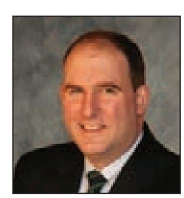
Peter Zaffino is President & Chief Executive officer of Marsh Inc., headquartered in New York. Mr. Zaffino has played a number of high-level strategic roles in Marsh & McLennan Companies including President and CEO of Guy Carpenter & Company, LLC.



LUNCH KEYNOTE SPEAKER
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Leading Innovation
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The CIP Society Ethics Series

Delay Tactics

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The CIP Society represents more than 17,000 graduates of the Insurance Institute of Canada's Fellow Chartered Insurance Professional (FCIP) and Chartered Insurance Professional (CIP) Programs. The CIP Society, through articles such as this, is working to bring ethical issues to the forefront and provide learning opportunities that enhance the professional ethics of all insurance professionals.

What should a broker do upon discovering that a producer has intentionally failed to advise clients about a necessary document or piece of information until a sales contest was under way, in order to ensure that new sales were revealed during contests? In doing so, clients felt they were fully covered when, in fact, they were not. Brokers agree this violates RIBO's rules.

A competitive producer working in a brokerage office enjoyed the accolades and notoriety that resulted from his record of high production and overall sales achievement. But there was a dark side to his competitive spirit, and he was also a "win at all costs" player.

One of his techniques in stacking the deck in his favour during contests was to purposely delay the setting up of client accounts outside of contest periods, and present new sales within the contest time period. This approach is often referred to as "sleeving" the sale, only to reveal it when needed. To help achieve this, he would intentionally omit advising a client about a necessary document or piece of information until such time as a sales contest was under way. Then he would contact the client and advise that the sale was rejected pending the missing requirements.

Clients often felt that they were fully covered throughout that entire time period, but in fact may not have been. The producer did not see a problem with his actions as he felt he was not engaged in activities such as forgery or theft.

- What are the implications of his actions for his clients? His brokerage? The industry?
- What can the broker do to remedy the situation with his clients?
- What can management do to encourage ethical and friendly competition between brokers?

Cindy Duncan
Chief Operating Officer
Baird MacGregor Insurance Brokers LP

Philomena Comerford, CIP
CEO and President
Baird MacGregor Insurance Brokers LP

There are serious negative implications to this practice. The failure to provide documents in a timely fashion might negatively affect the orig-

Illustration by Guy Parsons/threeinabox.com

inal quotation and even result in a withdrawal of the quotation. Also, should a claim occur during the "stall" period, the client could face an uninsured loss that would otherwise have been covered had the producer not dragged his heels.

The practice clearly violates the RIBO code of ethics, and the principal broker and the producer might be subjected to a disciplinary hearing should a customer file a complaint. This duplicitous approach to sales gives the industry a bad name because it fails to adhere to appropriate business ethics. Not only could this practice result in an errors and omissions lawsuit, it could also cause a bad faith claim against the brokerage, which could jeopardize both the designated principal broker and the producer's RIBO licence.

Regulations for brokers in all provinces stipulate that any broker licensed in his or her jurisdiction must refrain from unfair or deceptive practices. If an insurer became aware of this systemic withholding of binding material, the brokerage's contract with the insurer could also be put in jeopardy.

The principal broker should seriously consider dismissing the producer as this behaviour reflects poorly on the brokerage and could cost the principal broker his or her licence. Also, it puts the brokerage clientele at risk. The reputational harm could be far-reaching.

Alternatively, the producer could be disciplined and made to work with a trusted customer service representative and/or marketer who would ensure that sales are closed in a timely fashion and that necessary documentation is furnished expediently.

With respect to business already bound, the principal broker could canvass clientele to ensure that no adverse circumstances arose out of the intentional delays.

Without exception, ethical practices should take precedence over sales objectives. In the long run, putting the customer first and treating the insurers fairly creates an environment of trust and respect with clients, insurers and prospects. Contests can foster unhealthy competition, but they can be successful if they are team-oriented and recognition is given to the entire team versus just the producer.

Management should be prepared to walk away from a top earner who does not play by the rules as the reputational cost and the risk is too high.

Contests can foster unhealthy competition, but they can be successful if they are team-oriented and recognition is given to the entire team versus just the producer.

Anita Morgan, CIP, CRM
Account Manager
Jones Brown Inc.

Producers are required to ensure that the assets of their clients are properly protected and that they are informed of new legislation or products that may affect or enhance their business or personal assets coverage. As clients depend on their insurance professional to advise them of products, the producer may cause undue financial hardship to the client because a significant coverage may not have been included in the policy at the time of loss.

In this scenario, the producer, by his actions, is not fostering good faith with his clients. By not advising the clients of their exposures, he is opening himself to a lawsuit in the event that a loss occurs. Not only is his reputation at stake, but also, his brokerage may have an E&O situation to handle.

It is a universal theme (unless you are dealing with another individual who understands risk) that insurance is not viewed positively. There is a commonly used phrase that says "bad news travels faster than good news." As the industry tries to change consumers' perception of insurance through various forms of media, the producer is not helping to deflect the unfavourable image.

It is great to have a little friendly competition between producers. It not only helps to increase the revenue in the company, but also helps the producers achieve their goals. Where sales competitions are concerned, management should ensure that the company's guidelines and compliance - along with the regulatory body for brokers - are adhered to at all times. Also, management should ensure that all required documents have been received and signed, and all files have been properly documented, before announcing the winner.

Maurice Audet
Senior Vice President, Regional Resource Leader, Risk Research & Solutions
Aon Reed Stenhouse Inc.

"Sleeving" is professional misconduct, and as a principal broker at Aon, if I became aware of anyone doing this I would advise RIBO that I could no longer support his or her licence. I have no doubt that I would have full support of management in this.

As insurance brokers, we have an obligation to act in the best interest of our clients. Once we become aware of an uninsured exposure, it is our obligation to discuss the issue with the client and upon his or her authorization, to proceed to place the coverage. To delay placing coverage to gain a financial or any other advantage violates RIBO's conflict of interest guidelines.

From a professional liability perspective, our courts do not take kindly to unnecessary delays in placing coverage. A case from British Columbia found a broker liable for not having placed coverage within four hours of being notified that coverage was required. Instead of dealing with the issue immediately, the broker proceeded to a prearranged appointment. In the circumstances of the case, the broker was found liable. This broker's negligence was, in my opinion, far less egregious than is the willful act of "sleeving."

A producer involved in "sleeving" puts his clients at risk, exposes his brokerage firm to lawsuits and generally brings down the public's image of the industry. That the individual would try to justify his or her actions on the grounds that this was not dishonest because it did not involve forgery or theft is beyond comprehension.

Where sales competitions are concerned, management should ensure that the company's guidelines and compliance — along with the regulatory body for brokers — are adhered to at all times.

What can the producer do to remedy the situation with his or her clients? The brokerage firm should immediately notify all of the individual's clients in order to determine if there are any outstanding insurance requests, come clean and fix the problems. The issue should also be reported to RIBO.

As to the individual, this is such a fundamental breach of ethics that he or she should not be in the insurance business.

THE LAST WORD

There is a distinction between intentionally and unintentionally delaying the setup of new client accounts, and in our scenario, the producer is breaking various rules of conduct and clearly acting unethically. While he is trying to justify his actions by comparing them to other wrongs, such as forgery or theft, the fact is that the producer knew what he was doing and he was doing it for personal gain.

When the producer's clients engaged his services, they fully expected a professional transaction to take place; the producer broke his clients' trust. Besides attracting a possible lawsuit, the producer's actions will damage his reputation, the reputation of his company and that of the industry. Once his clients are made aware that the producer intentionally put them at risk (and they should be made aware as soon as possible), they will understandably have a skeptical view of all parties involved. At a time when the industry is trying to promote its image and clear up misconceptions about risk, such actions can have widespread and damaging consequences.

Use what you Have

Patrick J. Durepos
President,
Keal technology

A recent ad-hoc survey found that fewer than 1% of brokers work in real time with their insurers and none of them support access to their insureds on a 24-7 basis. Brokers can now operate in real time with their insurer suppliers, but the dedication to take full advantage of the technology is lacking.

The aim of this article is to outline what stakeholders in the independent broker distribution network need to do, not only to maintain but to increase their presence and provide a healthy, stable, competitive marketplace for consumers, employees and shareholders.

Consumers want value for their insurance dollars, access to a trusted advisor, and be able to do simple transactions in real time from wherever they are and from whichever devices they choose.

Technology providers want to equip brokers with better technology than other distribution networks. This is a huge element in the equation to let the independent broker network survive and, more importantly, to thrive.

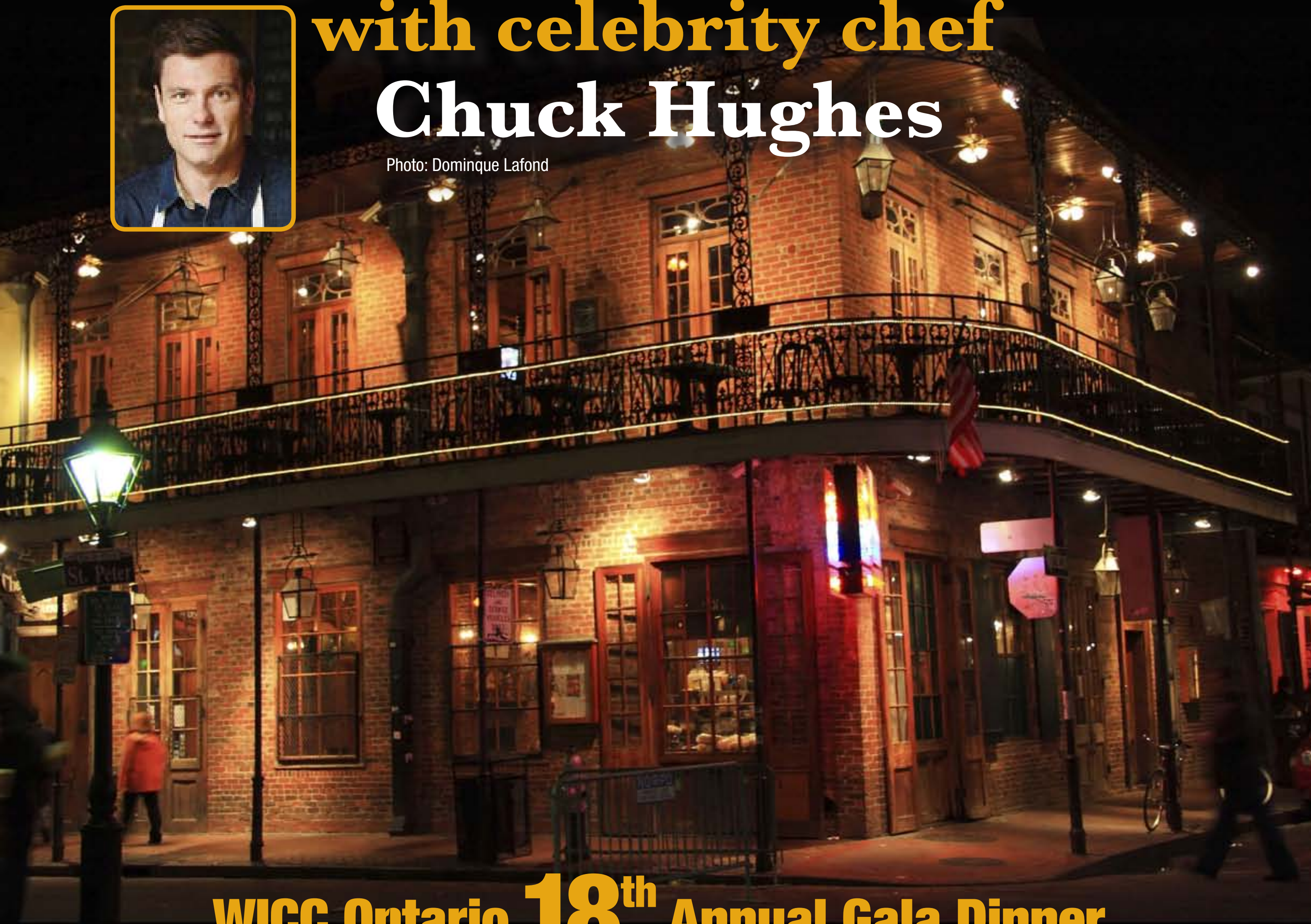
It has been said that the technology necessary to compete with that of direct writers is here now. The technological framework to deal with new issues is also here, and one of those technologies is telematics.

Telematics in Canada is barely a year old, but the regulatory and standard organizations have spoken. This is moving at an accelerated pace, which is a definite positive. However, will our distribution network move at an equal pace? The Centre for Study of Insurance Operations (CSIO) and Independent Broker Resources Inc. (IBRI), a subsidiary of the Insurance Brokers Association of Ontario (IBAO), also deserve recognition for their contributions.

Last fall, Keal Technology did an internal ad-hoc survey with brokers in the Canadian market place. That survey found the following:

- less than 50% of brokers work in a true paperless environment;
- less than 20% of brokers work with integrated telephony;

A night in the French Quarter with celebrity chef Chuck Hughes



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Insurers often say they have built real-time upload integration and only 5% of brokers are using this. Sadly, this is true.

- less than 1% of brokers work in real time with their insurers;
- 0% of brokers provide support access to their insureds on a 24-7 basis.

It should be noted that in 2014, some brokers say they still do not download using CSIONet because they do not trust the data.

Owners and managers of brokerages are often asked: On a percentage basis, how do you think your organization is using the full extent of your broker management system (BMS), whichever make and model you have? The answer is fairly consistent: "My people are pretty good; they probably use it to 75%-80% of its capacity."

However, the answer changes when we at Keal offer them one day of consulting — with no charge if their statement is verified as correct. On the other hand, they would have to pay for that consulting if it turns out they do not use their BMS to the capacity they claim. I have not given a free day yet, because so far, brokers have realized that the use of their existing tools is 50% or less.

The Insurance Brokers Association of Canada (IBAC) has been instrumental in providing guidelines via white papers on many technology issues. IBAC is to be complimented for their approach and efforts in this area. Are stakeholders taking these as seriously as they should, BMS providers included?

WHAT IS LEFT TO DO?

Brokers need to look at their organizations from "outside the box" and start fully utilizing the technology they now have. There is an urgent need to invest in their organizations to catch up. Time and dollars must be committed. This will result in transforming their organizations into efficient, client-focused and marketing-oriented companies, growing over a short period of time and providing sustained profitability.

Brokers also need to lobby and work with their insurers to seriously commit to a technology partnership.

Insurers need to put a greater priority on real-time integration with brokers. Is it normal that fewer than three insurers are committed to doing automated policy change transactions with brokers?

Brokers need to look at their organizations from "outside the box" and start fully utilizing the technology they now have.

This is a transaction that accounts for an average of 30% of all transactions done in a broker's office and yet it brings less than 1% of the dollar revenue to the brokerage. Most importantly, consumers want to do simple changes as defined by them when and from what devices they choose.

In a 2013 Deloitte survey focused on consumers dealing with the independent broker distribution network, 52% of consumers confirmed that they will move to direct writers if they cannot do simple policy changes (such as change of address) in an automated manner with their brokers. Unfortunately, there are many other examples.

At the rate we are going, it is difficult to foresee the day when 80% of brokers can operate in real time with their insurer suppliers. The technology to do this is available today. It is the dedication that is lacking.

Insurers often say they have built real-time upload integration and only 5% of brokers are using this. Sadly, this is true. We ask brokers why they are not using this tool and the reply is: We will use it when we have the real time download capability as well. We are caught up in the classic "chicken and egg" problem.

TIME IS OF THE ESSENCE

If brokers and insurers come together in a true technology partnership, then the technology is available to support all of these endeavours. The eDocs solution is living proof of what can be done in less than 12 months.

New generations are wired differently and communication makes for a fast-paced, multi-tasking environment. In this environment, answers and solutions need to be available in real time and they do not necessarily have to be provided by humans. This is possibly the most compelling reason for all stakeholders in this distribution network to act now. It is hard to make a financial business case to convince everyone to jump in and do their part.

However, time is of the essence. Consumers will decide our fate and one day, the federal and provincial regulatory bodies will not be as protective of our distribution network. So it bears repeating: time is of the essence.

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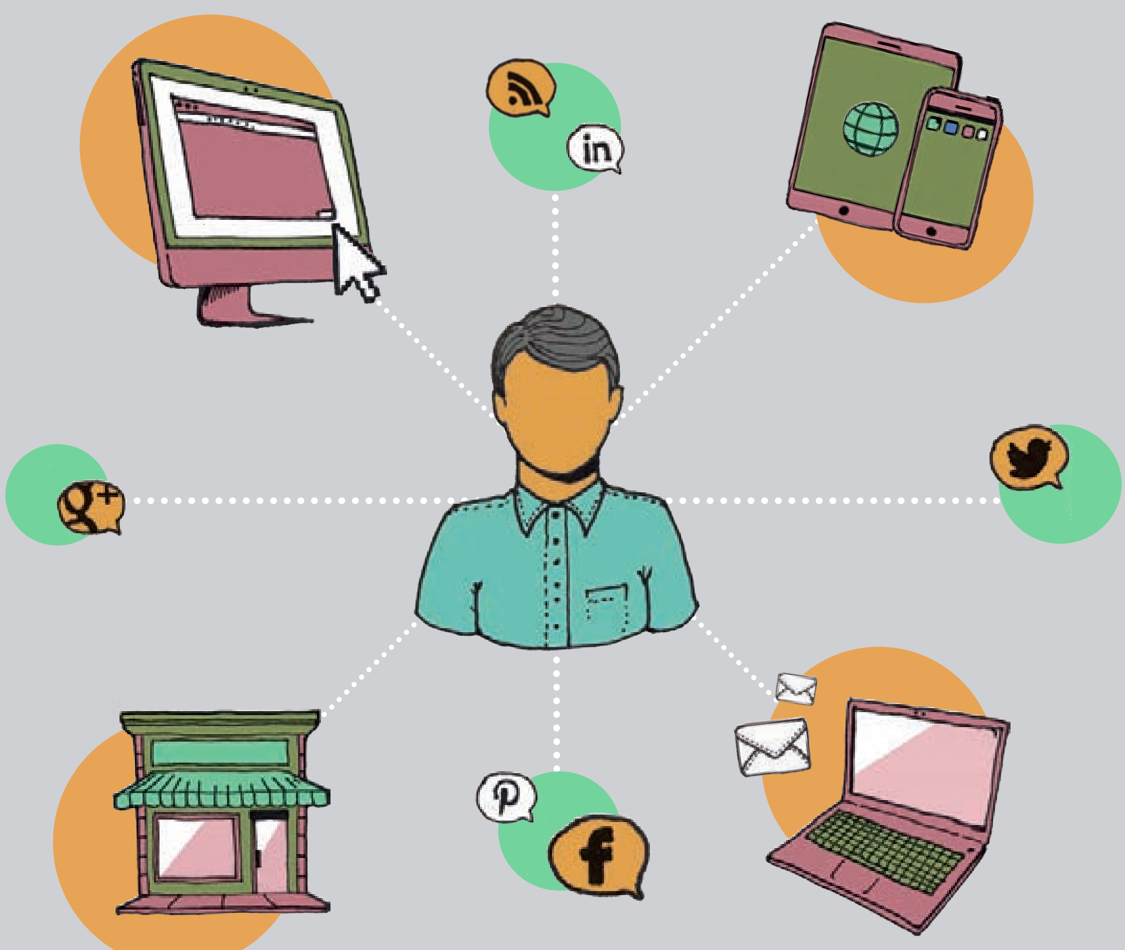
Alternate Channels

While some retailers are letting customers interact using mobile technologies, social media and self-serve kiosks, one expert says the insurance industry is just starting to grapple with the "omni-channel environment" while another contends that carriers have done little more than move paper-based transaction processes online. One senior IT executive for a property & casualty carrier notes that legacy policy administration computer systems are one obstacle and warns that a distribution strategy involving wireless devices and tablets raises information security concerns.

CRAIG HARRIS



If there is one element that characterizes the omni-channel shakeup in the retail sector, it is this: consumers do not think in terms of distribution channels. Instead, they want simple, convenient ways to research, compare and buy products. And they want to switch between these modes smoothly and with no duplication.

Retailers increasingly understand that their information technology and business processes have to change to meet the reality of how people buy stuff these days. There is the example of a shopper who sees a promo ad on a mobile app, compares the deal online (or with friends), talks to a service agent about features and then drops by the local store to purchase it. For some, that fluid process is a tall order that renders the structure of distribution "silos" virtually obsolete.

According to online publisher *Retail TouchPoints*, Canadian Tire is "working toward improving collaboration across mobile, social, online and in-store technologies such as self-serve kiosks." Similarly, Adidas Canada is "employing an omni-channel approach" by "working on a number of different consumer-facing projects, the biggest being bringing more of a technological, digital experience to the bricks-and-mortar business," notes *Dx3 Digest*, an online publication focused on digital marketing.

These are just two examples of an omni-channel wave that has spread from big-box outlets to grocery stores to clothing retailers. The million-dollar question for insurers: Is omni-channel applicable to the property and casualty insurance industry?

"I think it is highly relevant," says Monika Federau, senior vice president and chief strategy office for Intact Financial. "That is because consumers are defining their desired experience with us based on how they purchase other goods and services. We are now dealing with online, digitally savvy consumers who want that consistent experience."

"The insurance industry is just starting to grapple with the omni-channel environment," says Allan Buitendag, national consulting insurance leader for PwC. "It's a complicated scenario. Unlike multiple channel distribution models, omni-channel is about not just the quality of the service, but the ability to move between channels. There may very well be multiple channels involved in one transaction."

CUSTOMER-CENTRIC

Omni-channel represents a potential point of departure from the p&c industry's troubled history of multiple distribution channels. Many insurers offer more than one way of buying insurance — through brokers, direct, online and/or affinity programs. However, the provision of consistent service levels and brand identity across these channels has been a challenge.

"When insurers talked about multi-channel, at its basic level, it was about having multiple channels of interaction," notes Kathy Hutson in an IBM blog post, *Its Omni-Channel, not Multi-Channel*. "Oftentimes, they were separate and distinct, with separate owners within the company ... Channel data remained proprietary to the channel, with little sharing across the company. The customer experience was disjointed and the quality of service and information varied depending on the channel."

The omni-channel approach makes an important distinction in that it is based on looking at insurance sales and service from an integrated consumer point of view — or "customer centricity."

"Customers' expectations, in short, now bridge online and physical worlds," according to a 2013 report from Bain & Company, *For Insurance Companies, the Day of Digital Reckoning*. "Customers want to be able to use the channel convenient to the moment, whether that's a website, call center or a video chat with a broker. They expect insurance companies to anticipate their needs and involve them in devising tailored solutions. And they don't hesitate to use social media to let others know how they were treated," the report adds.

An omni-channel model acknowledges that control is in the hands of the customer in terms of research, preference and buying patterns. It is clear that the balance of power has shifted to customers due to the proliferation of social media and mobile devices. According to Google/Ipsos research, customers on average use 10.7 sources of information before making a purchase. Accenture's *Seamless Retail Study* showed that 89% of customers believe it is important for retailers to allow them to shop using the sales channel most convenient to them.

GRADUAL CHANGE

In the insurance world, this power shift has occurred at a more uneven pace.

"We see these consumer changes happening more gradually in insurance," says Daniel Shum, partner and national insurance leader, consulting for Deloitte. "We are seeing a 10% increase in alternate channels on a year-over-year basis, not a huge 50% radical shift. Because of that gradual change, insurers are struggling and trying to figure out their channel strategy."

In fact, according to Ernst & Young's *Global Insurance Consumer Survey* 2012, only 32% of survey respondents use the Internet to research insurance, and only 7% have actually bought insurance through a website. Nevertheless, 31% of respondents indicated they will use insurance quote comparison websites in the future.

"Many customers still want their personal advice and someone to talk to about insurance; it is a bit more complex than buying a kettle," says Doug McPhie, leader, insurance for EY-Canada.

"The upshot is that while online channels are an important part of insurance distribution, they are just one component of the insurance sales cycle," Ernst & Young noted in its survey report. "Insurers should seek to seamlessly integrate both online and offline channels to meet customers' needs, as most still prefer to buy insurance through more traditional channels."

"I believe it is a challenge for insurers to ensure a seamless hand-off between channels," says Doug McPhie, leader, insurance for EY-Canada. "Many customers still want their personal advice and someone to talk to about insurance; it is a bit more complex than buying a kettle," McPhie says.

"The challenge with insurance is that we are selling a complex product, which can't always be explained or handled without some form of dialogue with a professional," observes Tony Hayes, vice president, sales & marketing, RSA Canada. "For example, explaining policy limits, recommending a certain type of coverage or helping a client navigate a claim, are very individualized services (that) often require a personal touch to be effective."

HOW THE BROKER FITS IN

So, how do insurers move to an omni-channel approach? How can they transform from a transaction-based to customer-centric model? And how can they integrate service and customer experience with one of their key distributors: independent brokers?

"Insurance carriers are looking at a number of different ideas and opportunities with brokers," Buitendag says. "Several questions have yet to be resolved. For example, if a customer has an insurance question, does she go to the broker and then to the insurer, or can she just go online? And if she goes online, should it be to the broker or the insurer? It can play out a few ways," he says.

"As broker-based carriers look to meet the needs of the customers wanting to deal directly with their insurer, we'll see carriers offer direct sales and servicing channels for their customers,"

notes Shum. "As well, (we will see) hybrid models where the carriers offer the infrastructure for customers to interact directly with them, but allow portions of that experience to be controlled and branded by the broker."

Shum adds that some insurance carriers committed to the broker channel "want to invest in digital, but instead of offering it directly to consumers, they will provide digital capability to brokers. The brokers can then 'white label' this capability for their customers."

Federau explains that Intact Financial's strategy is to create a platform for brokers to offer seamless service to mutual customers.

"A lot of brokers have the same technology as direct writers — website, telephony or call centres, online quoting — but they also have an edge or advantage in that they offer customers choice," Federau says. "Our role really is to allow them to leverage this advantage by giving them more of the same types of tools, such as buy online capabilities or instant quote delivery to their back office."

Mark Wai, vice president, architecture, global platforms & enterprise information management for Aviva Canada, says his company is "100% committed" to the broker channel. "As such, the omni-channel concept for us is related to how we can support the broker-customer exchange," Wai notes. "That involves broker connectivity and streamlining back office processes so that they (brokers) have better information and can be more efficient in dealing with customers."

MONOLITHIC APPROACH

"An integrated approach will be the winner in my opinion — the complexity of insurance requires an equally complex and sophisticated response," observes Hayes of RSA. "For brokers and intermediated insurers this means finding ways to bring some best practices from other industries (in terms of efficiency and interactivity) into their operating models."

An omni-channel environment could apply to various aspects of the insurance process, including the front end of quoting/sales, the middle end of servicing and the back end of claims management.

On the front end when consumers are researching, comparing and buying insurance, some say carriers require a more differentiated and nuanced understanding of the customer, even on a product-by-product basis.

"If a customer has an insurance question, does she go to the broker and then to the insurer, or can she just go online? And if she goes online, should it be to the broker or the insurer? It can play out a few ways," says Allan Buitendag, national consulting insurance leader for PwC.

"Insurers have tended to take this monolithic approach to telling customers which channel they want them to use," Buitendag says. "Now, the customer is saying: 'Don't tell me how I should purchase this product.' The consumer may prefer a direct, online process for auto insurance and a more advice-oriented experience through a broker for covering an expensive home."

Shum notes that insurance companies have struggled with understanding and meeting digital channel expectations. While other financial services players, such as banks, have experimented with features such as automatic cheque deposits via photo on mobile apps, insurers have done little more than move the paper-based transaction process online.

"In the digital channel, consumers want a simplified, instant experience in purchasing insurance online at the lowest price," he notes. "For example, buyers do not want to go through pages and pages and fill out all the forms currently required to get insurance. If you want to offer that digital experience, you really have to look at the level of simplicity."

The service space — including policy change, endorsements and additions — could benefit from an omni-channel perspective, according to sources. While customers may want in-person contact to purchase, confirm and bind a policy, future interactions will likely be done via digital or online devices.

"Our research has shown that consumers are looking for more omni-channel experience on the servicing side after they've purchased the policy," Shum says. "They want to be able to interact directly with the insurer online to make simple policy changes and don't want to have to deal with the added complexity of phoning their broker. However, if they do phone their broker, they expect access to the same if not more information than what the consumer can get online."

Here is where insurers and brokers can tap into these service areas. How quickly and easily can service be delivered through the customer's preferred medium? Is it consistent across channels (i.e. if a customer wants more detailed information in another channel)? Are there opportunities to capture richer data on loyal customers for cross-selling targeted products?

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"It's important to acknowledge and address the digital needs and expectations of customers, in addition to providing them with the service they may not even know they need — the option of speaking with an informed insurance professional who can guide them with insurance education," Hayes notes.

POINTS OF CONTACT

In fact, there may be opportunities for service hand-offs between online, contact centre and brokers. Federau explains that Intact Financial is piloting online chat functionality, whereby a customer can connect directly with a broker if a web-based session expires or if the client has more detailed questions.

"We know that has been successful in other industries," Federau says. "It is just one example of how, from a business process perspective, we are always looking for ways to introduce pieces to the technology platform that will benefit brokers."

The insurance claim is another point of customer contact that can gain greatly from an omni-channel perspective, according to Federau. Property & casualty insurers are moving to integrate claims first notice of loss with contact centre and assistance technologies for a superior experience at this critical service point.

"When a claim happens, people are really expecting fast, personalized experience," Federau says. "The key is setting up call centres with the selection tools and claims assistance so that all the information about that customer is at their fingertips. We can quickly start the claim and get that customer back on track."

LIMITS OF LEGACY SYSTEMS

Given the modern consumer's embrace of digital devices and online channels, one might think that the technology issues facing insurers would involve developing the latest mobile app for smartphones or tablets. However, a much more familiar obstacle stands in the way of omni-channel accessibility for most insurance companies — the core technology of legacy policy administration systems.

"Most legacy systems have limitations," Aviva's Wai notes. "Consumers expect 'anytime, anywhere' service. No longer is it acceptable that you go to a website or go on a mobile device, enter information, and then someone calls you or e-mails you a day later. We expect instant processing. That is difficult to do with the current state of legacy systems."

No longer is it acceptable that you go to a web site or go on a mobile device, enter information, and then someone calls you or emails you a day later. We expect instant processing. That is difficult to do with the current state of legacy systems," says Mark Wai, vice president, architecture, global platforms & enterprise information management for Aviva Canada.

Shum notes that of the top 50 insurers in Canada, most are either in the midst of, or close to, revamping or overhauling their legacy systems because "their core technology is not set up to support multiple channels effectively. The longer-term solution is for carriers to replace their back-end policy administration and billing systems and associated processes with packaged systems that can handle multiple channels on a single platform," he says.

Another IT obstacle for insurers in the omni-channel world is capturing and using customer information in a rich, flexible and useable format.

"If companies want to provide differentiated service, all of that comes down to having a customer information file that transcends products and channel," Buitendag notes. "At any point, they need to understand the customer's value, what products and services they use. Some companies are farther ahead on this than others," he adds.

"We are facing information overload," Wai observes. "We are getting data not just from policy admin system, but from Web, e-mail, Twitter, Facebook — or big data. One of the challenges we have is how we can capture and analyze data a lot better than we have in the past," he says.

Another technology concern for Wai is the security implication of an open access distribution strategy. "Omni-channel requires companies to enable multi-device access, mobile phones, tablets," he says. "These kinds of digital devices and media increase significantly how we have to deal with security and information management. Different devices and different channels require a different level of security and identity control and management."

WHO OWNS THE CUSTOMER?

In parallel to the IT challenges of the omni-channel environment, sources say there are also business process and operational hurdles facing insurance carriers.

"There is still a lot of debate between insurers and brokers around who owns the customer, who should provide what service, how that service should be provided," Buitendag notes. "Those are business issues; technology doesn't solve

Customers want to be able to use the channel convenient to the moment, whether that's a website, call center or a video chat with a broker. They expect insurance companies to anticipate their needs and involve them in devising tailored solutions. And they don't hesitate to use social media to let others know how they were treated," notes a report from Bain & Company.

that. You have these business realities happening in parallel with technology issues. I think you need to solve both."

Those insurers embarking on omni-channel projects need to be aware of "perceived channel conflicts," according to Shum. "Brokers are wary of any insurer that offers direct insurance as they view it as competing directly with them," he says. "Carriers need to find ways to balance that by offering brokers incentives or unique product offerings that demonstrate the carriers' commitment to a true multi-channel model versus being perceived as trying to disintermediate the brokers."

Despite the IT and business challenges, the potential benefits of an omni-channel approach can be seen in the retail sector. When handled successfully, an omni-channel approach may lead to higher revenue and greater brand loyalty.

Studies by McKinsey and Company have shown that consumers who shop across multiple channels spend approximately four times more than customers who only shop in one channel. Another study released by Retail Systems Research (RSR), titled: *Omni-Channel 2012: Cross-Channel Comes Of Age*, revealed that 38% of retailers believe cross-channel shoppers are significantly more profitable than single-channel shoppers.

Buitendag observes that by leveraging the data gained from digitally interacting with consumers, insurers can offer targeted promotions that feel timely and relevant. "The greatest opportunities with omni-channel are revenue growth, increased profitability and increased retention. That means not only more products and services for existing clients, but more profitable products and services," he says.

"The opportunity is to gain a greater understanding of the wants and preferences of their consumers and then being able to leverage the omni-channel to provide the right kinds of products and services to those consumers," Buitendag adds.

Tied in with omni-channel perspectives are technological buzzwords and potential applications, such as online chat functionality, network collaboration, voice over Internet protocol (VoIP), biometrics to avoid password log-ons and customer self-service capabilities. It is difficult, if not impossible, to predict which one is going to be a winner in creating a better omni-channel experience for the insurance consumer. Instead, many choose to focus on the business case for a new approach.

"We are certain that our clients are going to want what they want, when they want it and how they want it; those are the lines on the road, if you will," Federau says. "We need to have the right IT and business process foundation in place to access that information and create that personalized experience. It doesn't matter what device it pops out on or how it is presented; what's important is that we have that core understanding," he suggests.

"The business case for omni-channel experiences in insurance lies in the battle for market share," IBM's Hutson observes. "As companies try to retain customers and attract new ones, standing out beyond price becomes essential. Good customer experience is central to driving a sale and to keeping a loyal customer," she adds.

The danger, for some, is if insurers simply emulate the retail sector by slapping an *ad-hoc* distribution strategy onto the current reality of consumer demands for all channel access.

"Omni-channel does not mean digital layered on top of, or to the side of, other channels," notes Bain & Company. "Rather, the key is to integrate disparate channels into a seamless experience. Only a handful of insurers, however, have begun to tie together their channels in a coherent, compelling fashion," the company report adds.

"The concept is really about insurers moving to meet the needs of customers who have different preferences for interacting with them," Shum concludes. "We are starting to see a race emerge around adopting the omni-channel experience, much like we saw with banks and their transition from brick and mortar branches. It will require a mindset of innovation. The winners will be those that get there first."


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The VIEW Ahead

Greg Meckbach
Associate Editor

Auto insurance, severe weather, profitability and interest rates were among the topics discussed at CW Consulting's Crystal Ball in January. Among other issues, industry executives explained why the data gleaned from their telematics devices identify them as bad drivers.

CW Consulting recently held its 13th Annual Property & Casualty Crystal Ball in Toronto. Telematics, weather-related catastrophes, Ontario's mandated 15% auto rate reduction, low interest rates and the housing market were all hot topics at this year's event, held at the International Plaza Hotel near Pearson International Airport.

Speakers this year included Alister Campbell, chief executive officer of The Guarantee Company of North America; Randy Carroll, chief executive officer of the Insurance Brokers Association of Ontario (IBAO); Fabian Richenberger, president of Northbridge Insurance; Paul Fletcher, senior vice president of strategy for Aviva Canada; and Robert Kavcic, vice president and senior economist at BMO Financial Group.

USAGE-BASED AUTO INSURANCE

Telematics is going to change the way auto insurance is offered and the vehicle-monitoring technology will give brokers opportunities to offer advice to consumers, according to speakers at the Property & Casualty Crystal Ball, held January 23 at the International Plaza Hotel.

Two speakers at this year's event reported that they are participating in telematics pilot programs, in order to monitor reports on their own driving habits.

"Telematics is going to change everything," said Alister Campbell, chief executive officer of The Guarantee Company of North America, to a room full of brokers and other insurance professionals. The "full extreme version" of usage-based insurance is "basically a utility. It's how you drove, how far you drove and what kind of events happened while you were driving, week by week and month by month," Campbell added. The role of the broker in telematics programs, he said, is "not clear" to him. However, Randy Carroll, chief executive officer of the Insurance Brokers Association of Ontario (IBAO), did offer some predictions.

"Telematics is going to change our world in 2014," Carroll said during the event. "You have to ... help the consumer understand that product and in order for them to understand that product, you have to understand ... how it works. It actually affords you the opportunity to go back to the basics of underwriting, from a different perspective, and become an educator for the consumer versus having the conversations that you have had over the past two years, talking about black box underwriting, having no idea how the policies have been underwritten, or how rates have been determined."

Carroll noted IBAO executives have been beta-testing telematics.

"I would massacre myself if I moved over to a telematics," he quipped. "Out of whole test group, I am the person with the most frequency and severity of braking."

Campbell is also involved in a telematics pilot, involving 30 members of The Guarantee's senior management team and board.

"A lot of my 'dangerous' rating on the pilot we are doing is because I am not driving 100 (kilometres per hour) on (Ontario Highway) 401," said Campbell. "I'm going to want a usage-based pricing model, but I want one that recognizes my characteristic of 30 years with no accidents."

ONTARIO AUTO

Alister Campbell, chief executive officer of The Guarantee Company of North America, was back for the 13th Annual Property & Casualty Crystal Ball, held January 23 and produced by CW Consulting. At last year's event, Campbell noted, he talked about the "de-globalization" of the Canadian insurance industry, referring to the fact that two-thirds of the p&c market in Canada is comprised of Canadian-owned firms, whereas in the mid-1980s, two-thirds of Canadian carriers were foreign-owned.

The exit from Canada of foreign insurers has been caused, in part, by the Ontario government's auto insurance

"I'm going to want a usage-based pricing model, but I want one that recognizes my characteristic of 30 years with no accidents."

regulations, Campbell suggested, referring to the January 14 announcement by Levis, Quebec-based Desjardins Group of its agreement to acquire the Canadian businesses of Bloomington, Illinois-based State Farm.

"I feel the Desjardins deal just kind of re-affirmed exactly what I was arguing," Campbell said, adding he has presented theories in the past "as to why foreigners were fleeing and Canadians were buying, and one of those was Ontario regulation around auto and I think we all would probably agree that that the-

"I think it's evident that the rates have to go up because we cannot absorb these types of losses without adjusting the premium base."

ory is the largest single likely explainer of the transaction that just took place."

In 2013, the Ontario government established an industry-wide target reduction, by 15% over two years, of the "average of the authorized rates that may be charged by insurers" for private passenger auto.

During his presentation, Carroll predicted there will be a provincial election this spring.

"The rate reductions that we're going to see ... are bearable," Carroll said. "The government can actually stand up in front of their constituents and say, 'We have lowered the rates in the province, on average, by four and a half per cent, and we're on our way to delivering our promise of an 8% reduction in August, and we will deliver another 7% reduction in the next year, but we can't do it unless we are re-elected," he told attendees. "They are looking to get reelected as a majority. The risk in all that is, if they are re-elected in a majority, I think there's a lot of wiggle room on that mandate. But if they get re-elected in a minority position, the wiggle room is gone and we are in deep (trouble)," Carroll predicted.

Fifteen per cent "is going to come off the rates, on average, one way or another," said Paul Fletcher, Aviva Canada's senior vice president of strategy, who noted "not many of us are making that much money in Ontario auto."

Aviva has made several proposals to the government on how it could reduce claims costs, Fletcher said, adding that Ontario auto "needs a new product."

For example, Aviva proposes that the government "match the tariffs" — for medical costs in auto insurance — with those of the Workplace Safety Insurance Board and the Ontario Health Insurance Plan.

PROFITABILITY AND INTEREST RATES

The combined ratio for Canadian property and casualty insurers exceeded 100% as of the third quarter of 2013, interest rates will continue to be low for at least another 20 months and the increased frequency of severe weather means insurers need to hike their rates, speakers suggested at the 13th Annual Property & Casualty Crystal Ball.

"2013 has been another year where the industry suffered serious losses as a result of weather," said Northbridge Insurance president Fabian Richenberger, referring to the floods last June in southern Alberta, the July 8 rain storm in Toronto and the ice storm last December that brought down tree branches all over Toronto.

"The loss ratio on personal lines and business lines has deteriorated significantly" due to "weather-related losses," Richenberger said.

"I think it's evident that the rates have to go up because we cannot absorb these types of losses without adjusting the premium base," he added.

Insurance companies need "to do a better job" of getting policyholders to use preventive measures — such as sump pumps, backwater valves and hail-resistant building material, Richenberger suggested.

He added about $170 billion worth of municipal infrastructure in Canada "is in a state of poor maintenance and repair."

Richenberger noted that as of the third quarter of 2013, the combined ratio in Canadian p&c was 100.8%, which was the "first time in many, many years that the combined ratio" exceeded 100%.

"The profitability of the industry has to improve overall because combined ratios of 100% and above are just not sustainable," he said.

On top of that, interest rates are going to stay low at least another year, another Crystal Ball speaker suggested.

"We are still probably a good year and a half to two away from the Bank of Canada or the (U.S.) Federal Reserve raising interest rates," said Robert Kavcic, vice-president and senior economist at BMO Financial Group. "I think it will probably be the third quarter of 2015 when the Bank of Canada will raise interest rates."

Canada's gross domestic product will grow by 2.5% in 2014, Kavcic predicted, adding the housing market will not crash.

"It's almost like a national pastime in this country to be bearish on the housing market," he said. "You can't open up a newspaper anymore in this country without wanting to sell your house and move into a basement apartment somewhere. The reason this crash that everybody's talking about isn't coming is because the fundamentals are actually pretty sound."

For example, Kavcic noted, there are 185,000 homes built per year in Canada, and census data indicates there needs to be 180,000 new homes.

"The bottom line is we are right in that range where homebuilders are building essentially what we need to satisfy demographic demand," Kavcic said. "The kicker is, if we were to get a two-percentage-point increase in mortgage rates overnight, then we would be talking about a situation where home prices would have to correct to maintain affordability. We are not going to get a two- percentage-point increase in mortgage rates overnight."

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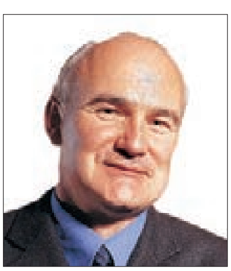
Wording Lookup

Commercial brokers waste time and create needless aggravation if they have to leave their own commercial management system and then log in separately to a carrier's system in order to look up a client's policy wording. With real-time wording lookup, brokers store portal credentials, save time and cut the risk of referring to an out-of-date policy wording.



Kevin Campbell
President,
Policy Works Inc.

Pop quiz: What workflow evoked gasps from a room full of commercial lines brokers in Toronto last spring, at a session of the Organization of Real-time Brokers Implementing Technology (ORBiT)?

Was it: A) real-time rating of a small business risk submitted from a mobile app; or B) real-time wording lookup? If you answered B) real-time wording lookup, you would be correct. Sometimes, it seems, it is the low-hanging fruit that tastes the sweetest.

If you have followed the development of commercial lines data exchange over the last decade, what you have seen is a focus, by both insurers and vendors, on building solutions for new business activities. Primarily, two phases of the marketing lifecycle: uploading of new business submissions, and downloading of the resulting quotation. This is logical, as both brokers and insurers focus on new business activity as a means to grow, and automating this process facilitates quicker growth.

However, studies have shown that only 10 to 15% of a broker's activity is spent on generating new business. The remainder of time is spent on transactions servicing customers, like generating renewals, endorsements, claims and policy inquiry, and wording lookup. These are called in-force policy transactions.

As part of a strategic initiative to help brokers in the independent distribution channel compete against the growing strength of the direct writer, Policy Works Inc. and SGI CANADA scrutinized their existing real-time policy workflows and found a gap. In October of 2013, the two companies released the industry's first-ever real-time wording lookup in commercial lines.

To see the benefits of real-time wording lookup, we need to compare it to the current wording lookup process, which looks something like this:

- a broker receives a phone call from a client, inquiring about coverages on his or her commercial policy;

Illustration by Guy Parsons/threeinabox.com

- the broker opens the insured and policy file in its commercial management system (CMS), or wherever it is stored;
- the insured, in the meantime, is put on hold as the broker must leave the CMS and log in to the insurer portal. This requires the broker to remember the specific login credentials for the insurer site. NB: brokers have multiple user names and passwords for their various insurer portals;
- once logged in, the broker must then search for and find the correct version of the wording to match the current in-force policy; and
- depending on how many "clicks" are required to locate a wording, the broker may be tempted to save a PDF copy to its system for ease of reference in the future.

Is this a show-stopping workflow? No. But it is a big frustration. Forcing brokers to leave their desktop CMS environments creates unnecessary friction in a time-sensitive situation, and that need not be present.

In the new, real-time workflow, wording lookup is a simplified process where a broker:

- receives a phone call from a client, inquiring about coverages on his or her commercial policy;
- opens the insured and policy file in the CMS; and
- clicks on a link next to the coverage in question and views the wording within seconds — all without leaving the CMS.

What is the technology behind this feature? Taking the policy number, effective dates and wording number identifier, Policy Works calls a web service hosted by SGI CANADA and passes these parameters to the service. The service determines the correct version of the wording that is in force for the policy, and returns a PDF version of the specific wording to Policy Works.

Policy Works then displays the PDF using the client's viewer, such as Acrobat. The broker is not required to attach the wording to Policy Works because it can be looked up at any time in the future. More importantly, the broker does not need to sign in because his or her credentials are passed — along with the other parameters — to SGI CANADA's web service and the user is instantly authenticated.

How does this benefit brokers? Staying in the system. There are no user name and password combinations to remember or external portals to navigate and learn. As a one-off, this may not seem

Stopping what you are doing to log in the insurer portal in search of a policy wording is a distraction that takes only a few moments, but it breaks the flow of thought and action previously engaged in.

like that big a deal. But multiply that by thousands of in-force policies, and then by a broker's carriers, and it can become frustrating.

"Stopping what you are doing to log in the insurer portal in search of a policy wording is a distraction that takes only a few moments, but it breaks the flow of thought and action previously engaged in," states Elizabeth Ann Gallant, commercial lines manager at Cooke Insurance Group. "Considering the number of user names and passwords each broker has, the ability to retrieve a wording without changing systems and completing another login is a simple time saver that enhances the efficiency to the process of retrieving a policy wording. In addition, it avoids the potential of basing a discussion on an attached outdated or incorrect policy wording."

Using single sign-on functionality within Policy Works, brokers store data exchange (insurer portal) credentials like user name and password for their insurer partners. This eliminates the need for brokers to remember, and then re-enter, credentials every time this type of activity is required.

Time-saving: As indicated in an article by Grant Patten of CSIO in the April 2013 edition of *The Ontario Broker* magazine, the estimated time saved by similar activities, like policy inquiry, is approximately 60 to 90 seconds. Multiply 90 seconds by a thousand inquiries, and now you have saved 25 hours of non-productive work.

Correct wordings: Previously, there was an implicit responsibility placed on the broker to ensure the wording the brokers were viewing was correct. It was up to them to search for and locate the correct wording. And if the document was saved to the CMS, the broker then had to worry about whether or not it was outdated.

Not any more. With real-time wording lookup, the two systems ensure that the wording is correct, and the broker only needs to worry about one thing: properly communicating with and servicing the client. This removes, from the workflow, a risk that occurs every day: the potential for an errors and omission lawsuit. Real-time wording lookup is the result of a shared vision between Policy Works and SGI CANADA, one that focuses on increasing the efficiency of the independent broker distribution channel. And really, this begins at the front-line level with tools that enable brokers to compete.

Tighter system-to-system integrations are required if the independent broker distribution channel is to be as competitive as — or more competitive than — the direct writer model. This means brokers need to seamlessly connect systems so that front-line workflows are enabled by technology, not hamstrung by it.

Opinion/Analysis

Telematics Limitations

Karl Greenlaw
Founder and CEO,
Brovada Technologies

Telematics is generating plenty of buzz, but it has yet to be seen whether the technology will simply be an expensive discounting tool.

With the amount of buzz around telematics you would think that we had just discovered free energy. The entire industry is scrambling to figure out what telematics means to the future of insurance and how to benefit from its arrival. As with any new technology, we need to look past the buzz and view the opportunity in context.

How much will telematics truly benefit the insurer versus the insured? Will the data be used to provide true usage-based insurance or will telematics simply become another discounting tool? Has the industry stumbled upon a perpetual motion machine or, once the dust settles, will telematics simply become an additional tool for insurers to segment their book in an attempt to manage their loss ratio?

The risk is that telematics may prove to be a red herring, tying up considerable insurer resources while ultimately not providing a significant differentiator for the policyholder value proposition. Will the costs required to implement and manage a telematics program, combined with the discounts offered to entice and retain policyholders, really benefit an industry looking to reduce its costs and shore up its bottom line?

Will the impact of telematics be any different than the introduction of credit scoring? My guess is probably not.

How the industry plans to leverage telematics in its day-to-day business is still unfolding. Some insurers may provide automatic discounts for those policyholders who opt into the program.

And it would make sense that additional discounts would be available as an incentive for good driving habits. At the end of the day, this approach really only provides the insured a discount on a traditional automobile policy.

In contrast, some companies may look to create true usage-based products based on the technology. Instead of looking at the typical risk fac-

Will the impact of telematics be any different than the introduction of credit scoring? My guess is probably not.

tors and driver history, a true usage-based approach would calculate premiums based on current driver behaviour. Drive well this month and pay less; speed next month and pay the price.

In either case, the potential savings will need to take into consideration the insurer-borne costs of procuring, distributing and managing the devices. Progressive, the pioneer of telematics, uses the approach of taking "snapshots" of driver habits to minimize operational and communication costs.

With traditional credit scoring, there is the notion of predicting an individual's risk-profile by looking at his or her ability to manage his or her credit. Consumers with a credit score exceeding an insurer's internal threshold are offered a discount. Those who fall short pay more.

Like telematics, there are costs involved in managing a credit score program; namely the fees to access a third-party credit-scoring service. The incremental expense is viewed by the industry as a cost-effective way of segmenting portfolios given that there is no automatic discount and the cost of credit scoring is a fraction of the cost of telematics.

In Ontario, where credit scoring is not permitted on auto policies, telematics may be the next best option to effectively segment risk, provided that the insurers can manage the program in a cost-effective manner. Early adopters could benefit from the ability to capitalize on the new-found risk-profiling, but will need to continue to evolve to maintain actuarial advantage as others jump on the band-wagon.

One model of providing auto insurance using telematics is the broker-based approach, whereby a brokers' association contracts with a computer software and services vendor. In this approach, the association would assist in managing the telematics data, devices and support.

While I would compliment such a partnership on its intent to try and provide a solution that benefits brokers and consumers, I worry that with this particular model, the overhead related to this middle layer would need to be picked up by the insurers.

The other challenge with this model is that insurers will also lose the operational control and ability to manage the data. It is more likely that an insurer would want to own its telematics data and use it as a competitive advantage as opposed to purchasing it from a third party. It came as no surprise that insurers such as Intact and Desjardins have launched their own, self-managed, telematics programs. Data is king and insurers are going to want as much of it as possible.

Another factor to consider is the longevity of the program compared to its up-front investment. This is not to say that telematics information will not prove valuable; but how the data is generated, stored and managed will change quickly and substantially over the next couple of years. Will insurers continue to distribute individual third-party devices or will the industry begin to standardize on the vehicle manufacturer's robust on-board navigation and computing capabilities? As cars become "smarter" with technology such as automated collision prevention, the window of opportunity for an insurer to recover its investment on providing hardware is already starting to close. As an example, the recently announced 2015 GMC Canyon will include a Teen Driver Mode that allows parents to set a maximum speed as well as generate a "report card" of their teenagers' driving. It is a very small leap for GMC to enter the telematics arena.

What is evident is that telematics is here and it will likely continue to generate buzz for some time. If it becomes more than an expensive discounting tool, this has yet to be seen and the insurers who seize the opportunity to focus on reducing their operational costs and improving ease of doing business may be better off than those out chasing a "red herring."

In the end, only time will tell. Interested insurers looking at telematics will need to be cautious not to take the plunge too early, because the pricing model, providers and technology are quickly evolving.

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Get the Picture

Stuart Rose
Global Insurance
Marketing Director,
SAS

Some insurers are drowning in a sea of data, but by presenting the information in a pictorial or graphical format, professionals can make quick decisions to reduce costs, detect fraud and make better decisions on pricing.

Data visualization, where information is presented in a pictorial or graphical format, is helping insurance professionals see things that were not obvious to them before.

Insurance companies analyze historical data — which includes information from policy administration solutions, claims management applications and billing systems — to forecast and predict future losses.

The digital age has brought with it a quantum increase in the amount of data available, but it is not just the quantity of data that sets apart this time in history.

The speed with which data reach organizations, the variety of their form and the insights they contain are completely changing everything we have known about the collection, analysis and management of data. Insurers face the challenge of determining how to take advantage of all this data to price better, expand markets and improve the business of underwriting risk and handing claims.

Extracting value from this data remains elusive for many insurance companies. The optimist's vision for this tidal wave of data is that organizations will be able to harvest and harness every relevant byte of it to make supremely informed decisions. The pessimist's view is one where organizations are drowning in a sea of data. For many insurers, the pessimist's view is a more common reality.

Many decision makers — whether data analysts or senior-level executives — struggle to draw meaningful conclusions in a timely manner from the array of data available to them

Hence the true value of big data lies not just in having it, but in being able to use it for fast, fact-based decisions that lead to real business value. Insurance companies sometimes need to make decisions in minutes or hours. To address these challenges, insurers are turning to data visualization tools.

Illustration by Guy Parsons/threeinabox.com

The science of extracting insight from data is constantly evolving. Tools are more readily available and industries are beginning to invest in the technology that supports big data. As the competency levels of firms continue to move along the big data continuum, increasing value will be realized. Companies taking advantage of data visualization are able to extract maximum value from their data and take their businesses to new heights.

ART AND SCIENCE

Data visualization is an art and a science unto itself and there are many graphical techniques that can be used to help insurance executives better understand the story their data are telling. However, one of the biggest challenges for non-technical and business users is deciding which visual should be used to represent the data accurately. Autocharting determines the most appropriate visualization by understanding the data and its composition, what information insurers are trying to convey visually and how viewers process visual information. A picture is worth a thousand words — especially when trying to understand and gain insights from data. It is particularly relevant when one is trying to find relationships among thousands or even millions of variables and determine their relative importance. Imagine if power insurers could harness the insights hidden within that vast sea of structured and unstructured data.

Below are several areas where data visualization can positively impact insurer profitability:

Catastrophe modeling

Catastrophe losses can have a significant impact on the financial stability of an insurance company. Carriers need to evaluate their loss exposure and financial position to meet liquidity requirements, often in a real-time environment. By using data visualization, insurance companies can create geographical risk exposure reports by augmenting existing policy data with geospatial data to assess and monitor loss exposure by geographic region.

Subrogation

It is estimated that, on average, five per cent of claims that should go to subrogation, do not. By using data visualization and text mining techniques, insurers can minimize the number of missed recovery cases by recognizing

By using data visualization, insurance companies can create geographical risk exposure reports by augmenting existing policy data with geospatial data to assess and monitor loss exposure by region.

known and unknown subrogation indicators in the claims information. In fact, one leading European insurer was able to improve its recovery rate by over four per cent, representing millions of dollars per year added to its bottom line.

Fraud detection

Fraudulent activities are on the rise. Unfortunately, if the fraudulent behaviour is not discovered quickly, it may never be detected by the insurer. Data visualization and high-performance analytics enables insurers to analyze data within their organizations, in order to detect unusual behaviour.

Insurers can also use data visualization to look at external data, such as social media, to increase the likelihood of detecting fraudulent activities prior to a claim being settled.

Telematics

As usage-based insurance becomes more widely available, data visualization software will let people visually explore billions of records/journey points and seek correlation on data sets to develop predictive models for accurately determining risk factors for pricing and claims. For example, insurers are beginning to see a direct correlation between loss experience and driving behavior — especially braking habits.

Product pricing

Actuaries have often relied on using a sampling of historical data to run pricing models because the time it takes to prepare and run the models was too time-consuming. Today, actuarial departments are using data visualization on the growing volumes of available data to enable more frequent variable exploration for finding subtle and non-intuitive relationships that can influence product pricing. For example, a regional workers' compensation insurer found that account size and number of judgments or liens were very meaningful in terms of which companies would eventually file claims.

CONCLUSION

Insurers have long seen data as a source of competitive advantage. But data alone is worthless — it is insights derived from the data that matter and, with the emergence of big data, the possibility for deriving insights is increasing dramatically. Unleashing the full power of big data and business analytics should be on the short list for every insurer and — as more and more insurers are discovering — data visualization is becoming an increasingly important component in the age of big data.

MOVES & VIEWS

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1 David Richards [1] has been appointed chief executive officer of JLT Canada, part of the Jardine Lloyd Thompson Group, risk specialists and employee benefit consultants. Having more than 20 years of experience in the insurance and risk management industry, Richards joined JLT Canada in 2013 as executive vice president and national specialty leader for natural resources. He has held various senior management positions within the insurance broking sector, including as executive vice president for Aon Canada. "His client advocacy, management experience and deep knowledge of the Canadian insurance industry is ideally suited to leading JLT Canada on its next phase of growth, supported by the strong senior management team that has been assembled over the last two years and a continued appetite from the JLT Group to invest in building out its Canadian operations," says JLT Canada chairman John Lloyd. Richards succeeds Steve Thomas who, after completing JLT Canada restructuring over the last two years, has decided to return to Australia.

2 Toomas (Tom) Reikman and Max Weis [2] have joined Economical Insurance. Reikman has been named senior vice president and chief operating officer, effective January 20. He has held various executive roles at Aviva Canada, including senior vice president for the Ontario region, senior vice president of Pilot Insurance Company and Scottish and York Insurance Company, and senior vice president of national marketing. He also previously worked at Economical Insurance. Reikman will report directly to Karen Gavan, president and CEO of Economical Insurance. Weis, who previously held various roles at RBC Capital Markets, is the new vice president of corporate development as of January 21. Weis will be integral to "continued focus on its demutualization and public company readiness activities," says chief financial officer Phil Mather.

3 Dan Kleiman [3] took on duties as vice president and regional leader, Canada Commercial for Zurich North America at the beginning of 2014. In his new position, based in Toronto, Kleiman will oversee the almost 100 market-facing underwriters and underwriting managers who are part of the Commercial Markets regional field organization within Canada, reports Zurich Insurance Group. Kleiman began with Zurich in its Kansas City office in 2007 and most recently served as segment head of the commercial real estate practice within Zurich North America Commercial. Before joining Zurich, he held commercial lines roles with increasing levels of responsibility at Chubb and Fireman's Fund Insurance Company in Kansas City, Chicago and New York.


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4 RSA Canada is looking to streamline its claims-handling process and condense cycle times through a new partnership with Audatex Canada, a global claims solution provider serving the automotive industry. The partnership replaces multiple software programs with Audatex Canada's software suite, which will standardize workflow and procedures across all of RSA Canada's companies. "This solution enables RSA Canada to leverage its size and scale to provide even better service to our customers and helping them get back to normal faster after a claim," says Irene Bianchi, senior vice president of claims, corporate services and strategic sourcing for RSA Canada.

5 Scott McFie has been named executive vice president of business development for Granite Claims Solutions. McFie, who has been involved at the executive level within the insurance industry for more than 25 years, has held executive operational and business development positions at a national independent adjusting company. Denis Houle [5] will oversee the operational and sales activities of the company's Atlantic Region as part of his new role as regional manager. Over the course of his career, Houle's


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positions have included general adjuster, branch manager, vice president of operations and Lloyd's Division leader.

6 Macdonald Chisholm Trask Insurance (MCT) announced in early January that it will join property and casualty brokerage BrokerLink. The terms of the transaction were not disclosed, notes a statement from BrokerLink. BrokerLink companies, subsidiaries of Intact Financial Corp., include 84 offices serving clients in Atlantic Canada, Alberta and Ontario. Dating back more than 60 years, MCT has more than 110 insurance professionals in 18 offices. Michael Brien, who has led MCT over the last 12 years, joins BrokerLink as head of its Atlantic operations.

7 Carolyn Snow [7] will lead RIMS as president for the 2014 term, which took effect January 1. Snow, who has been on the RIMS Board of Directors for seven years, is currently director of risk management for Humana Inc. She previously served as RIMS's treasurer, secretary and director of external affairs. The RIMS board for 2014 also includes vice president Richard Roberts, Jr.; treasurer Julie Pemberton; corporate secretary Nowell Seaman, director of global risk management for Potash Corporation of Saskatchewan Inc.; Gloria Brosius; Steve Pottle, director of risk management services at York University; Jennifer Santiago; Janet Stein, director of risk management and insurance at the University of Calgary; Gordon Adams; Robert Cartwright, Jr.; Al Gorski; Leslie Lamb; John Phelps; Michael Phillipus; Frederick Savage; and Lori Seidenberg.

8 As of January 8, Toronto insurance broker Jones DesLauriers Insurance Management Inc. (JDIMI) had acquired Whitley Insurance and Financial Services. Whitley Insurance has offices in Belleville, Ontario and the nearby communities of Trenton, Deseronto and Stirling. "The acquisition is expected to build a solid presence for JDIMI in Eastern Ontario and position the firm to better service their clients, with strengthened commercial and personal insurance offerings in the region and a new financial services division," notes a statement from JDIMI. President and CEO Shawn DeSantis will lead the teams from both companies. Loris Clarke [8] has been named successor to Paul Whitley, president of Whitley Insurance, who will remain during a transition period.

9 Ken Rayner [9] has joined Anderson McTague & Associates Ltd. as its director of business development, Central Region. "Ken brings a wealth of experience to our company, having held various senior management positions with insurers and other MGAs," says Chuck McTague, president of Anderson McTague & Associates, a family-owned MGA based in New Brunswick. In January, Anderson McTague & Associates announced it was expanding, adding an office in Toronto to service the brokers of Ontario and Manitoba. Rayner's appointment confirms the company's "commitment to the Ontario/Manitoba marketplace, and to the building of a local support team to assist brokers with their surplus lines and difficult to place business," McTague adds.

10 The Guarantee Company of North America has announced that Tara Wishart [10] became vice president of claims for the insurer's Toronto branch on December 2, 2013. Having 21 years of experience in The Guarantee's claims department, Wishart will be responsible for the operations of the Toronto Branch Claims. She first joined The Guarantee in 1995 as an adjuster and has held roles of increasing seniority with the company, including, most recently, claims manager for specialty lines. Wishart is a member of both the Surety Association of Canada and the Canadian Association of Women in Construction.

GALLERY

See all photos from this event at www.canadianunderwriter.ca/gallery

MDD Forensic Accountants held its **Annual American Thanksgiving Football Open House** on Thursday November 28, 2013 at the Real Sports Bar & Grill in Toronto. Attendees contributed to a collection in support of the Starlight Children's Foundation Canada, with total funds raised reaching $2,980.25.











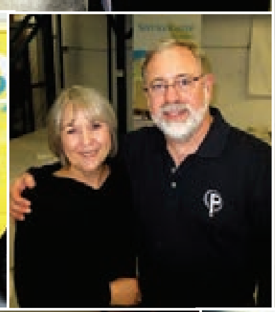

GALLERY

On December 12, 2013, **Western Communities Foundation**, the charitable arm of High River, Alberta-based Western Financial Group (Western), donated $100,000 to cover the costs of remediating flood-destroyed playgrounds at **Spitzee Elementary School, École Joe Clark School** and **Holy Spirit Academy** of the Foothills School Division and Christ the Redeemer Catholic Schools in High River. "Spitzee, Joe Clark and Holy Spirit Academy elementary schools playgrounds were significantly impacted by the floods that hit High River and surrounding communities," said Jeff Burke, president of Western Financial Group. "High River is our home and we are thrilled to be able to help give local children a safe place to play. The donation was made possible by the many employees of Western that rallied together to support families and victims, and by our parent company, Desjardins Group, who generously matched the donation made by Western. Rebuilding our schools is an important step in revitalizing our community."

On November 27, 2013, over 85 members and guests gathered at the **Insurance Institute of Ontario's** offices in Toronto for its latest **'At the Forefront' breakfast**, featuring Karen Barkley, Deputy President and CUO of Elliott Special Risks. At this breakfast seminar, Barkley offered her insights on effective leadership and the human capital element. The Institute's next event in this ongoing series is scheduled to be held in May 14, 2014 with Pat Van Bakel, President and CEO of Crawford & Company (Canada) Inc.

See all photos from this event at www.canadianunderwriter.ca/gallery

ServiceMaster Toronto North Vaughan hosted an **open house** on December 13, 2013 celebrating the grand opening of its new location. Guests enjoyed a tour of the new facility, mingled with the staff and were treated to locally-catered Italian cuisine and freshly-shucked Rodney's Oysters.



GALLERY

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Blouin, Dunn LLP hosted a **holiday "jingle, mingle and mix" cocktail reception** on December 5, 2013 at the Ritz Bar at the Ritz-Carlton Hotel in Toronto. Hundreds of industry guests enjoyed an evening of great conversation and networking.











APPOINTMENT

David Smagata

Barbara Haynes, CEO of DAS Canada, is pleased to announce the appointment of David Smagata to the position of VP and Chief Legal Officer with DAS Canada.

David began his professional career as an associate lawyer in a Toronto boutique insurance defence firm. Since that time, he has worked with several large national and international insurance companies, primarily in the area of insurance defence litigation and claims. Prior to joining DAS, David was AVP Legal Services with Aviva Canada, where he was responsible for the litigation team.

David brings a long history of working in the areas of diversity and equity, having been engaged in hands-on work and advisory committees and work groups. This passion for ensuring that all have a seat at the table and are heard will serve David well in his new role with DAS.

DAS Canada is a full-service specialist in legal expense insurance. We offer affordable access to justice for individuals, groups and small to mid-sized businesses through reduction of legal risk, financial protection against legal costs and access to specialized legal advice. DAS Canada is part of the DAS Group- a global market leader in the legal expense insurance market and a subsidiary of ERGO, Munich Re's primary insurer in Europe and Asia.

For more information about DAS, please visit www.DAS.ca.

DAS YOUR ACCESS TO JUSTICE

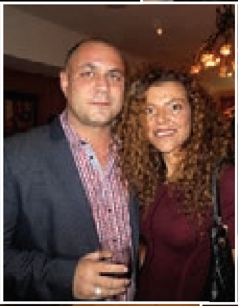
See all photos from this event at www.canadianunderwriter.ca/gallery






On December 10, 2013, the **Portuguese Insurance Professionals Association (PIPA)** held its **Annual Christmas Luncheon** at Donatello's Restaurant in Toronto, with almost 50 people in attendance. PIPA is a non-profit organization in the province of Ontario with the following goals: To promote the insurance industry as a solid and rewarding career to young students of Portuguese descent who are presently attending Grade 12, or post-secondary education and to encourage/support academic excellence by providing scholarships to students of Portuguese descent who are taking insurance courses at the post-secondary level, or at the Insurance Institute of Ontario; and to foster and promote professionalism by providing an outlet for networking opportunities that will enable the development and strengthening of relationships within the insurance industry.








GALLERY

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The **Ontario Pond of the Honourable Order of the Blue Goose** hosted its **annual Christmas party**, titled "Galabration," at Archeo Restaurant at the Distillery District in Toronto on December 4, 2013. More than 100 ganders and guests attended an elegant evening of fellowship and dining in the true spirit of the season.











ANNOUNCEMENT

The Canadian Association of Insurance Women is pleased to announce the Insurance Woman of Year has been awarded to Diane Penney of the Nova Scotia Insurance Women's Association. Diane has been a mentor to many and has earned the respect of all who had the privilege of being her colleague. Diane Penney has been in the Insurance Industry for over 40 years and has been a valued member of Nova Scotia Insurance Women's Association for over 30 years.

The Insurance Woman of the Year award is the highest honour given. Each nominee is judged on her dedication to the Association (both CAIW & her local Association), the Insurance Industry and the public. Diane is currently on our National Board as a Director representing her local Association.

Congratulations Diane on winning this award.

C.A.I.W. A.C.F.A.

www.caiw-acfa.com

The **Ontario Chapter of RIMS, the Risk Management Society™ (ORIMS)** held its **Christmas Luncheon** on December 12, 2013, at the Westin Harbour Castle in Toronto. More than 660 attended. In keeping with the spirit of giving, the ORIMS executive chose to raise funds for The Daily Bread Food Bank. In all, $10,000 and hundreds of pounds of food were raised to help the food bank in its fight to eliminate hunger in and around Toronto.

GALLERY

See all photos from this event at www.canadianunderwriter.ca/gallery

















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GALLERY

…Continued from Page 65 – **Ontario Chapter of RIMS, the Risk Management Society™ (ORIMS) Christmas Luncheon, December 12, 2013**


Prevent.
Prepare.
Respond.

Congratulations to the 2013 Grand Prize winners

Courtney & Skye Buck Memorial Courtyard at Raft River Elementary
Clearwater, BC

Make a Splash for Stacey
Sundridge, ON

Le parascolaire contre le décrochage scolaire au Paul-Hubert
Rimouski, QC

Souris Playground for ALL
Souris, PEI

Change Islands Newfoundland Pony Sanctuary
Change Islands, NL

Help Rebuild Alberta Flood-Ravaged Camp Gardner
Calgary, AB

Project Ecole Mt. Prevost: Let's Get Moving!
Duncan, BC

Vincent Massey Kindergarten Playground Renewal
Ottawa, ON

I Am Awesome! Self Esteem & Empowerment Retreat
Emo, ON

WesForYouthOnline.Ca ... It's OKAY to ask for HELP!
Walkerton, ON

2013 Broker Prize Winner
"Make a Splash for Stacey"

"We're thrilled to win a share of the Aviva Community Fund. Our splash pad will serve as a reminder of the great things that can be achieved when our community works together."

Stephen E. Darling, Stan Darling Insurance Inc., Ontario

Visit **AvivaCommunityFund.org** to learn more about this year's winners.

Proud Supporter of Brokers Displaying this Symbol

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