CANADIAN UNDERWRITER

MAY 2014
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CANADIAN UNDERWRITER

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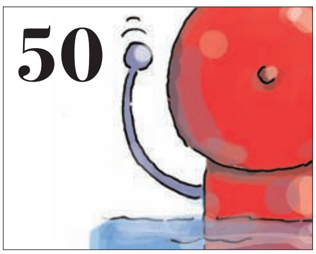
FEATURES



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PROFILE

Photo: Patrick Thompson

SPECIAL FOCUS

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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CU 80 Years *Articles – 1947, 1948, 1949, 1950*

The Atomic Bomb and Insurance

By PETER LETH

(General Manager, Private Assurandoerer of Copenhagen)

Reprinted from the Assurandoeren of Copenhagen

Alberta Discusses Plan for Compulsory Auto Insurance

Opposition voiced by Hon. A. J. Hooke; likes Manitoba plan

CIUC REPORTS BAD PPF RESULTS

New Building Bought By Institute in Toronto

Assured of quarters by ownership of former Merchants Fire building. Enrolments for correspondence course are climbing

Apartment Houses Have Highest Boiler Explosion Losses

Failure to understand hazards of low pressure and hot water boilers cause of many costly explosions

EQUITABLE FIRE INSURANCE COMPANY

ESTABLISHED 1901 HEAD OFFICE—MONTREAL

Case for Independent Adjustment

Well known Toronto adjuster gives worth while views on adjustment situation generally. Suggests that discussion and collaboration with independent adjusters on projected company bureau would be of mutual benefit. A "Companies' Loss Committee" proposed

By STEWART ANGELL

Salute to a New Province NEWFOUNDLAND

Old in its colonial history when London burned in 1666, Canada's Tenth Province enters Confederation, April 1. This article is a "toast," noting for readers the sound base upon which a new Newfoundland will continue to build well—insurance-wise and otherwise

January Wind Damage May Reach Million in Ontario

Recent gales in Canada, widely separated, leave havoc in wake. To sell "supplemental" is easy with this ammunition. Perhaps cost of cover will rise soon?

State Insurance in a Free World

Evolved of a political philosophy foreign to man's nature, State schemes become yoke on shoulders of those whom they are designed to support

Relaxed moments were a rarity during two-day Canadian Hail Underwriters' Association annual meeting, Toronto, pictured here.

Perhaps Dawn of New Hail Era

Canadian Hail Underwriters' Association considers change in rate making structure. W. R. Cook, Winnipeg, elected '49 chairman

How Does Lightning Strike You?

It will strike Canada several million times during 1949. Lightning fire losses on the continent total about 50 million dollars, 75% in rural areas

By R. G. MARTIN

(Reprinted from THE COUNTRY GUIDE, by permission)

Companies Settle Manitoba Flood Claims Quickly

Conference adjusting pool successfully copes with many PPF claims

Television—Boon AND Hazard

Some insurance angles of the new distraction. TV sets use high voltages, many tubes, a dangerous glass viewer.

What every agent should know about . . . Poliomyelitis and Polio Insurance

By J. P. LEGALLAIS

Cooking With Gas in 1950 Pointers on Use of Propane

By W. A. SCOTT, B.A.Sc., P.Eng.

From Bikini to Boilerhouse! Industry and Atomic Energy

A survey of progress in application of atomic energy to industry. Condensed from paper presented

Fire Destruction in '49 Cost Canada $5.21 Per Capita

Vice-president de Grandpre, Dominion Board, makes plea for public assistance in fire prevention, presents 1949 loss cause figures to annual meeting

R. de GRANDPRE

All Canada Federation Plans Nationwide Publicity Campaign

Vice-president William F. Spry outlines plans for educating the public, asks agents and brokers to support campaign to fight nationalization of the business before it is too late.

President Seibert Speaks

CU 80 Years *Articles – 1951, 1952*

80
1934-2014

FIRE INSURANCE TO VALUE
By W. S. BODDEN

Auto Rates Upped, Coast to Coast

"No Competent Adjuster Need Fear Our Operations"—Bureau

The Atom . . .
YOUR PERSONAL AND PROPERTY RISKS

Insurance Institute Delegates Discuss Canada-Wide Body

Small Mercantile Risks Need Business Interruption Insurance
By ROBERT VINEY

"Business Interruption" Market Is Wide Open

INSURANCE... the foundation of our economy

Insurance Superintendents Hold 34th Annual Conference Winnipeg Plays Host to 300 Delegates

Shipping Report Shows Hudson's Bay Route Safe as St. Lawrence

ADVERTISING for the INSURANCE AGENT

COMMISSIONS, RATING BUREAUS, TOPICS FOR ONTARIO EXECUTIVE

Western Assurance Company Begins Second Century

Writing Auto Business Direct in Quebec An Example of Free Enterprise—Holden

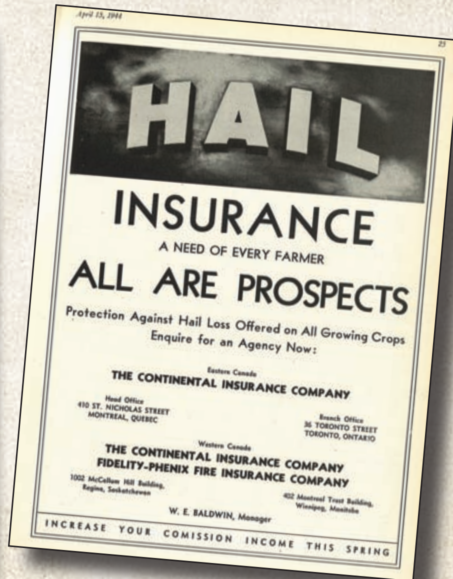
INSURANCE INSTITUTE OF CANADA FORMED IN MONTREAL SEPTEMBER 18th

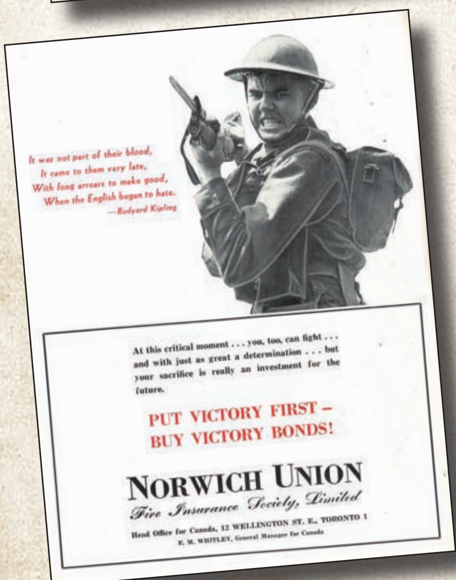
17,500 ALBERTA FARMERS JOIN C.C.F.'ers CAMPAIGNING FOR GOVERNMENT INSURANCE
By N. R. O'DELL

Estimates 250,000 Adults Think Insurance A Racket Gov't. Should Take It Over

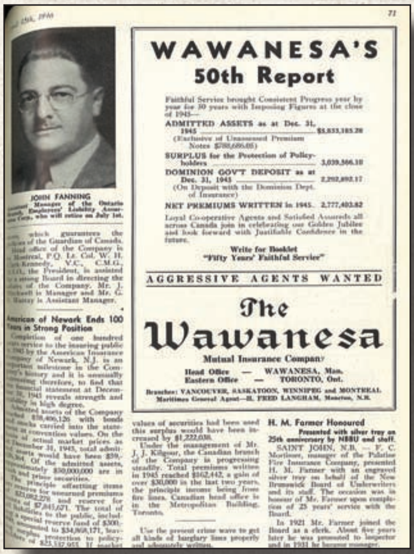
Urge "Physicals" For Drivers Policeman Tells Toronto Agents

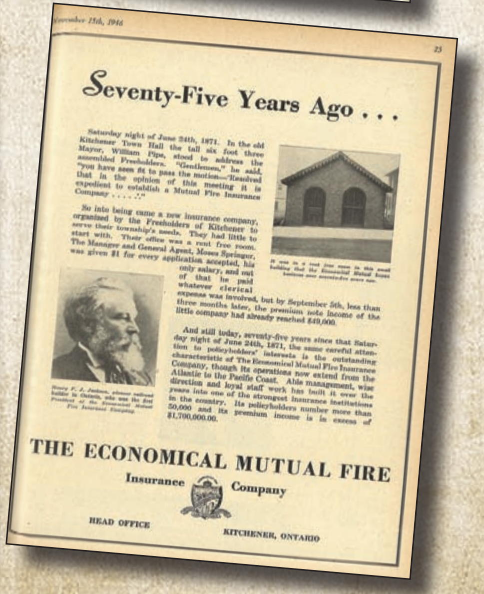
CU 80 Years *Advertisements – 1944*





CU 80 Years *Advertisements – 1945, 1946*





EDITORIAL

Merits of Demerits

Clearly, though, the effects of distracted driving are just as negative regardless of age or cause of the distraction.

Angela Stelmakowich, Editor
astelmakowich@
canadianunderwriter.ca

Winter is over… finally.

That is sure to ramp up how many, and how long, vehicles take to the roads, their operators looking forward to warmth and leaving all thoughts of "polar vortex" in their rear-view mirrors.

But with all the hope and promise that spring delivers comes the real-life concern that continues to gain traction: distracted driving.

There is no shortage of cautions about distracted driving's potential impact on road safety and the influence of related collisions on insurance. Still, it is difficult to see progress.

Perhaps, this has to do with being able to recognize bad, potentially dangerous behaviour in others far easier than in oneself.

Consider the findings of a recent survey of 1,436 drivers, conducted by Leger Marketing on behalf of RSA. In all, 63% of respondents reported seeing other drivers applying make-up; 66% saw drivers driving with pets on their laps; 24% saw drivers make out; 40% saw drivers screaming at passengers; and 61% saw drivers distracted with their radios or GPSs.

In each and every case, respondents reported they themselves were involved in the aforementioned distracting behaviours less than other drivers they had seen.

"That tells us that despite the recent emphasis on preventing distracted driving, including increased fines and demerit points, Ontario drivers still aren't getting the message," says Alex Walker, director of claims relations with RSA Insurance.

In Ontario, for example, fines were recently raised for those apparently unable to stop talking, texting, dialling or e-mailing using hand-held devices while behind the wheel. The amendments also called for police being able to assign three demerit points upon conviction of a distracted driving offence.

The penalty for using a hand-held electronic device while driving in Manitoba, is a $200 ticket, plus two demerits; in British Columbia, it is a $167 fine and three penalty points; and in Saskatchewan, the fine is $280 and four demerits.

That may be where prevention gets the biggest bang for the buck — fines, however irksome, can be absorbed with not much effort at all; points that contribute to the possibility that driving privileges will be curtailed or worse will command considerably more notice.

Young drivers are often the focus of distracted driving awareness efforts, being less experienced, more likely to take risks and tending to be more easily distracted by passengers and electronic devices, notes the Insurance Corporation of B.C., which recently reported distracted driving is now the second leading cause of motor vehicle fatalities on provincial highways, and a top factor in youth crashes.

Clearly, though, the effects of distracted driving are just as negative regardless of age or cause of the distraction.

South of the border, the National Safety Council (NSC) reported in April that more than 30 studies show hands-free devices are no safer than hand-held devices as the brain remains distracted by the cellphone conversation. "The problem is the brain does not truly multi-task. Just like you can't read a book and talk on the phone, you can't safely operate a vehicle and talk on the phone," says David Teater, the council's senior director of transportation initiatives.

Equipping vehicle dashboards with infotainment systems to make hands-free calls, send text messages, e-mail and update social media statuses only feeds the misperception of drivers that there is, in fact, a difference, indicate half of respondents to a recent NSC survey.

Distraction is distraction. If it is attributable to eating a burger, yelling at the kids in the back seat, applying make-up, texting or even making out is not the issue. Acknowledgment by the vehicle operator that driving — and driving alone — is plenty enough to do while at the wheel certainly is.

For those who continue to engage in bad, dangerous and costly behaviour, perhaps a few points that put their driving privileges on the line (maybe the same way they are contributing to putting road safety on the line) should be supported and encouraged.

Canadian Market

QUINDELL, U.K. FIRM TO PARTNER ON CAR OFFERING

Insurance technology firm Quindell has partnered with RAC, an auto services and insurance firm in the United Kingdom, to create a new business to distribute Quindell's telematics technology.

Including a £30-million investment split fairly equally between the firms, Connected Car Solutions Limited will market and distribute the combined telematics capabilities of the two companies throughout the U.K., Europe and Canada. Quindell reports that an additional £70 million will be invested in the longer term, "subject to key milestones."

The roll out of the telematics proposition to 2.1 million RAC individual members will begin in July; the overall medium- to longer-term target is a subscriber base of 12 million, each paying between $5 to $15 a month.

NEW CAT LOSS INDEX PROVIDER IN CANADA

A new independent catastrophic loss index provider has launched in Canada to provide detailed analytical and meteorological information on Canadian natural and man-made catastrophes to both the insurance and reinsurance industries.

Catastrophe Indices and Quantification Inc. (CatIQ) has an online subscription-based application that provides comprehensive insured loss indices, granular industry-wide loss estimates, Geographic Information System (GIS) mapping and other related information.

CatIQ's loss indices have access to exclusive market share information provided by insurance analytics firm MSA Research Inc., a sister company. "It is essential that insurers have access to reliable, detailed and complete catastrophe data in order to better understand, underwrite, manage, price, reserve, monitor, quantify and transfer catastrophe risk," says Joel Baker, chief executive officer of CatIQ.

GPL ASSURANCE ACQUIRES JLT CANADA'S QUEBEC ARM

GPL Assurance Inc. has acquired the Quebec business of Jardine Lloyd Thompson Canada, making it JLT's exclusive broker in Quebec and a member of the JLT International Network.

"This transaction cements GPL's position as a growing force in the Quebec general insurance and risk management solutions market," says Louis-Thomas Labbé, president and chief executive officer of GPL.

The transaction was scheduled to close April 30.

Claims

NO WEATHER CATS IN CANADA IN 2014 Q1: PCS

2014 represents the third consecutive year in which PCS has not declared any weather catastrophes in Canada for the first quarter of the year, considerably different than the six catastrophe events south of the border that produced US$2.2 billion in insured losses.

"Catastrophe 25, a winter storm designation from December 22 through December 26, 2013, was the last catastrophe designated for Canada, with nearly 28,000 claims and approximately $194.1 million in losses," Insurance Services Office Inc.'s (ISO) PCS notes in a new report.

PCS, a subsidiary of Verisk Analytics Inc., collects data on weather disasters in Canada and the United States. The review notes that in 2009, 2010 and 2011, Canada witnessed one weather catastrophe event in the first quarter of the year, but none in 2012 or 2013.

In the U.S., the "polar vortex" caused more than US$1.5 billion in insured losses in 17 states, the three hardest hit being Georgia (US$318 million), New York (US$296 million) and Pennsylvania (US$219 million). Of the total polar vortex insured losses, 73% was personal, 26.7% was commercial and 0.3% was auto.

VALUE OF FRAUDULENT HOUSEHOLD CONTENT CLAIMS HIGHEST IN DECADE

The value of the average fraudulent household content claim in the last quarter of 2013 stood at $2,255, its highest level since records began in 2004, notes the latest counter-fraud index from VFM Services Ltd.

The figures suggest people are becoming more sophisticated in their approach to fraudulent claims, says Sally Griffiths, services director for VFM, which operates in the United Kingdom, Australia and Canada.

The peak in the value the average fraudster is claiming on his or her household insurance "is largely because claims values for opportunistic fraud are historically quite low and people are realizing that any gain to be made by getting away with a fraudulent claim on their household policy is being negated by the cost of the excess on their policy," Griffiths says.

Regulation

IBC SUPPORTS ONTARIO'S DRAFT TOWING BILL

The Insurance Bureau of Canada (IBC) has lent its support to draft Ontario legislation meant to combat auto insurance fraud by aiding disclosure and enhancing transparency for consumers requiring towing services.

Characterizing the *Roadside Assistance Protection Act,* tabled in mid-April, as long overdue, IBC reports that such proposed changes would bring clarity to consumers with their interaction with tow truck operators.

Ontario's Ministry of Consumer Services noted at the time the draft legislation and supporting regulations, if given the green light, would require tow truck operators and storage providers to have permission from a consumer or someone acting on his or her behalf before charging for towing and storage services; publicly post prices and other information, such as operator's name and contact information; accept credit card payments; and provide an itemized invoice listing the services provided and the total cost.

SGI SEEKS INPUT ON AUTO INJURY PROGRAM

SGI is seeking feedback as part of a review of its auto injury program, designed to ensure the "program is still effectively meeting the needs of Saskatchewan residents," says SGI president and chief executive officer Andrew Cartmell.

The last full review was done more than a decade ago.

For the first stage of the review, SGI is contacting customers with a current or former auto injury claim, health care and other service providers, the legal community, and other stakeholders. Recommendations made by the Motorcycle Review Committee pertaining to injury coverage options will also be incorporated.

In the second stage of the review, planned to begin in late summer, options will be developed and put forward to the public for feedback.

Once all feedback is gathered, a report will be prepared by the end of 2014.

ALBERTA SUPPORTS "VOLUNTARY DISCOUNT" PROGRAM FOR TELEMATICS

Before carriers can roll out telematics-based auto insurance in Alberta, the issue of "informed consent" from consumers will need to be addressed, the Automobile Insurance Rate Board notes in its annual report.

"A number of insurers and other stakeholders have approached the board about introducing their version of (usage-based insurance) to Alberta," the report states.

"The board is supportive of UBI as a voluntary discount program. However, entry into the Alberta market will require the approval of the Superintendent of Insurance as this product introduces new rating factors. The issue of informed consent by Alberta consumers must be satisfactorily addressed prior to the introduction of any programs."

The ability of insurers to monitor driving behaviour "can work to reduce claim costs by providing incentive to modify driving behaviour."

Technology

QUEBEC INSURER LAUNCHES MOBILE APP FOR REPORTING AUTO, HOME CLAIMS

Quebec insurer SSQauto has launched a new smartphone app for submitting auto and home insurance claims.

The free app includes three modules: joint report (for an accident scene involving two vehicles); auto insurance claim (one vehicle involved); and home insurance claim. The app is also available to the general public.

A user can enter basic information, take a photo of his or her driver's licence and proof of insurance, and use geolocation to find the exact location of the accident, as well as record a statement of events. Information is then sent to the parties involved.

For SSQauto insureds, the claims adjuster will receive all the information required to begin processing the claim; people who are not insured with SSQauto will receive the same accident information, which they can then forward to their insurers.

Risk

CYBER THREATS A "BIG FOCUS" FOR REINSURANCE INDUSTRY: DICKSON

Reinsurance companies must pay "significant attention" to ongoing cyber threats, Julie Dickson, head of the federal Office of the Superintendent of Financial Services (OSFI), noted in a recent speech.

"The reinsurance industry, like many others, faces ongoing cyber threats, including challenges with data administration and other technology issues," state prepared remarks by Dickson.

"Adequately addressing and mitigating these risks requires an active and dynamic approach that many institutions have already adopted or are planning to in the near future."

MEGA BREACH CYBER ATTACK MORE COMMON

A new report from IT security firm Symantec Corporation indicates cybercriminals are plotting for several months to pull off major breaches for larger rewards, rather than "executing quick hits."

"One mega breach can be worth 50 smaller attacks," says Kevin Haley, director of Symantec Security Response.

The company's latest *Internet Security Threat Report* shows 2013 saw a 62% increase in the number of data breaches over the previous year.

Reinsurance

REINSURERS SEE IMPROVED RESULTS IN 2013: FITCH

Global reinsurers cited solid underwriting gains last year, as "catastrophe-related losses were manageable and loss reserve development remained favourable," notes a recent Fitch Ratings report.

Among the global reinsurers that Fitch tracks, the underwriting combined ratio improved to 85.5% in 2013, from 89.3% in 2012. The improvement is, in part, the result of lower than average catastrophe losses in 2013 ($31 billion compared to $65 billion in 2012).

Solid underwriting profitability, however, was "offset by an adverse change in unrealized investment gain/loss position on fixed maturities and capital market activity," the report adds.

Be It Resolved

Angela Stelmakowich
Editor

Doug Cutbush spent 40 years in insurance, and now employs his vast experience, education and committee work to help others come to a resolution.

By late December 1992, Doug Cutbush had been in the insurance industry — on both sides of the pond — for 44 years. With the Gerling Global Insurance Group for 32 of those years, Cutbush decided it was time to retire.

But there is retiring, and there is retiring. "I retired from the insurance industry, but I didn't retire to vegetate. I retired basically to start a new career," he says.

That new career — which kicked off within weeks of his official "retirement" — was as an insurance consultant, arbitrator and mediator for Douglas F. Cutbush & Associates Limited, duties that continue to this day. In 1997, he added serving as a mediator, arbitrator and appraisal umpire for York Street Insurance Dispute Resolutions to his pursuits.

Offering something new, but also familiar ground, the mediation and arbitration venture afforded Cutbush a way to employ his expertise in a different way.

Now a chartered arbitrator and approved mediator, he deals with all types of personal injury and liability claims, including automobile, occupiers' liability, errors and omissions, employment and municipal liability.

Having "been around for a while," he says, Cutbush had amassed quite a bit of experience in the claims arena that he felt could lend itself to mediation and helping get disputes settled expeditiously and fairly.

It was a tack he always tried to employ while working at Gerling Global. The group insured a number of major companies in steel, mining and oil and gas, Cutbush notes. "During my career, I handled some of the biggest insurance claims that have ever been settled in Canada."

PROVIDING SUPPORT

But at the heart of any claim, regardless of its size, is a loss, one that can sometimes be devastating and that demands immediate action. "Even though I was the claims manager (at Gerling Global), I was a hands-on claims manager," he suggests. "When a major loss occurred, I would go to the scene, wherever it was, by helicopter or plane, and help get the thing resolved."

Cutbush considered some form of immediate response to be critically important. As both senior vice president and claims manager for Canada at Gerling Global General Insurance, and vice president and claims manager at Gerling Global Reinsurance, he was authorized to make substantial advanced payments ($100,000 and up) and often had cash on hand, as it were, to provide assistance as quickly as possible.

"Supporting your policyholder is as important as paying money," Cutbush contends. "When a serious loss occurs, they need help, they need understanding."

Cutbush recalls an ice storm in Manitoba that left a television tower in Brandon — the second highest in the country at the time — so thickly coated with ice it collapsed. The collapse sent debris as far as a quarter of a mile from the tower, he says, and knocked out TV reception for many in the area.

Cash in hand, Cutbush flew into Winnipeg and, because icy conditions had closed the roads to all other traffic, travelled by bus to Brandon. The insured was "able to immediately put up a temporary aerial," he says, restoring service for a number of communities in the area.

"Supporting your policyholders is as important as paying money," Cutbush contends. "When a serious loss occurs, they need help, they need understanding."

His time at Gerling Global offered a unique perspective, Cutbush says, since the group was made up of both a major insurance company and a major reinsurance company. In the event of a major loss, "the insurance company relies on the reinsurance company to provide advice, provide funds when there's substantial payments being made," he says.

Cutbush would always try to involve reinsurers very early on in the process. In a catastrophe such as a windstorm, tornado or flood, he notes there may be many "small losses that collectively bring in a reinsurer. On major property losses, because the reinsurer(s) had more at stake than my company, I often invited them to participate in the decision-making process of how the funds should be spent."

FANTASTIC START

Dealing with multi-million-dollar claims may seem a far cry from where Cutbush got his start in insurance.

At the tender age of 15, he left school and took a job as a claims broker at Lloyd's of London in the early days of January 1948. "If you didn't go to a private school, that's what you did (got a job)," Cutbush reports.

"I could have left (school) when I was 14, but I went on to higher education and left when I was 15," he quips.

"You cannot report your claims directly to Lloyd's; you have to go through brokers," Cutbush explains. So working for Willis, Faber & Dumas Limited, he would receive information and then talk to underwriters to try to get the issue at hand resolved.

After six years there, he continued at Lloyd's, but became a marine claims settler and cargo underwriter for A.J. Whittall and others. Working on the other side of the process, he saw issues from a settler's perspective.

Cutbush calls his experience at Lloyd's "a fantastic start to my career," providing him with a solid footing for when he made his Canadian connection in May 1956.

At that time, Cutbush took on duties as a claims examiner and then a claims supervisor for Willis, Faber & Company, Canada (subsequently called Independent Insurance Managers Limited).

Photo: Patrick Thompson

AN EDUCATED VIEW

It was not long after coming to Canada that Cutbush immersed himself in education and getting involved in associations, including the Canadian Insurance Claims Managers' Association, which he joined in 1958.

"I'm the oldest in age and the oldest in service," the former director and treasurer, and life member of the association, says proudly.

Education is important to this three-time fellow — Fellow, Chartered Insurance Professional, Fellow of the Insurance Institute of Canada and Fellow of the Chartered Institute of Arbitrators of the United Kingdom.

"Not only did I get the experience working as an active claims person, but I also got the theory" from the Insurance Institute of Canada courses.

While at Gerling Global, Cutbush says, he insisted on staff taking the courses, and encouraged them to "get their fellowships as soon as they could."

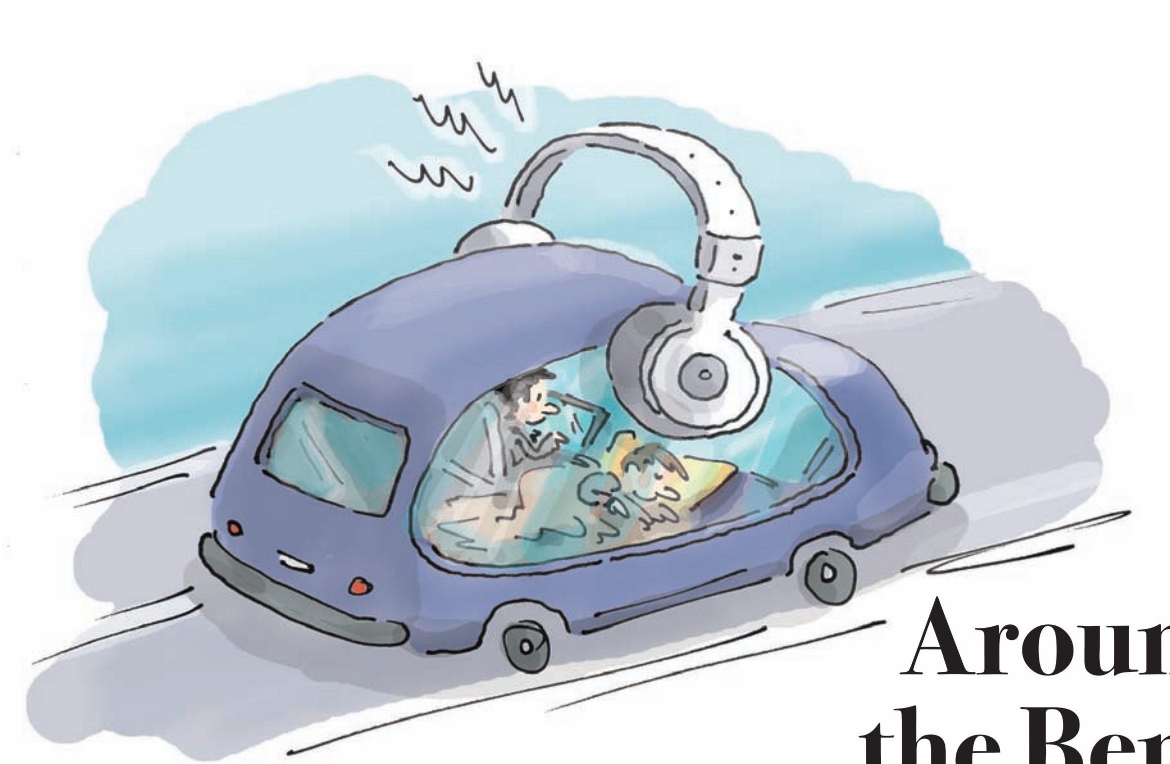
A solid understanding of the principles of insurance is very important because things are always changing. Citing policy language, this has been "developed because of experience, what has been needed," he says.

"You have to keep up to date with what the law is as a good claims person, in case you're going to be trying to settle a claim based on what the law might be and how much (the claim) is worth."

Cutbush got to know the law very well. As part of his extensive committee work for the Insurance Bureau of Canada — among others, he chaired the subcommittee on primary and excess liability insurance agreements and was a member of the claims committee for 10 years — he was part of efforts to produce agreements, some of which remain in force today. One of those is the Intercompany Settlement Chart, he notes, which has "predetermined divisions of liability based on how an accident occurs."

His committee work was enough that one IBC annual report referred to him as Mr. Claims Canada, which he regards as "a bit of honour."

Asked how he would like to be described, Cutbush says tough, but fair. "I think that's what you have to be."



Around the Bend

Catherine Kargas
Business Strategist and Vice President, MARCON

It looks as though driverless vehicles will be part of the not-so-distant future. That said, issues such as liability and the role of insurance companies will need to be clearly defined before these vehicles hit the road.

Imagine always having the use of a vehicle only when one is needed. Imagine never having to look for a parking spot. Imagine never having to worry about vehicle maintenance and traffic violations. Imagine being able to use travel time to read, work on a laptop, listen to music, sleep…

If certain vehicle manufacturers and technology specialists are correct in their forecasts, the industry will not be "imagining" the aforementioned scenarios for much longer. Driverless vehicles may be commercially available and legal to travel on roads and highways by the end of the decade. It has been an oft-repeated claim by a number of automobile manufacturer representatives, including Carlos Ghosn, chief executive officer of Nissan Renault, who has stated that by 2020, the automaker will have several models of driverless vehicles commercially available.

WHY A DRIVERLESS CAR?

The most important benefit of a driverless vehicle is safety. More than 1.2 million people were killed in auto-related collisions in 2010, notes the World Health Organization's, *World report on road traffic injury prevention*, released in March 2013. Add to that the millions more who are injured annually.

It is estimated 93% of collisions are caused by human error, notes a 2001 report prepared for the U.S. Department of Transportation, National Highway Traffic Safety Administration. As such, given that driverless vehicles are programmed to follow the law — have no need to eat, drink alcohol or apply make-up — from a technical perspective, they are better drivers than humans.

Driver distractions, in the form of smartphones and tablets, are increasingly playing a role in collisions. Few people realize that drivers talking on hand-held or hands-free cellphones are four times more likely to be involved in a collision.

In fact, drivers using cellphones (either hand-

Illustration by Scot Ritchie

held or hands-free) have slower reaction times than drivers with a .08 blood alcohol content, the legal intoxication limit.

Other advantages of driverless vehicles include the following:

- **Infrastructure**: An aerial shot of most highways will reveal that vehicles occupy a small minority of the space available. Sufficient space is allocated around each vehicle to prevent collisions. Given their ability to communicate with one another, driverless vehicles do not require these types of buffers, thereby increasing the capacity of existing highway infrastructure. A study undertaken by Columbia University estimated that by moving to completely driverless vehicles, existing highway infrastructure capacity could increase by 273%.
- **Productivity**: Motorists waste an average of 32 days a year sitting in traffic, notes a 2011 article in *Macleans* magazine. That time could be used more productively, even if that means simply relaxing.
- **Environment**: Information from a variety of sources and then extrapolated by MARCON indicates approximately 23% of fuel is consumed sitting in traffic or looking for a parking space. Intelligent driverless vehicles would not only be able to identify and use the most efficient route (utilizing highways and side streets based on complete traffic information), the shared driverless vehicle will normally move from one traveler to the next, thereby greatly reducing the need to seek parking. Moreover, given that vehicles will be shared, there will be fewer of them roaming the streets.
- **Aging**: It is estimated 120,000 Canadians who hold valid licences to drive suffer from some form of dementia. Seniors are relatively less urbanized than the rest of the Canadian population (therefore, less access to public transit) and depend on access to their vehicles. Shared driverless vehicles can provide secure, affordable transportation to those who are incapable of driving themselves.

USAGE, NOT OWNERSHIP

Cars are the single largest expense of most Canadian adults. But unlike a house whose value increases over time, a vehicle's value declines considerably as soon as it is driven off the lot.

Issues of liability are an important hurdle that may delay the introduction of these vehicles as no "deep-pocket" manufacturer/technology supplier will be interested in releasing a vehicle that, following a collision, may result in a lawsuit potentially costing it millions of dollars and negatively impacting its reputation.

An additional benefit of driverless vehicles is the fact that this technology will facilitate usage, instead of ownership. The recent growth of ride-sharing and car-sharing emphasizes urbanites' growing aversion to car ownership (there is an estimated 140,000 car-sharing members in Canada, and this number is expected to increase at least six-fold by 2020), indicates information from Navigant Research.

Recognizing this mounting trend, particularly among Millennials living in North America and Europe, automotive OEMs (original equipment manufacturers) have vertically integrated forward into the car-sharing space, examples of which include BMW's DriveNow and Daimler's Car2Go.

Research out of the United States indicates that the average driver uses his or her vehicle for about an hour or two a day. As such, the vehicle remains idle more than 90% of the time.

Driverless vehicles will facilitate vehicle-sharing and render the usage experience hassle-free. For example, with today's car-sharing models, the user/driver must travel to the vehicle's location and park the vehicle in an available space after usage. With driverless technology, the vehicle is summoned through the user's smartphone and upon arriving at his or her destination, the vehicle simply leaves for its next travel assignment. What could be easier?

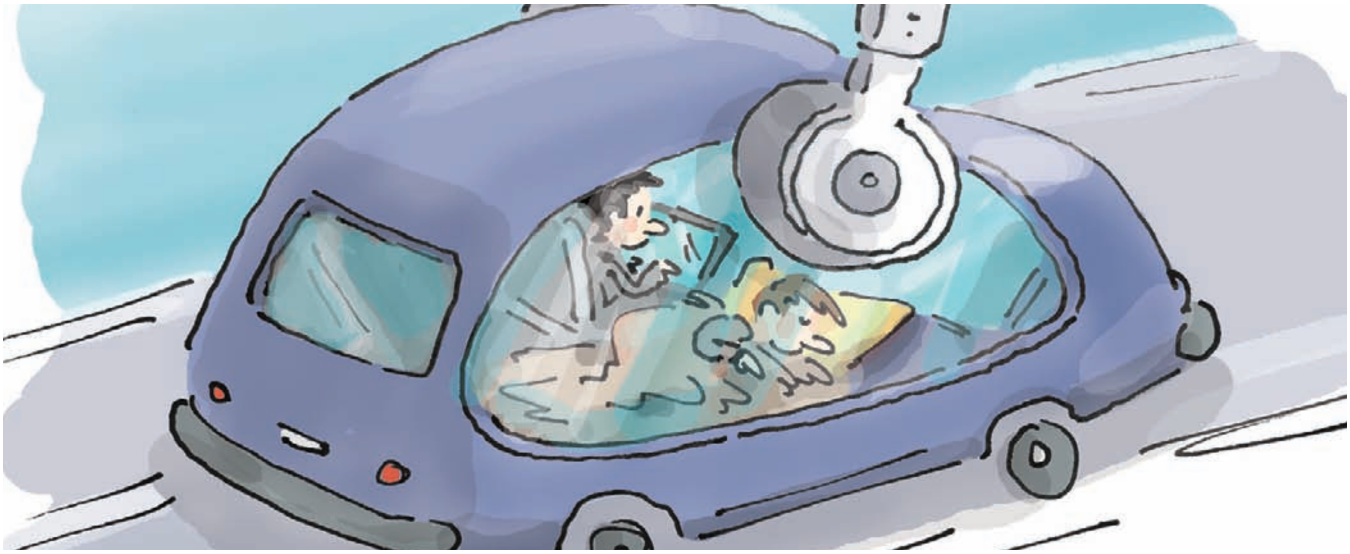
WILL COLLISIONS DISAPPEAR?

It would be ridiculous to assume that all collisions will disappear, particularly during a period of time where both driverless and "conventional" vehicles are sharing the road.

However, given that driverless technology addresses issues of distraction, it would be reasonable to assume that the number of collisions will decline significantly. Consequently, claims should also decline substantially.

WHO IS LIABLE?

One of the most important unknowns associated with driverless vehicles is who will be responsible when collisions do occur… and they will. Will the vehicle manufacturer assume responsibility? Or will it be the supplier of the technology that has been incorporated into the vehicle? Some have argued that how this will play out will only become clear



when the first collision takes place.

While the details may be worked out after the first collision, the general principles of responsibility must be in place and understood by all concerned before these vehicles are made available for public usage.

Issues of liability are an important hurdle that may delay the introduction of these vehicles as no "deep-pocket" manufacturer/technology supplier will be interested in releasing a vehicle that, following a collision, may result in a lawsuit potentially costing it millions of dollars and negatively impacting its reputation.

It is critical that effective legislation be implemented to appropriately deal with the issue of liability *before* any accidents occur. Taking a reactive approach may result in a substantial loss of life and money.

Over the last few months, several legal experts weighing in on the subject of liability and insurance related to driverless vehicles have suggested the benefits of the technology to society are so important that governments may decide to establish a fund to compensate victims of accidents involving driverless vehicles similar to the National Vaccine Injury Compensation Program that exists in the U.S.

Vehicle manufacturers and technology suppliers can be contributors to this fund. Upper limits for compensation can be set to ensure fair treatment of victims.

WHAT IS THE ROLE OF INSURANCE COMPANIES?

It is unclear what role insurance companies will play with respect to driverless vehicles. While several "doom" scenarios have been put forth regarding the end of auto insurance, the simple fact that conventional vehicles will continue to operate on our roads and highways, at least for several more years, means that auto insurance will continue to remain relevant for the foreseeable future.

Driverless technology will change mobility and will change how vehicles are insured. A change in carrier mindset is required: from insuring the driver as a risk to insuring the technology itself.

Given that these vehicles will unquestionably facilitate usage, it is expected that personal ownership of driverless cars will be limited. This is likely to result in fleets being owned by regional, national or international organizations and operated locally.

Today, approximately two-thirds of auto premiums in Canada flow through the broker channel and auto insurance is a mainstay of many of the country's smaller brokerages, note statistics calculated by MARCON.

Moving from individual to fleet ownership and operation will have significant implications for brokers, particularly the smaller ones. This may result in accelerating the pace of consolidation in the brokerage community.

DRIVERLESS VEHICLES INEVITABLE

In February 2013, Glenn Renwick, chairman, president and chief executive officer of Progressive Insurance, was quoted as saying driverless vehicles are "probably not something that need keep anyone awake for quite some time."

A year later, Renwick, unable to ignore the obvious, stated that he anticipates the shift to driverless vehicles will cause industry consolidation and a shift in what Progressive will insure. Instead of drivers, he suggested the company might insure components or systems that are key to making the vehicles function.

WHEN, NOT IF

Those familiar with the technology may feel the industry is closer to commercialization than everyone has been led to believe. Non-technology-related obstacles remain. The legal/regulatory framework, as well as consumer acceptance, are two important ones.

These hurdles are not insurmountable. Solutions will be developed and these vehicles will be driving on roads and highways.

Will that happen in 2018? In 2020? In 2022? That remains to be seen. Regardless of when, however, insurance companies need to prepare and adapt.


DRIVE
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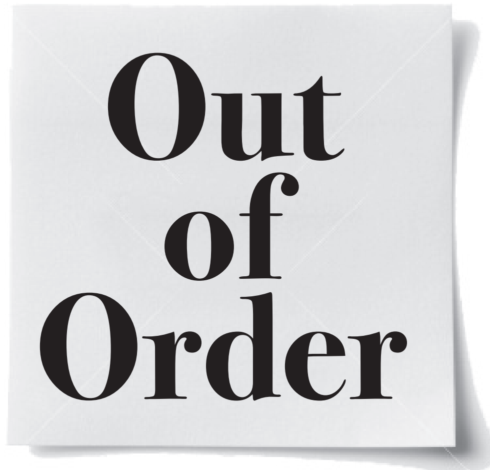
FURTHER



Ontario auto insurance is in need of a major overhaul. Tinkering with the already poor system can only serve to make matters worse, and once again, miss an opportunity to make the significant changes required to return the system to efficiency and fairness.

Opinion/Analysis

William Star
President and Chief Executive Officer, Trillium Insurance Group Inc.

Many stakeholders have voiced their disappointment with the latest review of auto insurance conducted by Justice Douglas Cunningham, former associate chief justice of Ontario's Superior Court of Justice.

The result of the review is just another temporary fix to a broken system. The last thing needed in Ontario automobile insurance is another change to the Dispute Resolution System (DRS), yet another attempt at fixing a bad product.

Ontario must get back to basics. Automobile insurance in the past was intended to provide protection for liability exposures and physical damage to the car.

There has always been insurance coverage available to people who required protection for loss of income, medical expenses or loss of life. These benefits are still available through many insurers for people who need protection and are willing to pay for it.

Many people are also protected through their employer's group plans or private disability and life insurance plans. Retired people do not need loss of income protection and most of their health care needs are provided by government.

That being the case, they should not be required to pay for such benefits under a compulsory insurance plan. Automobile insurance was never intended to provide health, loss of income or life insurance benefits.

Most jurisdictions in the United States have stayed away from no-fault systems and, rather, relied on the tort system to protect innocent people who suffered injuries or vehicle damage from accidents caused by irresponsible drivers. In fact, some states have a provision for minimal protection for hospital and medical benefits regardless of fault.

The tort system is alive and well in the U.S. and helps to keep down insurance costs for motorists. Claims are handled on a low-cost basis with minimal delays. Very few disputes resort to the courts for a resolution.

OVERHAUL, NOT TINKERING REQUIRED

Ontario must return to basics and stop making changes to an expensive system that does not work. Now is the time to accept the fact that the

current system must be scrapped and a new plan adopted. The province needs a task force with experienced people to revamp the automobile insurance system, not just modify a bad plan.

In 1986, the Ontario Task Force On Insurance was formed by the Ministry of Financial Institutions. The task force was charged with examining many areas of insurance, not just as it relates to automobile insurance.

The mid-80s offered many problems for the insurance industry that led to a lack of availability for corporations buying general liability insurance, as well as substantial increases in premiums. Automobile insurance was also part of the concern since premiums were being increased at a dramatic rate, partly because the courts did not cap awards.

There was an additional concern that Ontario was beginning to be known as "California of the North," since many high court awards were similar to those in the U.S.

Among the many suggestions presented to the Ontario Task Force on Insurance was information relating to benefits available in New Zealand for injuries, the Accident Compensation Corporation, or ACC, plan. In New Zealand, the government looks after any person who suffers an injury regardless of whether that individual is injured at home, in a car or even when, for example, just falling on the street.

There are a variety of "levies" to fund the plan, including a fee paid when a car is registered and also a fee per litre of fuel. In addition, there are also a number of other assessments and taxes that support the system.

It is not free and fraud naturally exists. Anytime there is a system that is not based on fault, there will be a certain amount of abuse.

Some task force members considered this type of protection to be desirable, since there should not be a preference given to people injured in a car accident.

There are many accidents that cause both minor and serious injuries, and they should be treated equally. However, the majority of task force members felt the system would not be practical in Ontario, and automobile injuries should be separate from other injuries in the same way that workers are dealt with in a special plan.

There are some merits to looking at the needs of people regardless of how their injuries were caused. There is an argument that people involved in a car accident should not be protected and treated any differently than a person who falls on the sidewalk or while walking through a park.

At the same time, it must be recognized that some people do not need the same level of benefits or compensation. All residents of Ontario have benefits provided by the Ontario Health Insurance Plan (OHIP). Seniors also have the majority of their prescriptions covered.

It makes sense to take a serious look at the benefits that should be provided under compulsory automobile insurance. Then people can decide what protection they need and purchase it as a separate insurance plan.

Any retirement benefits will still carry on if seniors are injured. Therefore, most seniors do not need to buy protection for a loss of income.

This then raises the argument that seniors should not be forced to pay for some of the accident benefits under compulsory automobile insurance.

The political parties in Ontario do not seem to be completely satisfied with the current automobile insurance system. The issue always comes up at election time, with some parties promising rate reductions to gain votes.

There have been a number of reviews over the past 30 years, with each one making some changes. In most cases, the individual reviews have concentrated on fraud that is prevalent in most no-fault plans. High costs have also been reviewed, but in most cases, the cost is in connection with generous benefits and fraud.

It makes sense to take a serious look at the benefits that should be provided under compulsory automobile insurance. Then people can decide what protection they need and purchase it as a separate insurance plan.

Most workers already have group plans that cover loss of income as a result of sickness or an accident. Many others who are self-employed buy protection under individual policies.

It is far better for people to purchase tailor-made protection to cover all possibilities, not just protection if they are injured in car accidents.

After all, if these people need income protection, it should be for any situation and not hope that their loss is due to a car accident. Likewise, life insurance is important to protect dependents and is a benefit that people must consider.

The insurance industry has all of these benefits available at competitive rates. Why, then, are these benefits considered under automobile insurance policies?

It is necessary to get back to the concept of basic automobile insurance. Auto insurance in Ontario was never expected to cover injuries and income loss on a no-fault basis.

Under a tort system, only innocent parties are covered for death or injuries. When coverage is provided for people injured in all vehicles involved in an accident, it is only logical that more claims will be paid and premiums will increase.

Why should seniors who have pension income pay for loss of income benefits? They cannot collect under such a benefit. People who need life insurance and income protection can buy the protection. OHIP provides most of the medical benefits that are needed.

There will be an election in Ontario very soon. The party that makes a decision to again have automobile insurance as a basic product will win a majority. The number of seniors is growing quickly and that party will get the seniors vote.

New View of Collision Repair

Canada's automotive business landscape is undergoing transformative change. A uniquely Canadian approach to how insurance claims and vehicle repair economies work together on a day-to-day basis is critically important to support a thriving and sustainable industry.

Leanne Jefferies
Director of Collision Programs, AIA Canada, and Director, CCIF Skills Program

The Canadian automotive landscape is evolving rapidly. New mainstream vehicles are being introduced to the driving public, constructed with more technology, connectivity and advanced materials. Couple that with contraction and consolidation in the collision repair industry that continues to accelerate, decreasing the number of collision repair facilities and increasing the size of networks, banners and multi-shop operators (MSOs). And then add that insurers are also experiencing consolidation — with both insurers and collision repair facilities facing lower profit margins.

As the dynamics of insurance claims and vehicle repair economies continue to undergo such profound change, the relationship between the two stakeholders — how they work together on a day-to-day basis — will become more and more important to a successful industry.

From the repairer perspective, there are two major changes in particular that stand out. The growing trend of insurers implementing "procurement" programs within the repair supply chain is creating challenges — increased complexity and downward pressure on margins. At the same time, the investment in equipment and training continues to rise significantly to keep pace with advanced materials and quickly evolving vehicle design.

These trends have the potential to have a significant negative effect on both the profitability and the long-term sustainability of collision repair facilities.

In other countries, the collision and insurance industries have dealt with similar volatile conditions in a less than pleasant way, with a negative effect on the entire system.

Today, Canadian collision industry stakeholders — including repairers, insurers, original equipment (OE) manufacturers, suppliers, rental car providers, technology and service providers, as well as others — have an opportunity to create a "Canadian" solutions to today's challenges, through collaboration, co-operation and respect for one another's long-term sustainability. The health of the industry demands a concerted effort.

COMING TOGETHER

The Canadian Collision Industry Forum (CCIF) is the only national independent forum and voice for the collision repair industry. For more than 15 years, CCIF has sought to bring together industry stakeholders to share information, discuss industry issues and provide a national opportunity for networking.

However, facing evolving dynamics in the industry, in 2013, CCIF recognized that change was necessary to respond to industry needs and to take action. CCIF will serve as the action arena to create the Canadian solutions.

The key difference in CCIF has been the linkage to the Automotive Industries Association of Canada (AIA Canada), the national trade association representing the automotive aftermarket industry in the country. The aftermarket is a $19.4-billion industry employing more than 420,000 people.

A new formal structure has been established to allow for increased focus on CCIF's top business priorities. In that vein, the CCIF Steering Committee — members of which include collision repairers, insurance companies, suppliers and OE representatives — was established to provide guidance and direction for CCIF.

AIA Canada — the mandate of which is to promote, educate and represent members in all areas that impact the growth and prosperity of the industry — represents manufacturers, re-builders, manufacturers' agents, warehouse distributors, national distributors, buying groups, wholesalers, machine shops and retailers, and through its councils, the interests of collision repair shops and automotive service and repair outlets.

AIA Canada assumed management of CCIF in January, a development that offers promise about where CCIF and the entire industry is headed. A new formal structure has been established to allow for increased focus on CCIF's top business priorities.

In that vein, the CCIF Steering Committee — members of which include collision repairers, insurance companies, suppliers and OE representatives — was established to provide guidance and direction for CCIF.

In addition, the AIA Collision Council has been established to provide strategic oversight to AIA's activities in the collision repair industry, including I-CAR Canada and projects arising from CCIF meetings.

CCIF PRIORITIES

One of the first actions taken during the CCIF management transition was to determine the industry's top three priorities at CCIF. These are as follows: profitability, complexity of vehicle repair and people. This was done by utilizing a voting technology called the "VOICE," or vote on industry change and evolution.

The technology will continue to be used to take the pulse of the industry on important topics and decisions during all CCIF meetings, the agendas for which will focus solely on CCIF priorities and finding ways to address those concerns.

JOIN THE CONVERSATION

The new direction has received a positive reception from all sectors of the collision industry, demonstrated by increased engagement and participation at CCIF events. In fact, the increased engagement of OEs has lead to sharing of information that the collision repair industry desperately needs, not only to understand the new technologies being introduced, but also to plan for the investment needed to properly and safely repair vehicles today and tomorrow.

As well, more insurers are attending CCIF meetings, perhaps recognizing the value of being at the table, participating in the conversation, and collaborating to ensure they help create a sustainable and healthy collision repair industry able to properly repair their insured's vehicles.

Drawing on the resources of AIA Canada, CCIF recently engaged DesRosiers Automotive Consultants Inc. to launch and administer the Business Conditions Survey, the first information-gathering resource of its kind in Canada.

The survey's long-term goal is to measure the size of the collision repair industry, track industry trends and measure the sustainability of repairers. The growing number of participating repairers already represents almost 60% of collision repair volume in Canada, providing a valuable snapshot of industry trends.

Further, CCIF's new communications strategy is meant to improve information-sharing among stakeholders, to ensure more timely details about meetings, past presentations and current projects.

LOOKING AHEAD

There are significant challenges ahead in the collision repair industry, but the challenging environment should not be viewed as a "doom and gloom" situation. With the challenges (and changes) come huge opportunities. Equipped with a vehicle to create and test new, co-operative solutions, collaboration can help support a sustainable industry.

Failing that, Canada could fall into the trap that other countries have — conflict, and all of its negative consequences.

CCIF is committed to the first option — understanding the needs of one another, working together and creating a sustainable future for all stakeholders.

For success both today and tomorrow, improved efficiency within the claims process is essential. It is also necessary to ensure repairers have the capacity to remain profitable enough that they can make the required investments in equipment and training to deliver the promise that insurers make when they write an insurance policy.

Both insurers and repairers share the same customer — the driving public — and both have a responsibility to restore and maintain the safety and integrity of their vehicles after a collision.

The CIP Society Ethics Series

Coincidental Run-in

The CIP Society
Insurance Institute
of Canada

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 if a broker accidentally overhears a personal conversation on the street that is directly related to a client's decision to cancel a policy? What possible responses are available to the broker, should he or she decide to employ a rules-based, people-based or situation-based approach?

A client stops in at the office of his local insurance broker to advise that he wants to cancel the coverage on one of his vehicles, effective immediately. The client explains that he forgot he was still paying the premium on this car since the payment came out of his bank account automatically every month and he seldom thought about it.

Six months earlier, he had concluded a very messy and acrimonious divorce and no longer retained the car as part of the settlement. It was an older car, long since paid for, and he had signed off the ownership documents months before when concluding the divorce. His original plan, months ago, was to scrap the car because it was becoming unreliable and unsafe. He said he neither knew nor cared what his ex-wife did with it.

Later that day, the broker stepped out of the office to grab some lunch. She recognized the old car that formerly belonged to her client as it drove up and parked right in front of her. She had never personally met the client's ex-wife, but certainly recognized her. The broker overheard the ex-wife say to her friend that although the car is in bad shape, she will keep driving it as her ex-husband is still paying the insurance on it.

Feeling conflicted, the broker held confidential information from her client about the cancellation of the policy that was in his name. At the same time, she held confidential information based on a conversation she overheard.

What do the rules suggest she do? Is that in conflict with what is called for in the situation? What would her client want her to do? What about the insurer? Are the rules, the situation and the moral approach at odds with one another?

Illustration by Scot Ritchie

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WHAT IT'S ABOUT:

What: Canadian Cancer Society's Relay For Life – the **largest WICC fundraising event in Ontario.** All-night, non-competitive team relay. Fun. Inspiring. Lots of activities. You don't have to spend the night, but you'll be glad you did.

Why: To celebrate cancer survivors, commemorate those we've lost, and raise money for life-saving research. **Our goal this year is $421,000!**

Where: Esther Shiner Stadium in North York and other locations around ON.

When: Friday nights in June, from 7pm.

Who: You – be a captain and sign up your team right away.
It's easy – we'll show you how.

WHAT YOU DO:

Build your team: Friends, family, colleagues, clients. Teams are often 10 people, but more or less is great too.

Register: go to www.relayforlife.ca

Choose your WICC Relay For Life event, either North York or any other Relay event around the province.

Pick WICC! Select WICC under "Team Company" to make sure your funds count for the industry campaign.

Questions? Go to **www.wicc.ca**

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The RIBO rules of conduct state that, "a member shall hold in strict confidence all information acquired in the course of the professional relationship concerning the business and affairs of the member's client, and the member shall not divulge any such information unless authorized by the client to do so, required by law to do so or required to do so in conducting negotiations with underwriters or insurers on behalf of the client."

The broker should contact her client and advise him of the conversation that she overheard on the street. The insured will then have to decide if he wants to proceed with the cancellation or keep the insurance in force until this matter can be resolved.

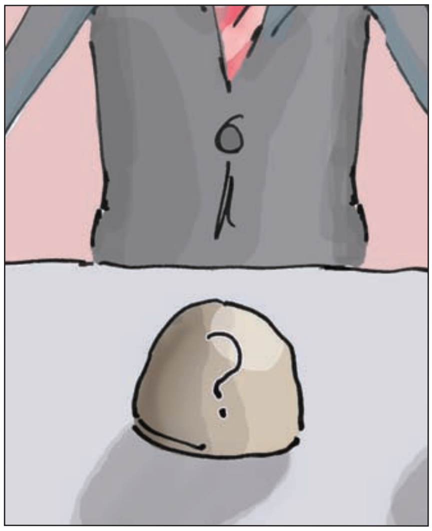
It should also be suggested that he either contact his ex-wife directly or his divorce lawyer to have the lawyer either notify the spouse that the insurance is cancelled or to advise her that the vehicle is no longer registered to the husband and she needs to obtain her own insurance policy.

With respect to the insurer; the company cannot insure a vehicle that the client does not own; therefore, if he is no longer the registered owner, there is no reason for the insurer to question the cancellation.

Morally, the broker knows the client does not have the vehicle and that the car is being driven by his ex-wife. If the cancellation proceeds, the vehicle will be driven without insurance.

The broker should encourage the client to keep the policy in force for a few more days to resolve the matter and to notify the insurance company of this situation.

Elliott Spagat
Professor, Business Insurance Program
Seneca College
The situation described presents unique problems as the issues of insurance requirements, privacy concerns and divorce law are at odds. As a broker, the first responsibility is to the client.



From a rules-based approach, if the client is the only named insured on the policy, the broker can, in fact, do nothing. However, to avoid possible errors and omissions exposure in the future, the broker may want to request additional information from her client at the time of the cancellation to confirm what is being assumed is true.

In this scenario, the vehicle was given to the ex-wife in the divorce settlement; in that case, the lawyers involved should have ensured the ownership was transferred from the client to his ex-wife.

The *Insurance Act* requires that the named insured on a policy be the same as the registered owner of the vehicle. As such, the ex-wife should have purchased an automobile liability policy at the time she assumed ownership.

The broker is following the directions given to her by her client; she is not aware of the terms of the divorce. Perhaps, one of the terms was that while the ex-wife received the automobile, the husband was responsible for the payment of insurance premiums. The husband, deciding that he did not want to abide by the terms of the settlement, decided to cancel the policy.

The broker should not be the one to approach the ex-wife and inform her of her client's instructions. Instead, the broker should immediately contact her client and advise him to contact his lawyer. The lawyer can then pass the information to the ex-wife's lawyer to let him or her know that the insurance has been removed from the vehicle and that the ex-wife should stop driving the car until such time as she has placed coverage.

Fred N. De Francesco, CIP
President
Fairview Insurance Brokers Inc.
Let's examine the Ontario Automobile Policy to arrive at an opinion. As the name implies, the policy is issued to the registered owner of an automobile. That registered owner is, in fact, the named insured to the policy, and all other operators with consent being designated in most cases as insureds only.

Spouses and dependents may share the title of named insured status in some cases even though they are not owners of the automobile.

At the time the automobile in question was insured, assume that the policy was correctly issued in the proper name. The ownership and control of this policy is solely in the hands of the owner. His intention to cancel the policy rests with him and the broker's obligation at this point is to process the wishes of the named insured.

Given the scenario provided, I believe the broker has two choices. The first is to do nothing. The broker acted properly in the cancellation and the failure to have insurance on this vehicle is due to negligence on the part of the new owner and her legal advisor.

The broker's second choice is that after overhearing the ex-wife, she could have approached her and merely offered a professional opinion on the conversation without providing any details that may have disclosed issues surrounding privacy. I am sure the ex-wife would appreciate the advice of a professional and would rectify the problem on her own.

THE LAST WORD

This month's scenario provides an interesting opportunity to examine the facts using three different approaches to ethical decision-making. Using multiple approaches highlights the difficulty in determining the right course of action, and shows that ethical dilemmas may have more than one possible outcome.

From a rules-based approach, if the client is the only named insured on the policy, the broker can, in fact, do nothing. However, to avoid possible errors and omissions exposure in the future, the broker may want to request additional information from her client at the time of the cancellation to confirm what is being assumed is true.

For example, the broker can request additional details about the separation agreement to determine what is included with respect to the vehicle.

The situation could also be approached using a people perspective, in which case the broker should consider how the various parties would like to be treated, balancing that against privacy laws and codes of conduct.

In this example, the broker can weigh her client's rights and expectations of privacy with the needs of the ex-wife. If she puts herself in the ex-wife's shoes, the broker would realize that she would definitely want to know the ex-husband is no longer paying for coverage.

Finally, from a situation-based approach, various possible outcomes to the scenario have to be examined. The broker could determine that the gravest potential outcome would be if the ex-wife was involved in a serious accident while uninsured.

In this case, the broker may want to notify the client to ensure that he knows the situation and that he understands it is important to notify the ex-wife as soon as possible.

Safe Travels

The increasing trend of abductions of those working abroad may signify that some perpetrators view kidnap for ransom as an acceptable revenue generator. But Canadian businesses involved in international trade owe their employees a duty of care that demands risk be assessed and appropriate response be available.

Carol Graham
Executive
Vice President
and Chief
Operating Officer,
Sutton Special Risk

The early-April abduction of a nun from Asbestos, Quebec, who was working as a missionary in Cameroon, serves as a reminder that Canadians are by no means immune to the danger of kidnapping.

Boko Haram, the Al Qaeda-inspired terrorist group that claimed responsibility, has engaged in a series of kidnappings against Westerners in recent years, and although originally based solely in Nigeria, is now carrying out its terrorist operations in neighbouring countries, such as Cameroon and Mali.

The increasing trend of abductions of foreigners may signify that kidnap for ransom is viewed as an acceptable revenue generator by militant groups active in the region. By essentially working for profit, the distinction between profit and political gain has become blurred.

Actual abduction figures are difficult to obtain because the vast majority of kidnappings go unreported. That said, one of the leading crisis response companies has reported an almost 100% increase in kidnappings of foreign nationals between 2011 and 2012, a figure undoubtedly influenced by such events as mass kidnapping of ship crews by Somali pirates. And although piracy has since declined 40%, new methods, such as "express kidnappings" are on the rise.

These developments have important implications for Canada given the number of Canadian businesses based in Nigeria, Southern Mali and other countries across the region. The aforementioned deterioration signals a downturn in the security prospects for companies working in these areas and emphasizes the need to re-evaluate and manage risk exposures.

Troubling news, indeed, since Canada's economic growth in the next few years will be supported, for the most part, by increased external trade spurred on by a weaker Canadian dollar and the federal government's vigorous promotion of international trade.

It is important to note the significance of international trade to the Canadian economy, including that international trade represents more than 60% of Canada's gross domestic product (GDP) and there would be 3.3 million fewer jobs without international trade, note figures from the federal government's Global Markets Action Plan.

RISKS IN SOME COUNTRIES OF INTEREST

While the exact number of Canadians abroad is difficult to validate, Statistics Canada suggests that the number is somewhere in the neighbourhood of 2.8 million.

For example, country-specific information from the federal government notes that more than 2,500 Canadian companies currently operate in Mexico (some 50,000 Canadians are thought to reside in Mexico either full- or part-time); about 500 Canadian companies are active in Brazil (more than 50 of these in the mining sector alone); and more than 25,000 Canadians are currently living in South Korea.

In addition, the Asia Pacific Foundation of Canada reports that approximately 300,000 Canadians reside in Hong Kong, 20,000 in Beijing and more than 6,000 in Shanghai.

Under the Global Markets Action Plan, which the federal government launched in October 2013, the government is concentrating its efforts on the markets that hold the greatest promise for Canadian business. Mexico, China, Brazil, South Korea, India, Russia and Turkey, among others, were identified as "emerging markets with broad Canadian interests."

The challenge, of course, in working in emerging markets is the inherent risk associated with political instability, lack of infrastructure, cultural differences and lack of security. The broadening political and security threat is reflected in the rising risk of kidnapping in these markets. And many of the trade agreements were negotiated with countries that sit on the list of top kidnapping countries in the world, while many of the targets are local or expatriate employees of multinational companies and non-governmental organizations.

Among its findings, the National Intelligence Council report, *Global Trends 2030: Alternative Worlds*, notes safety and security is becoming the number one concern of expatriates and business travelers.

Kidnap-for-ransom can take various forms:

- ***"Traditional" kidnapping*** involves a person being physically abducted and a ransom demand communicated in exchange for the individual's safe release. However, criminals, particularly in Latin America, have become creative and devised alternative methods of achieving their objectives.
- ***Express kidnapping***, also referred to as "Lightning" or "McKidnapping," involves a person being held for a short period of time in exchange for the payment of a relatively small amount of money.
- ***Virtual kidnap*** involves criminals monitoring the "victim's" routines and using the information to extort

money from the family or employer. This is done by claiming to have abducted the person, when really the so-called victim is simply unreachable for a short time period.

EVOLUTION OF INSURANCE

Kidnap, ransom and extortion insurance, however, has evolved to respond to these newer, innovative methods of criminal finance, and can play an important role in the travel risk management plan for any-sized organization.

The increased exposure to risk of kidnapping places a "Duty of Care" responsibility on all Canadian businesses involved in international trade, but can be a nightmare for small and mid-sized companies that typically lack the risk management infrastructure employed by larger companies. Duty of Care is a legal obligation to adhere to a standard of reasonable care in acts or omissions that could foreseeably harm others.

Depending on the jurisdiction, the obligation can be based in legislation, case law, employment/contract law and torts law. It is also a standard of corporate responsibility and best practice.

For employers, the duty has evolved over recent years. In the past, employers were responsible to protect the health and safety of their employees in the workplace, but changes to Bill C-45 (employer criminal negligence) and Ontario's Bill 168 (workplace violence) have extended those obligations beyond the workplace to protect employees, their dependents, contract workers and guests on expat assignment or business travel wherever they may be assigned.

The recent increase in kidnapping in emerging markets signals a downturn in the security prospects for multinational companies working in these regions and indicates a need for Canadian companies to re-evaluate and manage their risk exposures. Travel risk management standards have emerged recently that set the benchmark for mitigating the risk to a mobile workforce.

What should a responsible employer do to prepare and protect employees while working abroad? At a high level, the process involves risk assessment, identifying threats, preparing employees, monitoring threats and providing adequate response in the event of an incident.

Kidnap and ransom insurance coverage can help address many of the elements of travel risk management by offering pre-trip planning and security intelligence briefings, a communication plan with clear instructions of what to do in the case of a threat or incident, and 24/7/365 emergency assistance, crisis response and evacuation.

These services, delivered by experienced crisis response companies, are typically included in the premium for the kidnap, ransom and extortion policy.

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The policy limits can range upward of $25 million. In addition to the insured benefit for reimbursement of the ransom, policies will also often cover other forms of extortion, wrongful detention and hijack. Extensions to these policies include coverage for lost earnings, personal accident (injury and death), computer virus, legal costs, counselling and cosmetic surgery, to name but a few.

The extensions may be subject to lower sublimits.

Consider that a corporate policy providing $2 million of coverage for directors, officers and employees with travel that includes Colombia, Peru and Burkina Faso can cost as little as $1,500 per year.

The Emergency Political Repatriation and Relocation Extension has become increasingly important in recent years in light of the rising political unrest around the globe. It covers the costs incurred to transport insureds to the nearest place of safety or to their resident country should officials of the resident country expel or recommend the insured person leave the country, or if the insured's property, plant or equipment is confiscated or expropriated.

Coverage includes accommodation costs, airfares and even the insured person's net salary for a period of as long as three months following the relocation.

High-risk Security Markets

- ***Nigeria:*** The Movement for the Emancipation of the Niger Delta (MEND) continues to represent a major threat to the oil industry. Despite some success in trying to employ militants following an amnesty in 2009, MEND's political agenda is re-emerging with violent attacks on oil infrastructure and kidnapping of oil workers in the Delta states.
- ***Mali:*** The military coup in March 2012 and ensuing unrest led several Canadian mining companies to reduce operations, cancel exploration or pull out foreign workers. After Ghana and South Africa, Mali is Africa's third-largest gold miner and there are more than 15 Canadian mining and exploration firms working in the country, Natural Resources Canada reports.
- ***Mexico:*** Mexico is Canada's fifth-largest export market and third largest trade partner. There are an estimated 2,500 Canadian affiliates based out of Mexico, the largest comprising a cross-section of mining, manufacturing and financial services companies. Mexico also holds the distinction of being the world's number one country for kidnapping in both 2012 and 2013. Records suggest that there were 2,000 reported kidnappings in Mexico in 2011, but most go unreported, and some say the true figure in 2011 was closer to 18,000 incidents.

Get Smart

A new program from the Insurance Institute of Canada teaches company board members the foundational principles and concepts of property and casualty insurance, a move meant to answer an updated federal guideline and the trend of more board members outside the p&c insurance industry.

Peter Hohman
President and Chief Executive Officer, Insurance Institute of Canada

The Office of the Superintendent of Financial Institution's (OSFI) updated *Corporate Governance Guideline*, issued in 2013, underscores the importance of educating newly appointed, independent company board directors in the fundamentals of the property and casualty insurance business. The amendments to the guideline reflect international updates to best practices in corporate governance, fuelled by the global financial crisis in 2008. OSFI set January 2014 as a target date for compliance.

"Strong corporate governance is essential to the safety and soundness of Canada's financial institutions," OSFI superintendent Julie Dickson said when the guideline was finalized. "The revised guideline will help Boards of Directors and senior management to identify and manage risks being undertaken by their financial institutions."

The guideline's introduction happened concurrently with a number of industry activities that teach the foundational principles and concepts of p&c insurance to company board members, including new board members who do not have prior experience within the insurance industry.

Examples of such activities include the Insurance Institute of Canada's new P&C Insurance Essentials program, which focuses on new board directors recruited from outside the p&c industry, and The Co-operators Director Development Program (DDP), geared to all of the company's board members.

WIDE COVERAGE

The OSFI guideline notes a wide variety of governance models within financial institutions. Typically, a corporation is governed by a Board of Directors and senior management comprised of chief executives or executive vice presidents. The board is responsible for direction-setting and overseeing management, while senior management is accountable for implementing the board's decisions and overseeing management and operations of the company.

Senior company executives in financial institutions should have a strong working knowledge of their particular business areas, the guideline notes. This is also true of board directors, although board members will come from outside the p&c insurance industry for a variety of reasons.

"One reason why insurance boards are looking for non-insurance people is to give them a balanced perspective of what's going on," suggests Ross Totten, president and chief executive officer of HRT Insurance Consulting Inc. "Board members from outside the insurance industry can provide insights about business across Canada and the general economy. They can also contribute knowledge they have gained from all walks of life."

Robert Landry, a board member at Wawanesa Insurance, says insurers also recruit from outside the p&c arena to avoid the potential for conflicts of interest on their boards.

Good practices in corporate governance have effectively created a need to recruit board members more frequently, Landry says. "We know that boards are turning over, probably more than they've done in the past, because good governance these days has term and age limits, and that sort of thing, so quite possibly your new directors are not going to have a p&c understanding because they're not going to come from the industry."

Statistics are not available indicating precisely how many insurance company board members or managing executives are recruited from outside the p&c insurance industry.

OSFI's updated guideline recognizes the advantage of having a balance of perspectives on the board. At the same time, "relevant financial industry and risk management expertise are key competencies for the [financial institution's] board," it states. "There should be reasonable representation of these skills at the board and board committee levels."

QUALITY OF OVERSIGHT

OSFI's revised guideline does not mandate the education of board members recruited from outside the company's core business activities. That said, it does strongly suggest education helps bolster the quality of corporate board oversight.

"Directors should seek internal or external education opportunities in order to fully understand the risks undertaken by the [financial institution], as well as developments in corporate and risk governance practices," it notes.

One example of an internal educational opportunity includes The Co-operators DDP. The company's board, which identified the need for the program in its 2011 Governance Assessment, approved a proposal for the DDP in 2012 and the program was launched in 2013.

The Co-operators board structure is unique in that its 22 board members are democratically elected from its member-owner organizations (primarily co-operative and credit unions) from across Canada. "These elected board members are from small to large organizations across the country," reports Richard Lemoing, chair of The Co-operators board. "A lot of our directors come to us with a fair bit of financial acumen, but they're not from an insurance background, and that is the specific issue that we wanted to address."

The DDP is built to address a number of competencies related to governance oversight of an insurance or financial services organization. A director is expected to complete the program during a three-year term. Modules cover core aspects of the business, including p&c and life insurance, risk governance and financial governance.

The Co-operators delivered the Knowledge of the Business p&c insurance module in late 2013, working in partnership with the Insurance Institute of Canada. Based on its work with The Co-operators, the Insurance Institute has developed a standalone P&C Insurance Essentials program designed to educate new board members recruited from outside the p&c industry.

The one-day program can be tailored to meet the needs of a wide variety of company board structures — public, mutual or co-operative models — as well as offer value to a variety of different p&c experience levels. The following six topic areas are addressed: foundational p&c insurance concepts; the p&c regulatory framework; distribution; underwriting and rating; claims; and capital and capacity.

To aid in learning, an interactive session — meant to benefit directors with varying levels of p&c insurance experience — presents a case study in which the program participants discuss the strengths and weaknesses of proposed p&c strategies.

"Our entire board of directors participated in the DDP's p&c module last year," reports Kathy Bardswick, president and CEO of The Co-operators, who attended the workshop. "We had someone who was in a very senior management role all of his life in p&c insurance, 35 years in the business, and on the other end of the spectrum were new directors who joined our board in 2013."

Johanne Charbonneau is one of seven new board members over the past year. Prior to joining the board, she was vice president and chief financial officer (CFO) at CBC-Radio-Canada. Her professional background includes 15 years at the Canada Deposit Insurance Corporation, the last eight of which she was the CFO.

Charbonneau says that the p&c module was particularly enlightening because people with varying experience levels were able to come together. "We were able to ask [senior managers] about their presentations and their perspectives. I found it very, very enriching."

Lemoing, who was due to retire in April after joining The Co-operators board in 2000, says the open lines of communication observed during the workshop ultimately help to improve board oversight over the company.

"It represents additional hours the board is spending together in a slightly different context, with a certain amount of intensity," he says. "An effective board needs to work together as a board, and also with management."

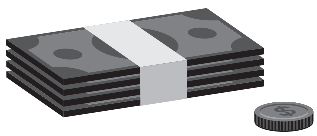
Tino Corsetti, senior director of academic programs and product development at the Insurance Institute of Canada, was instrumental in the development of the P&C Insurance Essentials program. "Educating new board members without p&c backgrounds about the essentials of insurance will give new recruits the confidence and knowledge to contribute quickly and meaningfully to your board discussions," Corsetti suggests.

"It will allow an organization to realize the board member's full potential earlier in the orientation process."

Savings Grace

Several insurers in Ontario have opted to use telematics to provide auto policyholders in the province with discounts. But some insurance professionals contend that only by also adding surcharges for risky behaviour will drivers be on their best behaviour and carriers be able to take full advantage of the technology.

GREG MECKBACH



Some in the insurance industry take the view that carriers who offer usage-based insurance (UBI) to auto policyholders need to be able to raise premiums when telematics systems detect risky driving behaviour. However, not everyone — including some provincial regulators — is convinced that telematics-based premiums will achieve the goal of making roads safer and, in turn, help reduce the number of collision-related claims.

Road safety is but one of many issues still up for debate when it comes to UBI: privacy, data ownership, access to data and telematics as a fraud-fighting tool are among the others. Despite the outstanding questions, insurers continue to move forward — some inching ahead; others advancing full throttle — with UBI.

How will UBI ultimately play out for a mix of policyholders that undoubtedly displays both good and bad behaviour?

DISCOUNT, SURCHARGE OR BOTH?

In April, Intact Financial Corporation and The Co-operators Group Ltd. began offering UBI to auto policyholders in Ontario, joining Desjardins General Insurance Group Inc. in using telematics technology to offer discounts for good driving behaviour. The South Central Ontario arm of the Canadian Automobile Association (CAA) was also expected to launch its own UBI offering in the province May 2.

In essence, the carriers are collecting and analyzing data — such as time of vehicle use, total distance driven, incidents of sudden acceleration, hard braking and speed — from devices connected to vehicle computers. The data is sometimes used to assess risk, which in turn, can be used to determine rates.

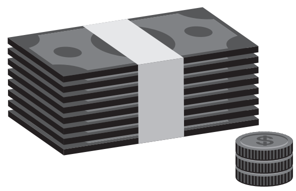
Industrial Alliance Home and Auto Insurance Inc. has been offering UBI in Quebec under the Mobiliz brand since 2012. The program allows policyholders to realize premium reductions of as much as 25% after the first month — or increases of as much as 100% — depending on driving behaviour. For example, the insurer will add a surcharge if a policyholder's telematics data indicates that his or her vehicle was driven at 18 kilometres per hour over the posted speed limit.

In Ontario, though, auto insurers offering UBI products are focusing (at least for the present) on discounts. "Everyone else seems to think this is a good thing," Angelique Magi, vice president of strategic initiatives and transportation for The Guarantee Company of North America, suggests of discount-only systems.

Although The Guarantee currently does not have a telematics offering for its private passenger auto customers, it is testing the waters through a small trial involving a number of executives and directors who have telematics devices installed in their own vehicles.

"For us to be in the marketplace, we have to have a discount structure, but then it loses the entire value of why you are trying to incent good behaviour," Magi notes.

"It could mean that anybody who has OnStar could qualify for a telematics discount. What benefit to the consumer, what benefit to the other drivers on the road, what benefit to society does that bring?" she asks.



"For us to be in the marketplace, we have to have a discount structure, but then it loses the entire value of why you are trying to incent good behaviour," says The Guarantee Company of North America's Angelique Magi. "It could mean that anybody who has OnStar could qualify for a telematics discount. What benefit to the consumer, what benefit to the other drivers on the road, what benefit to society does that bring?"

George Cooke echoes Magi's concerns. "Studies show that when you get prices moving in both directions, combined with education, you can actually reduce the total loss cost," says Cooke, president of Martello Associates Consulting, who previously served as chief executive officer of The Dominion of Canada General Insurance Company for almost two decades.

"You have to have surcharges, and you have to have discounts, so you reward and punish," he argues.

Cooke is also an advisor to Otman Basir, CEO of Intelligent Mechatronic Systems Inc. (IMS), an Ontario-based vehicle technology vendor whose products include telematics devices.

The Co-operators is one carrier using IMS technology. Having launched its en-route Auto telematics services April 2, The Co-operators provides its customers a 5% discount on enrolment and recalculates the discount after 125 days and 1,000 km. Depending on driving behaviour, a policyholder could save as much as 25%, the carrier reports.

With incentives like these, the company expects both frequency and severity of claims will improve over time, says Leonard Sharman, senior advisor of media relations at The Co-operators. "In Ontario, the worst-case scenario is your rate remains the same," Sharman says of the discount-only model. "That is a pretty good deal for the consumer, so we are happy to play by those rules for now," he says.

"We can't do as much in Ontario as they do in Quebec, just by virtue of the way that (the Financial Services Commission of Ontario, or FSCO) has set up, just by using a pure discount structure," Magi says. "We are not able to use telematics to its fullest, in my mind," she suggests.

Although Magi could not say whether or not The Guarantee will also start offering UBI to its Ontario policyholders, the insurer is "definitely looking at a telematics proposal in Canada," and "would like to have a position of when we would launch later in 2014."

As for CAA South Central Ontario, it planned to launch its CAA Connect program in early May, collecting data on distance travelled, speed and when a vehicle is operated. Customers will receive a 5% discount "just for signing up" and can earn "up to" a 15% discount on renewal after one year, a company spokesperson reports.

CUTTING RISK CUTS COSTS?

"Studies in the industry, in the United States and Europe, have shown loss ratio improvements of over 20 points for those who have a telematics device in their vehicle," the spokesperson points out.

Magi also expects that telematics could reduce claims costs. "If you know that if you have a bit of a heavy foot," she says, that could mean paying a bit more.

"Most times when people are faced with something that is a deterrent on price, they will change behaviour," Magi suggests. "Once you educate them as to what is dangerous on the road… showing them how to make simple choices to drive more consistently, you, as an insurer, can absolutely reduce claims numbers and reduce the severity of the claims," she argues.

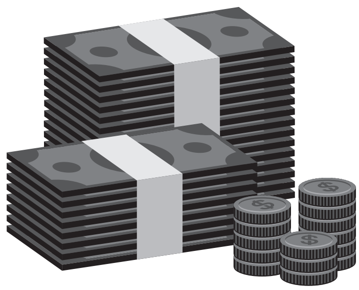
Mark Prefontaine, Alberta's superintendent of insurance, suggests there is a "level of evidence" from other jurisdictions, including the U.S., that insurers can deter risky behaviour by using telematics to determine price.

"I really don't have a firm position to say we are completely 100% convinced that this, in fact, would create safer roads," Prefontaine says. "I certainly think there is an opportunity. The real-time feedback that drivers can receive through some of the delivery mechanisms that have been presented to us should definitely help inform drivers on the quality of their driving," he adds.

In Ontario, FSCO officials, too, need to look at statistics before determining if use of telematics actually improves driving behaviour, says Bruce Green, senior manager of the rates and classifications unit at FSCO's auto insurance division. "In the absence of Ontario claims data, we will look to the claims data in other jurisdictions, and certainly there is a lot of material out there that would suggest that usage-based insurance can very much improve driving behaviours and reduce congestion on the roads," Green says.

Some of the things that telematics tracks — hard braking, sudden acceleration and speeding — can lead to accidents, he suggests. "Not engaging in those bad practices will improve road safety and help bring down claims costs for companies," he contends.

Using surcharges to deter bad behaviour is not actually prohibited in Ontario, Green points out, but "to this day, I don't think any insurers have come to us and filed a surcharge-driven model," he reports.



"I certainly think there is an opportunity. The real-time feedback that drivers can receive through some of the delivery mechanisms that have been presented to us should definitely help inform drivers on the quality of their driving," says Mark Prefontaine, Alberta's superintendent of insurance.

"We work with companies before they come to FSCO on what a filing might look like and really only discussed with those insurers discount-based models. We went on to write a guideline that suggested that until these things are in operation in the Ontario market, there is not going to be a lot of actuarial (data) to support (the claim that) usage-based insurance encourages the kind of safe driving that is going to result in some claims cost savings," Green says.

For FSCO, "it's a lot easier to approve a modest discount that is unsupported because, in essence, it is bringing premiums down."

An Ontario auto carrier wanting to use telematics data to apply surcharges "should have the actuarial support to show that certain patterns of bad driving behaviour will result in more accidents and, therefore, higher claims costs," Green explains. "In the absence of a support for a surcharge, an insurer might have some challenges in getting the regulator to approve it."

Cooke predicts, however, that it is only a matter of time before Ontario does allow surcharges. "If you want to truly improve driving behaviour, you have to penalize bad behaviour," he argues.

"With the surcharge, all of a sudden this device has economic incentives that can go both ways. You can change behaviour. That lowers the total cost. The politicians will catch on to it sooner or later, and when they do, they will force it," Cooke adds.

Alberta's Automobile Insurance Rate Board supports UBI as a "voluntary discount program," but the board's 2013 annual report makes it clear that carriers will require approval from the Superintendent of Insurance before rolling out any such products.

"It is my intention to have a decision made within this calendar year," on whether or not to approve auto rates in Alberta based on UBI, Prefontaine says. "It's part of a broader review that we have under way into rating factors and how underwriters are using information to develop their rating programs for auto insurance," he adds.

One issue that must be considered is privacy. "We are looking carefully at what Ontario has used to create comfort around informed consent," Prefontaine reports. "We are keenly aware that this is something that information and privacy commissioners across Canada are interested in, because of the growing discussion around telematics."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Privacy was among a number of issues raised during a panel discussion at the CIP Symposium, produced by the Insurance Institute of Canada, this past April in Toronto.

"When you first sign up a policyholder to have a telematics device, you are going to have to be clear with the consent part," Bill Premdas, vice president of insurance for Travelers Canada, told attendees. Policyholders need to know for what they are providing consent, for which purposes that consent will be used "and you have to stick to it," Premdas added.

BROKER IN THE MIX

Clearly, there are issues for both policyholders and insurers. But what are the issues for brokers?

Colin Simpson, CEO of Independent Broker Resources Inc. (IBRI), a subsidiary of the Insurance Brokers Association of Ontario (IBAO), spoke on the same panel as Premdas.

Simpson told attendees that he can envision a time when a consumer buys a telematics product, starts using it and is soon back in a broker's office. "You can bet your bottom dollar that there will be a time when that consumer goes back to the broker and says, 'This thing says I have been speeding. I did not do what it says I was doing. Where's my discount?'" Simpson warned.

In just such a scenario, he argued it will be "critical" for brokers to have access to telematics data to be properly informed of the risks on which they are advising customers. "We need to make sure that as we go forward that the broker has access to that driver information. It is something that the insurance companies are thinking about and are trying to deal with, but it is something that was not in the forefront of their minds when they were developing telematics solutions," he suggested.

IBAO plans to release a broker-owned telematics solution in Ontario this summer. When IBAO announced its product last year, it reported that policyholders would be able to transport their data from one insurer to another.

IBRI will provide infrastructure to support the carriers' telematics offerings and each company "is at liberty to develop their own specific product value proposition," comments IBAO CEO Randy Carroll.

An Ontario auto carrier wanting to apply surcharges "should have the actuarial support to show that certain patterns of bad driving behaviour will result in more accidents and, therefore, higher claims costs," says the Financial Services Commission of Ontario's Bruce Green. "In the absence of a support for a surcharge, an insurer might have some challenges in getting the regulator to approve it."

One way that carriers can differentiate themselves, Cooke suggests, is by using different rating criteria than their competitors. There are "many different facets in what is being measured, how it is being measured, the quality of the data, the way in which it is analyzed, *et cetera*. And to think that you are going to get multiple carriers looking at these in the same way any time soon, I think, is unrealistic," he says.

"So if you are a broker, I would at least urge you to look at that particular way of thinking and either accept it and do something with it, or alternatively dismiss it, and I would suggest you are doing so at your peril."

Simpson agrees that with any product, carriers need to reduce the cost of distribution. "I don't think anybody can take cost out of the system unless we work together," he suggested at the symposium. "If we keep lumping more and more different solutions into an office that's supposed to be supplying distribution to the insurance company, then it is very difficult for them to take the cost out and to become more effective at what they do," he added.

Simpson noted that as with multiple portals, if there are 12 different insurance companies with 12 different telematics boxes using 12 different ratings parameters, "it becomes very burdensome for the distribution model that we all have today."

To work well for the consumer, Magi suggests, telematics "has to be a bit more detailed" than basing rates on factors such as distance, time of use, hard braking, sudden acceleration and speeding.

"It gets kind of vanilla when you do that," she comments. "There are so many other factors that can be measured in a more effective manner."

BEYOND SETTING PREMIUMS

For example, Magi points out that an insurer could use electronics to monitor weather and the drivers themselves — such as whether or not the driver has been convicted of impaired driving and, as a result, cannot start the vehicle without using a breath alcohol ignition interlock device.

"The combination of multiple devices, to be able to paint an overall picture of driver behaviour, which is utilizing biometrics, that is probably the future state in personal lines," Magi comments. "The problem that I see is... once you start introducing different devices that monitor different things, the cost goes up."

There are "many different facets in what is being measured, how it is being measured, the quality of the data, the way in which it is analyzed, *et cetera.* And to think that you are going to get multiple carriers looking at these in the same way any time soon, I think, is unrealistic," says Martello Associates Consulting's George Cooke.

Telematics could also be used to conclude if the driver is distracted or drowsy, suggests Otman Basir of Intelligent Mechatronic Systems.

"Drowsiness is going to manifest itself in a certain pattern of mobility and we do have the algorithms to process that information and to conclude whether the vehicle is being driven by, let us say, a drowsy driver," Basir explains.

That offers a glimpse of the potential, but as it stands, current applications of UBI in Ontario are not this sophisticated. "One of the big things with telematics as it is right now is the device does not know who is driving, which complicates things a bit," suggests The Co-operators' Leonard Sharman.

"Things like distracted driving or drowsiness or that sort of thing is not detectable as things stand now, but I can certainly see a time in the pretty near future when the technology is good enough that it can pick up things like swerving or getting a little out of your lane and that sort of thing," Sharman adds.

And while carriers use telematics to price in keeping with risk, Cooke suggests that is just one benefit. Telematics can also be used to investigate claims and to reduce fraud.

"When you have the devices in the vehicle, with telematics, you can determine exactly who did what to whom and when," Cooke says. "So it would be very obvious if there was an attempt to avoid an accident as opposed to an attempt to cause one, in the context of a staged collision. The theory says they should disappear," he says.

With staged collisions tending to be perpetrated by organized crime, Cooke predicts "the minute these guys realize that you are permitted to use these tools, it provides a huge deterrent and they most likely don't try them in the first place."

Yet another way that telematics can help reduce claims losses, Magi suggests, is by having courts admit evidence from a vehicle manufacturer's on-board device, as is the case in the U.S. "If you are able to utilize data within an accident to be able to determine up front whether the customer is at fault or not, that, in my mind, could be advantageous from a claims mitigation standpoint," she argues. "It could allow for companies to make some smart decisions on whether to go through with litigation."

Carroll further suggests telematics offers promise as a value-added service. Robin Joshua, director of corporate underwriting and risk management for CAA Insurance Company, would likely agree. One such value-added service could be remote diagnostics, Joshua noted during a panel discussion at the Property & Casualty Insurance Technology Conference in Toronto this past March.

CAA responds to 250,000 requests to unlock cars every year, he noted at the time. "If you could do that remotely, that's a service that takes five minutes as opposed to 45 minutes to get to the customer," he told attendees.

"We are trying to understand, how can we connect with traffic reports and provide you a better route to get you where you are going? Those types of things are additional features that you can build in to your telematics offering," Joshua added.

"The opportunity in the whole food chain for either segments to disappear altogether or the relationships to change is part of what makes this so disruptive and transformational," Cooke suggests of telematics.

"There will be huge winners and huge losers, and it is going to come way more rapidly than anybody thinks."

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Art of the Sale

Jeremy Bowler
Senior Director,
Insurance Practice,
J.D. Power

What is the missing element in Canada's auto insurance industry? It could be that advertising holds the key in an expanding industry where insurers are increasingly having to fight to gain market share.

More than 1.7 million new passenger vehicles were registered in Canada in 2013, up 4% annually, note figures from LMC Automotive. With that many vehicles on Canadian roads, it is no wonder personal auto insurance has grown into a nearly $22 billion business in the country.

For decades, the large majority of Canadian vehicle owners purchased their policies via individual agencies in their local communities. However, today an increasing number purchase their new policies, or service their existing ones, direct from the insurer, whether via call centres or the Internet.

With the auto insurance industry expanding in Canada then, many of the nation's insurers are fighting to gain market share, but few have a brand name that is top-of-mind for a large majority of those consumers who are actively shopping for a new policy. For those companies trying to sell direct to the consumer, the question then is whether or not the industry is spending enough on advertising?

In the United States, the insurance industry spends billions of dollars each year on advertising. As a result, it is difficult, if not impossible, to watch television, read a newspaper or even surf the Internet in the U.S. without seeing an ad for an insurance company.

Indeed, some U.S. brands like Progressive and GEICO have gained appreciable market awareness even here in the Canadian market, as a direct result of advertising message spill-over from their advertising saturation in every media in the U.S. Ironically, neither of these big brands even sells insurance in a single Canadian province.

BUILDING BRAND AWARENESS

Why is advertising such an important tool for the insurance industry? The answer is quite simply that it helps build brand awareness — without which the likelihood that a consumer will request a quote for insurance plummets.


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Once consumers become aware of the insurance provider, they need exposure to the brand and its product offerings to build familiarity and trust. Then, and only then, will a consumer actively consider purchasing insurance from that provider.

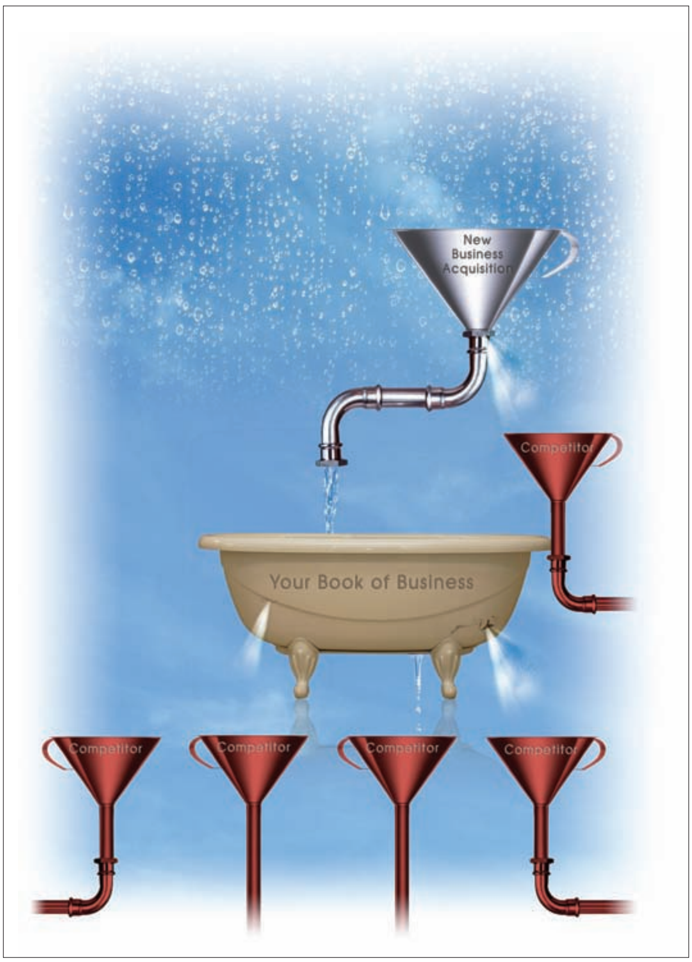
The *J.D. Power 2014 Canadian Auto Insurance Satisfaction Study*, released in early May, finds that one in five polled auto insurance customers in Canada have shopped for a new carrier in the past 12 months. Among those who have shopped, 9% went on to switch carriers — the vast majority to a small insurance company.

In fact, the study finds the average Canadian insurance company ultimately captures less than 1% of customers who are either new to the market or are switching carriers.

Why are consumers not moving to the large insurance companies? One reason the big carriers are struggling to attract new customers is because these companies' brands are not top-of-mind among insurance shoppers today, having historically been able to rely on local insurance brokers and agents to introduce their products and services on their behalf.

As brokers and agents have been losing their near-providing consumer access to market choices, the marketing challenge for insurers has radically changed.

The big national insurance companies as a whole have low awareness relative to their overall size in the Canadian economy, primarily because of limited advertising. Some of the big carriers may be well-known in one city or region, but have little or no awareness outside of that market. In order to grow their businesses, these carriers need to build their awareness, which requires an advertising investment to develop.



REACHING NEW CUSTOMERS

Brand awareness is critical for insurance providers to get potential new customers to even consider purchasing a policy with them.

Think of new prospects — either those customers who are new to the market or are considering shopping for a new provider — as drops of rain. Insurance companies are trying to entice as many new customers as possible to consider them as a provider, much like trying to catch as many of those drops of rain in their particular funnel (see figure above).

The more broadly a company's brand is established in the market, meaning consumers are aware of the products and services the company offers, the wider the mouth of its purchase funnel. For the majority of Canadian insurers, the number one factor limiting their ability to grow today is the limited awareness each company has in the marketplace — effectively the narrowness of their upper funnel.

Since the typical insurance shopper spends very little time actively shopping for an auto insurance policy, and gathers quotes from fewer than two companies, more prospects pass each carrier by than actively engage and shop that brand.

So how does an insurance company expand the size of its funnel, creating the largest pool of prospects to sell new policies to? In a word: Advertising.

MANAGING THE PURCHASE FUNNEL

Policyholder acquisition is a function of both brand strength and marketing message, which could also be considered the size of an insurance company's megaphone and the resonance of its message. An insurer's brand awareness and appeal widen the top of the purchase funnel, drawing in a larger share of shoppers to consider the insurer.

But getting a consumer into the funnel is just the first step in the process. Once a shopper considers an insurer, it falls to the insurer's value message to convert that shopper into a new policyholder.

Some insurers that possess the most popular brands have a large upper funnel, yet struggle to convert interested prospects into new clients. Other insurance companies have a smaller upper funnel, but once shoppers are introduced to the brand, the company is more successful than the industry average at both quoting and closing the sale.

More than half of Canadian respondents to the survey say they selected their carrier because they were offered a competitive rate or discounts (see figure opposite).

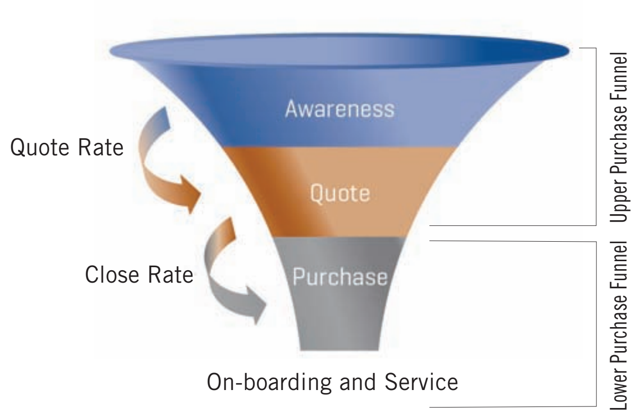
Clearly, then, price is a dominant driver of consumer purchase decisions. Fewer customers indicate price had no impact on their decision to select their current insurer.

Some insurers actively differentiate themselves in the market not solely on price, but rather on the depth and variety of their product offerings, the degree to which they can tailor their services to meet individuals' needs, and, ultimately, through exemplary servicing of their clients.

Once a provider has a customer, it wants to keep the customer. That means every touch point with the customer is crucial and can be the difference between a loyal customer and a defector.

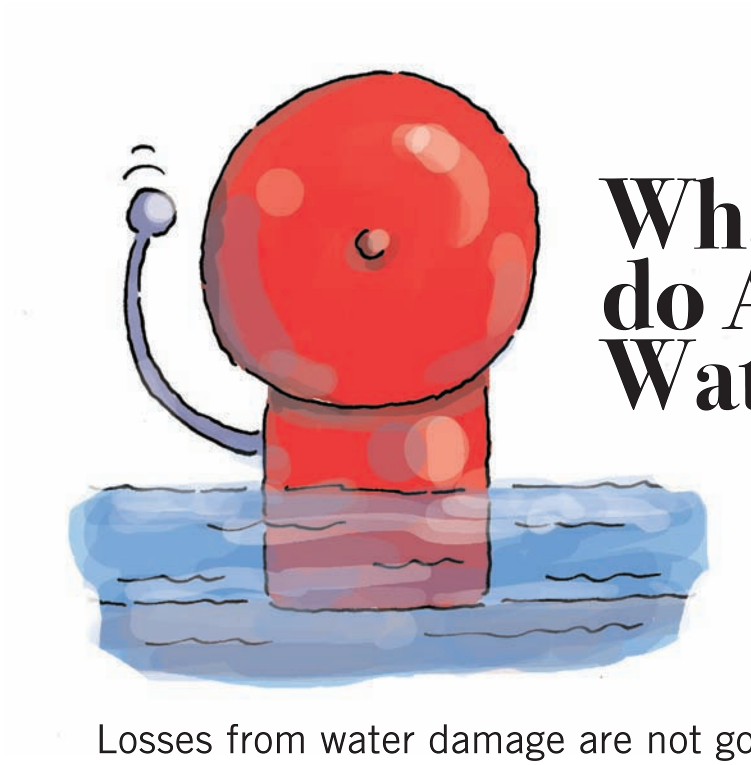
The study finds the three most critical touch points that impact the likelihood that a new policyholder will renew a policy are as follows: the annual or semi-annual renewal notice, when a customer contacts their insurer for non-claims-related reasons (62% of customers have made a non-claim-related contact either directly with their insurer or with an agent in the past 12 months); and when a customer files an auto claim (12% of customers filed an auto claim in the past year).

No matter how hard an insurance provider tries to keep its customers, it will lose a percentage of its customers each year for a variety of reasons — the customer has a life-changing event, rate hikes, etc. One of the best strategies to improve customer retention has proven to be delivering a highly satisfying customer service experience.



The survey shows a majority (77%) of those customers who are most satisfied with their insurer intend to renew with their current insurer. In contrast, only 6% of those who are dissatisfied plan to remain a customer of their current auto insurer.

But before a provider can concern itself with retaining new customers, it first needs to attract and sell to them. The best way to do that is to build as large of a funnel as possible, and a proven approach to doing that — which also requires a financial commitment — is advertising.



What to do About Water?

Losses from water damage are not going away. Recent events — and an upward trend over the past decade — demonstrate a pressing need for a concerted response by the insurance industry and its partners to answer questions and determine a timeline to take real action.

Opinion/Analysis

Kevin Smart
Assistant Vice President,
Personal Lines Underwriting Policy,
Aviva Canada

The alarming number of water damage insurance claims last year is part of a continuing pattern related to urban and riverine flooding in Canada. Insurers, brokers and governments cannot control the weather, but they can dramatically reduce the impact of flood on properties across Canada. The time for action is now.

Last year hit a dubious watermark, so to speak. At Aviva Canada, just over half of all of its property claims involved water damage, representing $190 million in water-related losses in 2013. Other insurance companies are reporting similar loss figures.

This is not an anomaly or a surprising spike. The insurance industry as a whole was hit with a record year for catastrophic losses, particularly in the wake of the Alberta and Toronto flood events (combined, both accounted for more than $2.5 billion in claims).

The pattern has been trending upward for the past decade and is well-documented. These losses are not going away; they are increasing and must be addressed.

This raises several pertinent questions: What are the most effective ways to minimize water damage? What role does this industry play — and what part should government take? And how long of a window is there to take real action?

FULL PARTNERSHIP ESSENTIAL

Multi-tiered approach

There is no silver bullet. Flood mitigation involves a multi-tiered response that encompasses homeowners, business and the insurance industry as a whole. It also requires a renewed commitment from all levels of government.

Certainly, the federal government, which pays 90% of disaster assistance after natural catastrophes, has a huge role in flood prevention. It is a key player in the disaster mitigation business, a reality that was tacitly acknowledged in the recent federal budget with the announcement of a $200-million fund for this purpose.

Importantly, the federal government is also responsible for standards set by the *National Building Code of Canada 2010* (NBC).

Illustration by Scot Ritchie

The provinces have a big stake in the water damage game, as well. They share a portion of disaster assistance, a sum that has naturally ballooned with recent flood events. They also use the NBC as the basis for the practical application of provincial codes.

Moreover, provinces are responsible for funding significant infrastructure projects and overseeing municipal development standards.

Like many things, it is at the local level where ideas become actions. Flood risk is highly specific to certain locations based on geography. The best solutions are often tailored to local conditions. As such, certain municipal efforts to alleviate flood damage are encouraging.

LOCAL BENEFITS

Saskatoon is a good example. Municipal officials recognized that the city was dealing with higher annual precipitation rates. Since record-keeping began in 1911, four of the highest rainfall years have taken place from 2005 onwards (including 2010, the wettest year on record). There also has been an increase in severe rain events and, of course, localized flooding.

The city adopted a two-pronged approach that includes small-scale household solutions and larger infrastructure projects.

On the first, Saskatoon found that a combination of sump pits and backwater valves was 96% effective in reducing damage from sewer back-up.

The problem: not enough homes at risk had these in place. So the city subsidized at-risk homes to install a backwater valve and sump pump, and pays 100% of the costs up to $3,000.

On the second, Saskatoon developed "superpipes" — sanitary sewer-holding tanks designed to capture overflows during severe rain events. These large-diameter polyethylene pipes are located in neighbourhoods that have experienced severe or repeated basement flooding. They have proven to reduce the risk of private property water damage.

Windsor is another good case in point. The city experienced its wettest year on record in 2011, when 1,568 millimetres of rain fell (the average annual rainfall in the city is 844 mm).

This came one year after a massive rainstorm hit Windsor in June 2010, causing flooding in more than 2,200 basements.

City officials knew something had to be done in both the short and the long term to address the threat of water. The municipality is pursuing a substantial infrastructure program to separate combined sewers and complete priority 1 storm relief sewers at an estimated cost of $700 million to $900 million.

In the short term, Windsor's planners identified seven key measures that would give the city the biggest bang for its reduction buck. These include programs ranging from a basement flood protection subsidy (similar to Saskatoon) to eavestrough downspout disconnection, flow monitoring and hydraulic modelling of the city sewer system.

There are other solid examples of cities addressing the threat of flooding, including Ottawa, Edmonton and Winnipeg.

Winnipeg recently announced completion of the $627-million Red River Floodway Expansion Project that improves flood protection for the residents of the city and surrounding areas from a 1-in-90 to a 1-in-700 year flood.

Other flood protection measures were announced in eight communities in Manitoba, including the city of Brandon.

These are concrete actions that are being taken today. They are also projects and ideas that are transferable and adaptable to cities across Canada.

These practical measures can, and should, be implemented quickly — it is a case of pay now, or pay later. Delays in implementing sound flood-mitigation measures invariably come back to haunt governments and citizens.

TIMELY RESPONSE CRITICAL

Look at the Alberta situation. The impact of the tragic flooding in June 2013 could have been dramatically reduced if recommendations from a 2006 government report had been adopted.

Then Alberta MLA George Groeneveld tabled the study after severe flooding hit the province in 2005. Included in the dozens of recommendations were calls to restrict housing development in flood plains and plans for better flood mapping in communities at risk.

Granted, governments have many competing priorities, and finding funding for infrastructure is not an easy or popular thing, but that report sat idle for years and was only officially released by the Alberta government in 2012.

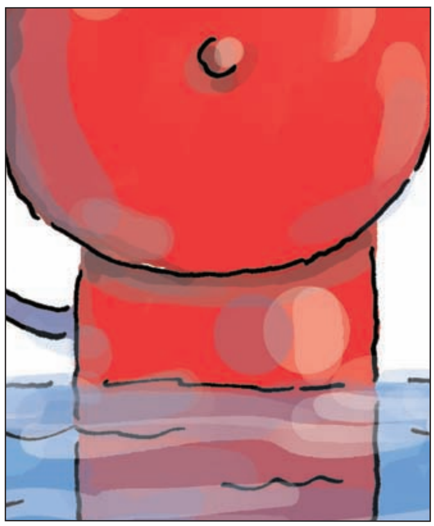
Clearly, there is a price to pay for procrastination.

The insurance industry can nudge governments in the right direction. Aviva Canada is a strong supporter of the Institute for Catastrophic Loss Reduction, which crafted several specific recommendations for what Alberta (and other provinces) can do to reduce the impact of flooding.

The Insurance Bureau of Canada is also leading the discussion on adaptation to severe weather and climate change. Through these kinds of forums, the industry is pressing for practical results, such as improved flood risk mapping, which will benefit all Canadians.

BROKER INFLUENCE

Another key group is independent insurance brokers. They are on the front lines of consumer interaction and have a direct window into what is happening in their customers' lives.



The practical measures can, and should, be implemented quickly — it is a case of pay now, or pay later. Delays in implementing sound flood-mitigation measures invariably come back to haunt governments and citizens.

In the past, insurance brokers have influenced towns and cities to improve fire departments to reduce property damage and improve safety. Perhaps the same can be done for local flood risk measures. What actions are being taken at the municipal level to upgrade sewers or to encourage risk mitigation by homeowners?

Brokers can stay informed of actions from their provincial governments and ensure their local representatives remain committed to a long-term plan. What steps are being taken upstream to reduce flood risk in areas that affect their customers? If none, why? What is the timeline for action?

Brokers also have the opportunity to discuss water damage exposures with their customers, as more homeowners upgrade basement living space. Does the policy include adequate coverage and limits for the value of a finished basement and its contents? Is the customer aware of loss-reduction steps (such as backwater valve, sump pump, lot grading and downspouts away from house) and municipal programs to subsidize risk mitigation measures?

As mentioned, there is no magic solution to reducing the risk communities face from flood and water damage. Loss reduction and mitigation will, instead, require an active partnership between consumers, brokers, insurers and key levels of government.

All groups must be committed to addressing a national problem with very specific regional implications.

Today, there is less room for talk and more opportunity for action. Some of these actions should involve restrictions on residential or business developments in flood-sensitive areas, incentives for homeowners to take direct steps to prepare for major flood events and investments in proven infrastructure loss reduction efforts.

Up-to-date, sophisticated flood risk mapping should underpin all of these measures as we move forward.

In the final analysis, floods clearly cannot be prevented. But there are many things that can be done to reduce water damage. The time for commitment is now.

Equal or Proportional?

Michael S. Teitelbaum
Partner,
Hughes Amys LLP

Hughes Amys is a member of The Arc Group of Canada, a network of independent insurance law firms across Canada.

A recent Ontario court decision addressing allocation of plaintiffs' costs notes that, in some circumstances, it may be equitable to allocate costs on an equal footing. But if insurers are not prudent in their attempts to limit potential exposure, courts could opt to allocate costs on a proportionate basis.

The 2014 ruling by Ontario's Superior Court of Justice, *Ward v. Dingwall*, addresses the allocation of the payment of plaintiffs' costs between the insurers of the two defendants. Referring to the general principles of equity and good conscience that dictate the costs of litigation, Justice Douglas Shaw concluded that the costs should be equitably distributed and ordered an 80/20 apportionment of the partial indemnity costs between the defendants.

FACTS

The case arose out of a motor vehicle accident in 2004. Jennifer Ward was seriously injured while a passenger in a vehicle driven by the defendant, Michael Dingwall. In 2006, Ward and several *Family Law Act* claimants commenced an action against Dingwall, Woodlake Marine Ltd., the lessee of the vehicle, and Dingwall Ford Sales Ltd., the owner and lessor of the vehicle.

In 2013, the plaintiffs' claims were settled in the amount of $10 million, resulting in payment of full policy limits by each insurer — $2 million from Intact on behalf of Dingwall and Woodlake, and $8 million from Zurich on behalf of Dingwall Ford. The partial indemnity costs were settled at $1.3 million, inclusive of HST.

Intact confirmed its policy limits early on in the litigation. Zurich, however, initially took the position that the available coverage was $3 million, subsequently opined that its policy limits were $5 million and, then, modified this to $6 million.

In January 2011, counsel for the plaintiffs retained an expert to provide an opinion on the insurance limits, with the expert concluding that the limits were $10 million in total between the two insurers.

It was not until February 2012 that Zurich con-

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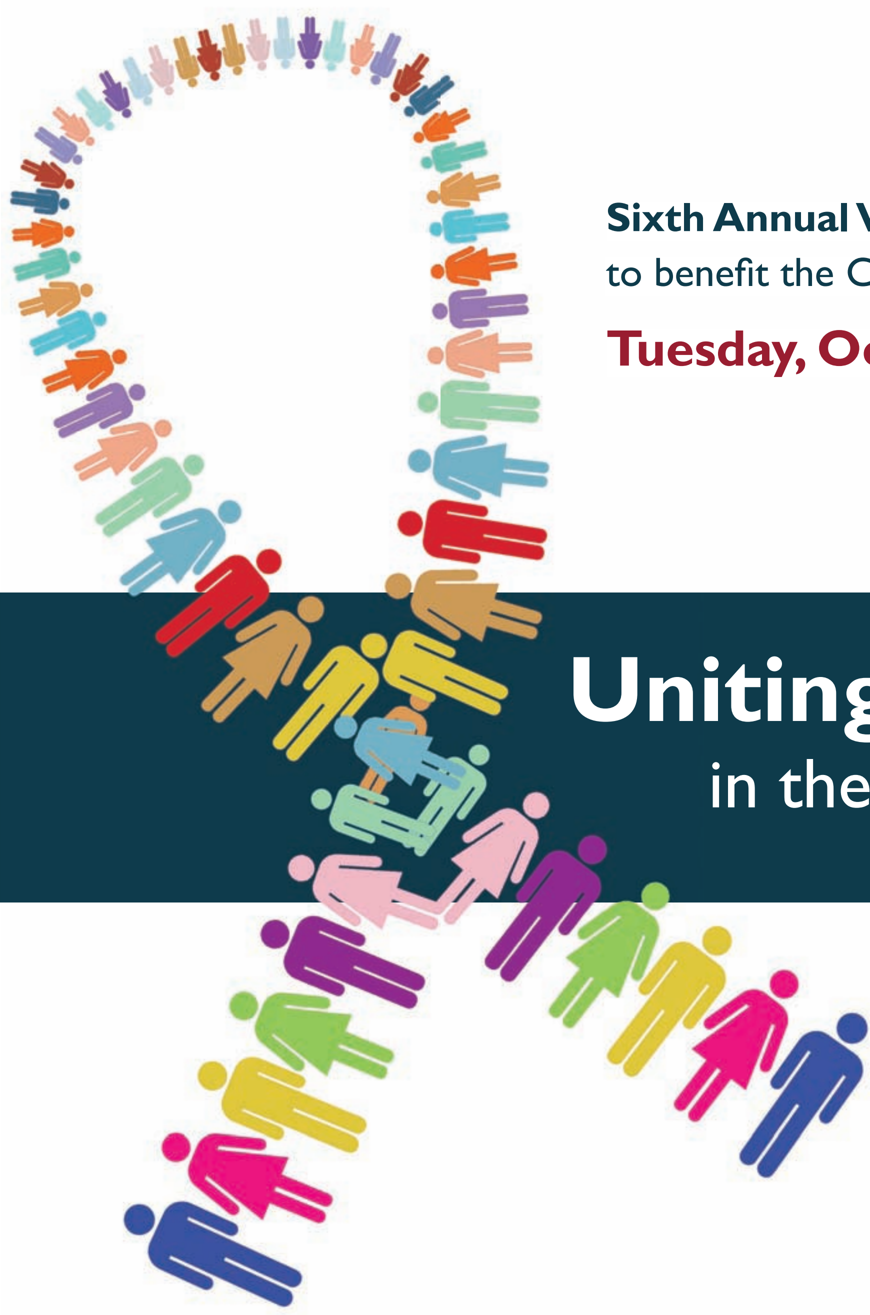

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WOMEN IN INSURANCE CANCER CRUSADE

firmed its policy limits of $8 million. Zurich, however, still did not tender those limits and requested additional evidence from the plaintiffs with respect to future care costs.

INSURERS' POSITIONS

Intact requested that the costs be apportioned in accordance with the insurers' respective policy limits on the basis that Intact had made numerous attempts early in the litigation process to encourage settlement. Having offered its policy limits in July 2007, by October 2008, Intact had made approximately $396,000 in advance payments to the plaintiffs. The balance of its policy limits was placed in an interest-bearing account pending the outcome of the litigation.

For its part, Zurich requested that the insurers share costs equally since both parties had fully participated in every step of the proceedings. While Zurich acknowledged that Intact offered to pay its policy limits early on, it submitted that it was the plaintiffs' subrogation issue involving Manitoba Public Insurance Corporation (MPIC) — Ward's accident benefits carrier, which was seeking recovery of benefits it paid — that forced Zurich to decline to admit liability and allow Intact's insured out of the action.

FACTORS CONSIDERED BY THE COURTS

Justice Shaw referred to statutes and regulations that provide the courts with a wide discretion when ordering cost awards, including section 131(1) of Ontario's *Courts of Justice Act*.

The court's discretion is further addressed by Rule 57.01 of the *Rules of Civil Procedure*, which allows the court to take into account "any other matter relevant to the question of costs."

In addition, the judge reviewed the case law and observed that the major principles that should be considered when allocating costs awards are that of fairness and equity.

DECISION ON MOTION

Justice Shaw agreed with Intact that the "fairest, most reasonable and most equitable" allocation of costs would be to divide them according to the parties' respective policy limits. In coming to this conclusion, he relied heavily on the positions taken by the respective insurers and their actions throughout the litigation. These included the following: Intact offered its limits at an early stage in the litigation; Zurich did not acknowledge its policy limits until the plaintiffs retained an expert to give an opinion on this point, even though it is reasonable to assume that Zurich would have knowledge of its own policy limits; once Zurich was aware of the policy limits, it still required the plaintiffs to further prove their case with respect to future care costs; Intact took all appropriate steps to encourage settlement; and any costs incurred by the plaintiffs with respect to the MPIC subrogation issue would not be recoverable from the defendants and MPIC's position did not appear to affect the plaintiffs' willingness to settle the tort claim within the policy limits.

In accordance with the principle of fairness, Justice Shaw was of the opinion that should the costs be split equally, it would set a precedent for allowing insurers to extend litigation by attempting to tactically limit their own exposures, without the disadvantage of incurring additional costs.

Justice Shaw emphasized the importance of encouraging settlement as a fundamental factor in assessing costs. From as early as seven months after the issuance of the claim, Intact had encouraged settlement by offering its policy limits at an early stage. It did so by making advance payments, and by sending correspondence to Zurich in 2009, encouraging it to tender its policy limits.

In accordance with the principle of fairness, Justice Shaw was of the opinion that should the costs be split equally, it would set a precedent for allowing insurers to extend litigation by attempting to tactically limit their own exposures, without the disadvantage of incurring additional costs. In turn, an insurer would be disadvantaged if there was no incentive for encouraging settlement at an early stage. This would simply be unfair and against the fundamental principles of costs.

COMMENTARY

It may, in some circumstances, be equitable to allocate costs on an equal footing. With a view to achieving this, insurers should be prudent in their attempts to limit their potential exposure. If this goes awry, it may result in an allocation of costs on a proportionate basis.

Justice Shaw contrasts the case at bar from the 2001 ruling, *Burns v. Hedge*, in which the Court of Appeal for Ontario decided that the defendants should share the costs on an equal basis. The appeal court considered the following factors: all insurers participated in the litigation; all insurers were parties to the action; and all insurers opposed the plaintiff's claim, with a view to limiting their potential exposure.

In the case at hand, Intact did not try to limit its exposure and, thereby, should not be at a disadvantage for attempting to comply with one of the basic principles of cost allocation, namely, encouraging settlement.

Insurers should take note their conduct may be closely scrutinized from the early stages of litigation. Their positions on liability exposure, as well as the conduct of the litigation, should be kept in mind as there may be significant cost consequences at the end of the day depending on how the court views what transpired.

Ultimately, as can be seen in this instance, the courts will award costs on what is considered to be fair and equitable in the circumstances.

Many thanks to Prab K. Dhami, student-at-law in Hughes Amys LLP's Toronto office, for her excellent assistance in the preparation of this article.

MIG Schmig

How are Ontario's 2010 auto reforms working with regard to the revised minor injury guideline? Are treatment costs now in line with the expected medical outcomes? Or has the system veered off course?

James Cameron
President,
Cameron & Associates
Insurance Consultants

Carol Jardine
Independent
Insurance Executive
and Consultant

What is all the fuss about?

When major reforms to Ontario's *Statutory Accident Benefits Schedule* (SABS) were introduced in 2010, probably the most critical component to reducing the cost of automobile insurance at that time was the introduction of the Minor Injury Guideline (MIG).

Multi-disciplinary medical experts globally had opined that about 80% of soft-tissue injuries from motor vehicle accidents should resolve with limited or no treatment within six to eight weeks. However, under the prior SABS, the average cost of medical treatment had escalated to unacceptable levels in the tens of thousands of dollars.

Is the system doing a better job today of maintaining the cost of treatment in line with the expected medical outcomes?

The MIG provides up to $3,500 of medical and rehab treatment incurred, eliminating the previous treatments plans. A regimen of treatment for sprains, strains and associated sequelae is deemed pre-approved, totalling $2,250. By focusing on active treatment to facilitate prompt recovery and to contain the costs of treatment for minor injuries, the goal is to manage the ever-increasing cost of auto insurance in Ontario.

MEETING EXPECTATIONS?

The Financial Services Commission of Ontario (FSCO) previously reported its rate proposal calculations for the 2010 changes to the SABS assumed that 55% to 65% of injury claims would stay within the MIG. It was not clear if "stay" meant to stay within the $3,500 cap or within the actual prescribed treatment modules, totalling $2,250.

Some insurers have been firmly interpreting the MIG in line with medical evidence and treating 80% of their SABS claims (the soft-tissue injuries) within the MIG. Others have moved closer to FSCO's expectation of 55% to 65%.

If insurers at the outset of a claim are treating 80% of their clients in the MIG, what happens as these injuries mature? If the claim is open, and the claimant has or intends to dispute the MIG determination, or seeks or attends more treatment outside the MIG parameters, what goes on? Are insurers being flexible and responsive to allowing more treatment outside the MIG to get the injury healed and the claim closed? If not, do they continue to dispute the treatment claims through mediation and arbitration?

The Health Care Auto Insurance (HCAI) system tracks all treatment activity and invoicing of

Illustration by Scot Ritchie

health care services provided to auto accident victims. It became mandatory for insurers and treatment facilities to use HCAI in February 2011.

Through Insurance Bureau of Canada (IBC), HCAI provided statistics on injuries assessed by health care practitioners that strains and sprains represent 67% to 75% of all injuries reported through that facility. Interestingly, however, as the claim and injury matures, fewer claims are identified as MIG.

As a result, for accident year 2011, only 23% of the claims for strains and sprains remained in the MIG, with 47.5% receiving MIG and non-MIG treatment.

The chart on page 61 — courtesy of Willie Handler of Willie Handler and Associates — offers some numbers with respect to claimants by type of treatment.

If the claim starts in the MIG, it stays in the MIG; if the injury does not recover or takes on a psychological component, this takes it outside the MIG.

Insurers still do not have a clear ruling on the MIG determination and neither do claimants. The claimant's counsel feels that it is in the client's best interest to introduce issues that defy the MIG guideline. Insurers may practise cost containment and not recognize pre-existing conditions that are alleged to take a client outside of the MIG. The claimant's counsel then files the dispute resolution process documents.

The claim, if it fails in mediation, will fall into the backlog of about 15,000 arbitration matters or into the growing number of SABS claims in litigation.

INSIDE OR OUTSIDE?

What is the impact of a claim being outside the MIG? Increasing costs and availability of health care, as well as access to as much as $50,000 of medical and rehabilitation costs.

Attendant care, one of the most rapidly increasing costs of the SABS prior to 2010, is not available for claims that fall within the MIG. If the claim falls outside the MIG, these benefits become available and may be assessed retroactively — or this may make for a more fulsome tort claim, as health care costs not paid by the SABS insurer become part of the tort claim.

For plaintiff counsel, why not pursue the SABS carrier? The medical evidence gathered at the expense of the SABS may, in turn, allow the argument that the injury pierced the tort threshold for a bodily injury (BI) claim?

The question is: What are insurers reserving for? What are the leading indicators that a claim is not MIG-treatable? How many insurers actually know how the MIG is performing? How many of the closed files were closed within the MIG? Is the system meeting the 55% expectation by FSCO in the 2010 rates? Will the system see significant loss de-

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Claimants Reported by Type of Treatment

	SS	MIG	NON-MIG	MIG+NON
2013-1H	75.4%	48.3%	21.3%	23.2%
2012-2H	73.3%	33.5%	16.6%	45.2%
2012-1H	72.4%	25.2%	16.4%	54.2%
2011-2H	69.6%	23.9%	18.0%	52.8%
2011-1H	67.5%	23.1%	21.7%	47.5%

SS = Sprains and strains;
MIG = received MIG treatment only;
NON-MIG = received non-MIG treatment only;
MIG+NON = received both MIG and non-MIG treatment

Source: Courtesy of Willie Handler and Associates

velopment on those claims as they crawl through the arbitration process?

Desjardins Insurance, Aviva Canada and others are growing their in-house counsel groups to help manage their costs of arbitrating or litigating. The older the claim, the more exposed an insurer is to increasing loss costs and defence costs.

WHAT IS THE EXPOSURE?

Where are the reserves for this exposure? Are they in the case reserves, in the actuarial calculation of incurred but not reported, or in a provision for adverse development? For example, Company A has 1,000 claims open for accident year 2012, but at end of 2014, 70% of the open claims are identified as still within the MIG.

Compare this to FSCO's 55%, and the difference between a MIG claim at $3,500 and a non-MIG maximum of $50,000, and this results in a calculation of $47,500 times 150 claims. That totals $7.125 million.

Even using IBC's figure of the average cost of a SABS claim in Ontario in 2011 ($28,978), this number is $3.8 million. These are very significant numbers even before adding legal costs. Are the reserves reflected as the industry complies with rate reductions?

This is a question that should be a concern to all insurers. Are the right discussions happening between the claims department and the actuaries? Are the right statistics being tracked? How many of the more than 15,000 cases still in dispute are MIG challenges?

The Ontario Rehab Alliance, a non-profit organization of 97 health care firms employing more than 4,000 professionals, concluded from the stats that "people with injuries that are more serious than a simple strain are being treated inappropriately in the MIG."

The alliance argues that money would be better spent on treatment than disputes, and point out that "delays in treatment generally result in poorer outcomes over time."

TREATMENT OR MONEY?

Justice Donald Cunningham, former justice with Ontario's Superior Court of Justice and author of the then interim (since finalized) report on the *Ontario Automobile Insurance Dispute Resolution System Review*, spoke at a recent seminar on the current disputes (more than 15,000 cases) that have moved from the mediation process to arbitration. Cunningham opined that the pursuit of accident benefits should be about treatment, not about money.

However, if the dispute is still ongoing three years after a claim is made and that dispute is about whether or not a treatment request for an injury could be in the MIG, it is too late for treatment unless already incurred. It can only be about money.

What happens if too many injuries are taken out of the MIG during arbitration? Commenting on *Scarlett v. Belair*, a recent decision of the Court of Appeal for Ontario, plaintiff's counsel Littlejohn Barristers concluded the following: "Overall the *Scarlett* decision is significant, as it creates a framework to defeat the MIG."

The worst-case scenario is that the MIG outcomes fall below 55%. A series of bad outcomes in arbitration or court cases could be a major setback.

Add to that that these expectations were calculated well before the most recent politically motivated implementation of a further 15% reduction in rate.

Among FSCO's goals, as expressed in its just-released Statement of Priorities for 2014, is to review the MIG protocol. FSCO has contracted scientists and medical experts to develop an evidence-based protocol to treat auto accident claimants who sustain minor injuries. The protocol will help to inform the Superintendent when developing a revised MIG.

FSCO also promises to review the HCAI system to determine what reports are necessary to provide additional information on statutory accident benefits treatment trends.

Both of these efforts may assist the industry and government to get it right.

In the interim, everyone is talking about adverse developments in Ontario auto BI claims. But is enough recognition being given to the potential for adverse development in the MIG?

Capitalizing on Change

There are plenty of changes on the property and casualty insurance front, all requiring care and consideration by industry players hoping, at worst, to keep pace and, at best, to advance to an improved position.

CIP Society Symposium 2014 Toronto

Angela Stelmakowich
Editor

Greg Meckbach
Associate Editor

Attendees of the recent CIP Society Symposium 2014, held this past April in downtown Toronto, heard expert views on issues ranging from p&c consolidation to flood, cybersecurity and customer expectations.

MITIGATING FLOOD EXPOSURES

Home and commercial insurance carriers are mitigating their exposures by changing their policies in the wake of 2013's devastating floods in southern Alberta, Jeff Burke, president and chief executive officer of Western Financial Group Inc., noted during a session at the recent CIP Symposium 2014, hosted by the Insurance Institute of Canada, in Toronto.

As part of a three-person panel at the symposium, Burke suggested that Western Financial brokers are seeing changes in both commercial and residential policies.

"Deductibles are going to $2,500 and $5,000," he said of residential sewer back-up coverage. "Rates are increasing in the neighbourhood of 30% to 35%."

One problem that brokers face, Burke noted, was that "we are not sure that consumers know, even though we have told them and have outlined it, they have a new policy and dec sheets."

Robert Tremblay, director of research for the Insurance Bureau of Canada and a co-panelist, said that consumers need to be informed. Oftentimes, Tremblay pointed out, policyholders receive their insurance policies in the mail and put them away, not going through things until something happens.

"That's when you discover, if you read the small print, that you are not covered for flood, or what you think is a flood is not a flood," he said.

Christine Duffield, senior vice president of client markets for Swiss Re in Canada and a co-panelist, pointed to an ongoing challenge: different people in different areas have different ideas about what constitutes flood.

In Europe, for example, people talk about floods from rivers, Duffield notes; in Ontario, it relates more to flash flood from heavy rain. "How can you develop a (flood coverage) solution when you are not talking about the same thing?"

For flood to be insurable, she suggested there needs to be a common understanding of what is meant by "flood."

The view at Swiss Re is that it is insurable, provided there are key elements of a successful solution. Among these, there would need to be an understanding that some areas are not insurable, a large pool of policyholders would be necessary, and flood maps would need to be available.

Burke said that in High River, Alberta alone, the entire town was evacuated during last year's flooding, leaving approximately 80% of the 550 businesses "heavily impacted."

"All of the commercial carriers that we have, have now changed what they are allowing us to write, and in most instances, it is very limited," he told attendees of commercial flood coverage in High River.

THE LURE OF TELEMATICS

Desjardins General Insurance Group (DGIG) is seeing encouraging receptiveness to its usage-based insurance products, Denis Dubois, the company's senior vice president of claims, acquisitions and general manager of Ontario, Atlantic and Western Regions, said during the CIP Symposium.

"To date, our pick-up rate on our new business is between 30% and 40%," Dubois reported of the Ajusto personal auto option, suggesting that the reason for the healthy rate is that there is "no downside for a customer to sign into the program."

But for those who are opting not to sign up, he suggested there are likely two main reasons.

The first revolves around data privacy, he said, noting that some people "are concerned that what we're telling them will not be what we do."

The second reason, Dubois suggested, is that people simply do not trust the insurance industry, finding it difficult to believe that a program offers the potential for discounts, but not also penalties, signing cost or other types of charges.

"That's an issue for the insurance industry — that trust factor in the population," he told session attendees. "That's why we're not at 90%," he argued.

"The people who are coming in are the people who believe that they can have the discount because of their driving habits," Dubois said.

As to whether the program appears to be more attractive to particular segments of the population than others, he noted that there are no hard lines. "Our target is the population and that's what we're seeing in our profile," he reported, except for uptake among the senior population, which is a bit smaller.

In March 2014, in reporting partial results for 2013, DGIG cited a 3.8-point

improvement in loss ratio, pointing out at the time that its auto premium increase was the result of UBI.

Direct written premiums rose 8.1% in the fourth quarter of 2013 compared to the same quarter in 2012 as a result of increased marketing activity and the impact of the company's two UBI programs, the company reported. Last November, DGIG noted that approximately 38,000 customers had enrolled in its Ajusto and Intelauto UBI programs.

The telematics device used as part of the programs collects data, such as distance travelled, hard braking, acceleration and the time of day the vehicle is driven.

IMPROVED CYBER COVERAGE NEEDED

The insurance industry needs to come up with a better cyber coverage product, Peter Zaffino, president and chief executive officer of Marsh Inc., noted during one keynote speech at the CIP Society Symposium 2014.

Zaffino noted there are different types of cyber insurance covering losses in the event of a privacy breach, third-party harm and business interruption. "We have to come up with a cyber product that responds to all the different types of losses in one form," he argued.

"Traditional insurance is not as responsive as it needs to be. Is it an extension of property? Is it third party? Is it professional? What else is it?" he asked.

Zaffino pointed out that not only can business interruption be "substantial," but cyber security incidents also create liability risk. "They expose boards and management for not thinking through, what are the risk mitigation strategies?" he said.

Zaffino told attendees "there is not one fully effective solution to combat cyber. Most corporations are increasing their budgets to enhance data security. Companies are being held increasingly responsible for taking the necessary steps to protect not only their own franchise, their own reputation, but looking at these different risk mitigating strategies and coming up with a solution."

CUSTOMER IS ALWAYS RIGHT

Understanding consumer wants and needs — sometimes driven by technology — will be critically important for the insurance industry in future, Sharon Ludlow, president and chief executive officer of Swiss Re in Canada, told attendees of the recent CIP Society Symposium 2014.

"We can't quite staff all of our organizations with everyone under the age of 14," Ludlow quipped.

That said, "if you really want to get into the minds of the consumers as they will be in the future, either for home and auto, or on the life insurance side," she suggested, "you need to understand how the consumer buys, what their behaviour is, what they need, what they want at various stages of life."

With regard to consumer wants, Ludlow noted there is a "need to broaden our thinking to not just selling a product, but in fact, figuring out how and why the consumer wants to use it."

Exactly what does that mean? "We need to think about innovation. How do we do that? We need to think about the risks and where they're going, and we need to find the people, the right types of people, who can think broadly about those risks so we make sure we're there and viable in 10 years," Ludlow told session attendees.

COMING TOGETHER… IN A BIG WAY

Among the players to emerge in the wake of consolidation of the property and casualty market in Canada are some very large players, Denis Dubois, senior vice president of claims, acquisitions and general manager of Ontario, Atlantic and Western Regions for DGIG, suggested during the symposium.

"What we see down the road is not a $7-billion insurer. What you'll see is a $10-bllion insurer — and you'll see two or three of them," Dubois said.

With the completion of Intact Financial Corporation's $2.6-billion acquisition of AXA Canada in 2011, Dubois said that Desjardins officials decided to look at all the options.

The emergence of these large companies will not be in 10 years, Dubois suggested, but "probably within five years. So, do you want to position yourself as one of those or take another position within the market with the implications of that?"

Scale was certainly a consideration when Desjardins began discussions with State Farm.

Desjardins Group announced earlier this year that it had entered into a definitive agreement to acquire State Farm Canada's p&c and life insurance business, as well as its mutual fund, loan and living benefits companies.

"We have to come up with a cyber product that responds to all the different types of losses in one form," Peter Zaffino argued. "Traditional insurance is not as responsive as it needs to be. Is it an extension of property? Is it third party? Is it professional?"

Subject to regulatory approval, the transaction is expected to close in January 2015. The acquisition would make Desjardins the second largest p&c insurance provider in Canada, with annual gross written premiums of about $3.9 billion.

In late 2010, Desjardins announced an all-cash offer to acquire Western Financial Group. Among other things, the move provided a platform in Western Canada for global products distribution to serve existing clients of Western Financial Group and Desjardins across the country.

Dubois does not characterize the Western Financial transaction as "a p&c move," but rather the big driver for Desjardins was to establish a footprint outside of Quebec from a financial institution perspective.

UPCOMING EVENTS: FOR A COMPLETE LIST VISIT
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AND CLICK 'MY EVENTS CALENDAR' ON THE HOME PAGE

1 Allied World Assurance Company Holdings AG has opened a branch office in Toronto and named Gord Kerr [1] as its senior vice president, chief agent and branch manager. Prior to joining Allied World, Kerr spent four years as chief executive officer and chief agent for Arch Insurance Company's Canadian operations, notes Switzerland-based Allied World. Before that, he held various positions, including as chief operating officer, for American International Group Inc.'s Canadian subsidiary. "Opening an office in Canada has been a strategic objective of Allied World for some time," says Scott Carmilani, CEO of Allied World. The company writes property and casualty insurance and reinsurance through subsidiaries and branches in Bermuda, Canada, Europe, Hong Kong, Singapore and the United States, as well as through Lloyd's Syndicate 2232.

2 In April, Princeton, Ontario-based Frank Cowan Company announced the appointment of two new senior officials with the company. Barb Szychta [2a] is now vice president of risk management and Annette Henry [2b] has taken on duties as director of underwriting, specialty programs and associations. With 30-plus years in the industry, including more than eight years as Frank Cowan Company's director of risk management services, Szychta served as a member of the Minimum Maintenance Standards Task Force from 2007 to 2010. She has the Chartered Insurance Professional, Canadian Accredited Insurance Broker and Canadian Risk Management qualifications. Henry, who joined Frank Cowan Company in October 2011 as manager of underwriting, specialty programs and associations, brings to her new position more than 20 years of underwriting experience. She holds the CIP and CRM designations.

3 Claims management firm Crawford & Company announced in April that it is expanding Broadspire Services Inc., its third-party business administration unit that specializes in servicing the claims needs of multinational corporations and their captives, brokers and insurers. Atlanta-based Crawford & Company is "creating new and stronger strategic TPA hubs in Canada, Singapore, Hong Kong and Australia," notes a statement from the company. Broadspire's "worldwide services" will include auto, property, business interruption, product recall, marine and transportation, the statement notes.


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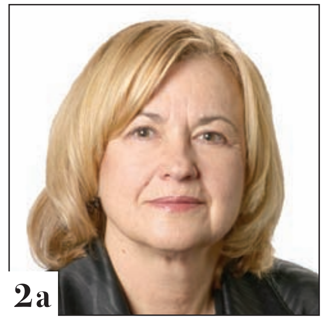
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4 ACE Ltd. has launched a global property engineering unit and a global cyber risk practice. The Zurich-based carrier's global property engineering unit will be led by senior vice president Raimund Navakas, who until recently headed risk management engineering services for ACE's casualty, property, marine, energy and technology lines in Asia Pacific. With the global property engineering unit, "ACE will be able to offer seamless property engineering services to our insured clients for their operations around the world, providing a common platform for the efficient management and delivery of service results," says Paul O'Neill, ACE's chief underwriting officer of North America property and specialty lines. Also at the company, Toby Merrill has been named division senior vice president, and will lead the new global cyber risk practice. Merrill has served as vice president and national product manager for ACE's network security, privacy and technology errors and omissions liability products in the United States.

5 Two senior officials have joined SCM Insurance Services' Opta Information Intelligence unit. D.J. Farnworth [5a] takes on duties as vice president of sales for OpticRisk, a web-based tool designed to compile data on claims within an organization, and Matt Thompson [5b] has


2b


5a


9


10

been named the new director of environmental services. Farnworth has worked for Aon, Western Financial Group and Applied Systems, notes his LinkedIn profile. As for Thompson, Opta reports he will "focus on enhancing customer service and investigating new delivery platforms for Opta's extensive library and database of environmental risk information." Before joining Opta in 2014, he worked for 14 years for Environmental Risk Information Services.

6 Eight members of the Centre for Study of Insurance Operations (CSIO) Board of Directors were recently appointed by acclamation for two-year terms: CSIO vice chairman Ted Harman, president of Accent Insurance Solutions; Cam Loeppky, vice president of information services for Wawanesa Mutual Insurance Company; Sean Christie, chief information officer (CIO) and vice president of information services for Gore Mutual Insurance Company; Jack Ott, senior vice president and CIO of Intact Financial Corporation; Andrew Wood, CIO of Northbridge Financial Corporation; Bill Simms, commercial accounts director of Crosbie Jobs Insurance; Sheldon Wasylenko, general manager of Rayner Agencies Ltd.; and Robert Merizzi, CIO and executive vice president of business systems transformation for Aviva Canada. They join four other board members who have another year in their two-year terms.

7 Wintrust Financial Corporation, through its subsidiary First Insurance Funding of Canada, has acquired the shares of Policy Billing Services Inc. and Equity Premium Finance Inc., two affiliated Canadian insurance premium funding and payment services companies. Terms of the deal were not disclosed. Both organizations will continue to offer the same service and products during the transition period and the management and staff will remain the same.

8 Cowan Insurance Group Ltd. of Cambridge, Ontario recently announced it has promoted Jennifer Justason [8] to the position of vice president of finance. Cowan Insurance Group's IT team will now report to Justason, who joined the company in 2007 as controller.

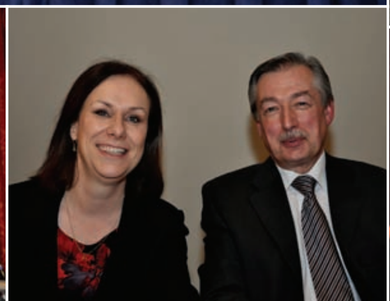
9 Restoration firm PuroClean Canada has appointed John Tagle [9] as the company's senior vice president of business development. PuroClean's services include fire and water damage restoration, mould and mildew removal and biohazard clean-up. Tagle "will be responsible for the development of the PuroClean national brand strategy, as well as establishment and execution of our company's continued growth in the property and casualty market, broker community, property management and corporate Canada," notes a company press release. Before joining PuroClean Canada, Tagle previously served as senior vice president of national sales and business development for SCM Insurance Services.

10 Managing general agent ENCON Group Inc., based in Ottawa, has named J.D. Farquhar [10] as the new assistant vice president in the company's underwriting management division. Farquhar will work out of ENCON's office in Mississauga, Ontario and his "primary focus will be on providing stand-alone commercial general liability (CGL) insurance through ENCON's Alternative Insurance Market," the company reports. "Working in a variety of roles for both managing general agents and a large insurance carrier, he has garnered extensive experience in underwriting, marketing, claims, operations and facultative reinsurance placement," ENCON adds.

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

Sixty-six participants were in attendance at the **Quebec Risk & Insurance Management Association's (QRIMA) annual Risk Management (half) Day** on February 20 in Montreal. The theme of the event was Environmental Realities in Quebec in 2014. The panel of speakers did not disappoint, each bringing their perspectives to the table. The speakers included Geneviève Cotnam of Stein Monast LLP, Johanne Gélinas of Raymond Chabot Grant Thornton, and Justin Perry and Bernard Dupré, both with Aon.












GALLERY

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The **March dinner meeting** of the **Toronto Insurance Women's Association (TIWA)**) was held on March 18 at the Hyatt Regency Toronto. The event featured guest speaker Kelleen Arquette of Towers Watson, whose talk was titled, "Usage Based Insurance: There is No Time Like the Present." Attendees heard Arquette's view on UBI and how it is quickly gaining momentum in the auto market-place in Canada and around the world.

APPOINTMENT

Tom Reikman

Senior Vice-President and Chief Operating Officer

Karen Gavan, president and CEO of Economical Insurance, has appointed Tom Reikman as senior vice-president and chief operating officer.

As COO, Tom has leadership accountability for national sales and distribution, claims and underwriting operations, as well as Economical Select, Perth Insurance and Western General.

Under Tom's leadership, Economical is implementing a new operating model, which will make the company's underwriting operations more automated, agile and consistent. In 2014, Economical will launch a new national centre at its Riverbend facility in Kitchener, ON, where all of Economical's national personal insurance and small commercial business will be managed, with enhanced service to brokers. A satellite office in Montreal will manage all French-language policies.

Economical appreciates the value of strong local relationships with our broker partners and insureds. Mid-market underwriters will continue to operate in current local offices throughout Canada, as will Economical's claims and business development teams.

Tom is returning to Economical where he held senior leadership roles between 1995 and 2006. Reporting directly to the CEO, he brings more than 20 years of senior leadership experience and significant breadth and depth of expertise in the property and casualty industry, including commercial, personal and group underwriting, marketing, and broker relationships.

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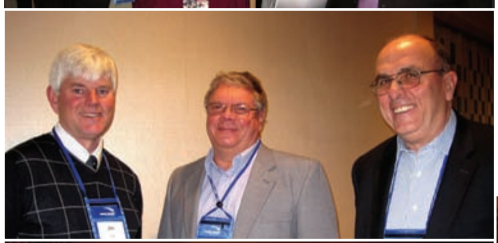
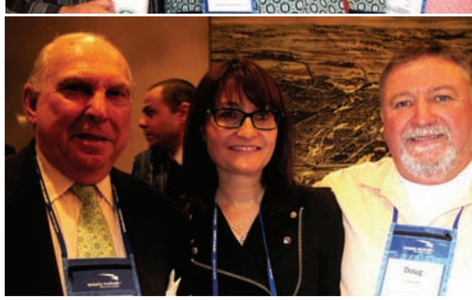


Delegates and attendees gathered at the Sheraton Centre Hotel in downtown Toronto on March 19-21 for the **Ontario Mutual Insurance Association's 2014 Annual Convention and 132nd Annual General Meeting**. The convention offered a mix of meetings, networking opportunities and learning sessions, including a talk by keynote speaker Amanda Lang, an award-winning business journalist and co-host of the *Lang & O'Leary Exchange*. Among other educational offerings was a presentation by Desmond Carroll, vice president and geographic information systems specialist for Guy Carpenter Canada, who discussed flood risk and modelling.



GALLERY

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

Sixty-seven participants attended the March 20, **Quebec Risk & Insurance Management Association (QRIMA)** luncheon in Montreal. The session was entitled *The Trials & Tribulations of a Risk Manager,* and who better to speak on the subject than the ubiquitous Susan Meltzer, vice president of Enterprise Risk Management at Aviva Canada. The session was a great success.











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

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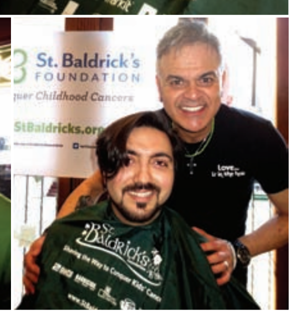
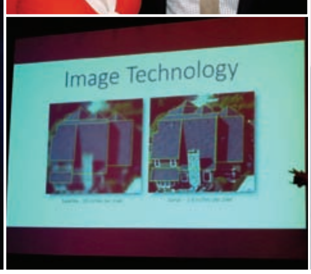
The **7th annual Beach & Associates St. Baldrick's head shave** took place on March 26 at PJ O'Brien's Pub in Toronto. In Canada, St. Baldrick's events support Childhood Cancer Canada, a foundation dedicated to raising critical funds for childhood cancer research, as well as providing support and resource programs for children with cancer and their families. This year, thanks to the efforts of the "shavees" and the generosity of the (re) insurance industry, the event raised just under $22,000 for Childhood Cancer Canada. The 2014 participants were as follows: Mike Richard of Beach & Associates; Paul Konikoff of AXIS Canada; Warren Cooney of AXIS Canada; Chris Mundy of Willis Canada; David Ambrad of Liberty International Underwriters; and Sandy Norton of Liberty International Underwriters. Anyone who is interested in participating in the 2015 event should contact Katie Brown at kbrown@beachandassociate.com.



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

CRU Adjusters hosted its first **Earthquake Insurance Symposium** at the Trump International Hotel in Toronto on March 24. The event brought together industry experts Anthony Farnell, chief meteorologist for Global News, Hugh West of EagleView Technologies, Michael Ropret of Rochon Engineering, and Tim Dempsey of Catastrophe Response Unit, Inc. to discuss the severe implications of a major earthquake event in Canada and the rigorous measures required to effectively respond. The Monday-morning symposium followed a three-day CRU Adjuster Conference and Certification.



The **RIMS Canada Council (RCC)**, the standing committee representing the 10 Canadian chapters of RIMS (the Risk and Insurance Management Society, Inc.), has **updated its strategic goals** to better focus on the current needs of Canadian risk managers. The **2014 RIMS Canada Counci**l, led by new chair Roman Parzei, director of Revenue & Risk Management for the Corporation of the City of Brampton, developed the new plan at its annual planning meeting in January. Action plans are now being developed by the three RCC subcommittees: the National Conference Committee, the National Education Committee and the Communications and External Affairs Committee.

Supporting the RIMS Canada Council mission statement, "The RIMS Canada Council addresses the interests of Canadian RIMS members and their chapters in support of RIMS mission – to advance risk management for your organization's success", the four updated strategic goals are as follows:

- attract & develop effective and engaged volunteers;
- be the go-to resource for professional development of risk management practitioners;
- continue to support retention and growth of membership; and
- demonstrate, communicate and advocate for the value of risk management and the risk practitioner.

"These renewed goals will enable the RIMS Canada Council to focus on the current needs of Canadian risk managers," Parzei says. "Building on our past accomplishments, we can move risk management practice forward in Canada."