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# CANADIAN UNDERWRITER

JULY 2014

A Business Information Group Publication #40069240

## Priced to Sell

BY ANGELA STELMAKOWICH

## Terror in Transition

BY MAX ARONCHICK, PETER J. ASKEW & SYZAN TALO

## Water Wise

BY STEVE SIGAL

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## COVER STORY

### Priced to Sell

There is no denying that competition in the reinsurance marketplace is stiff. That competition and ever-present change are applying downward pressure on pricing, and in response, reinsurers are considering new ways of deploying their capacity and diversifying portfolios in a bid to enhance positioning.

BY ANGELA STELMAKOWICH

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Understanding insurgent capabilities is a core driver of risk management and addressing evolving terrorism (re)insurance.

BY MAX ARONCHICK, PETER J. ASKEW  
& SYZAN TALO



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What is a cat modeller's perspective of the new federal guidelines related to earthquake exposure and preparedness?

BY JUSTIN MORESCO



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The country's recent history of severe flooding clearly demonstrates the need for p&c insurers to have Canadian-specific flood data.

BY STEVE SIGAL



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Employee fraud, theft and dishonesty may not be much different than it once was, but technology is providing perpetrators with greater opportunity.

BY CHERRINE CHOW & GEORGE AVRAAM

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Brokers who want to continue to be viewed as trusted advisors must think about communicating with customers consistently and knowledgeably across multiple channels.

BY JEFF PURDY

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Separate tornadoes in southern Ontario this June are not expected to trigger reinsurance coverage, although the "jury is still out" on whether twisters are becoming more intense.

BY GREG MECKBACH

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BY BELINDA BAIN & JULIA VIZZACCARO

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Understanding the impact of catastrophes on communities and the insurance industry is needed to enable insurers/reinsurers to effectively manage risks and continue to offer capacity.

BY JOEL BAKER & CAROLYN RENNIE

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The property and casualty insurance industry is in the midst of a "rethink" of how first- and second-party insurers deal with indemnification claims.

BY JASON FROST & DEB SHERREN

PROFILE



Photo: Tom Hawkins

14 Meaningful Adjustment Poised to become president of the Canadian Independent Adjusters' Association, David Porter's goal is to offer claims adjusters meaningful skill development tools more quickly and easily.

BY GREG MECKBACH

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*Canadian Underwriter's time machine to the industry's past* –  
all the way back to the start of the magazine in 1934,  
with stops at every year along the way...

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Because Our History is Your History — **Help Us Build The Journey** —  
**Submit Your Historical Photos** at [CU80Years.com](http://CU80Years.com)!



Institute Achieves Three Goals: Co-Operation, Education And Standardization, Winter Tells Grads.

THE Institute business is something that a river, Henry Winter, president of the Institute of Canada and manager of the Vancouver branch of the Halifax Insurance Co., told those present at a luncheon meeting held by the Graduate Committee of the Ontario Institute of Canada at the Queen's Hotel in Montreal.



Winter said that the insurance business is something that a river, Henry Winter, president of the Institute of Canada and manager of the Vancouver branch of the Halifax Insurance Co., told those present at a luncheon meeting held by the Graduate Committee of the Ontario Institute of Canada at the Queen's Hotel in Montreal.

... NEW PRODUCTS ... To speed routines in Agency and Company Offices

Advertisement for new products including a Fluorescent Lamp and a Radiophone, with images of the devices.

THE "Crash Proof" SAFETY CAR

Advertisement for the "Crash Proof" Safety Car, featuring an image of the vehicle and text describing its safety features.

Accounts Receivable and Valuable Papers ... they're worth insuring ...

THIS was one of a series of lectures delivered to agents attending the annual school for agents sponsored by Paragon Branch Ltd. in Vancouver. He brought up what is known as the "A" account, which is the most important item on a firm's balance sheet.

Swiss Private Insurance and Canada

The foreign activities of Swiss insurance is one of the highlights of the industry in Canada. This is the story of its activities in Canada.

Request for Compulsory Auto Ins. Is Rejected in Alberta Legislature

A personal CEF request for compulsory automobile insurance in Alberta has been rejected by the Alberta legislature.

Are The "Manipulating Adjusters" To Blame for Costly Claims Servicing

IT HAS reached a point that adjusters are being blamed for the high cost of claims servicing. The article discusses the role of adjusting companies and how they can be manipulated.

SASKATCHEWAN LETTER

Quipped the happy farmer: "I've received a 'wish' advance on my 1956 crop yet before I harvested. It will have 30,000 bushels in my granary from preceding years."

World May Have Earthquake Forecasts Within 100 Years, Professor States

Thousands of lives would be saved, the Australian geologist said at a Toronto press conference.

Canadian Underwriters Association Celebrates Diamond Jubilee Year

Almost five hundred years of insurance experience was honored recently at a luncheon marking the opening of the Diamond Jubilee celebrations of the Canadian Underwriters Association.

Predict 1957 To Be Worst Year Yet For Saskatchewan Hail Crop Losses

It is too early yet to tally all the hail damage done in Saskatchewan, but it is predicted that 1957 will be the worst year yet for hail crop losses.

FALL GUY

SERIOUS loss with insufficient insurance - you can fall for it. The article discusses the importance of adequate insurance coverage.

Ontario Agents Pass Resolution Of Opposition To Direct Billing At 39th Convention In Toronto

FOLLOWING opposition and often heated debate on the question of direct billing, Ontario agents made public their resistance to direct billing at the 39th annual convention of the Ontario Insurance Agents' Association in Toronto.

SHAW & BEGG Enters The Electronic Era

SHAW & BEGG Limited has moved from its traditional roots into the electronic era. The company is now offering electronic insurance services.

Automation Auto Policy cuts costs

Miss Norma Clarke of Western Assurance speaks of the highly competitive atmosphere of the insurance industry and how automation can reduce costs.

Ontario Agents Pass Resolution Of Opposition To Direct Billing At 39th Convention In Toronto

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COMPACT CARS

Advertisement for compact cars, featuring images of three different models and text describing their features.

The Staff of CANADIAN UNDERWRITER

Advertisement for the staff of Canadian Underwriter, featuring portraits of key personnel and their roles.



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### AUTOMOTIVE SALVAGE CENTRE

Former adjuster Frank De La Plante decided that there was a need for a centralized disposal of wrecked cars... and he's busy providing it.

**Salvage Disposal Innovation**

SALVAGE disposal, a task which normally occupies only a small hours through a regular buying and selling. In contrast with what is in vogue in the United States, where the wrecked car is sold as scrap, here it is sold as a whole unit.

**11**

### Can. Ins. Claims Mgrs. Reorganize National Body, Appoint Officers

**REDDY CANUCK**  
COULD A CANUCK LAST MONTH AND BE "NOT SETTLED" YET!  
"AND THE CLUMSY ARE WORKING ME!"

NEWLY Elected national officers of the Canadian Insurance Claims Managers Association met in Toronto, Oct. 20-21, 1961. The officers elected are: President, Walter A. Jennings, Toronto; Vice-President, J. C. Taylor, Vancouver; Secretary, J. S. Shaw, Montreal.

**REORGANIZATION OF THE SOCIETY**  
The officers elected are: President, Walter A. Jennings, Toronto; Vice-President, J. C. Taylor, Vancouver; Secretary, J. S. Shaw, Montreal.

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### Review Of General Insurance In Canada In 1961

#### UNDERWRITING PROFIT HITS \$42 MILLION

Another good year for the business with volume up by 856 million. Best overall loss ratio in 5 years - 99.79%.

A higher year for the business with volume up by 856 million. Best overall loss ratio in 5 years - 99.79%.

During the five years ending 1960 a clear picture of the underwriting business in Canada is provided by the following figures:

Year	Total All Underwriting Profit (\$ million)	Total All Underwriting Loss (\$ million)
1956	62,874	71,000
1957	23,276	17,000
1958	64,194	23,000
1959	60,964	23,022,213
1960	42,000	41,025,267

Estimated

Clearer picture year of profits on (Continued on Page 13)

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### New Brunswick Flood Disaster Brings Swift Help

From Maritime Adjusters

The Royal Insurance Company Ltd. of London has offered to pay the cost of approximately \$100,000.00.

Mergers have become commonplace in the world of general insurance over the past few years. The largest flood disaster in Canada, the Royal Insurance Company Ltd. of London, has caused a stir in Canadian insurance circles.

In letters mailed to shareholders, Mr. Geoffrey Robinson, chairman of both Western Assurance and American Mutual, announced that the Royal offer, with respect to the share they owned.

In the case of Western Assurance shares outstanding, which is 154,000 shares, the company has offered to buy back 65 per cent of 100,000 shares. This would mean that the company would own 34,000 shares.

**14**

### ROYAL, WESTERN GROUP MERGER IN THE OFFING

#### NEW GROUP TO BE LARGEST IN CANADA - BY FAR

The Royal Insurance Company Ltd. of London has offered to pay the cost of approximately \$100,000.00.

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### TOTAL EARNED PREMIUMS IN CANADA 5 Years 1956-1960

#### UNDERWRITING PROFIT/LOSS IN CANADA 5 Years 1956-1960

1956: 62,874 (Profit), 71,000 (Loss)  
1957: 23,276 (Profit), 17,000 (Loss)  
1958: 64,194 (Profit), 23,000 (Loss)  
1959: 60,964 (Profit), 23,022,213 (Loss)  
1960: 42,000 (Profit), 41,025,267 (Loss)

**16**

### TRUCK CARGO THEFTS?

What can we do about

A SHORT while ago a delivery man was walking his truck. While he walked from the truck to the rear, a small dog of a stranger, a stranger's hands, and ran quickly down his side. The delivery man was paralyzed with shock for a moment. Then he saw the dog was in the hands of the confederates of the thief. He had a system.

Perhaps a whole book is warranted rather than a single chapter. The future and which are not likely to be under the basic program. In such cases it will probably be a matter of cost that will determine the result.

(a) Companies that are not insured.  
(b) Area of hauling, i.e., local or long haul.  
(c) If by law or otherwise.

**17**

### WOMEN are here to stay!

NO MATTER HOW YOU LOOK AT IT...

Marie Morris, Vice-President in charge of Canadian operations, New-England American Ins. Co., Montreal, Que.

As early as 1920, there was a small group of women who had made something of themselves in the insurance industry. In each phase of the business, an employer, and a business woman, and a company manager.

Margaret Kelly started out as a clerk. It was not until 1940 that she was promoted to a position of responsibility. She was then promoted to a position of responsibility. She was then promoted to a position of responsibility.

Mary Lane, on the other hand, began during the depression when she was 16. Her first job was as a typewriter operator. She then went on to become a stenographer. She then went on to become a stenographer.

**18**

### Auto Ins. Companies Come A Step Closer To "Compensation Without Fault"

#### SASKATCHEWAN LETTER

By E. N. DAVIS  
Canadian Underwriter Correspondent

EXTENDING the scope of automobile insurance to include liability for bodily injury to third parties, which would be an initial step towards the implementation of the principle of "Compensation Without Fault".

One of Canada's largest auto insurance companies is studying the situation in determining if it is possible to include such provisions in its policies.

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### ECONOMICAL INSURANCE APPOINTMENTS

L. A. HACKETT  
R. G. KAPPEL

The future and which are not likely to be under the basic program. In such cases it will probably be a matter of cost that will determine the result.

(a) Companies that are not insured.  
(b) Area of hauling, i.e., local or long haul.  
(c) If by law or otherwise.

**20**

### 300 IN ATTENDANCE AT SECOND GENERAL CONFERENCE IN HALIFAX

HELEN HUNLEY

That I would have done so well, she said. "Within the last two years, my income has increased by 50 per cent. I am now earning \$10,000 a year. I am now earning \$10,000 a year. I am now earning \$10,000 a year."

Although Miss Hunley says her work is not as hard as it once was, she still has a lot of work to do. She still has a lot of work to do. She still has a lot of work to do.

**21**

### B.C. Agents' Association Present Their Brief

Editor's Note

There is a Royal Commission looking into automobile insurance to see what steps can be taken to improve the present system in Canada for the year 1962.

(1) That the question of compulsory insurance be studied.  
(2) That higher standards be implied in the qualification requirements.  
(3) That there be greater emphasis on the desirability of removing the underwriting monopoly from the road and that the office of driving while under license be made compulsory.  
(4) That there be greater emphasis on the desirability of removing the underwriting monopoly from the road and that the office of driving while under license be made compulsory.

**22**

### Ontario Pond Is Host To Convention Large Succeeds Chandler As MGG

THEY came from the north, the south, the east and the west and they represented Pond in the 1961 annual convention in the United and several provinces in Canada.

It was Grand National Convention for the Honorable Order of Blue and White, the 1961 annual convention in the United and several provinces in Canada.

The 500 guests and guests who attended the convention in 1961, held their part of the 1961 annual convention in the United and several provinces in Canada.

When they left, the general opinion was that the convention was the best ever held in Ontario. The convention was the best ever held in Ontario. The convention was the best ever held in Ontario.

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### Saskatchewan Adjusters Hold First Annual Convention

Saskatchewan Association of Insurance Adjusters held its first annual convention in Regina, Saskatchewan, on October 10-11, 1961.

The convention was held at the Hotel Regina. The convention was held at the Hotel Regina. The convention was held at the Hotel Regina.

The convention was held at the Hotel Regina. The convention was held at the Hotel Regina. The convention was held at the Hotel Regina.

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### JUSTIN V. HARBORD

He presented the brief

There is no doubt that the Saskatchewan Association of Insurance Adjusters has been successful in its efforts to improve the present system in Canada for the year 1962.

(1) That the question of compulsory insurance be studied.  
(2) That higher standards be implied in the qualification requirements.  
(3) That there be greater emphasis on the desirability of removing the underwriting monopoly from the road and that the office of driving while under license be made compulsory.



January 29th, 1952

## REINSURED

REINSURANCE is the bedrock of safety underlying the insurance industry's contribution to the affairs of men.

**GENERAL REINSURANCE GROUP**  
Largest American multiple line re-insurer  
Leading membership in Reinsurance

GENERAL REINSURANCE CORPORATION  
COLUMBIA ST. FINANCIAL DISTRICT  
NEW YORK 17, N.Y.

NORTH STAR REINSURANCE CO.  
100 N. W. 10th St.  
MIAMI, FLA.

90 JOHN ST., NEW YORK 1

January 29th, 1952

**NOW LOCATED  
SIXTEENTH FLOOR  
KING & YONGE STREETS  
TORONTO**

Plaza 8651

The Providence Washington Insurance Company announces that separation from the previous Canadian management has now been completed and a modern and well equipped Canadian Head Office established on the 16th floor of the Royal Bank Building, Toronto.

With a capable staff under experienced department heads the new management is now fully prepared to provide assistance to the agency force.

DONALD E. TERTT  
General Manager

GORDON C. HUNTER  
Assistant General Manager

## Providence Washington Insurance Company

1601-10 ROYAL BANK BUILDING  
TORONTO 1

THE STORY BEHIND THE HEADLINES...

### CONTINENTAL PAYS \$95,000 TO RELATIVES OF VICTIMS IN CANADA'S WORST AIR DISASTER

When the huge chartered airliner, "Canadian Pilgrim", plunged to destruction in the French Alps on November 12, 1950, 81 passengers and 7 crew members died in the worst aviation tragedy in Canada's history.

The passengers were devout pilgrims, returning to Montreal from a Holy Year visit to Rome, and the disaster evoked the deepest sympathy of Canadians everywhere for the relatives of those who died.

Ten of the victims were granted by Continental travel accident policies, and it is a source of gratification to the Continental Casualty Company that the simple claim will be settled in some small measure for the beneficiaries of those ten.

For broader travel accident protection, as for all forms of better health insurance, far-sighted Canadians look to Continental.

**Continental CASUALTY COMPANY**  
Head Office in Canada: TORONTO  
8005 S. HURON Street, Toronto

SELL Continental World-Wide V.A.T. Trip Insurance

CANADA'S OUTSTANDING TRAVEL ACCIDENT PROTECTION

April 26th, 1952

## WESTERN ASSURANCE COMPANY

1851-1951

Every business day of our hundred years, the Company's Offices have undertaken insurance risks and taken insurance risks and discharged obligations to the claimants. To disregard obligations to the claimants and to the reputation for prompt and equitable settlement of claims would be to take confidence of claimants to be completely confident of the continuing support of Agents and Insurers.

**The WESTERN ASSURANCE COMPANY**  
INCORPORATED IN CANADA IN 1851

200 - WATER - WILSON - GERRARD - GUY - GUYENOT

April 26th, 1952

"Perfect Day!"

Typing all day is easy and effortless when you have an IBM Electric. All you do is "touch" the keys—the typewriter does the work. At first you'll still feel fresh and free from fatigue. You'll like all the surprising features of the IBM Electric. Its simple operation, its perfect impression, its modern styling. You'll like having the world's finest typewriter for your own.

**IBM Electric Typewriters**

INTERNATIONAL BUSINESS MACHINES COMPANY LIMITED

April 26th, 1952

## Insurance--The KEYSTONE to progress

The giant strides which Canada has made in economic progress required imagination, courage and finance. Finance, to bridge the PRESENT and the FUTURE, needs Insurance as its keystone.

Issued in the interests of safety and security by:

### Canadian Underwriters' Association

April 26th, 1952

## 1951 Another RECORD Year

### Government Insurance Reports

**\$8,195,925**  
PAID BY THE AUTOMOBILE ACCIDENT INSURANCE FUND TO PUBLIC IN WAY OF BENEFITS

**\$1,012,034**  
SURPLUS EARNED ON GENERAL INSURANCE BUSINESS AND RETURNED TO PUBLIC THROUGH THE GOVERNMENT

6-Year History of Automobile Accident Insurance Fund

- Plan instituted in 1946.
- Personal injury insurance totaling \$1,837,690 paid to 19,618 persons in 60 months.
- Collision insurance totaling \$2,259,981 paid to 19,593 persons in 57 months.
- Public Liability and Property Damage insurance totaling \$796,083 paid to 1,254 persons in 45 months.
- Fire and Theft insurance totaling \$301,770 paid to 381 persons in 35 months.
- Total benefits of \$8,195,925 paid to over 45,000 claimants since April, 1946.
- \$440,000 surplus in case accident fund which is reported for the benefit of Saskatchewan citizens and is to be used to reduce rates on insurance benefits.
- Operation by the Saskatchewan Government Insurance Office as a separate fund.

**PREMIUM RATES REMAIN THE SAME**

Despite inflation which is boosting cost of vehicles and raises rates the same premium "THE WORLD'S MOST ADVANCED AUTOMOBILE INSURANCE PLAN"

**Saskatchewan Government Insurance Office**  
HEAD OFFICE REGINA  
M. S. BEAUNE MANAGER

ROY. C. S. FINN MANAGER

SUPPORT YOUR OWN INSURANCE OFFICE  
FOR RATES AND SERVICE SEE YOUR GOVERNMENT INSURANCE AGENT

January 16, 1952

An department inspector with...  
A PEA TO THE MOTORIST...  
Two Managers Appointed...  
NEW YORK—James F. Hunt, president of Johnson & Higgins, Inc., announced the retirement of W. E. C. and as president of Johnson & Higgins of California, and the election of E. F. Coonan to succeed him.

## Announcing

THE CITADEL INSURANCE COMPANY of Canada Limited

Head Office  
Royal Bank Building  
TORONTO

APPLICATIONS FOR AGENTS INVITED

FIRE - CASUALTY - MARINE WARREN - AUTOMOBILE INSURANCE in the Province of Ontario

**THE CITADEL INSURANCE COMPANY OF CANADA LIMITED**  
HEAD OFFICE ROYAL BANK BUILDING TORONTO

April 26th, 1952

### Lumbermen's agents

## Complete Underwriting Facilities

...and how Lumbermen agents throughout the United States and Canada use these facilities for their clients' business and personal security is evidenced by total premiums of \$100,000,000 written in 1951.

Premium refunds (dividends) to policyholders in 1951 were \$17,440,324.

**Lumbermen's Mutual Casualty Company**  
A. C. DANHAM, Inc. Vice-Pres. General Mgr. Toronto, Ont. M. 8-9111

THE SAFETY-WARREN COMPANY



June 28th, 1952

## THE WATERLOO MUTUAL FIRE INSURANCE COMPANY

Established 1852

**For the Year 1952**, four years before the Canadian Dominion became the Dominion of Canada, a group of Waterloo County citizens founded The Waterloo Mutual Fire Insurance Company. At that time, Canadian law had not yet provided for British and Foreign Companies to do business in Canada. The Waterloo Mutual Fire Insurance Company became the Pioneer Canadian company of other insurance companies which subsequently followed. The City of Waterloo was known as the "Heart of Canada".

From its early work, with perseverance and sound management, the Waterloo Mutual Fire Insurance Company developed into one of Canada's premier insurance and financial institutions. In January 1952 a new era was taken. Soundly anchored in the fire insurance business and with an enthusiastic Agency force offering its full co-operation, the Company progressed further and entered the Automobile and Casualty field. With advanced services and additional personnel, the Waterloo Mutual Fire Insurance Company entered this new era with Reputation and Confidence.

Today a Canadian Company, the Waterloo Mutual Fire Insurance Company will continue to offer the Canadian public, through its Agency system, Dependable Insurance Protection.

**DEPENDABLE INSURANCE PROTECTION**  
**FIRE - AUTOMOBILE - CASUALTY**  
AGENCY INQUIRIES INVITED  
Head Office  
**WATERLOO, ONTARIO**

April 13th, 1952

"These are a few of the *Special Risk coverages* written in Canada by Continental"

says Bruce F. Bingham  
President of Continental Casualty Fire Ins.

Dear Aviation and Special Risk-Tribes in the service of every Canadian agent and broker. Special coverage to meet any reasonable risk. Mail this coupon today. Continental Casualty Company.

August 2nd, 1952

## Economical Mutual Fire Insurance Co. opens spacious new offices . . .

The Friday, February 22, The Economical Mutual Fire Insurance Company officially opened its spacious, new head office in the heart of Waterloo County, near the main office more than 25 years ago.

Architecturally impressive in its Georgian simplicity, the building is a far cry from the one-room office where the firm was founded in 1877. This latest move marks the present position on one of Canada's leading general insurance companies.

This ever growing volume of business made Economical's move to a new and larger building imperative, and in so well as better needs.

But more than that, it is a fitting building. From the central appointments of the office, it brings comfort, efficiency and convenience to all who enter.

Each office has been completely refurbished with new desks, chairs, filing cabinets and other office equipment—all manufactured in Waterloo County, some by the very firm which supplied equipment for the previous head office more than 25 years ago.

On the left, as you enter the vestibule, is located the reception hall. To the right of the hall is the office of the President, Board Room and Executive Offices. The full insurance covers the Printing and Supply Department. A smaller office, a conference room and a Ladies' Lounge.

A complete view of the building, including many special and interesting exhibits, was arranged for all agents of the County and Agency Offices. The building was presented with a 25 year anniversary celebration. Each visitor was presented with a 25 year anniversary certificate of appreciation.

Each office has been completely refurbished with new desks, chairs, filing cabinets and other office equipment—all manufactured in Waterloo County, some by the very firm which supplied equipment for the previous head office more than 25 years ago.

July 15th, 1952

Do the things to protect yourself from accidents and fire. Why flying clouds wore a canoe.

THE CANADIAN SURETY COMPANY  
FIRE CASUALTY SURETY

January 1st, 1953

## THE NEW ZEALAND INSURANCE COMPANY LIMITED

Take pride in its Canadian Program and ANNOUNCES THE OPENING OF a

CANADIAN HEAD OFFICE AT TORONTO  
Broad facilities for Insurance Coverages  
FIRE - CASUALTY - MARINE INSURANCES ACROSS CANADA

FOR THE WHOLE FAMILY

# Polio INSURANCE

TWO YEARS COVERAGE  
\$8,000 for \$10.00  
\$10,500 for \$12.00

SPECIAL FEATURE  
\$500.00 CASH BENEFIT

THE LONDON & LANCASHIRE GUARANTEE ACCIDENT CO.

What about this?

As you review household contents insurance, impress on your clients the importance of increasing their coverage. Point out that in the last 10 years the average increase in the above authentic items amounts to 54%.

Household contents can be insured under separate fire and burglary policies—or better still advocate a Phoenix "Householders' Policy" covering both these perils, transportation risks and personal liability insurance (if desired).

**PHOENIX ASSURANCE CO. LTD.**  
CANADIAN HEAD OFFICE  
55 Wellington St. W., Toronto

BRANCHES AT: HALIFAX, MONTREAL, WINNIPEG AND VANCOUVER

April 13th, 1953

## Disaster AT WINNIPEG

When the steady Red River burst its banks, it flooded 100,000 households and caused damage estimated at \$100,000,000.

ALL CANADA INSURANCE FEDERATION  
Fire, Automobile and Casualty Insurances.

August 13th, 1954

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# Oil and Fodder



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**Each of the 35 provincially regulated railway and light-rail companies operating on federal track will need to develop and implement a safety management system.**

Angela Stelmakowich, Editor  
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The one-year anniversary of the deadly derailment in Lac-Mégantic, Quebec is upon us, bringing with it new and planned federal requirements meant to inject greater safety into Canada's rail system and perhaps afford some healing to those living with the aftermath of a tragedy.

Federal transport minister Lisa Raitt said in late June that new requirements will further strengthen safety in Canada's transportation system.

Canada's rail system — particularly as it relates to transportation of dangerous goods — came under fire in the wake of Lac-Mégantic. The derailment of a runaway Montreal, Maine & Atlantic Railway (MMA) train carrying crude oil, prompting the contents of several cars to explode, ultimately led to the deaths of 47 people.

Transportation Safety Board of Canada (TSB) figures show an increase in rail accidents involving dangerous goods during January to May in 2014 over the same period in 2013, up to 74 from 61.

Transport Canada reports that planned requirements will mean each of the 35 provincially regulated railway and light-rail companies operating on federal track will need to develop and implement a safety management system; and new DOT-111 tank car standards will require thicker steel walls and other reinforcements to reduce spill risk on impact.

Already in effect as of July 15, new demands under the *Transportation of Dangerous*

*Goods Regulations* (Update of Standards) say consignors of crude oil must properly classify the oil by a test report, lab report or document that explains how the dangerous goods were classified.

"A consignor who allows a carrier to take possession of dangerous goods for transport or who imports dangerous goods into Canada must, during a five-year period that begins on the date that appears on the shipping document, make a proof of classification available to the minister on reasonable notice given by the minister," the revised regulations state.

Classification of a flammable liquid is based on its flash point and its boiling point.

In January, the TSB and the U.S. National Transportation Safety Board issued strong recommendations to improve the safe transportation of crude oil by rail. "If North American railways are to carry more and more of these flammable liquids through our communities, it must be done safely," TSB chair Wendy Tadros said at the time.

It was recently reported that crude oil shipments are expected to increase to about 510,000 carloads in 2016 compared to 160,000 in 2013.

New federal rules are not the first moves made in the wake of Lac-Mégantic, simply the latest. These have included everything from a new obligation for those transporting or importing crude oil to have an emergency response assistance plan approved by Transport Canada in place

by September 20, 2014 to discussions about third-party liability insurance systems to prevent downloading liability costs to taxpayers, suspension of MMA's operating licence, criminal negligence charges against the defunct railway and three employees, and most recently, a move by the Quebec government to add its name to the list of MMA creditors, seeking \$409 million for related expenses to date and those expected in future.

An Ipsos Reid poll done for *CTV News* in January — a sample of 1,000 Canadians from Ipsos' Canadian online panel was interviewed online — shows that 54% disagree (17% strongly and 38% somewhat) that they are confident in the safety of transporting hazardous materials by rail in Canada.

As well, 61% say they think a series of rail accidents, including Lac-Mégantic, are symptomatic of a larger safety problem, and 90% want a formal government review of policies related to transporting crude by rail.

It is hoped that the new and planned requirements will produce the enhanced safety (and reassurance) sought. With the increase in crude shipments, it may not take much time to determine if the new rules are sufficient.

If not, communities along rail lines, companies looking to protect their reputations, insurance providers and government coffers should brace for what could be yet another devastating hit. ≡



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## Reinsurance

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### NEW APPROACH TO MITIGATING, PREPARING FOR FLOODS NEEDED: ZURICH

“There is a need for a radical rethink on the approach to mitigating and preparing for floods,” says Mike Kerner, chief executive office of general insurance at Zurich Insurance Group.

Kerner made the comments following Zurich’s release of two research papers as part of its global flood resilience program. One report, produced in collaboration with the Institute for Applied Systems Analysis and the Wharton School at the University of Pennsylvania, focuses on how mass urbanization and climate change may worsen the impact of floods.

In the past two decades, about 87% of aid funding went toward emergency response, reconstruction and rehabilitation, and 13% to reducing and managing risks.

“We need to focus more on pre-event mitigation, as opposed to focusing almost solely on recovery. Because we know that ‘after a flood’ is really just ‘before the next flood,’” Kerner argues.

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### DEEPWATER HORIZON VIDEO REVEALS CONCERN OVER PREVENTER EFFICACY

Investigators with the U.S. Chemical Safety Board (CSB) suggest the same conditions at the time of the Deepwater Horizon blowout — prompting the largest oil spill in United States history — could occur

at other drilling rigs, perhaps making existing blowout preventer designs less effective in emergency situations.

A drill pipe that buckled as a result of a mechanism known as “effective compression” caused the Deepwater Horizon’s blowout preventer to fail to seal the Macondo well following an explosion on the rig, suggests the CSB’s 11-minute narrated video computer animation.

The video shows the blowout preventer’s blind shear ram — an emergency hydraulic device with two sharp cutting blades meant to cut the drill pipe and seal the well — likely did activate. But because the drill pipe was buckled and off-center inside the blowout preventer, it was trapped and only partially cut.

Effective compression has never before been recognized as a problem affecting drill pipe during well operations. Investigators say the same conditions “could occur at other drilling rigs — even if a crew successfully shuts in a well.” This could make existing blowout preventer designs less effective in emergency situations.

## Canadian Market

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### ARTHUR J. GALLAGHER COMPLETES ACQUISITION OF NORAXIS

Arthur J. Gallagher completed its acquisition of Noraxis Capital Corporation in early July, in a deal the company

notes makes it a top five insurance broker in Canada.

“Bringing together Gallagher’s existing Canadian broking operations with those of Noraxis will create a strong platform and extensive regional spread for future national growth,” notes Arthur J. Gallagher.

“It also creates the opportunity to develop a high-end specialty business in Canada through the effective deployment of existing Gallagher strengths in energy, construction and mining, as well as wider London-based specialty expertise and capabilities.”

Noraxis is a full service brokerage operating across Alberta, Manitoba, New Brunswick, Nova Scotia and Ontario from 26 offices.

## Regulation

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### TOUGH MEASURES NEEDED TO FIGHT AUTO FRAUD: IBC

Insurance Bureau of Canada (IBC) has urged Ontario’s now-majority Liberal government to re-table Bill 171, the *Fighting Fraud and Reducing Automobile Insurance Rates Act*, which died on the order paper when the provincial election was recently called.

Bill 171 proposed allowing only licensed health care providers to be paid on auto claims directly by insurance carriers. The bill also had proposals to regulate towing and storage providers.

IBC president and chief executive officer Don Forgeron said during a recent speech that IBC plans this fall to

provide the industry with “greater detail” on recommendations to address auto claims fraud, distracted driving and educating consumers on auto coverage in Ontario.

“In the months ahead, we intend to support the government with actions that will address what consumers have told us they want in an auto insurance system,” such as lower premiums, Forgeron said. IBC will also be exploring “how to close down the many opportunities for fraud and abuse in the system.”

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### CODE SHOULD REQUIRE BACK-UP POWER FOR LONGER: ICE STORM PANEL

Ontario should consider building code changes to require all new and existing buildings to provide a means for back-up power for a longer period of time, and the City of Toronto should consider adjusting the 90-centimetre guideline for primary lines and the 30-centimetre guideline for secondary wires, suggests the panel reviewing the December 2013 ice storm.

Most of Toronto Hydro’s customers lost power after ice-laden tree branches fell on overhead power lines.

There were also reports of claims from falling branches damaging homes and vehicles, frozen water pipes, fire damage, fridge and freezer losses and living expenses.

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### GOVERNMENT APPROVES SGI RATE PROGRAM

The Saskatchewan government has given the green light to



a 3.4% overall increase to Saskatchewan Auto Fund vehicle rates, along with rate rebalancing, and a 1% hike to the capital amount on all rates.

Effective August 1, the 2014 rate program will bring 95% of vehicles to within 5% of the rate required for their vehicle group to break even, reports Saskatchewan Government Insurance (SGI).

As a result of rate rebalancing, 82% of vehicle owners in the province will get a rate increase, with an average annual hike of \$44; 17% will get a rate decrease, with an average annual reduction of \$12; and about 6,000 will see no change to premiums.

## Risks

### **ECONOMIC IMPACT OF CYBER CRIME ESTIMATED AT US\$445 BILLION**

Stopping cyber crime — the cost of which is being estimated at US\$445 billion worldwide — can positively impact world economies, argues a report from the Center for Strategic and International Studies (CSIS), sponsored by McAfee Inc.

Losses from cyber crime include those directly connected to the digital and electronic clean-up needed after an attack, notes McAfee.

Studies estimate the Internet economy generates \$2 trillion to \$3 trillion annually, a share of the global economy that is expected to grow rapidly. CSIS estimates cyber crime extracts between

15% and 20% of the value created by the Internet.

“The technology exists to keep financial information and intellectual property safe, and when we do so, we create opportunities for positive economic growth and job creation worldwide,” says Scott Montgomery, McAfee’s chief technology officer, public sector.

### **MORE THAN \$191 MILLION IN DISASTER ASSISTANCE SINCE ALBERTA FLOODS**

The Alberta government noted in June that it has provided more than \$191 million to date in disaster assistance to municipalities and First Nations to begin rebuilding following last year’s devastating flooding, the most expensive insured natural disaster ever in Canada.

The flooding affected more than 100,000 Albertans in 30 communities, including homeowners and businesses.

Payments of \$71.5 million have been issued to almost 10,500 Albertans who have applied for Disaster Recovery Program funding, including 1,500-plus small businesses, and 107 eligible homeowners living in the floodway who have expressed interest in the relocation program.

## Technology

### **ECONOMICAL OPTS NOT TO MOVE FORWARD WITH UBI RIGHT NOW**

Economical Mutual Insurance Company has no plans to move forward with

telematics and usage-based insurance (UBI) at this time.

Economical, which has closely studied and continues to monitor telematics and UBI, is ready to move, notes Karen Gavan, the company’s president and chief executive officer. That said, “we’re not pushing it forward at this time because we think the technology is changing so rapidly and its adoption is probably going to be driven by things much broader than the cost of insurance,” Gavan says.

“While telematics has the potential to change the insurance landscape and give consumers the power to change their behaviour, its real potential can be far greater than just managing your insurance rates,” she argues, citing businesses and municipalities that have adopted telematics technology to improve productivity.

## Claims

### **NEED FOR INSURERS TO “RETHINK” HOW THEY UNDERWRITE**

Canadian insurance carriers should “rethink” how they price coverage and what they cover in light of industry-wide insured losses from severe weather in recent years, Fabian Richenberger, president of Northbridge Insurance, has suggested.

Insured losses from severe weather were \$915 million in 2010, \$1.7 billion in 2011, \$1.2 billion in 2012 and \$3.2 billion in 2013, Richenberger said during an

event hosted by the Property Casualty Underwriters Club.

“It used to be we would have a billion-dollar loss every four or five years, and that’s how we would price our products,” he told attendees.

The implication of recent insured losses “is we have to rethink how we underwrite, how we price our business, what type of coverage we provide. At the same time, we have to make sure, as an industry, that we provide better incentives to our customers so that they install sump pumps, that they use hail resistance materials, things like that.”

With last year’s severe flooding, he said the combined ratios of Canadian property and casualty carriers was about 104%, when they should be in the 93% to 94% range, especially with low interest rates.

### **STATE FARM PAID OUT \$137 MILLION IN LIGHTNING CLAIMS IN 2013**

State Farm reports it paid out \$137 million in claims due to damage from lightning strikes in the United States and Canada last year.

In 2013, State Farm paid out \$800,000 for 110 lightning claims in Canada, with the average being \$7,000 per claim. Claims in Ontario reached \$650,327, \$95,009 in New Brunswick, and \$59,679 in Alberta.

Approximately 5,000 claims are estimated to be filed in Canada for lightning-related property damage (excluding fires) each year.

# Meaningful Adjustment

**Greg Meckbach**  
Associate Editor

Poised to become president of the Canadian Independent Adjusters' Association, David Porter's goal is to offer claims adjusters "meaningful skill development tools" quickly and easily.

David Porter, incoming president of the Canadian Independent Adjusters' Association (CIAA), wants to give claims adjusters opportunities to advance their skills and to reach a point where CIAA membership is viewed as essential to being the best adjuster possible.

A claims professional for 25 years, Porter contends one of the most important skills of his trade is the ability to let claimants know exactly what they should expect. "Probably the biggest thing you've got to do is manage people's expectations properly," suggests the vice president, western region for Granite Claims Solutions.

"You've got to work with people to let them know what they can and can't

expect, and then deliver that. To deliver that, you need the technical knowledge, you need to know where to find your answers," Porter emphasizes.

Currently CIAA's 1st vice president, Porter officially takes over from outgoing CIAA president Marie Gallagher, also with Granite Claims Solutions, at the association's annual general meeting and conference, scheduled for August 21-24 in Quebec City.

Porter, who has a law degree and has previously founded his own independent adjusting firm, says his overall vision for the coming year is to ensure that adjusters "value their membership" in CIAA "almost to the point where they think it is necessary to be a good adjuster."

## SERVE AND EDUCATE

Porter would also like to improve CIAA's services to members. "I want to centralize our membership offerings, make it a little more streamlined, make it so that our members get to meaningful courses and meaningful skill development tools faster and easier than they ever have," he says.

One of CIAA's mandates is to promote insurance education among members. Another CIAA mission is to explain to regulatory bodies — as well as to the insurance

industry and to the general public — "the ramifications of matters of direct interest to its members in their conduct of the adjustment business."

As part of that mandate, CIAA officials have been working for several years to make it easier for adjusters to work in multiple provinces.

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**"I would like to get to the point where people want to be a member of CIAA. Those who are not members — they will see the value in it."**

"We have done lots of work on it, but I don't look on it as the main priority," Porter says. "It would be much more effective if we developed our own program that created a standard of professionalism whereby adjusters, to maintain that particular CIAA designation, have to achieve 16 hours of continuing education, and it shows and proves that they are the most qualified of professionals."

Currently, each province and territory has its own licensing requirements for adjusters. In most jurisdictions, requirements for adjuster licences "focus on"

the claims professional series of courses offered by the Insurance Institute of Canada in its certified insurance professional (CIP) program, courses such as essentials of loss adjusting, advanced loss adjusting and practical issues in claims management.

In Ontario, note details on the Institute website, adjusters must complete five additional CIP courses (including property, auto and liability claims), while in British Columbia, there are three levels of adjuster licences.

Beyond the discrepancies among jurisdictions, companies often send adjusters out of province to handle claims arising from major catastrophes. In the June 2013 floods in southern Alberta, for example, Granite Claims sent its catastrophe response team, which included adjusters from B.C., Saskatchewan, Manitoba, Ontario and Quebec.

"When a large event occurs, regulators want to be able to get people in and help the consumer as quickly as possible," Porter says of adjusting firms. He acknowledges that companies can get "temporary licences pretty quickly" for adjusters working in provinces where they are not licensed — regulatory bodies, for the most part, are recognizing licensure from other bodies — but

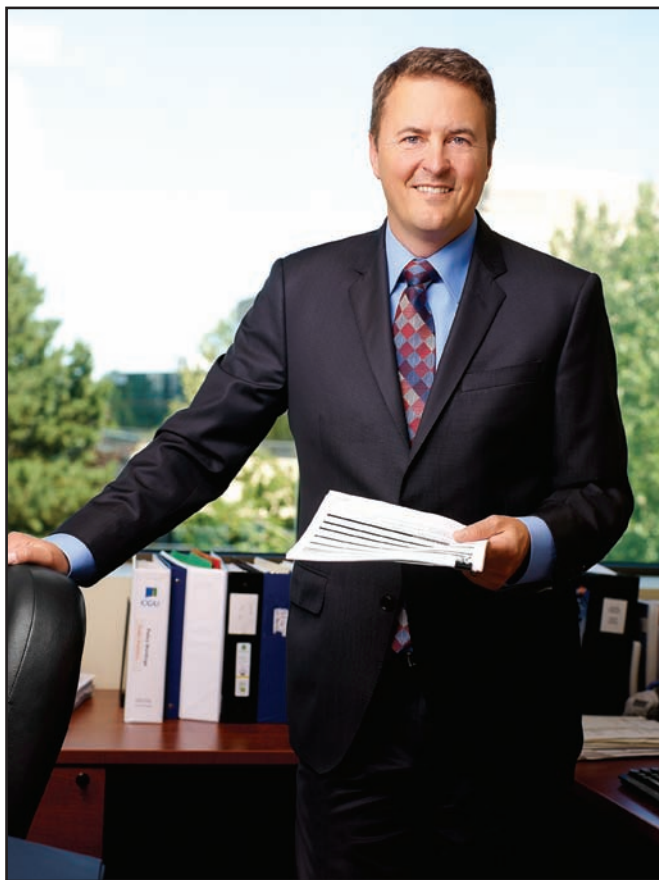


Photo: Tom Hawkins

the system is not perfect.

“For example, our guys, when they want to work in Alberta, they still have to have a full-fledged licence in Alberta,” Porter says. “It is a little bit cumbersome.”

Porter suggests he would like CIAA to develop a designation that “exceeds the highest regulatory standard” and could be accepted by all of the regulators.

“You would go into the regulators and say, ‘If I develop this program, will you recognize it for licensing purposes?’”

### STEP BY STEP

Porter, a former president of the Insurance Institute of B.C. (2001-2002), is from Vancouver originally. He began his insurance career in 1988 in the mailroom at Canadian Northern Shield Insurance Company, where he stayed until getting work as an adjuster at Lofting & Associates the next year.

“An opportunity came up to be a trainee, I took a stab at it, and I have enjoyed it.”

Porter then worked for Lindsey Morden Claim Services (now known as

Cunningham Lindsey) from 1994 until 1996, and then for Pritchard & Associates Ltd. another four years.

In 2000, he founded Advance Claims Service Ltd., which had nine offices in B.C. when it was acquired by Granite Claims in 2011.

With the acquisition, Porter was named to his current position. His specialty is liability claims — including construction, general and professional liability and marine losses — but he says the scope of his duties has expanded beyond adjusting.

“I am now involved more on the business development side,” Porter says. “I handle some large complex-type losses, I do a little bit of appraisal and I help out when claims go off the rails for whatever reason.”

Between the time that Advance Claims Service was founded and acquired, Porter attended law school full-time at the University of British Columbia from 2006 until 2010. “I thought at one time that maybe I would want to practice law. It’s another really enjoyable field and I wouldn’t rule that out in the future, either,” he says.

As CIAA president, though, Porter is hoping to give independent adjusters opportunities to advance their skills and get others to understand the true value of adjusters. Over the past 20

years, “we, as adjusters, have let our profession get watered down by some of the little splinter services that have popped up, such as contents evaluations, building and scope evaluations and simple business interruption calculations,” he suggests. And this watering down is another issue he hopes to help address.

“If I could achieve one thing, it is to enhance what adjusters do, enable them, give them opportunities to enhance their skills, so that they can be valued in the marketplace more than they are,” Porter says.

“My priority is to get those professionals who are not part of the association to recognize that to be a professional you have to belong to a professional association,” he says. “Our job is to make that professional organization something meaningful and something that actually serves and assists in their work. We need to be a viable body that engages our members and is of value to our members. We have to become stronger or it’s going to go away.”

And for those who like being a claims adjuster, “there is no better profession,” Porter contends. “It’s a job with a social aspect, where you are helping people, it taxes your brain and makes you think.” ■



# Evolution of Terror



**Max Aronchick**  
Assistant Vice  
President,  
Guy Carpenter



**Peter J. Askew**  
Managing Director,  
Guy Carpenter



**Syzan Talo**  
Senior Vice President,  
Treaty Broking,  
Guy Carpenter

Many new developments on the global terrorism stage have come to light in 2014. Understanding insurgent capabilities is a core driver of risk management when discussing both the evolving terrorism risk and (re)insurance market, and the protection of sovereign interests.

2014 is a transitional year for terrorism (re)insurance given the evolving landscape of global terrorism threats and, in the United States, lawmakers' contemplation of the future of the *Terrorism Risk Insurance and Program Reauthorization Act (TRIPRA)*.

The public-private partnership is scheduled to sunset on December 31, 2014, and consumers, (re)insurers, risk managers, creditors and the U.S. Department of the Treasury alike all must face the implications associated with a materially amended or non-renewed legislation.

This year has brought to light many new developments on the global terrorism stage. Conflicts

across the globe have eased access to munitions, created hotbeds of activity and muddled allegiances.

Concurrently, technical advancements have given terrorist organizations new mediums to promote their ideology, recruit new members and provide a megaphone for their violent dogma. Sophisticated cyber-attacks have also opened up a new avenue for warfare and eased the degree to which black-hats may circumvent Western governments' interdiction efforts.

Understanding insurgent capabilities — both foreign and domestic — is a core driver of risk management, both when discussing (re)insurance and the protection of sovereign interests.

In June, Guy Carpenter released its annual global terrorism report, which updates clients and re-insurance contemporaries on continuously shifting geopolitical landscapes, terrorism threats and capabilities, risk modelling solutions and the breadth of private market (re)insurance capacity.

## STATE OF AFFAIRS

Since the attacks of September 11, 2001, the threat from terrorism has undergone significant change. Heightened and more effective counter-terrorism activities in the following years have prevented repeat attacks on the scale of those carried out in New York and Washington D.C.





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In the last 18 months, there have been several events on an international scale: the crisis erupting in Mali following a jihadist uprising; the death of 29 foreign nationals at the Sonatrach oil facility in Algeria; explosions at the Boston Marathon causing in excess of 260 casualties; the murder of 67 civilians at the Westgate shopping center in Nairobi; and the murder of a British soldier outside of his barracks in London. This narrative clearly serves to underscore the jihadists' global reach.

Core players on the world stage include Core Al-Qaeda, Al-Aqaeda in the Arabian Peninsula (AQAP); Al-Shabaab; Syrian Jihadists such as Jabhat al-Nusra and the Islamic State in Iraq and the Levant (ISIL/ISIS); and non-Islamic terrorist groups such as Fuerzas Armadas Revolucionarias de Colombia (FARC).

## EVOLVING THREATS AND POTENTIAL FUTURE RISKS

The wars in Syria and Iraq are extremely complex, drawing on sectarian tensions that go back centuries. In Syria, this environment has seen extremist groups emerge as dominant forces among rebels, raising fears that the nation could become a hotbed for terrorist activity, akin to Afghanistan and Iraq.

The British government has already reported that more than 500 U.K. nationals have joined the fighting.

Similarly, the recent rise of the Islamic State in Iraq (ISIS) has given way to significant advancements in the destabilization of the U.S.-installed Iraqi regime, particularly in northern territories. This ongoing civil conflict shows not only the military prowess of "Al-Qaeda in Iraq," but for the first time threatens to cripple a sovereign identity and demarcate the nation along sectarian lines.

## TERRORISM IN THE REINSURANCE MARKET

Despite the recent spike in terrorist-related activity, expanded industry capital and the absence of a major terrorism loss for reinsurers have resulted in a softening terrorism reinsurance market in areas with lower perceived risk.

This is in tandem with the wider reinsurance market's environment of evolving capacity due to low catastrophe loss experiences, strong balance sheets and an influx of capital from alternative sources. Much of this alternative capital is being deployed in the U.S. property catastrophe market, prompting reinsurers to move some of their capacity away from pure natural perils exposures and into other product lines.

It should be noted, however, that this convergence capital has yet to become a major contributor to the U.S. terrorism reinsurance market.



Additionally, while global reinsurance rates have softened over the last 18 months, capacity constraints surrounding Tier 1 cities (New York, Chicago, Los Angeles, San Francisco and Washington, D.C.) and high-profile targets have led to a more demand-driven environment for terrorism pricing.

Terrorism, unlike many classes of business, clashes across product lines and requires a large capital allocation from the ultimate risk bearer.

Specific to the United States, talk around non-renewal of TRIPRA has sent ripples through the insurance and reinsurance marketplaces, respectively. Primary carriers have enacted a series of conditional *Terrorism Risk Insurance Act* (TRIA) exclu-

sion endorsements, short-term policies and, to a lesser extent, have shifted geographic profiles or non-renewed certain insureds.

The reinsurance market, however, has seen buyers become more aware of their terror exposures and attempt to take advantage of softening coverage conditions — albeit with varied results.

While original lawmaker sentiment was varied, and certainly a non-renewal of TRIPRA would leave the U.S. market illiquid, congressional support now leans in favour of program reauthorization. There is now a mixed array of potential outcomes at January 1, 2015.

At June 30, 2014, each legislative house has presented a bill to send to vote:

- Senate: *Terrorism Risk Insurance Program Reauthorization Act of 2014*; and
- House of Representatives: *TRIA Reform Act of 2014*.

To varying degrees, both bills seek to move U.S. Treasury outlays further away from loss.

In whatever shape the final act takes, insurance carriers writing primary property coverages and, to a greater extent, workers' compensation cover, will need to reassess their reinsurance needs.

Workers' compensation is regulated by state laws and precludes carriers from putting a policy limit on the coverage, or excluding any perils (including conventional or nuclear, biological, chemical and radiological, or NBCR, terrorism) on workplace injuries. As such, there is no theoretical maximum exposure for workers' compensation risks.

Facing ratings agency pressure, many companies have already taken action to improve data sets and refine aggregations with the overriding objective of reducing their probable maximum loss from large individual accumulations.

Guy Carpenter estimates the theoretical maximum limit available for multi-line, standalone terrorism reinsurance capacity is US\$2.5 billion per program when excluding NBCR and US\$1 billion per program inclusive of NBCR.

It is cautioned, however, that the aforementioned figures contemplate ample pricing and do not take into account

aggregate caps on geographic locations.

In central business districts, and for the accumulations surrounding certain high-value targets, these geographic caps can exponentially affect both the affordability and availability of cover as reinsurers look to place a floor on their total downside exposure.

### INTERNATIONAL IMPLICATIONS OF TRIPRA

Private market reinsurance capital has certainly grown over the last 24 months, but modelled loss estimates for workers' compensation and property terror events still pose a significant threat to industry solvency.

The legislative outcome on TRIPRA, therefore, will have international implications. If TRIPRA were to expire or materially reduce federal involvement, a ripple effect is expected to bleed over into the Canadian sector. Global or international companies that write in both markets will likely have to make tough choices about capital allocation.

If the holding group must shift more capital into the U.S. market to offset increasing exposures, then it is likely there would be a restriction of Canadian capacity, assuming no further surplus growth.

Similarly, Canadian companies with U.S. workers' compensation exposure may face a hardening rate environment as statutorily unlimited policies bear a greater net exposure to the carrier.

Conversely, if groups make a decision to pull out of the U.S., then it is possible that certain pockets of the Canadian arena would experience softening with an influx of new entrants seeking a flight to quality.

The issue is compounded by the absence of a national pool or back-stop program in Canada, leaving private (re)insurers with a fair degree of market uncertainty.

There are, however, recent legislative developments that seek to cement the *status quo*: specifically, British Columbia and Alberta enacted amendments to their respective *Insurance Acts* on July 1, 2012. The amendments address losses incurred by fire and explosion resulting from a terrorist attack, and allow for terrorism exclusions on commercial policies.

Simultaneously, the amendments provide a coverage write-back for commercial properties with residential occupancies. Strike, riot and civil commotion losses, however, remain excluded under such amendments.

Terrorism remains a threat on a global scale and the insurance industry plays an important role in protecting the fortunes of those who fall in harm's way.

The entire (re)insurance community should be working to raise the awareness and importance of available and affordable terrorism (re)insurance capacity to support economic growth in North America. Within the terrorism space this means finding cost-effective risk transfer solutions, understanding legislative impacts and managing the threat landscape. ≡



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# Multiple Engagement



**Jeff Purdy**  
Senior Vice  
President of  
International  
Operations,  
Applied Systems

As digital services evolve — and customer expectations increase — developing a clearly defined multi-channel customer engagement strategy will be critically important for brokers to continue to be viewed as trusted advisors.

Not long ago, customers considered brokers to be trusted advisors if they were simply knowledgeable about products and available during regular business hours. Today, this is not enough to meet customer expectations as the demand for digital service evolves.

Many insurance brokers are rethinking what it means to be a trusted advisor. With changing consumer expectations for on-demand service, brokers need to think about communicating with customers consistently and knowledgeably across multiple channels — and at all times.

At a recent Applied Systems user conference, an Insurance Brokers of Ontario presentation stressed the importance of proactive and versatile engagement with customers. The presentation included

results from the *Ontario Broker Performance Study*, as well as offered methods for brokers to take advantage of their traditional strengths by providing a personal connection to customers through a variety of channels. Most important, the research suggests that in order for brokers to communicate consistently and knowledgeably with customers across all potential channels, they must create a clearly defined multi-channel customer engagement strategy.

## **STRATEGIES FOR INSURANCE BROKERAGES**

Multi-channel engagement includes meeting the insured customer's demand for flexible and easy access to brokerage staff and information about his or her insurance information, as well as self-service transactional capabilities. Brokerages must interact with customers using multiple communication methods, including phone, mobile devices, highly functional websites and in person.

For prospective customers, multi-channel engagement requires brokerages to make the consumer's buying experience consistent, convenient and personalized at every stage of the process, and to offer continued service.

With increasing frequency, consumers start with the Internet to evaluate and purchase products, expecting to receive customer service online as Deloitte and Business Development Bank





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of Canada learned in an October 2013 survey on consumer behaviour trends online. The survey found 84% of respondents connect to the Internet or own an Internet-capable device. Forty-seven percent of those polled conduct broad online searches prior to purchase, and 42% consult customer review sites and search online to find the best place to buy.

One important implication of the survey is that a strong online presence is essential for brokerages to attract new customers and strengthen their role as trusted advisors.

### IMPORTANCE OF INTEGRATION

A multi-channel customer engagement approach works best if it is integrated into the overall business strategy. For brokers interested in making multi-channel customer engagement part of their strategies, here are some approaches to consider:

- *Decide on an overall information strategy.* Start by determining what information to make available to customers and the best ways it can be accessed.
- *Decide how to manage the information.* The next step is to develop a strategy for creating a central database that can capture and store information about customers and products. Managing all customer data centrally will ensure that there is a single digital file for each customer. A centrally managed database creates the foundation for communicating with customers with more comprehensive and accurate information. It also provides greater visibility into customer needs and opportunities to provide new insurance products and service.
- *Decide how to share the information.* Once a plan for managing customer information in a central database is set, determine how staff and customers will access this data. Creating easy-to-use processes for accessing and sharing data both internally and with customers across all mobile, online and traditional channels will position a brokerage to capitalize on the improved database of customer and product information.

- *Communicate consistently and conveniently.* After a brokerage determines the best communication channels for its customers, operational details are needed to create a plan for the ongoing push and pull of customer data between the central database and every channel of access. For many brokerages, the company website will become a primary service channel. As such, the website should be easy to use, interactive and rich with insurance product information. It should also include customers' access to their account information to create more opportunities for engagement. To effectively appeal to the new generation of younger insurance customers, brokerages will need to update websites, allowing mobile device users the same or a comparable experience to the traditional online experience.
- *Monitor and measure customer engagement.* Multi-channel customer engagement is like any other strategic business initiative; it requires continuous monitoring of the results. By measuring the effectiveness of a customer engagement strategy and continuously adapting it to the changing market, a brokerage can meet and exceed the wants and needs of customers and insurers alike. Developing and implementing a successful multi-channel customer engagement strategy is fundamental to advancing a broker's role as trusted advisor to customers. Both are critical for long-term success as the insurance marketplace evolves.

### BROKERAGES SEEING SUCCESS

As the Canadian insurance brokerage industry moves toward greater adoption of multi-channel customer engagement strategies, two companies, Manitoba Insurance Group, Ltd. (MIG Insurance) and McClelland Insurance Brokers, Ltd. each launched online customer portals earlier this year, both viewing the portal as the next logical step to meet their customers' expectations. Each company also saw the move as a way to establish marketing advantages over competitors,

including direct insurance companies.

McClelland Insurance Brokers and MIG Insurance offer an online portal — a new communication channel added to their existing customer communication methods using Applied CSR24 as the software application — as a way to be more responsive to customers and their increasing preference to access insurance information at any time using a wide range of communications channels. The MIG Insurance portal, the first of its kind in Manitoba, is initially being used for auto customers, while the McClelland Insurance Brokers portal serves its residential and commercial lines of business.

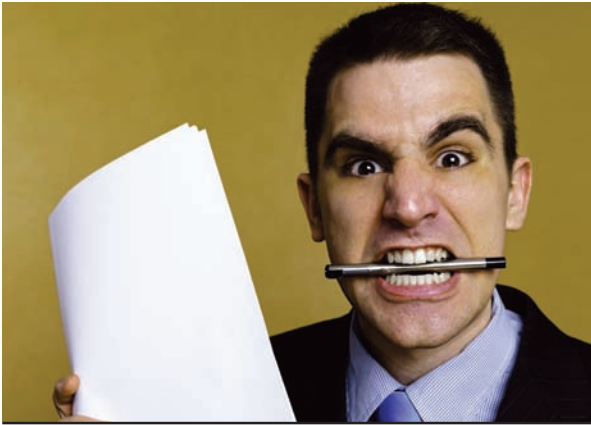
A few months after launching the portals, both MIG Insurance and McClelland Insurance Brokers began to receive positive client feedback and expect the service will help with attracting new customers and increasing retention rates.

In keeping with best practices for multi-channel customer engagement, MIG and McClelland have deployed an online portal alongside other digital marketing channels, including social media services such as Twitter and Facebook, as well as traditional service methods.

Both brokerages focus on their millennial generation customers, an important part of their multi-channel engagement strategy, and they are actively looking at new digital marketing capabilities to communicate with younger customers and prospects.

McClelland, in particular, reports seeing rapid growth in the use of mobile devices by its customers for business transactions. To meet this demand, a new company website has been designed to be a responsive to mobile devices for optimal viewing and interaction through tablets and smartphones.

Online portals are one tactic in an overall multi-channel customer engagement strategy, and as the aforementioned experiences indicate, can serve as a powerful way for insurance brokerages to strengthen relationships with customers and maintain their position as trusted advisors, as the industry becomes even more technology-driven. ☐



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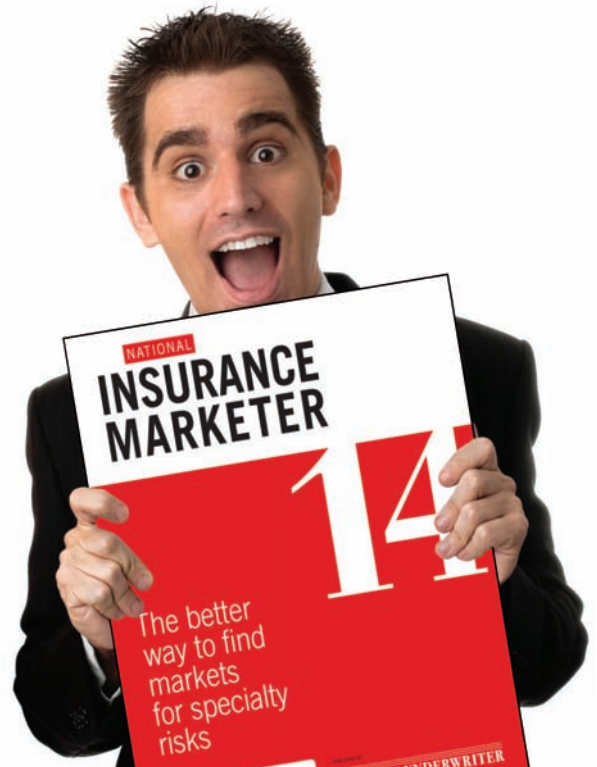
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# Plotting Strategy



**Steve Sigal**  
Vice President  
of Product  
Management,  
DMTI Spatial

With climate change making weather patterns less predictable and severe weather becoming more frequent, access to real-time flood information offers property and casualty insurers a way to conduct thorough risk analyses and determine long-term strategies.

The seasons may run on a fairly predictable schedule: winter shows up around the holidays and summer weather is expected from about May to September. The climate, however, is unpredictable.

To an extent, meteorologists can predict a hurricane, flood or tornado, but extreme weather events occur on their own calendar. As climate change continues to make weather patterns less predictable and severe weather events like floods become more frequent, the financial costs and

impacts have reached astronomical amounts for insurers. The Insurance Bureau of Canada (IBC) reports that the total loss from property claims in 2013 reached a massive \$3.2 billion, partly due to the substantial amounts of flooding that occurred in Canada.

Over the last year, Canada experienced its fair share of flooding: the early-spring flooding in Saskatchewan and Manitoba, the June 2013 flooding in southern Alberta, and the July 2013 flooding in and around Toronto. The flooding caused severe damage to cities, closed businesses for weeks, put people out of their homes, and tragically took Canadian lives.

The IBC lists the southern Alberta flooding as the most expensive natural disaster in Canadian history — with insured damages exceeding \$1.74 billion. Ontario's flooding was also record-impacting, resulting in \$940 million of property damage — the province's most costly natural disaster to date.

The country's recent history clearly demonstrates the financial and human impact that weather can have on property and casualty insurers, and clearly illustrates a paramount need for insurers to have Canadian-specific flood data.

Having access to accurate historical flood infor-



mation that is both timely and current will enable insurers to make more informed automated underwriting and rating decisions that take flood risk into consideration. Not only can flood risk to a specific policy be assessed, insurers can also calculate their current exposure within a flood zone to determine if they have the capacity to assume the additional risk.

Such real-time flood information also provides insurers with the ability to conduct a thorough accumulation risk analysis, which includes determining the overall flood risk exposure for their portfolios, the concentration of policies that can be affected by flooding, and the total insured value of all policies that could be impacted should any flood event occur.

#### **UNDERSTANDING FLOOD DATA**

Utilizing current flood data allows insurers to fully assess their books of business against the threat of flooding at a more granular level by enabling them to consider the various flood depths and flood zones that exist.

Information such as high-resolution flood data for all major catchments for a number of return periods (say, 1/20, 1/100, 1/200 and 1/1,500 year) and depth bands can provide insurers with an in-depth perspective and a precise representation of the direct impact on their overall portfolios in the event of major flooding.

#### **ADDRESS ACCURACY IS KEY**

An accurate address allows an insurer to conduct a precise assessment of its total flood exposure. All policies contain an address and an insurer requires high-precision geocoding that will depict an authentic representation of where that policy address is actually located.

Having the precise and true location of a policy address, in relation to a potential flood zone, its elevation and depth, will allow an insurer to determine if, in fact, there is a flood threat associated with that specific policy, and if so, the magnitude or severity that will occur if flooding were to take place.

As well, this precise address geocoding will help an insurer to accurately determine its true total accumulation of risk that exists within a certain area should a significant flooding event transpire.

By removing the “what if” from the equation, the idea is Canadian-specific mapping capabilities will allow for a



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**While it is important for insurers to incorporate flood information and data into their underwriting and rating processes, it is also valuable to be able to visualize the location of an individual policy or an entire portfolio in the context of flood zones on a map.**

more real and exact representation of all accumulated flood risk. And this offers a means for insurers to conduct highly detailed and accurate flood and overall portfolio accumulation risk analysis.

#### **REAL-TIME VALUE**

While it is important for insurers to incorporate flood information and data into their underwriting and rating processes, it is also valuable to be able to visualize

the location of an individual policy or an entire portfolio in the context of flood zones on a map.

If insurers are able to automate their processes and see their exposures through enhanced mapping tools that depict flooding against their portfolios, it essentially helps answer certain questions: Does this policy land in a flood zone? How many policies are already within a determined flood zone? Should the insurer take on any more policies in this area? Is the current premium calculation sufficient to cover potential risk?

The answers to all of these questions are imperative when an insurer is trying to accurately calculate its total flood risk exposure.

The real challenge for insurers is to pinpoint the precise location of a specific policy and to know exactly where it is in relation to an accurate, historical flood zone, elevation and water depth. Incorrectly assigning the property location could have huge repercussions.

Also, it is important that an insurer knows where each policy is in relation to another in the context of flooding and other situations. For example, it might be fine to have a total accumulation of \$10 million within a given geographic boundary, but if an accurate location is not noted, the insurer may think it has only \$9 million when, in fact, it is an accumulation of \$12 million.

If insurers have access to tools that can provide them with the ability to visualize flood data against their portfolios or their books of business in real time, that capability can also help in other key areas of their businesses, everything from marketing to driving flood awareness and education to their customers, setting appropriate premium amounts to cover potential risk and strategically developing and executing tactics that could help drive new revenue and business opportunities.

Flooding is a major issue and while there is no predictor of where flooding will occur, the frequency continues to rise. Having access to historical data and leveraging high-precision location is key to minimizing risk and impact. ≡

# Caught in the VORTEX



Two separate tornadoes that touched down in southern Ontario this June are not expected to trigger reinsurance. And although the “jury is still out” on whether or not twisters are becoming more intense, the economic losses from convective storms are clearly on the rise.

**Greg Meckbach**  
Associate Editor

Property damage was being reported following the June tornadoes that hit the southern Ontario communities of Angus and Tottenham. But industry experts say the damage from those tornadoes, in particular, and tornadoes in Canada, in general, are not expected to prompt significant losses for reinsurers here.

On June 24, a tornado with winds measuring more than 135 kilometres per hour — reported to measure 1 on the Enhanced Fujita (EF) scale — touched down in Tottenham, northwest of Toronto. Just one week earlier, the community of Angus about 35 kilometres away was the site of a stronger tornado, reported to be an EF2, meaning with wind speeds measuring between 180 and 220 km/h.

The EF scale, now used by Environment Canada to measure the strength of tornadoes, has six ratings. For example, an EF0 tornado has wind speeds of 90 km/h to 130 km/h; an EF1 has wind speeds of 135 km/h to 175 km/h; an EF2 has wind speeds of 180 km/h to 220 km/h; an EF3 has wind speeds of 225 km/h to 265 km/h; an EF4 has wind speeds of 270 km/h to 310 km/h; and an EF5 has wind speeds of 315 km/h or more.

“I think at the end of the day, Angus won’t be a huge dollar loss” to insurers, predicts Glenn McGillivray, managing director of the Institute for Catastrophic Loss Reduction (ICLR). “It’s a significant event, but it’s not going to be huge from an industry perspective.”

The June 17 system prompted about 100 claims for Aviva Canada policyholders in central Ontario, reports Wayne Ross, vice president of national auto, property and specialty claims for the insurer. Two policyholders in Angus had “significant damage” to their homes, Ross says.

Most claims reported to Aviva from the Angus event involved shingles blowing off roofs, damaged fences or items in backyards being tossed around, Ross says. Other losses included living expenses for homes requiring repair or reconstruction, he adds.

The Angus tornado “will not have any reinsurance impact,” for Aviva, Ross expects, noting that “that will all be net” for the insurer. Aviva does not publicize its reinsurance treaty limits, but they are “very large,” says Ross.

“I suspect, unless it’s a small mutual company, that most of the companies will be paying this



out on a net basis and not involving re-insurance,” Ross predicts. “Tornadoes are not a substantial risk (to reinsurers) in Canada.”

### TORNADO RISK IN CANADA

Environment Canada records about 90 tornadoes a year in Canada, with an average of 43 annually occurring in the Prairies and an average of 17 annually touching down in Ontario and Quebec. McGillivray reports that the “vast majority” of tornadoes are EF3 (225 km/h to 265 km/h) or weaker.

The deadliest tornado to date in Canada was an F4 twister that hit Regina in June 1912, notes information from Environment Canada. A map on the federal department’s website plots all known tornadoes in the country from 1980 through 2009 (during which time the original Fujita, or F, scale was used).

Over the almost three decades plotted, there were three F4s (330 km/h to 410 km/h), 24 F3s (250 km/h to 320 km/h), 119 F2s (180 km/h to 240 km/h), 478 F1s (120 km/h to 170 km/h) and 1,217 F0s (60 km/h to 110 km/h). Only one F5 — which touched down near Elie, Manitoba in 2007 — has ever been recorded in Canada.

“There is no connection that anybody can draw right now between climate change and tornado frequency, but we can, anecdotally, draw a connection between greater development and tornado activity,” says McGillivray. As for whether or not tornadoes are becoming more intense, the “jury is out,” he says.

Although “there is no scientific evidence that there is increasing frequency of tornadoes,” inflation-adjusted economic losses in Canada from convective storms (which include thunderstorms, tornados and hail) have “roughly doubled” from 1980 to 2013, reports Till Heydl, vice president of client management and marketing for Munich Reinsurance Company of Canada.

Attributing this, in part, to the increase in population, Heydl says that homes and properties are “much more valuable” than they were 30 to 40 years ago,

and Canadians possess more cars and other valuables now than they did then. “That boosts the economic losses from these storms,” he explains.

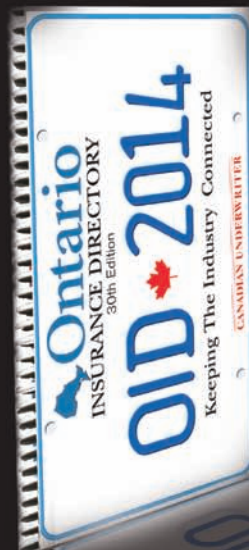
“Most of them go undetected because they don’t hit anything,” Steve Smith, chief executive officer of Farm Mutual Reinsurance Plan Inc., says of tornadoes. “They hit maybe one barn or one house, or they don’t fully touch down and they

don’t cause much in the way of damage,” Smith points out.

Sometimes, though, losses from tornadoes in Canada exceed primary insurer’s retentions, triggering excess of loss treaties, Ross says. For example, damage to a factory during the devastating tornado in Barrie, Ontario on May 31, 1985 triggered Aviva’s excess of loss treaty.

ICLR reports that 12 people died that

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day from storms in central Ontario, while property losses “probably exceeded” \$100 million.

Peter McCutcheon, Munich Re Canada’s senior vice president and chief underwriting officer, says that the Barrie tornado “would have been a significant event for the industry at that time.” In general, though, McCutcheon characterizes the amount of reinsurance losses from tornadoes in Canada as “troublesome, but not significant.”

#### LOCALIZED IMPACT

Tornado is “not specifically identified” in reinsurance treaties, but is generally covered under wind, notes Smith. Tornadoes in Canada “tend to be considered more in terms of severity to a more localized area than a frequency,” he says.

In general, Smith points out that insurers’ retentions tend to be \$1 million to \$5 million per risk, although smaller mutual companies tend to retain about \$300,000 per risk.

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**Although “there is no scientific evidence that there is increasing frequency of tornadoes,” inflation-adjusted economic losses in Canada from convective storms (which include thunderstorms, tornados and hail) have “roughly doubled” from 1980 to 2013.**

“Each company would assess their own risk appetite on their own merit,” he says, adding that primary insurers’ catastrophe retentions, in general, tend to be about three to four times their retentions for individual risks.

A catastrophe treaty would kick in when a primary insurer has multiple

risks affected by the same event, Smith explains. Ross adds that “if you have a catastrophe reinsurance treaty, it will look at the same weather pattern as one event.”

Losses from tornadoes could arise from damage to roofs, facades, cladding or windows, Hannover Re notes in an e-mail response. “Recently, there have not been any significant tornado losses for Hannover Re despite significant losses on the primary insurance side,” the reinsurer reports.

Tornado risk is normally covered under windstorm and it is “not typical that they would be named specifically as an exclusion or a covered peril,” says Tanya Page, manager of compliance, audit and performance at Western Financial Group. “It is best to check with your broker because policies can vary quite a bit,” Page advises.

Tornadoes can cause losses under different coverages, she points out. Commercial policyholders could potentially have damage to structure and commercial vehicles, loss of contents and busi-

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ness interruption, Page notes, while personal lines losses could include damage to the building. It could also potentially include contents and additional living expenses if the policyholder is unable to occupy the affected residence.

“Contents would be covered as well, if it was directly linked to tornado or wind damage, so if the tornado causes an aperture in the building that lets rain in or something like that, those contents would be covered,” she adds.

“Residential buildings are mainly affected by tornadoes due to their construction type, which is mainly wood frame construction,” notes Hannover Re. “Commercial, industrial risks or big apartment buildings are usually designed to withstand tornadoes. However, in cases of very strong tornadoes, even such buildings can be affected.”

Mobile homes, school portables, construction equipment, solar panels and wind turbines “are heavily exposed to the tornado risk,” the reinsurer reports.

## PREVENTIVE MEASURES

McCutcheon says there is no general rule of thumb that an insurer could use to predict losses from a tornado of a particular strength.

McGillivray would likely agree. “We don’t have a lot of experience where we are able to say, ‘This type of storm is going to generate this type of loss,’” he says.

Still, ICLR takes the position that tornado losses can be reduced through the use of hurricane straps, or metal bands that wrap around trusses and connect to walls.

Those straps cost about \$1 each “and can largely eliminate the risk of roof failures from an EF2 tornado,” Greg Kopp, an engineering professor at Western University, notes in a recent press release issued by ICLR.

Homes can better withstand tornadoes if builders use “longer nails in roof sheathing, like 2.5-inch, rather than the code minimum two-inch nails, placed

every six inches apart rather than every 12 inches,” reports Kopp, who is also research director of Western’s Boundary Layer Wind Tunnel in London, Ontario, where his areas of expertise include the effect of wind on low-rise buildings.

McGillivray and Smith suggest it is rare for a tornado to touch down in a built-up area, but Smith notes there certainly have been exceptions. Some of these include the Ontario examples of Oxford County in 1979, Barrie in 1985, Leamington in 2010 and Goderich in 2011.

Property Claims Services pegged losses from the Leamington and Goderich events at \$120 million and \$75 million, respectively.

“At the time, (the Oxford County event) was one of the more severe ones that happened up until that point,” Smith says of the three tornadoes that touched down in and around Woodstock in 1979. It “basically obliterated” the community of Oxford Centre, about 10 kilometres southeast of downtown Woodstock, he reports. ≡

# Restoration Industry

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# Building Obstacles?



**Belinda Bain**

Partner,  
Gowlings

What are the obstacles to production of a plaintiff's Facebook content in the wake of the 2009 Ontario ruling, *Leduc v. Roman*? Are Ontario courts now too hesitant to make findings of relevance following the 2010 amendments to Rule 30, which addresses discovery of documents, under the *Rules of Civil Procedure*?

The widespread use of online social networking tools has resulted in a potential gold mine of favourable evidence for defendants in personal injury cases. A plaintiff's Facebook account, in particular, may contain a great deal of evidence relevant to the plaintiff's claim for loss of enjoyment of life and the true extent of the plaintiff's damages.

Under Rule 30.02 of the *Rules of Civil Procedure*, a plaintiff is obliged to produce all documents relevant to his or her claim, which Ontario courts have found to include photographs and information posted to the plaintiff's Facebook account.

If a failure to comply with this production obligation is suspected, a defendant may bring a motion pursuant to Rule 30.06 requesting an order for production of the content of the plaintiff's Facebook account.

The burden rests on the defendant on such motions to demonstrate that potentially relevant undisclosed documents likely exist on the ac-

count. In circumstances in which the plaintiff's Facebook account is entirely private or offers only limited public content, this may present a significant obstacle to the motion, as there may be limited evidence available to establish the likely existence of relevant undisclosed documents.

## **BALANCING OF PRIVACY CONSIDERATIONS**

The case law dealing with production of Facebook content must balance a defendant's interest in production of information relevant to the litigation against a plaintiff's privacy interests. Courts have noted that a plaintiff's right to privacy is not absolute, and have attempted to set parameters on reasonable expectations concerning privacy of Facebook content.

In this regard, the number of "friends" with access to the plaintiff's private Facebook account will be taken into account by the court on a production motion. In the 2007 case, *Murphy v. Perger*, the fact that the plaintiff allowed 366 "friends"



**Julia Vizzaccaro**

Student at Law,  
Gowlings



to have access to her private content led Justice Helen Rady of Ontario's Superior Court of Justice to conclude the plaintiff did not hold a serious expectation of privacy, and to order production of her entire Facebook account to the defence.

Accordingly, if the plaintiff has what is considered by the court to be a significant number of "friends," it appears that privacy concerns alone would be unlikely to prevent the production of his or her Facebook profile.

The most often-cited case on the issue of the production of a plaintiff's Facebook account is the 2009 case, *Leduc v. Roman*, also by Ontario's superior court.

In that case, John Leduc and Janice Roman were involved in a motor vehicle accident in Lindsay, Ontario. Leduc claimed he suffered a loss of enjoyment of life as a result of injuries caused by Roman's negligent driving. At his examination for discovery, the defence failed to question Leduc about the existence of a Facebook account or its contents.

Defence counsel subsequently discovered that Leduc kept a Facebook account, but the only publicly available information on it was his name and a profile picture. The defence moved for several production-related orders, including the preservation of all information contained in Leduc's Facebook account, production of all account information not publicly available, and the production of a supplementary affidavit of documents.

The defendant's motion for production was denied by Master Ronald Dash. Master Dash found the defendant had not met the evidentiary burden in the motion because (i) the defendant had only speculated as to the likely existence of relevant information on the plaintiff's Facebook account and (ii) the plaintiff's profile picture was "neither relevant nor indicative of what may be on the site." The defence appealed.

On appeal, Justice David Brown found that Master Dash had erred in two respects, namely failing to apply the principle from *Murphy v. Perger* that a court can infer from the nature of the Facebook service the likely existence of relevant

documents on a limited-access Facebook profile, and dismissing the request to produce without allowing the defendant the opportunity to cross-examine Leduc on his supplementary affidavit of documents regarding his Facebook account's content. No production order was made, but the defendant was granted leave to cross-examine Leduc on his supplementary affidavit of documents.

A number of important principles arise from *Leduc*, including the following:

- A party who maintains a private or limited-access Facebook account "stands in no different position than one who sets up a publicly available profile" and, therefore, is obliged to identify and produce any relevant postings on Facebook. This positive obligation includes any posts demonstrating activi-

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ties and enjoyment of life, “even if it is contrary to his interests” in the action.

- A Rule 30.06 motion requires evidence, not mere speculation, that potentially relevant undisclosed documents exist. However, “the level of proof required by the court should take into account the fact that one party has access to the documents and the other does not.”
- Evidence in support of a production order may include answers to questions at examination for discovery revealing that a party’s Facebook account may contain content related to issues in the matter.
- While “mere proof of the existence of a Facebook profile does not entitle a party to gain access to all material placed on the site,” the court may infer the likely existence of relevant documents on the limited-access portion of a profile from the plaintiff’s publicly available Facebook content, and the nature of the Facebook service itself.

## COURT RESPONSE POST-LEDUC

Amendments to the *Rules of Civil Procedure* in 2010 required the application of the stricter “relevance” test on production motions, rather than the previous “semblance of relevance” test applied in *Leduc*.

The amendments did not present an obstacle to production of Facebook content in the 2010 case of *Fragione v. Van-Dongen*, arising out of injuries sustained by the plaintiff in two motor vehicle accidents. The court in *Fragione* made a finding, based on the publicly available photographs and information on the plaintiff’s Facebook account, that the privately accessed portion of his Facebook account likely contained similar, relevant documents.

The court further found the plaintiff’s argument that he had an expectation of privacy in connection with the information on his privately accessed account, which was available to approximately 200 “friends,” to be a “preposterous assertion,” and stated there would be little or no invasion of the plaintiff’s privacy if the plaintiff was ordered to produce all portions of his Facebook site.

Accordingly, the court ordered the plaintiff to preserve and produce all material on his account, including any postings, correspondence and photographs up to and including the date of the order.

In two more recent cases, *Stewart v. Kempster* from 2012 and *Garacci v. Ross* from 2013, the defence brought Rule 30.06 motions for orders that the plaintiff produce all relevant content on the private portions of the plaintiff’s Facebook accounts.

In *Stewart*, the evidence adduced by the defence in support of the motion included answers to questions at examination for discovery indicating that the plaintiff’s Facebook account might contain post-injury photographs from a vacation to Mexico.

In *Garacci*, the defence relied on publicly available photographs on the plaintiff’s Facebook profile showing the plaintiff climbing a tree and wrestling a friend to the ground, after sustaining the injuries giving rise to the claim.

In each case, in opposing the motion, the plaintiffs provided not only affidavit evidence indicating a review of the content of the plaintiff’s Facebook profile revealed no content relevant to the matter, but also the private photographs themselves in a sealed envelope, handed up to the court.

Upon reviewing the evidence before them, the courts in each case were not persuaded that any relevant documents from the plaintiff’s Facebook account had been omitted from the plaintiffs’ affidavits of documents and, thus, the motions were dismissed.

Importantly, the court in *Stewart* characterized a Rule 30.06 motion as being driven “by the evidence, and the inferences to be drawn, or not, from the evidence” and, thus, considered reference to other authorities (including *Leduc*) in coming to a decision unnecessary. The court also adopted this approach in *Garacci*.

The shift away from use of the *Leduc* principles may be the result of the fact that the evidence provided by the plaintiffs in *Stewart* and *Garacci* afforded the court an opportunity to actually review

the material sought by the defendants in order to determine whether it was, in fact, relevant to the litigation.

## RELEVANCE OF FACEBOOK CONTENT IN PERSONAL INJURY CASES

In a personal injury action, a plaintiff seeks, among other damages, general damages, for pain and suffering, and for the loss of the plaintiff’s enjoyment of life. Given this, the court’s findings in both *Stewart* and *Garacci* that the photographs in question were not relevant to the litigation is surprising.

In particular, in *Stewart*, the court found that only photographs or content on a plaintiff’s Facebook profile depicting “significant physical activity” — such as rock climbing or water-skiing — could be considered relevant to demonstrating the extent of the plaintiff’s physical limitations. Astoundingly, the court found photographs of the plaintiff on vacation in Mexico of no relevance to the issue of whether or not the plaintiff had sustained a loss of enjoyment of life.

In *Stewart*, the court went so far as to note the following: “An injured person and a perfectly healthy person are equally capable of sitting by a pool in Mexico with a pina colada in hand. A photograph of such an activity has no probative value.”

With respect, an individual’s ability to travel and enjoy oneself is surely relevant to the degree of that individual’s loss of enjoyment of life. Of concern is that the courts, in reaction to the 2010 narrowing of the relevance test under Rule 30.06, are now going too far in restricting production of what, on a straightforward analysis, is information clearly of relevance to the litigation.

While courts must, of course, balance to some extent the plaintiff’s privacy interests, the plaintiff’s expectations in this regard must be reasonable. After all, it is the plaintiff who puts his or her enjoyment of life at issue by suing the defendant for personal injury damages.

A more careful consideration of what is “relevant” under the amended rules must be applied on motions for production of Facebook content. ≡



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# Priced to Sell

In times of change, it is best to be ready to respond to whatever form that change may take. For reinsurers, ever-present developments and ever-increasing competition could mean rethinking the approaches they take in the wake of stubborn downward pressure on pricing.

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ANGELA STELMAKOWICH







**I**n the reinsurance marketplace today, there is no denying that competition is stiff. Whether that competition is coming from traditional or new players, linked to catastrophic events or the continuing low-interest environment, reinsurers are recognizing the need to consider adjustments while holding firm to principles and approaches that have worked in the past.

Existing market conditions continue to apply downward pressure on pricing. Some suggest that the reinsurance market is, in fact, at or near the bottom of the pricing cycle. Absent (or perhaps even with) the next big Cat or interest rate hike, it appears as though this downward pressure will remain until changed by demand.

That said, competitors are joining the Canadian reinsurance party, even with a declining premium pool. This makes the market an attractive one for buyers of reinsurance, but also emphasizes the importance of maintaining, if not strengthening, existing relationships by creatively engaging with clients.

Existing conditions may also demand that reinsurers consider new ways of deploying their capacity and diversifying their portfolios.

## PRICE ADJUSTER

On a global scale, reinsurance pricing is certainly under pressure. “The tentacles of the softening market are spreading far and wide, with no immediate signs of relief,” John Cavanagh, chief executive officer of Willis Re, said in a statement July 1 as the reinsurance broker issued its *1stView Renewals Report*.

“We’ve seen muted demand throughout 2014 and market dynamics are unlikely to change for some time to come,” Cavanagh suggested.

“It is clear that the pace of the pricing decline observed in 2013 has not relented,” Lara Mowery, global head of property specialty at Guy Carpenter, noted following the release of the company’s June 2014 renewal briefing.

Here at home, “the domestic reinsurance marketplace continues to see strong pricing competition which has provided mid-year renewal pricing terms in some circumstances at or below program ‘burn’ rates,” reports Eric Steen, executive vice president, reinsurance for JLT Towers Re.

“While we are almost certainly at or near the bottom of the pricing cycle,” suggests Matt Wolfe, senior vice president and managing director of Beach and Associates, “reinsurers will still walk away from business that fundamentally doesn’t make sense,” Wolfe says.

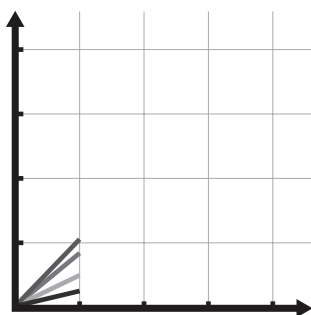
“Abundant Cat capacity, in any format (traditional or non-traditional), will create more competition among reinsurers, especially if it coincides with low loss experience locally,” explains Joseph El-Sayegh, senior vice president of property and casualty, Canada for SCOR Canada Reinsurance Company.

“Cat capacity is abundant in the global market due to well-capitalized companies that benefited from a benign Cat year in 2013, while the Canadian market is buying less due to the measures that each company have put in place to control their Cat accumulations. This drove the prices to drop or, at best, remain unchanged,” El-Sayegh reports.

“The only exception was the treaties affected by Cat losses in 2013, mainly due to Alberta and Toronto floods.

These events provided some price ‘correction’ rather than price ‘improvement,’” he adds.

In an article in *Canadian Underwriter* this March, Rohan Dixon, chief broking officer for Aon Risk Solutions, wrote that while losses from 2013 events — such as the flooding in Alberta and around Toronto — were severe, it is important for Canadians to know that primary insurers and reinsurers have been able



**“New entrants to the Canadian reinsurance market are attempting to gain their share of the business, and this added supply of capacity can only be viewed as further pressure on those longer-standing markets to reduce program-quoted renewal terms year over year,” says JLT Towers Re’s Eric Steen.**

to absorb these losses, leaving available capacity relatively unchanged and the Canadian insurance marketplace comparatively unaltered. The insurance market would need to see a prolonged trend of large non-catastrophe losses and a decline in the availability of surplus capital to shift to a hard market environment, Dixon noted.

## COMPETITIVE ENVIRONMENT

“New entrants to the Canadian reinsurance market are attempting to gain their share of the business, and this added supply of capacity can only be viewed as further pressure on those longer-standing markets to reduce program-quoted renewal terms year over year,” says Steen.

Wolfe points out that “the reinsurance market is competitive, and is expected to remain so due to a decline in ceded reinsurance premium volumes in the last decade. The ceded reinsurance premium volume reported to the Reinsurance Research Council (RRC) was \$2.7 billion in 2004; in 2013 it was less than \$2.2 billion.”

In spite of a declining premium pool, he says that new reinsurers have continued to enter the Canadian reinsurance market in recent years. “The increasing supply and diminishing demand means that this market will remain an attractive one for buyers of reinsurance,” he adds.

“Continued benign loss activity throughout the first half of 2014 has compounded the softening market,” Willis Re noted after the release of its *1st View Renewals Report*. “Inflows from capital markets have continued to add to the excess supply of capital, although much of the competition has also been driven by the traditional reinsurance markets,” Willis Re observed.

This looks to be good news for buyers, who are “reaping the savings offered by the market and are not generally seeking to recycle the saved premium spend back in to increased reinsurance purchase,” the company adds.

## CAT IMPACT

“If the supply of capacities remain abundant, the expectations are to see some pressure on rates, in the absence of severe Cat events,” El-Sayegh says.

But the payback on the 2013 Cat losses “will not happen over one year, and the expectations are that reinsurers will continue accounting for these losses in their pricing,” he explains.





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Says Wolfe, “If 2014 is a relatively quiet catastrophe year, both within Canada and globally, there is no reason to expect the reinsurance marketplace to change materially.”

Globally, Steen notes, reinsurers stocks have performed very well with strong return on equity (ROE) and earnings over the past year or so.

In April, Aon Benfield released the 2013 financial results of its aggregate of 31 reinsurers. The information notes a 3.4-point drop in the catastrophe loss ratio and a 46% increase in underwriting profit. The combined ratio for the (Aon Benfield Aggregate) was 89.6% in 2013, down from 92.4% in 2012, while the catastrophe loss ratio was 4.7% in 2013, down from 8.1% in 2012.

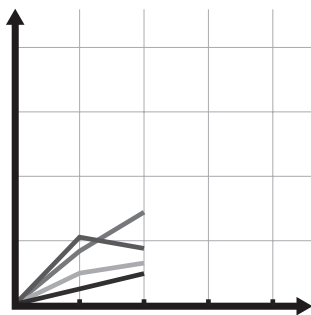
How long is the strong ROE and earnings for reinsurers expected to last?

“The local and global reinsurance landscape will continue to be competitive until an event (nat-Cat or otherwise) is presented with a \$50 billion to \$75 billion or greater loss amount, Steen suggests. “Even then, recent past occurrences (Hurricane Sandy) had a very modest financial impact with available capacity continuing to be generous,” he notes.

“The current market position is increasingly challenging for reinsurers,” Willis Re’s John Cavanagh suggested in early July. “Below-average loss ratios in the first half of 2014 and reasonably adequate reserving positions mean that, barring any major underwriting or investment losses in the coming months, we will see another year of reasonable returns. This places further pressure on rating levels for 2015,” he continues.

Aon Benfield’s 2013 *Insurance Risk Study* highlights that for the past 10 accident years, the Canadian property and casualty market has achieved a 98% combined ratio with insurers between the 25th and 75th percentile reporting a combined ratio of 92% to 103%, Dixon noted in the recent *Canadian Underwriter* article. With investment returns strained by low interest rates, insurers must look to improve their financial results by increasing their underwriting profit,

either by writing more policyholder risks, or by tightening underwriting guidelines (thereby reducing claims losses) or both, he pointed out.



**“If the supply of capacities remain abundant, the expectations are to see some pressure on rates, in the absence of severe Cat events,” says Joseph El-Sayegh of SCOR Canada Reinsurance Company. But the payback on the 2013 Cat losses “will not happen over one year, and the expectations are that reinsurers will continue accounting for these losses in their pricing.”**

#### **IMPACT OF ILS**

Willis Re suggests in the *1stView Renewals Report* that as major ratings agencies have moved their outlook on the global reinsurance sector to negative in recent months, the focus has been on “the role of the insurance-linked securities (ILS) markets in driving down pricing in the high-margin U.S. catastrophe market, which has produced the lion’s share of reinsurers’ overall returns in recent

years.” As well, Willis Re notes, “the emergence of ILS capacity in other non-catastrophe lines of business has been highlighted by ratings agencies as an area of concern.”

Guy Carpenter’s 2014 mid-year analysis, which was released in early July, highlights the continued growth of the catastrophe bond market. It points out that new bond issuance had reached US\$5.7 billion by mid-year, with the total risk capital outstanding now sitting at all-time high of US\$20.8 billion (excluding private placements).

“In the absence of severe catastrophic events, Aon Benfield Securities forecasts that 2014 will be another positive year for the Aon Benfield ILS Indices, as the market broadens the spectrum of available risks and expands coverage to also encompass the lower layers of sponsors’ reinsurance programs,” states *Insurance-Linked Securities First Quarter 2014 Update*, released this April.

Guy Carpenter points out in its June 2014 renewal briefing that investor demand for ILS continues to be robust, with capacity emanating from alternative markets now accounting for roughly US\$50 billion or 15% of global property catastrophe reinsurance limit.

“As catastrophe bond pricing continues to fall, reinsurers are continuing to find ways to compete. New product offerings are abundant, as flexibility and tailored coverage are becoming trademarks of this rapidly evolving market,” Guy Carpenter’s Lara Mowery noted in a statement at the time.

In the first half of 2014, Aon Benfield Securities notes in a quarterly update report in early July, the ILS market saw issuance of US\$5.9 billion, surpassing the first half of 2013, which saw US\$4.0 billion in issuance.

“After a strong 2013, the ILS market has managed to increase its momentum through the first and second quarters of this year, with new records being set for issuance volumes and more catastrophe bonds on-risk than at any other time in the market’s history,” Paul Schultz, chief executive officer of Aon Benfield Securities, says in a statement.





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“We believe that there are still further opportunities for expansion, especially if the sector continues to innovate in terms of its product offerings,” Schultz adds.

“Reinsurers will need to continue to look for new ways of deploying their capacity as Cat bonds and related ILS contracts are slowly emerging as an alternative, in some isolated situations,” Steen suggests.

El-Sayegh comments that “the emerging market conditions (e.g. alternative capital) could be interesting to a limited number of insurers in Canada and the traditional reinsurers are adapting their product offering to this reality, hence protecting their market share.”

### **MOVE TO DIVERSIFY**

Traditional reinsurers must remain relevant and be mindful of areas into which they are looking to diversify in the face of increased competition from the influx of capital markets capacity, Willis Re president Paddy Jago cautioned in a video blog on WillisWire in March.

Those traditional property catastrophe reinsurers that are responding to increased competition from the influx of capital markets capacity by diversifying into other lines of business should proceed with caution, Jago recommended.

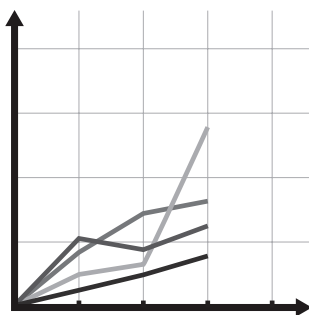
“What concerns me is that you’ll have markets going into areas where they have no idea what they’re doing,” he said. “But if they don’t understand what they’re doing, they could end up exacerbating their problems, and instead of growing their top line — which is the reason they’re entering new markets in the first place — they could end up exploding their bottom line,” he added.

“For large reinsurers, diversifying the portfolio is a must by line of business and territory,” El-Sayegh advises.

“However, the key element is to have the right profitability balance between all of these lines (nat-Cat business and multi-lines),” he explains. “We are seeing bundling of casualty lines where companies are buying treaties that combine general liability and professional liability lines of business. Similarly, we are seeing more international companies

buying global programs and only purchasing underlying covers for Canada.”

This past May, Swiss Re reported that a “benign natural catastrophe experience” helped the company post net income of US\$1.2 billion for 2014 Q1. “Swiss Re successfully diversified its portfolio through tailored large transactions, writing less natural catastrophe business and expanding into casualty, which has seen profitable growth across all regions. This is in line with Swiss Re’s strategy to allocate capital to lines of business with the most attractive returns,” the company adds.



**“As catastrophe bond pricing continues to fall, reinsurers are continuing to find ways to compete. New product offerings are abundant, as flexibility and tailored coverage are becoming trademarks of this rapidly evolving market,” says Guy Carpenter’s Lara Mowery.**

Overall, “with reinsurance spend and inwards book concerns, interest in bundling reinsurance into multi-line placements, for example, and alternative products such as catastrophe bonds, has

remained high in 2014,” Guy Carpenter notes in its June 2014 renewal briefing.

Mowery said at the time that a main challenge facing reinsurance buyers is the expanding variety of structure options from a growing number of providers. “The dynamics of this renewal season demonstrate the benefits of consistent communication with markets and a thorough understanding of the risk being presented, particularly in a rapidly evolving marketplace,” she pointed out.

“Although we have not seen new capital entrants in Canada yet, the inroads that have been made in other markets — especially in the U.S. Cat markets — are forcing some reinsurers to seek to diversify their portfolio and this is increasing competition in Canada amongst traditional reinsurers, including Lloyd’s,” El-Sayegh reports.

“The presence of ‘cheap’ alternative capital in reinsurance — whether in the form of ILS reinsurers, sidecars or other forms — will remain as long as the general interest rate environment remains low. This is as much a driving factor as the benign Cat year for 2013. So the market will change only once other forms of investment are becoming more appealing than reinsurance,” he explains.

Guy Carpenter’s 2014 global renewal report, released this past January, notes that “while a wide range of options were considered based on specific priorities, clients most commonly sought an extension of hours clauses, improved reinstatement provisions and expanded coverage for terror exposures.”

Multi-year coverage “was also more widely available, with enhanced features such as price adjustment caps,” it adds.

Wolfe suggests a competitive market means reinsurers are more prepared to consider alternative programs, including among others, stop loss covers, aggregate covers and structured covers.

“The competitive state of the market should allow clients and their intermediaries to structure customized programs that more effectively address their clients’ individual needs,” he says.





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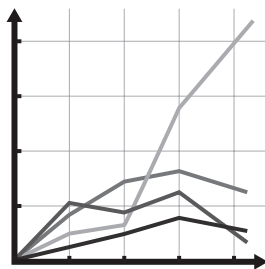
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**“The traditional approach of risk excess of loss (or, less frequently, quota share programs) combined with a vertical catastrophe tower is often not the most efficient solution for the client from either a capital preservation or earnings protection perspective,” suggests Matt Wolfe, senior vice president and managing director of Beach and Associates.**

“The traditional approach of risk excess of loss (or, less frequently, quota share programs) combined with a vertical catastrophe tower is often not the most efficient solution for the client from either a capital preservation or earnings protection perspective,” Wolfe suggests.

In the competitive environment, Guy Carpenter states in its 2014 global renewal report, most traditional reinsurers responded by adopting a less standardized, more tailored reinsurance product.

“In doing so, many reinsurers offered more tailored coverage utilizing options, such as aggregate and quota share cover, multi-year arrangements and early signing opportunities at reduced pricing,” the report adds.

“Buyers continue to place a high value on historical relationships with traditional reinsurers,” Nick Frankland, chief executive officer of EMEA (Europe, the Middle East and Africa) at Guy Carpenter, said in a statement announcing availability of the report.

“With pricing significantly lower in most lines, reinsurers are offering increased flexibility on reinstatement provisions and other terms and conditions, which is helping clients to obtain more from core partners,” Frankland added.

#### **BROKER ADVANTAGE**

“The brokers represent their clients, in this case the insurance companies,” says El-Sayegh. The better “they represent their clients and allow the reinsurers to build the knowledge of their portfolio,

their underwriting and their needs, the better the reinsurers should evaluate and underwrite that portfolio. This comes to expertise and relationships,” he adds.

“Designing and placing reinsurance programs that help them accomplish these goals is only the beginning of a good broker’s contribution to his client,” Wolfe says. “The identification of market opportunities and assistance in executing on them is what separates a mere placing broker from a true partner and trusted advisor,” he emphasizes.

Reinsurers and fund managers are being forced to examine their strategies carefully, notes Willis Re’s *1stView Renewals Report*, adding that “buyers’ tiering of their reinsurance capacity suppliers, in traditional, collateralized and ILS markets, is adding to competitive pressure.”

It is anticipated that these conditions “could lead to more mergers and acquisitions, capital restructuring and formations of sidecars with ILS investors,” Willis Re adds.

Although Wolfe notes reinsurers are protecting their renewal portfolios and new business is being priced aggressively, “pricing reinsurance today generally involves a variety of technical tools (including actuarial analysis and Cat modelling) and collaborative review practices where underwriting decisions involve some type of committee approach. This discipline allowed reinsurers to post a combined ratio just below a 100% for 2013 in spite of insured catastrophes exceeding \$3 billion.”

In *Insurance Market Outlook 2014*, released in May, Munich Re reported the company is “expecting moderate growth averaging 2% (in real terms) up until 2020.”

Worldwide, reinsurance “should also benefit from the growth momentum of the global economy and the primary insurance sector,” the report notes. In the p&c segment, however, “cyclical pressure on rates and increasing retentions will have a dampening effect on global premium growth in the short term.”

#### **DOWN THE ROAD**

El-Sayegh says it is too early to tell how nat-Cats will affect pricing and capacity. “We are only six months into the year, with hurricane season at its beginning in the U.S., and with weather-related catastrophes historically taking place in the summer in Canada. To impact pricing and capacity for the Canadian market, it needs a change in the balance of the supply and demand equation,” he says.

“There will be a number of reinsurers that will successfully navigate through these challenging times by expressing a willingness to creatively engage with clients while also having the technical acumen and underwriting discipline to secure an adequate financial return for their stakeholders,” Wolfe says.

“They will need to generate more than 2013’s low single-digit ROEs to keep capital committed to the Canadian reinsurance marketplace over the long term,” he contends. ☰





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New guidelines from the Office of the Superintendent of Financial Institutions will require property and casualty insurers operating in Canada to consider their exposure across the entire country. However, the guidelines do not consider earthquake risk from a fully probabilistic perspective, which could have implications for some insurers.

New guidelines from the Office of the Superintendent of Financial Institutions (OSFI) will require property and casualty insurers operating in Canada to take a more comprehensive approach to managing their earthquake risk by considering their exposure across the entire country.

The guidelines, which come into effect in 2015, are a positive step forward for managing Canada's high earthquake risk. The aim is to strengthen the insurance industry's financial preparedness to meet its obligations to policyholders in the event of a major earthquake.

Foreign regulators are considering the OSFI guidelines as a model for their own jurisdictions. However, the guidelines do not consider earthquake risk from a fully probabilistic perspective, which could have implications for some insurers.

Previously, OSFI notes, insurers in Canada calculated their total Probable Maximum Losses (PMLs) based on the larger of the British Columbia or Quebec PMLs. Under the new guidelines, insurers must use a new formula to calculate their total PMLs that includes their entire country-wide exposure. This change was introduced because the historical approach understates PML for insurers with exposures in both of Canada's major earthquake regions.

The draft formula that has been published by OSFI includes PML500, which refers to the 1-in-500 year event for the given geographic region.

The new formula is as follows.



$$\text{Country-wide PML500} = (\text{East Canada PML500}^{1.5} + \text{West Canada PML500}^{1.5})^{\frac{1}{1.5}}$$

Recognizing the significant impact of the new guidelines to insurers' capital requirements, OSFI is allowing insurers to gradually phase in their increased earthquake risk exposures through to 2022. Until then, insurers can calculate their country-wide PMLs using a formula provided by OSFI that will gradually increase their PMLs.

### NEW AND OLD

To test the accuracy of the new OSFI formula, RMS analyzed the differences between the new and old OSFI formulas against a fully probabilistic model for earthquake risk to insured property in British Columbia and Quebec.

**Previously, OSFI notes, insurers in Canada calculated their total Probable Maximum Losses (PMLs) based on the larger of the British Columbia or Quebec PMLs. Under the new guidelines, insurers must use a new formula to calculate their total PMLs that includes their entire country-wide exposure.**

To model the expected losses, RMS' Canada Earthquake model and Industry Exposure Database (IED) for Canadian earthquake exposure were used. The earthquake model has been developed using industry and government data.

The IED estimates total insured values for buildings, contents, business interruption and living expenses coverage, and includes residential, commercial, industrial and auto lines of business.

RMS found that while the new formula more accurately captures earthquake risk than the old formula, there are significant

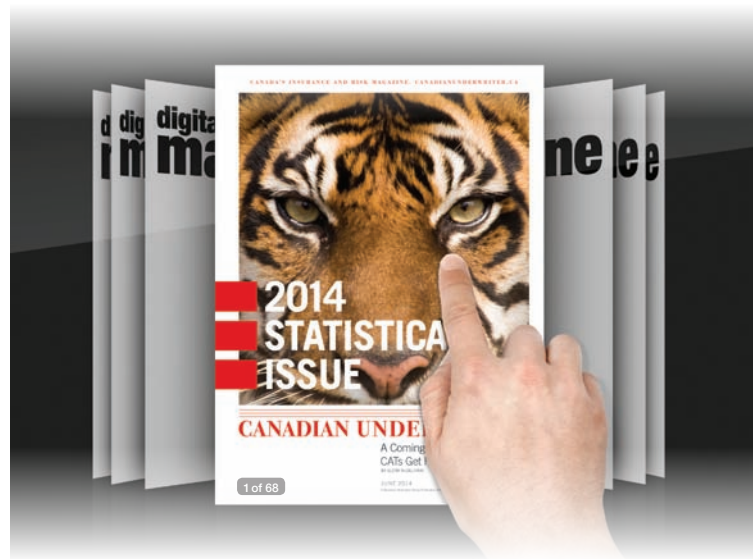
differences between the losses calculated using a fully probabilistic model and the new formula. Up to the 1,000-year return period, the new formula underestimates risk for carriers with significant insured exposure in both British Columbia and Quebec compared to the

fully probabilistic perspective.

For example, the new formula produces losses that are more than 15% lower than the fully probabilistic results at the 500-year return period, which is the return period that the new OSFI guidelines use as the basis for determining insurers' capital requirements.

Losses using the old formula are more than 35% lower than the fully proba-

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lessening the financial impact of the new requirements.

### CHANGE NEEDED

OSFI has made the change for good reason. The Canadian insurance industry is highly vulnerable to very large earthquakes that could produce unprecedented insured losses.

For example, RMS estimates a magnitude 7.1 earthquake in the Charlevoix Seismic Zone, approximately 100 kilometres northeast of Quebec City, could produce insured property losses of approximately \$6.5 billion to \$12 billion.

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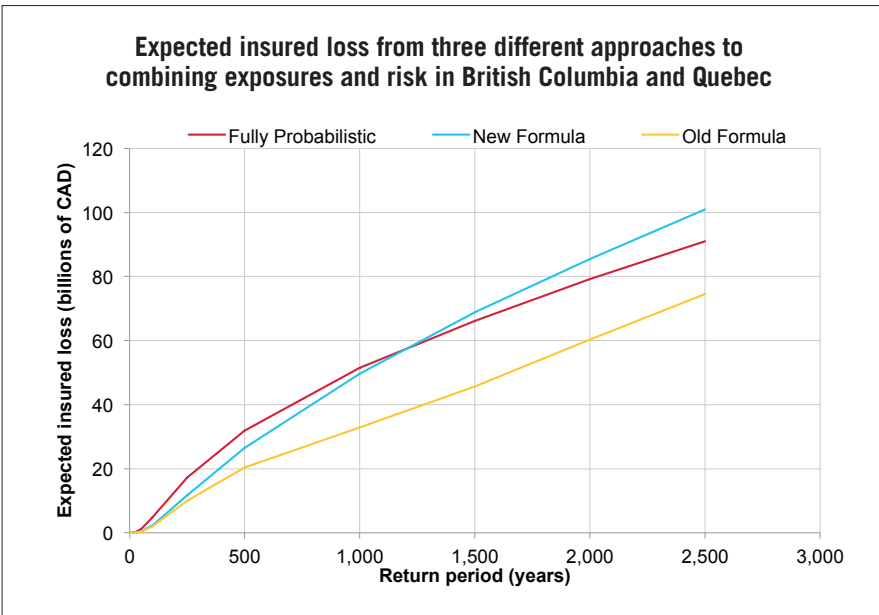
## Up to the 1,000-year return period, the new formula underestimates risk for carriers with significant insured exposure in both British Columbia and Quebec compared to the fully probabilistic perspective.

A magnitude 9 earthquake in the Cascadia Subduction Zone, just off the coast of Vancouver Island, could produce insured property losses of \$18 billion to \$26 billion.

A \$26-billion loss is 15 times greater than the insured loss from the 2013 Alberta floods, which the Insurance Bureau of Canada reports is the costliest insured natural disaster in Canadian history.

Both of these simulated earthquake events are a low probability — yet highly plausible. In addition to the humanitarian loss from these potential earthquakes, Canada's insurance industry would be severely tested and weakened.

A 2013 report issued by the Toronto-based Property and Casualty Insurance Compensation Corporation estimated that catastrophes resulting in damage claims of \$15 billion to \$25 billion could overwhelm some insurance companies, while causing others to go out of business. ≡



bilistic model. While the new formula will be used to determine capital requirements at the 500-year return period, it is also interesting to explore the full exceedance probability curve, and the average annual loss (AAL), which is derived from this curve.

The fully probabilistic model produces a \$296 million AAL, whereas the new formula produces \$235 million and the old formula \$151 million.

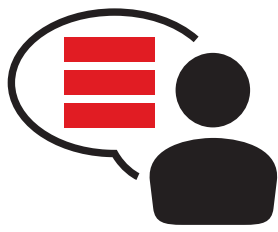
The new formula results are almost 30% closer to the fully probabilistic results than the old formula. However, the new formula does underestimate AAL

by about 20% compared with the fully probabilistic results.

Insurers could purchase additional reinsurance as a way to safeguard their financial preparedness in the face of a catastrophic earthquake. OSFI estimates that by 2022, the new formula will require that insurers must allocate at least \$1.4 billion more in capital than would have been required using the old formula.

If these additional resources are achieved by purchasing more reinsurance, OSFI estimates the annual price tag to be less than \$50 million. However, reinsurance pricing could continue to soften,





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# The Business of Herding Cats



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Facing catastrophe losses that are both more frequent and severe, insurers/reinsurers in Canada require accurate and actionable detailed analysis and insured loss estimates to be able to effectively manage associated risks.

Managing the increasing frequency and severity of catastrophe losses in Canada is becoming an ever-more defining function of the insurance industry. Understanding the impact of these events on communities and the industry is required to enable insurers/reinsurers to effectively manage risks and continue to offer capacity, while at the same time buttress their profitability and financial resilience.

Being able to do so is aided by gaining access to accurate and actionable detailed analytical, insured loss estimates, and geographic and meteorological information on natural and man-made catastrophes in Canada.

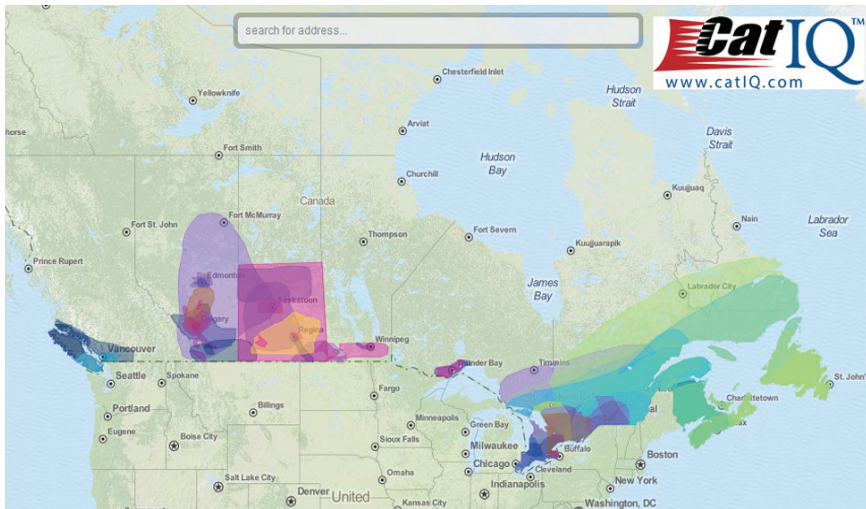
Catastrophe Indices and Quantification Inc. (CatIQ) — a company launched in April following consultations with Canada's insurance/reinsurance community and a sister company to MSA Research Inc. — seeks to provide such information. Guided by a senior advisory committee consisting of leaders from the Institute for Catastrophic Loss Reduction (ICLR), three of the country's largest insurers, the three largest reinsurance brokers in Canada and a major reinsurer,

the goal is to ensure the company continuously serves the needs of the market.

Industry-wide insured loss information and meteorological and spatial information in the aftermath of catastrophes will be available to subscribers. After surveying insurers for loss information and researching an event — Cats affecting multiple insurers and many policyholders, as well as having an estimated industry loss of more than \$25 million — will be classified. Mini-cats or kitty-cats, events that are significant, but do not meet the \$25-million threshold, are defined as notable events (NEs).

Pooling information available from numerous sources — including universities, storm chasers, media, insurance industry professionals, and the public through social media — is meant to provide accurate and up-to-date information on Cats and NEs to help insurers/reinsurers manage associated risks. By marrying that information with data from advanced meteorological instruments, such as radar, satellite and climate stations, along with reported damage, a footprint for a Cat event and affected areas can be developed.





## CREATING A FOOTPRINT

Building on Cat events of the recent past can help provide a helpful view of the future, perhaps demonstrating how insurers/reinsurers can best respond.

CatIQ is currently working with the majority of the insurance industry (more than 75% of the industry on market share basis at this time) on completing a backfill analysis on approximately 70 Cats and many NEs that occurred in Canada from 2008 to 2013. Working with industry, the selected events meet the Cat threshold and all occurred during the backfill period.

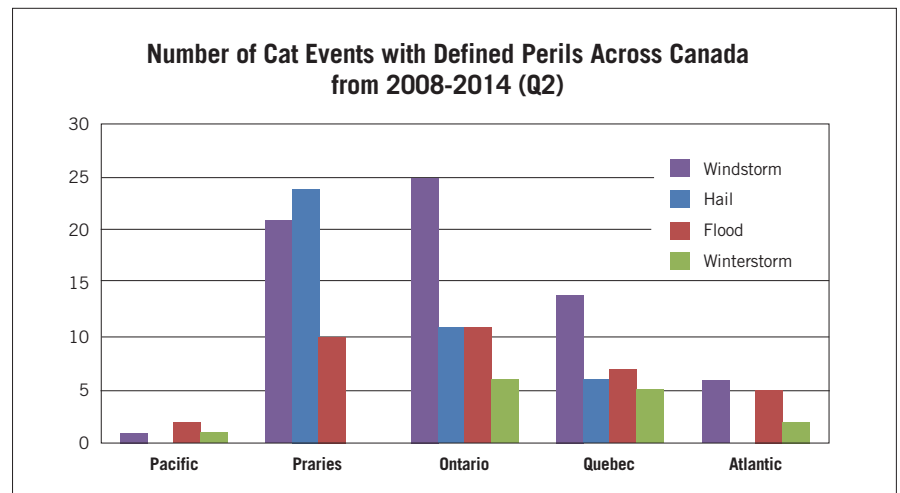
The effort is meant to provide the industry with a much-needed historical baseline from which to build. It is anticipated that loss estimates on the backfill Cats will be phased in over the coming months.

Analysis of the backfill events has identified many interesting things about Canada's recent history of catastrophes (see map above). From first glance, one can see overlapping footprints in southern Ontario, southern Quebec, southern Alberta and southern Saskatchewan, while there are fewer events occurring in the northern regions, Maritimes, British Columbia and Manitoba.

What type of events are most common in what regions? See image to right.

This trend looks very similar to maps that Environment Canada has created on locations prone to severe weather. The data being collected can help provide

insight on which regions are prone to which perils and when. As such, the in-depth climatological information can help the industry prepare, underwrite and price for catastrophes.



Source: CatIQ Inc.

## A QUIET BEGINNING TO 2014

In the first half of 2014, Canada's insurance industry and policyholders were spared from very large Cats. However, catastrophes in Canada have been anything but predictable.

CatIQ has declared three 2014 Cats as of early July (the storms of June 17 in southern Ontario, including the Angus tornado, the flooding in Saskatchewan and Manitoba that began over the Canada Day long weekend and was ongoing at press time, and the remnants of Hurricane Arthur hitting the Maritimes).

In addition to the three Cats declared

so far, many NEs have been identified, including spring flooding events affecting Ontario, Quebec, New Brunswick, southern Manitoba and Alberta, and severe storms in Saskatchewan, Ontario and Quebec.

The delay in Cat activity in early 2014 was due to the extended cold winter that delayed the spring-thaw until April and May. The gradual transition to warmer temperatures eased the stress on local rivers, streams and lakes during the melting season this year. Moving into the second half of 2014, CatIQ is monitoring the impact of the summer severe weather season and the 2014 hurricane season.

It is also necessary to keep an eye out for the potential effects flowing from the likely El Niño. The most recent models predict an 80% chance that El Niño conditions will develop during the fall and winter of 2014, and carry over into

2015. The last two occurrences of El Niño caused above-average temperatures in Canada over the winters of 1997-1998 and 2009-2010.

Although most Canadians would be relieved by warmer temperatures during the winter, this will increase the potential for freezing rain events like what was seen with the ice storm of 1998, until recently the most expensive natural catastrophe in terms of insured losses in Canada's history.

Other possible effects of the warming include an increased chance of flooding events and severe weather. ☰



# Opportunity for Fraud



**Cherrine Chow**  
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Partner,  
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Addressing employee fraud is like navigating a legal minefield. Although the motivation for employee fraud, theft and dishonesty is much the same as it has always been, the medium through which these acts are committed is drastically different today, with technology affording greater opportunity for perpetrators.

Employee fraud, theft and dishonesty are not new concepts. Employees most affected by financial uncertainty face mounting pressures in times of economic downturn. These pressures are typically amplified by socioeconomic-related influences, often lifestyle or dependency-driven in nature.

While there are many factors that may lead employees to commit these types of acts, a combination of socioeconomic-related influences and work-based opportunity is largely what drives employees to harm their companies through in-

cidents of employee fraud and dishonesty.

While the motivation for committing these acts is largely unchanged over time, the medium through which they are committed has changed drastically. Gone are the days when employee dishonesty required a person to physically break into the company safe, write fraudulent cheques or hand over a bribe in cash — though these acts certainly still occur. Today, company assets can be diverted, secret commissions and kickbacks can be paid, and payroll can be manipulated, all seemingly without a trace.

Cheque forgeries have become more refined, and confidential documents can be stolen without walking out the door with a conspicuous stack of paper in hand. One need only look to the allegations of fraud and corrupt practices that SNC-Lavalin Group Inc. is facing, or on a smaller scale, the \$2-million employee fraud that occurred at York University in Toronto, to see the ease with which fraud in the workplace may be perpetrated.

## TECHNOLOGICAL LEG-UP

The assistance of increasingly sophisticated technology provides greater opportunity for employee fraud to be committed discreetly, making recovery also more difficult as fraud, theft and dishonesty



are harder to trace to a specific perpetrator, and funds or assets, if stolen, can be easily moved out of the jurisdiction.

However, there are measures that businesses can employ to reduce the risk of employee dishonesty and related losses, as well as increase the chances of recovery. A number of risk management tools are available to employers, including increased screening of all potential employees at any level of employment, monitoring for sudden lifestyle changes or general behavioural changes, financial cues such as difficulty reconciling the company's financial information, ethics training and insurance-related products.

In addition, internal technology policies and whistleblower protection programs are important tools that can assist companies in reducing the opportunities for employee fraud by providing a mechanism for oversight and surveillance.

Technology policies require specificity as to the types of technology and/or media covered by the policy. It is important to outline what, if anything, an employee has a reasonable expectation of privacy over, in relation to e-mail accounts and any use of company property, including computers, laptops and mobile devices.

This has become increasingly important as many businesses are moving towards allowing employees to use personal devices for employment purposes to remain flexible and in step with technological advances. Such "bring your own device" policies carry with them inherent monitoring difficulties and privacy considerations.

In addition, whistleblower protection programs encourage employees to report wrongdoing within the company. Such programs ensure that any reported concerns raised by whistleblowers are taken seriously and are thoroughly investigated, resulting in a final report or finding with respect to the investigation.

### PROPER IMPLEMENTATION KEY

As with any internal policies and procedures, however, these tools are only useful if properly implemented and maintained. Companies should seek the assistance of

employment counsel when drafting and updating such policies, and when conducting investigations pursuant to these policies, to minimize the associated risks.

For example, internal technology policies must be drafted with a recognition of the competing privacy interests of employees, and should be regularly updated and brought to employees' attention.

Failing that, employers may find themselves subject to damages for claims for breach of privacy.

Conducted improperly, investigations could lead to claims of harassment or discrimination. Perhaps most important, a proper investigation will minimize the risk of wrongful dismissal claims brought by former employees, and increase the ability of employers to defend

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against them if those individuals involved in the fraudulent misconduct are terminated from employment.

Employment counsel can also provide guidance as to whether the fraud or theft provides sufficient grounds for dismissal, or whether other disciplinary measures are more appropriate in the circumstances.

It is exceptionally important for companies with global operations to obtain the advice of employment counsel well-versed in multi-jurisdictional employment law issues to ensure the various policies and programs are compliant with local laws.

For example, there may be issues regarding the employment and monitoring of local employees for operations in foreign jurisdictions, particularly in countries where there is a significant focus on governmental oversight, or where there are more lax regulations, thereby providing local companies with greater opportunity to use local employees as pawns for fraudulent activities, including corporate espionage.

## SECONDARY LINE OF DEFENCE

Even with these measures in place, including strong internal control mechanisms to segregate duties and internal authority, it is naïve to assume employee theft and fraud will not occur. Fidelity insurance provides a secondary line of defence against such misconduct.

Crime insurance policies, among other types of fidelity insurance, can act as a shield for companies against the potential harm that is caused by employee theft and fraud.

Crime insurance policies typically protect the insured from financial loss due to dishonest acts of employees. This may also include coverage for certain types of acts of non-employees, including loss associated with theft of property located on the insured's premises or while in transit, loss as a result of forgery or alteration of negotiable instruments, and loss from electronic funds transfer.

Employees are specifically defined in this type of policy, and generally include those who are compensated by salary or

commission and are directed by the insured in the performance of their service. As such, businesses that utilize independent contractors should carefully consider the compensation, capacity and governance of any such "contract" employees.



While there is some variation among the forms of coverage available in the marketplace, in general, a dishonest act is an act committed with the intent both to cause the insured to sustain a financial loss, and to provide a financial gain for the employee, which is outside the scope of normal employment compensation. Crime insurance policies will generally cover property owned by the insured, property of third parties held by the insured in any capacity, and property for which the insured is legally liable.

Such policies generally require the insured to provide the insurer with written notice as soon as practicable, but no later than 60 days after the loss is discovered. Policies also require that the insured provide a proof of loss within six months of discovery.

From a timing perspective, whether or not the financial losses sustained are covered depends on the type of policy: "loss-sustained policies" cover losses that occur and are discovered during the policy period, while "loss-discovered policies"

cover losses that occur at any time, but are discovered by the insured during the policy period.

## FIT TO RISK

As with any insurance policy, it is important for a company to tailor its crime insurance policy to unique risk profile and exposures. For example, careful consideration should be given to a business' global footprint since crime insurance policies often have territorial limits, although such limits may be expanded worldwide.

Another area companies should consider is exposure to cyber and privacy risk. Increasingly, sophisticated technology has not only amplified the risk of occurrences of employee fraud and dishonesty, but also carries with it cyber risks with regard to confidential information.

The data breach at retailer Target provides a prime example of the severity of this risk. Traditional crime insurance policies require intent and/or financial loss, and only cover money, securities and tangible property.

Companies in many industries conduct transactions using a computer network, and may want to consider special network security and privacy insurance products to cover such exposure. It is, therefore, important for companies to properly defend against the growing threat of cyber risk by looking beyond the traditional suite of insurance products.

## VALUE OF INTERNAL POLICIES

Properly implemented internal policies will help reduce the risks of employee-related fraud occurring, as well as minimize exposure to employment law claims.

Where fraud and dishonesty occur in spite of strong internal control mechanisms, fidelity insurance products will help to maximize the likelihood of recovery and to reduce a company's overall loss.

Appropriate external legal review of both internal corporate policies and insurance policies will help to ensure that the two dovetail in providing coverage to prevent gaps in company protection. ≡

# In Dispute



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



**Deb Sherren**  
Casualty Claims  
Adjuster,  
Granite Claims  
Solutions

When should loss transfer and priority indemnification requests be disputed? A growing body of case law suggests that insurers should reconsider their approach to loss transfer and priority indemnification.

Almost 25 years after the introduction of no-fault benefits in Ontario and the corresponding priority and loss transfer disputes between insurers, the industry is in the midst of a “rethink” of how first- and second-party insurers deal with indemnification claims.

Although it may be human nature to be judgmental about the performance of others, in the priority and loss transfer context, a first-party insurer seeking indemnification from another insurer will be entitled to repayment for accident benefits paid to an insured as long as the claim was not grossly mishandled. Examples of this include paying benefits contrary to the Statutory Accident Benefits Schedule (SABS), paying amounts in

excess of policy limits, or adjusting a claim contrary to the standard of a reasonable adjuster.

Perfection is not the standard. Rather, an insurer refusing to indemnify another must show that the first insurer treated similar claims differently, or otherwise adjusted the claim in a fashion that is a marked departure from the reasonable adjusting standard.

## **REQUEST INFORMATION TO VERIFY CLAIMS**

In the current adjusting climate, where the Financial Services Commission of Ontario (FSCO) Bulletin A-02/11 requires insurers to ensure and verify that “a covered expense was actually incurred within the meaning of the SABS before paying an invoice,” it is not unreasonable to argue that the first insurer ought to have used sections 33 (duty of applicant to provide information) or 46.2 (duty of provider to provide information) to request additional details to verify the claim.

A frequent example of this for accidents before September 1, 2010 are indemnification requests for caregiving benefits paid to a parent who worked full-time while his or her spouse was a stay-at-home parent.

Further inquiries should have been made by the first insurer to ensure that the claimant was



the primary caregiver before paying caregiving benefits.

A recent case involved a first-party insurer that defended against several similar caregiving benefit claims at FSCO on the basis that the full-time employed spouse was not the primary caregiver, yet paid caregiving benefits on an almost identical claim.

The first insurer also paid medical benefits that were clearly not accident-related and failed to respond to nearly all of the auto insurance claims forms (OCF) submissions. This resulted in a significant reduction in the amount ultimately paid by the second insurer.

The persuasive argument was that treating the priority or loss transfer file differently than the files that would remain with the first-party insurer constituted a marked departure from the reasonable standard of adjusting for that insurer, as well as the general adjusting standard.

This approach to the reasonable adjusting standard is consistent with FSCO Bulletin A-23/10, which requires all insurers to implement internal policies and best practices for adjusting no-fault accident benefits claims and to ensure "that similar claim situations are treated consistently."

When accepting a priority file, the adjuster should conduct an immediate full chronological audit of the file to identify areas of "leakage." If any identified leakage appears beyond the reasonable adjusting standard, the adjuster should consider further review by counsel, weighing associated costs against the anticipated reduction of the indemnification claim.

### GROWING NUMBER OF REFUSALS

While arbitrators have been historically reluctant to find that the first insurer's conduct breached the reasonable adjusting standard, there appears to be a greater number of refusals to indemnify and the case law relating to those refusals is still developing.

In February 2014, Ontario's Superior Court of Justice heard the appeal of arbitrator Shari Novick's priority dispute decision in the February 2013 case, *Jevco*

and *Core Mutual*. Novick initially concluded \$210,000 towards settlement of income replacement benefits, and \$85,500 for future medical and rehabilitation benefits was grossly unreasonable.

The second insurer argued the first insurer paid over the policy limits and the settlement amount was inflated as a result of the exposure to pay a special award in the underlying FSCO arbitration

proceeding. This involved an advance payment of \$60,000 prior to the adjournment of that hearing, and a further \$150,000 payment as part of a full and final settlement. There was also evidence the insurer failed to arrange appropriate insurer's examinations for more than six years post loss.

Novick agreed the first insurer's claims-handling procedures created the inflated

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## **It appears likely that future loss transfer indemnification disputes will depend on whether or not lump-sum settlements of potential future accident benefits claims are considered loss control measures rather than “actual benefits” paid in accordance with the SABS.**

settlement amount. Of the \$310,000 that was sought by Jevco, only \$125,000 was awarded.

The appeal decision has not yet been released. Regardless of the outcome, however, it is clear that a second-party insurer is entitled to review the adjusting decisions of the first-party insurer before issuing payment for priority and loss transfer indemnification claims.

In general terms, a second insurer will not indemnify for payment mistakes made by the first insurer. In both priority and loss transfer claims, the second insurer will not ordinarily pay for interest, a special award, bad faith damages or amounts paid contrary to the SABS.

In loss transfer indemnification claims, the 2012 ruling, *Wawanesa Mutual Insurance Company v. Axa Insurance (Canada)*, from the Court of Appeal for Ontario, confirmed that first-party insurers are not entitled to loss transfer for “loss control measures,” such as insurer-generated medical assessments, surveillance or adjusting expenses. The court considered FSCO Bulletins A-9/92 and A-11/94 in confirming that reimbursement is only made for “the actual benefits paid.”

It appears likely that future loss transfer indemnification disputes will depend on whether or not lump-sum settlements of potential future accident benefits claims are considered loss control measures rather than “actual benefits” paid in accordance with the SABS. This is particularly true when the underlying claim leads to an application for arbitration claiming a special award, or a statement of claim seeking bad faith “extra-contractual damages.”

### **WHEN A PAYMENT IS NOT A BENEFIT**

Although the industry norm is to routinely pay amounts towards anticipated future claims in order to obtain a full and final settlement of the accident benefits claim, such a payment is not a “benefit” paid pursuant to the SABS.

Rather, payment of an amount for potential future claims is a loss control measure designed to limit potential future benefit payments, adjusting expenses, reserves and the risks of litigation.

In 1994, FSCO Bulletin A-11/94 set out that insurers should work collaboratively to determine if the second insurer would agree to fund loss control measures, although not obligated to do so.

Twenty years later — and in light of the growing body of case law confirming that settlement amounts of potential future claims are not “benefits,” but rather a means to resolve arbitration or litigation — there is concern that a first-party insurer who settles future claims as part of a lump sum settlement without the agreement of the second-party insurer will not be entitled to loss transfer indemnification for some or all of those amounts.

For example, in the 2005 tax decision, *Tsiapralis v. Canada*, the majority held that settlement amounts for potential future benefits were not paid “pursuant to” the insurance plan “because there is no obligation to make such a lump sum payment under the terms of the plan.” The characterization of the lump sum amount depended upon the “nature of the settled interest.”

The essence of several other recent decisions is that settlement amounts

pertaining to potential future claims under an insurance policy are not considered benefits, but rather a lump sum negotiated as a compromise to resolve the risks of litigation for both parties.

The historical approach to settlement by the first insurer has been to settle first and then wait for the second insurer to ask questions later. In light of the developing case law, a first insurer’s best practice when considering settlement of a significant claim on a full and final basis is to invite the loss transfer or priority insurer to participate in settlement discussions and attend any global mediation.

For loss transfer claims, the second insurer can then agree to the payment of loss control measures, an approach consistent with both FSCO Bulletin A-11/94 and the developing case law. For priority claims, the second insurer can satisfy any concerns about the reasonableness of the settlement amounts and the allocation of amounts on the settlement disclosure notice.

### **THE BOTTOM LINE**

The bottom line? If considering a full and final settlement of future benefits on a loss transfer file, it is best to invite the second insurer into the settlement discussions or risk not being able to recover those future amounts via loss transfer. While there is less likely to be a challenge regarding the reasonableness of payment of future amounts on a priority indemnification claim, it may also be prudent to invite the second insurer to participate in the settlement discussions as well. ≡

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## MOVES & VIEWS

UPCOMING EVENTS: FOR A COMPLETE LIST VISIT

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**1** Peace Hills Insurance recently announced the retirement of president and chief executive officer Diane Brickner [1a], who joined the company more than 30 years ago. Among others, Brickner is a member of the boards of the Property and Casualty Insurance Compensation Corporation and the Insurance Bureau of Canada. As of January 1, 2015, Gene Paulsen [1b], vice president of underwriting and marketing, will take on duties as president and CEO. Paulsen has also worked for Kernaghan Adjusters, Manitoba Public Insurance, Guardian Insurance, RSA and Economical Insurance Group.



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**2** Peter Hancock [2], executive vice president of American International Group Inc., will replace Robert Benmosche as AIG's president and chief executive officer as of September 1. Benmosche is expected to resign from the AIG Board of Directors and assume an advisory role. He will "continue to be involved in AIG's internal leadership development programs, as well as mentor and coach AIG managers," the company notes. Hancock, who joined AIG in 2010 after serving as vice chairman of KeyCorp, has held positions as CEO of AIG property casualty and as executive vice president of finance, risk and investments.

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**3** Cheryl Edmunson [3a] is Economical Insurance's new vice-president of sales and distribution, British Columbia. Edmunson's duties include oversight of managing general agent, Family Insurance Solutions Inc., with the recent retirement of Harry Kloosterhuis [3b], company president and chief executive officer. Before joining Economical, Edmunson was vice president, operations and underwriting at Canadian Northern Shield, and also worked at Aviva and ING Insurance Company of Canada (now Intact). Also at Economical, Graham Doerr [3c], vice president of sales and marketing for Family Insurance Solutions, was named its chief operating

officer. And Chris Weber [3d], previously vice president of sales and distribution for Economical's western region, has assumed duties as vice president of sales and distribution, Alberta and the Prairies. Weber has held several roles, including vice president of analytics, since joining the company in 2001. At the Board of Directors level, John Bowey, vice-chair of Economical's board and chair of the company's demutualization committee; Elizabeth DeBianco, who joined the board in March 2013; Barbara Fraser, who joined the board last December; and Karen Gavan, president and chief executive officer of the company since June 2011, recently were elected to the board for three-year terms.

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**4** EGI Financial Holdings Inc. has completed the purchase, from Saskatchewan Government Insurance (SGI), of a 75% interest in Insurance Company of Prince Edward Island, which writes auto, home and commercial insurance through brokers in PEI, New Brunswick and Nova Scotia. SGI — which writes insurance in Alberta and Manitoba through SGI Canada and in Ontario through Coachman Insurance Company — previously noted it "plans to redirect resources to strengthen focus on Ontario and Western Canada." EGI Financial Holdings writes non-standard auto and other specialty insurance in Canada through Echelon General Insurance Company.





3a



3b



3c



3d



6



8



9

**5** The Boiler Inspection and Insurance Company of Canada, part of Hartford Steam Boiler and Inspection Company, recently announced David Pivato [5a] is now vice president, Dave Picot [5b] is chief operating officer and corporate secretary, and Mark Moore [5c] is chief financial officer and vice president. The new role for Pivato, a professional engineer, “reflects expanded responsibility for supporting the underwriting of new products” and renewable energy, notes HSB BI&I. Picot will oversee the company’s commercial brokerage business through its national network of branch and regional offices, and its reinsurance assumed business and new strategic products.

Moore, a chartered accountant, has held a number of senior management roles within the insurance industry.

**6** Maeve Davis [6] has been named Granite Claims Solutions’ new executive vice president, national customer solutions. “Maeve’s tenure in the industry has provided her with key insights on how best to serve Granite’s national and global customer base,” says Michael Holden, president and chief executive officer of Granite Claims Solutions. Davis’s LinkedIn profile notes she has previously worked at American International Group Canada as vice president of national accounts, sales and marketing, at Crawford & Company and at Marsh Inc.

**7** Property restoration firm R.D. Steele of Brockville, Ontario has joined DKI Canada, whose services include water damage mitigation, fire and contents cleaning and mould remediation. R.D. Steele has provided restoration services in several eastern Ontario communities for 35 years.

**8** Information technology vendor Fair Isaac Corp. (FICO) reports Kevin Deveau [8], managing director of FICO Canada, will lead the Canadian operations. FICO’s offerings include software to detect insurance claims fraud. Before joining FICO Canada, Deveau was chief operating officer at ICOD Inc.

**9** Paul McDonnell [9] is now a partner in the insurance and tort liability group of Borden Ladner Gervais LLP. McDonnell “brings extensive experience in fire-related litigation in major property losses, products liability, forestry, construction law, municipal liability and commercial host liability in British Columbia, Alberta and Ontario,” the firm notes.

**10** Wintrust Financial Corporation, through 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 offer the same service and products during the transition.



# GALLERY

See all photos from this event at [www.canadianunderwriter.ca/gallery](http://www.canadianunderwriter.ca/gallery)



Members of the **Calgary insurance community**, including casualty insurance adjusters, defence and plaintiff lawyers, economists and reconstruction engineers, gathered together on April 30 for a **charity pool tournament** at the Garage Sports Bar in Calgary. The event was a community project through Landmark Education to raise money in support of feeding the homeless through the Calgary Drop-In and Rehabilitation Centre, Meal Program. The Garage Sports Bar generously provided complimentary pool tables and appetizers.



## GALLERY

See all photos from this event at [www.canadianunderwriter.ca/gallery](http://www.canadianunderwriter.ca/gallery)

**Cira Medical Services** released its newest white paper titled “Chronic Pain: The Importance of a Multidisciplinary Approach to Diagnosis and Treatment” at **Cira’s second annual Industry Leadership Breakfast Seminar**, held in Toronto on May 7. The paper highlights the realities of chronic pain in our society and outlines to employers and insurers some current startling facts. The paper finds that a multidisciplinary approach that emphasizes early intervention, clinical coordination, and proactive case management and planning is the best way to deal with this increasingly complex issue.





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## GALLERY



Photo: Denis Cahill

■

A completely restored 2010 Ford Focus was presented on May 8 by **CARSTAR** to a local family at the **95th anniversary celebration for Community Care in St. Catharines, Ontario**. Robert West, a single father of two children living in St. Catharines, was the deserving **recipient of the completely refurbished vehicle** that was generously donated by Miller's Auto Recycling and refurbished by CASTAR St. Catharines. West and his young son, aged five, and daughter, aged three, were in need of a reliable car. The son suffers from a rare condition called Hallermann–Streiff syndrome that affect growth and development of the cranium, hair and teeth. In addition to this syndrome, West takes his son to a team of doctors for his son's vision and respiratory conditions. To further support the family, a gift certificate equal to one year's insurance premiums for the vehicle will be supplied by Young's Insurance and a \$500 gift card for the maintenance of the vehicle will be provided by Q/Max Auto Care.

■

The **Institute for Catastrophic Loss Reduction (ICLR)** held its **annual general meeting** May 13 at its Toronto office. Four members of the board of directors were acclaimed: Louis Gagnon, president of service and distribution for Intact Financial Corp.; Sharon Ludlow, president of Aviva Insurance Company of Canada; Barbara Bellissimo, senior vice president and chief agent in Canada for State Farm; and Kathy Bardswick, chairperson of the ICLR and president and CEO of The Co-operators Group Ltd. During the AGM, ICLR founder and executive director Paul Kovacs noted that reducing basement flooding is a priority for ICLR. In reference to the 2013 floods in Alberta and the July 8, 2013 rainstorm in Toronto,

Bardswick noted that 2013 “was one of those years that certainly confirmed the significant need for and critical requirements associated with the work that ICLR does.”





## GALLERY

See all photos from this event at [www.canadianunderwriter.ca/gallery](http://www.canadianunderwriter.ca/gallery)

The **Insurance Brokers Association of Alberta (IBAA)** held its **annual convention** May 4 through 7 at Jasper Park Lodge. Titled *Prairie Power: Blazing New Trails*, IBAA brought a variety of speakers, including *Dragons Den* TV star Arlene Dickinson, Alberta finance minister and treasury board president Doug Horner, Institute for Catastrophic Loss Reduction executive director Paul Kovacs and Colin Simpson, chief executive officer of IBAO subsidiary Independent Broker Resources Inc. (IBRI). During the convention, Simpson noted that IBRI has “reached out to” Alberta’s auto insurance regulator about usage-based insurance, while Kovacs said ICLR is partnering with the IBAA to provide brokers with documents, such as booklets on natural disaster risk.



## APPOINTMENT



**Heidi Sevcik**

The Board of Directors of Gore Mutual is pleased to announce the appointment of Heidi Sevcik, FCIP, as President and CEO.

Since joining Gore Mutual in 1994, Heidi has held various management and executive roles throughout the organization. These roles have included Vice President of Underwriting for both Personal and Commercial and Vice President of Claims. Prior to becoming President and CEO, Heidi was Chief Operating Officer for Gore Mutual.

Heidi has served on the local council for the Insurance Institute of Ontario, most recently as Chair. She is a Fellow of the Chartered Insurance Professionals and has completed certification of the Canadian Securities course. Heidi is also a graduate of the Queen’s Executive Program.

In addition to celebrating Heidi’s appointment, Gore Mutual celebrated their 175th anniversary in June. The company has a long tradition of stability, trust and innovation and looks forward to building on their strong foundation for the future. The company is represented coast-to-coast by some of Canada’s best insurance brokers. Gore Mutual serves their broker partners from their head office in Cambridge Ontario, and their Western office in Vancouver, British Columbia.



[www.goremutual.ca](http://www.goremutual.ca)



# GALLERY

The **Insurance Brokers of Toronto Region (IBTR)** held its **annual Friendship Night** at Le Parc in Thornhill, Ontario on May 8. The event hosted the annual mix-and-mingle for brokers, CSRs, TSRs, producers, support staff, insurers, underwriters, claims adjusters and a spectrum of industry vendors and suppliers.





## GALLERY

See all photos from this event at [www.canadianunderwriter.ca/gallery](http://www.canadianunderwriter.ca/gallery)



# Crawford®



**Kelly Albert**

Appointed National Account Executive,  
Global Client and Business Development  
for the Western Canada Region

Crawford & Company (Canada) Inc. is pleased to announce the appointment of Mr. Kelly Albert to the position of National Account Executive, Global Client and Business Development, for the Western Canada region. In his new role, Mr. Albert will assist Crawford's Global Client and Business Development team with its national growth strategy and execution. His immediate focus will be on working with the Company's Western Region offices to help increase business with existing and new clients in the west.

During his 21 years in the insurance industry, Mr. Albert has gained extensive industry and management experience working on both the insurer and brokerages sides of the business. In addition to a wide array of industry academic credentials, he also holds the Chartered Insurance Professional and Canadian Risk Management designations.

"Mr. Albert's ability, enthusiasm and experience make him ideal for this position," said Walter Waugh, vice president, Operations, Western Canada Region. "He will be a great addition to the Crawford team, and his expertise in both development and management has earned him a strong reputation within the industry."

*Crawford & Company (Canada) Inc. is a wholly owned subsidiary of Crawford & Company. Based in Atlanta, Ga., Crawford & Company is the world's largest independent provider of claims management solutions to the risk management and insurance industry as well as self-insured entities, with an expansive global network serving clients in more than 70 countries. The Company's shares are traded on the NYSE under the symbols CRDA and CRDB.*



# GALLERY



Canada's insurance community raised \$211,093 for **Starlight Children's Foundation Canada** at the – "Hollywood North – Red Carpet Ball" held May 10 at the Carlu in Toronto. Starlight Children's Foundation Canada is dedicated to helping seriously ill children and their families cope with their pain, fear and isolation through entertainment, education and family activities. Starlight's programs are designed to distract children from their pain, help them better understand and manage their illnesses and con-

nect families facing similar challenges so that no one feels alone. According to **2014 Starlight Insurance Charity Gala** co-chairs, Sara Runnalls and Karen Akeson, in the Starlight Insurance Gala's first 19 years (not including proceeds from this year's gala), the event has donated more than \$3.25 million to Starlight Children's Foundation Canada; fulfilled over 900 wishes; placed 83 fun centres in pediatric wards across Ontario; and brought thousands of smiles to the faces of seriously ill children.





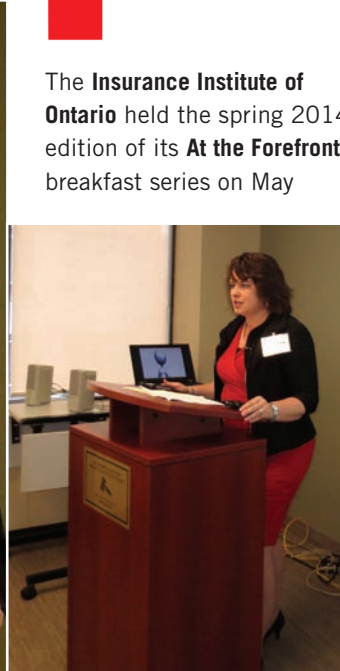
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# GALLERY

See all photos from this event at [www.canadianunderwriter.ca/gallery](http://www.canadianunderwriter.ca/gallery)





The **Insurance Institute of Ontario** held the spring 2014 edition of its **At the Forefront** breakfast series on May

14 featuring **Pat Van Bakel, President and CEO, Crawford & Company (Canada) Inc.** Van Bakel discussed “Failing to Plan is Planning to Fail” and spoke about the importance of planning and offered practical advice for how we can become more effective planners – whether it is at a personal, professional or industry level. His presentation discussed some examples of the consequences of poor planning and talked about the people that got it right through some simple steps to success.

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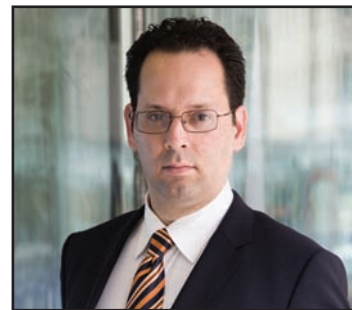
## GALLERY

See all photos from this event at [www.canadianunderwriter.ca/gallery](http://www.canadianunderwriter.ca/gallery)

The **2nd Annual Property Insurance Paintball** event was held Friday May 16 at Barrie Paintball. The event was hosted by Innovative Contents Solutions. More than 50 insurance professionals from across Ontario enjoyed a well organized event including breakfast, lunch BBQ, tournament, and trophy for every participant. Winmar Toronto/Brampton came out victorious for the second year strait with Onside Restoration as the runner-up.



## APPOINTMENT



**Jason Rabin**

Claude Blouin and Jamie Dunn, Partners at Blouin, Dunn LLP, are extremely pleased to announce that Jason Rabin has joined the firm as an associate lawyer.

Jason received his Honours Bachelor of Arts degree in History and English from the University of Toronto in 2002. He graduated from Osgoode Hall Law School in 2005

Since being called to the bar in 2006, Jason has spent his entire legal career in insurance litigation acting on behalf of insurers, municipalities and corporate clients. Jason has handled a diverse range of claims, from complex construction and products liability disputes, to serious personal injury and insurance coverage claims. Jason has appeared before the Ontario Superior Court of Justice, the Workplace Safety and Insurance Appeals Tribunal and at Coroner's inquests. He has argued (and opposed) complex motions including for summary judgment, and enjoys looking for innovative legal theories to defend his clients' interests.

Jason has presented before the Ontario Bar Association, for trade organizations and co-authored an article on product recall legislation in Canada. Most recently, he has devoted considerable time studying and writing about the uninsured automobile insurance regime in Ontario and recent developments of the law in that area.

Jason is a member in good standing of the Law Society of Upper Canada and is a member of the Advocates' Society.

When he is not practicing law, Jason enjoys baking and preparing homemade pizzas and bagels in his wood fired ovens.

Jason's contact information is:  
[jrabin@blouindunn.com](mailto:jrabin@blouindunn.com)  
(416) 365-7888 ext. 171

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# BD

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## GALLERY

A record turnout of 200+ industry representatives attended the **55th Annual Reception of the Quarter Century Club** on May 21 at the Albany Club in Toronto. The event was a roast for claims industry veteran Beth Bull, Vice-President Claims at ACE Canada.





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# GALLERY

See all photos from this event at [www.canadianunderwriter.ca/gallery](http://www.canadianunderwriter.ca/gallery)



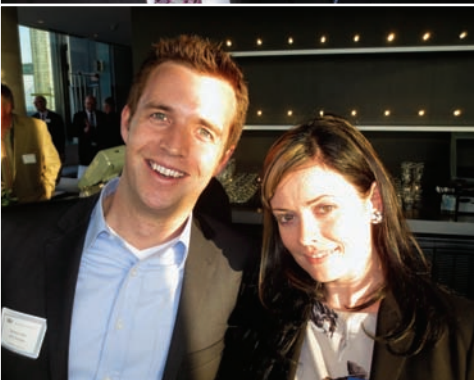
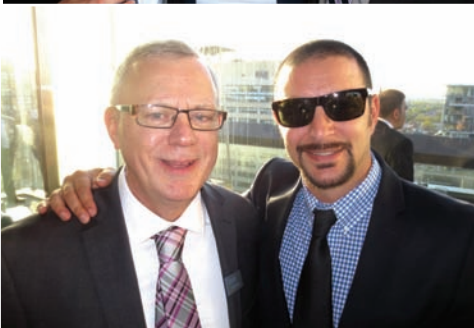


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## GALLERY

The **Sovereign General Insurance Company** hosted its annual **“Cocktail Social”** on the Rooftop Lounge at the Thompson Hotel on May 22. Industry guests were treated to unparalleled views of the Toronto skyline, live music, great food and fine cocktails.



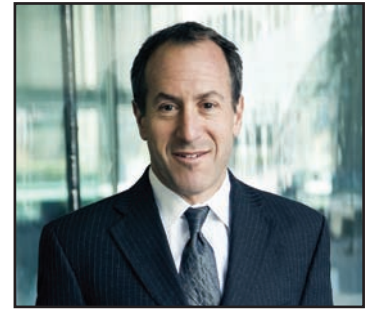


## GALLERY

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## APPOINTMENT



**Stuart Ghan**

Claude Blouin and Jamie Dunn, Partners at Blouin, Dunn LLP, are extremely pleased to announce that Stuart Ghan has recently joined the firm as an associate lawyer.

Stuart is a graduate of Osgoode Hall Law School and was called to the Ontario Bar in 1993. Since his call to the Bar, Stuart's practice has involved insurance litigation including motor vehicle claims, occupiers' liability claims and product liability claims.

Additionally, Stuart has participated in the defence of high profile Ontario Class Action claims. Stuart has enjoyed success at the trial level and on appeals before the Divisional Court and acting for both Appellants and Respondents at the Ontario Court of Appeal. In addition to trials and appeals, Stuart's practice includes resolution of matters through settlement conferences, mediations and arbitrations in order to achieve cost effective results for his clients.

Stuart is a member in good standing with the Law Society of Upper Canada.

Outside of the office, Stuart spends his winters on the ski hill and summers racing triathlons, including Ironman events.

Stuart's contact information is:  
[sghan@blouindunn.com](mailto:sghan@blouindunn.com)  
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# GALLERY

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**L** The **Centre for Study of Insurance Operations (CSIO)** held its **annual general meeting** April 22 at Toronto's opulent Royal York Hotel. The meeting was preceded by a photo shoot of CSIO's board of directors and followed by mingling and cocktails. The formal portion was conducted by CSIO chairman Steve Whitelaw, vice president of business services at Travelers Canada. Eight board members were appointed by acclamation to two-year terms while another four directors have a year left in their terms. CSIO president and CEO Catherine Smola presented awards to the 12 members who have passed eDocs certification. The six

carriers now certified are Northbridge, Intact, Royal & Sun Alliance (RSA) Canada, Gore Mutual, Aviva and The Guarantee Company of North America. The six vendors who have passed certification are Applied Systems Inc., Quindell plc, Brovada Technologies Inc., Mastercom Consulting Ltd., Keal Technology and Logiciels Deltek Inc. CSIO officials also showed members a video with several industry executives — including The Guarantee CEO Alister Campbell — commenting on eDocs, which is intended to help brokers become more efficient when handling electronic documents.



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