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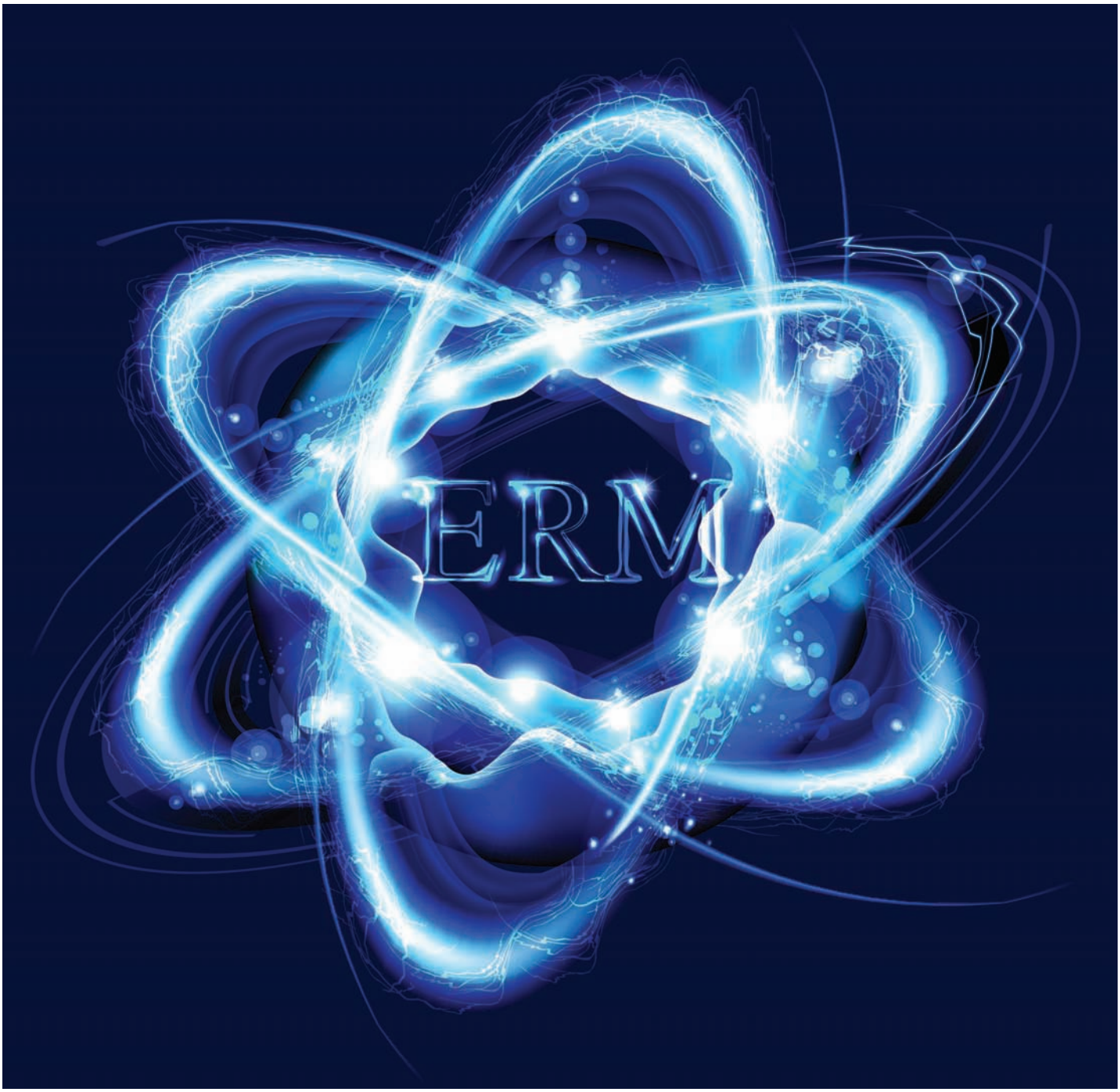

CANADIAN UNDERWRITER

AUGUST 2014

A Business Information Group Publication #40069240

Risk Elements

BY GREG MECKBACH

Opportunity in Risk

BY PAUL CLEVELAND

No Relief

BY MURRAY HARRIS & GRAHAM HENDERSON

CANADIAN UNDERWRITER

VOL. 81, NO. 8, AUGUST 2014

CANADA'S INSURANCE AND RISK MAGAZINE. PUBLISHED BY BUSINESS INFORMATION GROUP

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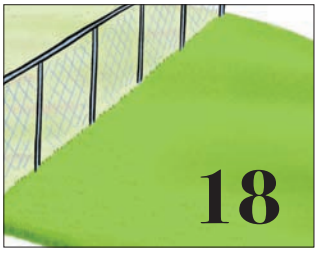
COVER STORY

Risk Elements

While not every organization has launched enterprise risk management (ERM), there is growing awareness of its value among risk managers who recognize essential elements must be identified to reach a core understanding of the hazards their respective organizations face.

BY GREG MECKBACH

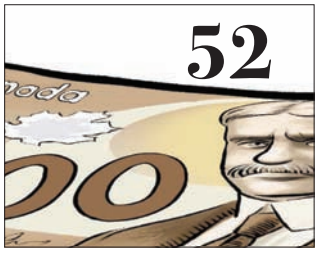
FEATURES



Risks and Opportunities

A new KPMG survey shows management of both p&c risks and opportunities is key to ensure the insurance industry evolves as rapidly as the risk environment.

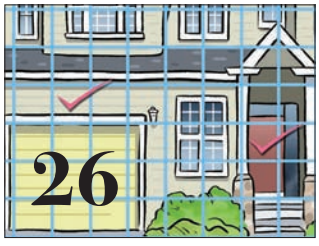
BY PAUL CLEVELAND



Pay First, Dispute Later

A recent ruling shows the importance of substance over convenience in determining what contracts fall within the ambit of Ontario's "pay first, dispute later" regime.

BY MARK GELOWITZ & GERARD KENNEDY



Tornado Response

Lessons learned from a recent tornado could prove of value to communities, responding agencies and insurers in future disasters.

BY ALEX VINDEN

Anti-Spam Legislation

Activities such as prospecting, use of third-party marketing services and social media may get caught in the web of Canada's new anti-spam law.

BY CRAIG HARRIS

22 Seeking Advice

A junior underwriter is being tested by ethical dilemmas, but her manager does not seem open to providing guidance. Is it okay for her to seek advice from someone other than her manager?

BY THE CIP SOCIETY

30 Interest Rates

How is the current interest rate environment affecting the p&c insurance industry? Experience has shown that low rates take a bite out of insurers, but a persistent spike in inflation would be worse.

BY KULLI TAMM

34 Forfeiture Relief

A recent case out of Alberta considering relief from forfeiture illustrates the need for fleet and risk managers to consider fleet lists provided to and by insurers to ensure comprehensive coverage.

BY MURRAY HARRIS & GRAHAM HENDERSON

58 Manufacturing Cover

The manufacturing industry, which has seen dramatic change in the last five years, requires complete, tailored insurance solutions to compete in today's global economy.

BY DMITRI IANKINE

68 Wildfire Precautions

Building near more densely wooded areas in Western Canada brings with it an increased risk of damage and loss from wildfires. That said, there are things homeowners can do to protect their homes during hot summer months.

BY CYNTHIA MELICK

72 Cooling System Breakdowns

Rising summer temperatures — coupled with equipment complexity and inadequate maintenance — make cooling systems a main source of equipment breakdown claims, and their rising costs.

BY DAVID PIVATO

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PROFILE

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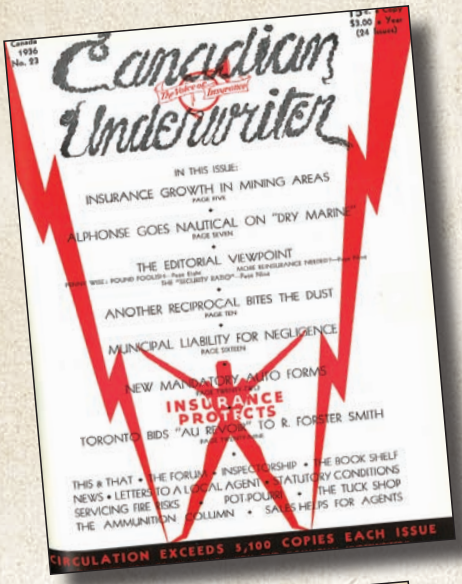

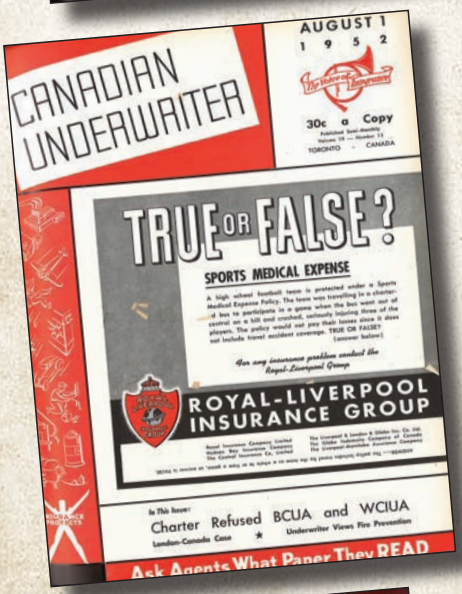

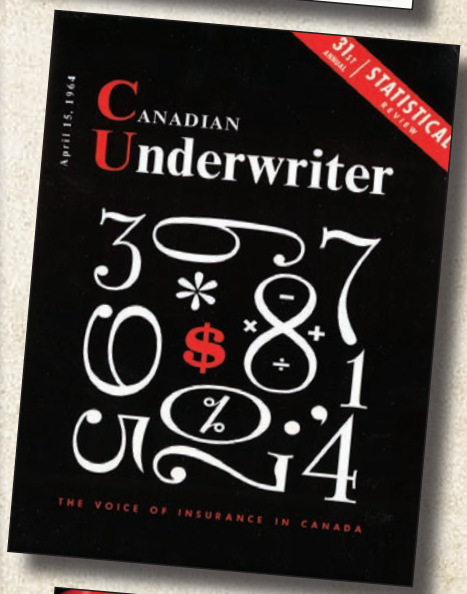

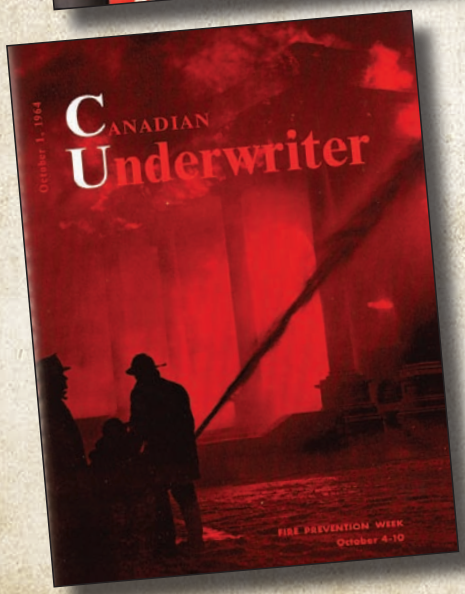

CU 80 Years.com Covers: 1969, 1970, 1971, 1972, 1974, 1976

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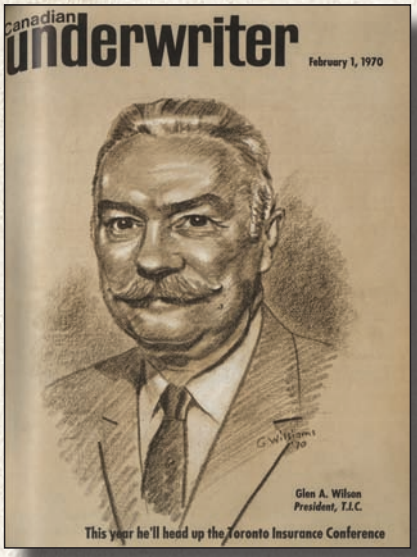
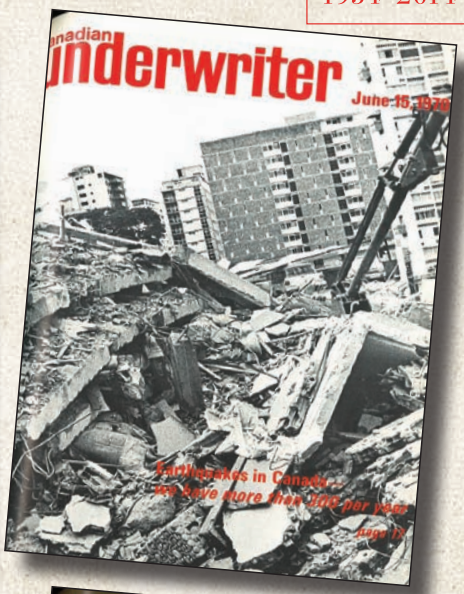
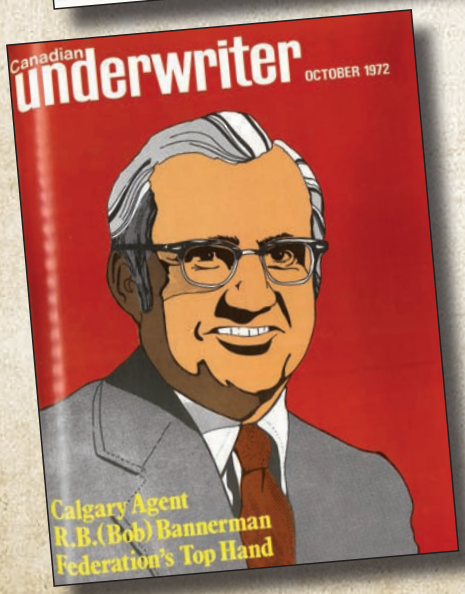
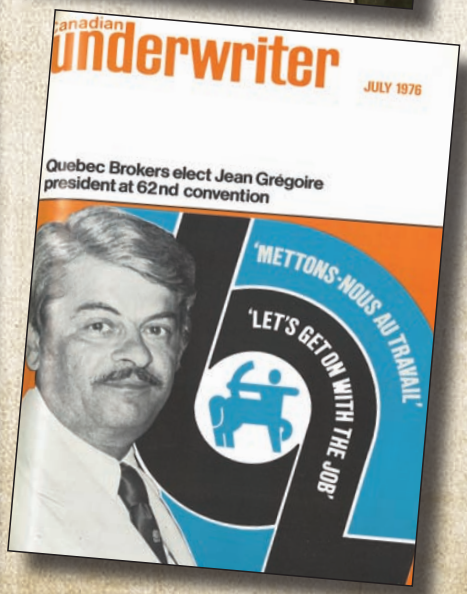
1934-2014









CU 80 Years.com *Articles: 1966 – 1968*

Experts Say No To Compulsory Insura

By DON FIELD

SHOULD you, as an automobile owner, be forced to buy $200 worth of wrought iron gates every year?

There's only one answer—"Not Pygmalion likely!"

You should not be compelled to buy anything — **including** insurance.

Yet today there seems to be a growing clamour for compulsory automobile insurance (this is confirmed by our recent Ballot.)

On the surface it seems to be an obvious good, but as someone once pointed out, the obvious answer is often obviously foolish.

Obviously, the quick-

The reason for this has something to do with the experience of insurance companies in Saskatchewan and the three U.S. states — New York, Massachusetts and North Carolina — where compulsory insurance has been in force for years. For one thing, politicians tend to use auto insurance in these four areas as a nail for their campaign platform.

In the heat of an election brawl it is not unusual for the politician to promise lower insurance rates. Commented The Financial Times: "The result is that rates are held at an artificially low level, causing tremendous losses to the companies. Periodically they have to go to the courts in order to force

the discretion as to which poli the Province would be permi drive would depend upon the insurance companies. . . . While the greatest faith in their admin of their responsibilities, the questi whether or not a person should given a license must rest with the ernment.

"This seems preferable to hav insurance companies granting or fusing their insurance policies on basis of their own standards of with the ultimate result of would be refused

Mr. Batten said that, "the reali availability of large capacity in the insurance markets of the world depends greatly on a market having a proven reputation for good underwriting. This means a careful and thorough assessment of the hazards and exposure of a risk; the selection of an appropriate policy form, i.e. probably less than that which the insured or his representative demands, but rather that which the underwriter is prepared to give and the application of the correct rate based partly on the attributes of the particular risk and partly on the experience developed by a spread of other similar risks.

Some Have No Capacity Problem

"The capacity needs of a broker and an underwriter required to place an ultra large risk are, of course, different. An underwriter need only accept as little or as much for his account as is dictated by his judgment in

Capacity

Why can't Canadian reinsurers meet the needs of the market?

. . . It is clear that potential profit is the key that unlocks the door to capacity . . .

D. M. Batten, F.I.I.C., assistant manager of The Mercantile And General Reinsurance Company of Canada Limited, in an address to the B.C. Society of the Insurance Institute of

Now it's official

Canadian Association of Insurance Women elects Roberta 'Bobbie' Parks first president

. . . the opportunity for women to advance within the industry is there but they must prove their ability and dependability . . .

It is now official. The Canadian Association of Insurance Women has its offi its charter and its by-laws, and is no business to co-ordinate activities fo ance women all across the ry, in co-operation with the branch organizations.

All this has taken a year to formulate, with pro-tem executive officers devoting a year of hard work to setting up and accomplishing a very successful first convention.

A very deserving Roberta "Bobbie" Parks, Toronto, pro-tem president for the past year, was the unanimous choice of the delegates to serve as president of the association for the 1967-68 year. Serving with her are: Rita Kelly, Hamilton, 1st vice-president; Mildred Jones, Montreal, 2nd vice-president; Rita McCourt, Toronto, secretary; Bernadette Murphy, Saint John, treasurer; with Daphne Monkman, Winnipeg; Hilda Lamb, Ottawa, Kathy Harrington, Halifax, and Marg Dewar, Windsor, as directors.

The delegates spent three days in June at the Sheraton-Connaught Hotel in Hamilton, ironing out the difficulties involved in setting up a constitution, preparing the by-laws and electing officers. Mary Sesale, as parliamentarian, was on hand to keep things running on a strictly correct basis.

But there was time to have fun as well. The city of Hamilton provided buses for a tour of "Tiger Town", and Paul Hanover, a local radio and TV personality, livened up one of the breakfast sessions.

Charles Poole, president of the Canadian Federation of Insurance Agents and Brokers Associations, did a masterful job of explaining the make-up and function of the many associations, conferences, bureaus, chapters and clubs which exist within and for the insurance industry. He urged the Canadian Association of Insurance Women to take its rightful place and advance in the best interests of the public, its associated employers and colleagues, and the insurance business as a whole.

David Smith, Hamilton manager, Royal Insurance Company, presented a challenge to the members to advance to much more responsible positions with their companies through the exercise of hard work and further education. In his view the opportunity is there for women to advance their positions in the industry is there, but they must prove their ability and their dependability before they can expect promotion. He deplored the fact that women avail themselves of the opportunities which are offered, are frequently financed by their employers.

Hedley Radden, manager for the sale of the Phoenix of London, Canada, was guest speaker at the final luncheon of the CAIW conference. He spoke on the part played by women in the insurance industry around the world, commenting first that only in Canada and the United States do separately-dependently-controlled women's associations exist. In all other countries, the ladies' associations are offshoots or sub-sections of the local insurance institutes. In United Kingdom has two categories of membership in the Chartered Insurance Institute — full or social membership. In South Africa and New Zealand there is a dual or recent vintage but encouraging steadily. The institute in the West Indies appoints a ladies' committee each year, and considers their contribution to be a valuable one. Steps are being taken in India to develop interest and enthusiasm amongst the women for institute activities. Mr. Radden expressed the hope that the new association in Canada will receive the fullest recognition and support from companies, Institutes, brokers and agents, and in fact, all those connected with insurance.

John Caird, president of the Ontario Insurance Institute brought greetings from this organization, and expressed his personal satisfaction and the congratulations of his company, the Eagle Star group, to the new president of C.A.I.W., Bobbie Parks, one of his own employees. He also hinted that the attendance of Mrs. Parks at the conference to be held in Halifax next year, might hinge on his receiving an invitation to attend as well, which added a little excitement to the occasion.

Ken Beale, co-ordinator of education for O.I.A.A. announced the

Radiant Roberta "Bobbie" Parks of the Equity, president of the Canadian ... on the left Mrs. ...

At the right, Jarvis Duncan, The Hon. John Robarts, Premier of the Province of Ontario; G. M. Wright, general manager, Royal Insurance Conference; E. L. A. Leith, president, Ontario Agents' Association; Herb Baker, secretary-manager, O.I.A.A.; and John Lewis, past-president of O.I.A.A.

Left to right, Norman Anderson, Canadian General Insurance Co.; L. E. Spencley, office manager, Royal Insurance Company; and E. M. Wright, deputy general manager, Royal Insurance Group, Toronto.

At The T.I.C. Annual Dinner

At the right, Herb A. Meagher, Magnolia & McAdam Ltd.; E. M. Baxter, manager, Royal Insurance Group, London, Eng.; and G. L. Martin, president and general manager for Canada of the Group.

Left to right, J. L. McKibbey, Reed Shaw & McKenzie; J. E. Mactaggart, manager, Mathieu Insurance Company; and E. M. Oulton, Victor M. Oulton Limited, of Vancouver, past-president of C.I.A.

How The Companies Rank
(Top 70 in all GENERAL lines)

	1966	1965	%
1. Lloyd's of London (1)	67,259,452	59,278,171	+13.46
2. Royal Insurance Group (2)	51,059,486	47,097,749	+8.41
3. Travelers Group (3)	48,600,787	39,691,223	+22.43
4. Continental Insurance Co's. (13)	46,025,122	22,442,875	+105.05
5. Western-British America Gp. (4)	41,038,589	39,422,570	+4.10
6. Zurich Insurance Co. (6)	35,484,243	31,818,694	+11.52
7. Comm. Union Group (7)	34,875,674	30,719,580	+13.53
8. Guardian-Union Gp. (5)	33,298,871	32,922,872	+1.14
9. Allstate Insurance Co. (11)	32,815,590	25,027,561	+31.12
10. Wawanesa Mutual Ins. (8)	30,780,932	28,868,558	+6.62
11. Northern & Employers Gp. (9)	30,763,386	28,502,967	+7.93
12. Commerce Group (10)	27,390,624	27,099,406	+1.08
13. Shaw & Begg Fund Gp. (16)	26,269,029	21,520,924	+22.07
14. Canadian General Gp. (14)	25,773,097	21,913,917	+17.62
15. Continental Casualty Co. (12)	23,351,130	23,408,014	-00.24
16. Global Group (17)	22,928,497	18,061,122	+26.95
17. Insurance Co. of N.A. (19)	20,143,749	16,933,164	+18.95
18. Sun Alliance & London Group (15)	19,112,769	21,777,202	-12.23
19. Co-operators' Ins. Assoc. (26)	19,037,412	15,080,504	+26.24
20. Hartford Group (21)	17,749,967	16,916,066	+4.93
21. General Accident Group (23)	17,664,331	16,010,637	+10.33
22. Phoenix of London Gp. (22)	17,432,642	16,269,650	+7.15
23. Dominion of Canada Gen. Gp. (24)	17,096,498	15,315,422	+11.63
24. Economical Mutual Gp. (25)	16,623,899	15,217,279	+9.24
25. Great American Group (29)	16,061,939	13,326,212	+20.54
26. Prudential Assurance Co. Ltd. (28)	15,985,160	13,602,795	+17.00
27. Provident Assurance Co. (27)	14,912,776	13,919,768	+7.13
28. Sterling Offices Gp. (18)	14,672,801	17,276,524	-15.07
29. State Farm Insurance Cos. (35)	14,393,797	11,068,512	+30.04
30. Canadian Indemnity Co. (31)	14,198,072	13,618,134	+12.58
31. Norwich-Scottish Un. Gp. (34)	13,571,136	11,576,695	+17.23
32. Home Insurance Co. (32)	13,256,652	12,088,966	+9.66
33. Royal Exchange-Atlas Gp. (30)	12,653,937	13,078,182	-3.24
34. Mutual Insurance Co. (37)	12,506,859	10,256,471	+20.76
35. F. & G. Group (36)	12,292,595	10,944,696	+12.32
36. Top Fire & Casualty Co. (41)	12,007,081	9,260,925	+30.38
37. Gen. & General Re. Gp. (39)	11,853,156	10,003,172	+18.49
38. Central Ins. Co. of N.J. (38)	11,584,706	10,210,980	+13.45
39. Canadian Surety Group (42)	11,224,662	9,202,792	+21.97
40. Canadian Reinsurance (49)	11,066,041	11,706,158	-5.03
41. Robert Hampson Group (33)	10,525,392	9,416,669	+11.77
42. Life Insurance Corp. (46)	9,814,790	8,115,780	+21.00
43. Phoenix Group (43)	9,669,495	8,846,219	+9.31
44. [illegible] Group (44)	9,521,556	[illegible]	+3.31

A contentious issue

Car insurance — the NDP panacea and why agents say it won't work

. . . while other government controlled automobile insurance schemes are reportedly getting into more and more difficulties, Ontario's New Democratic Party contends that public Car Insurance Coverage can provide the most efficient coverage at the lowest cost

The Ontario Insurance Agents Association is so hard-hitting in its attack on the proposal itself against a political party that is irresponsible in its statements, incorrect in its research, and irrational in its

license had found a way to beat it. In addition, the people of Saskatchewan were finding out that out-of-province people weren't always insured.

Compulsory insurance is not working in New York State either. To the south, they are finding out it costs far more to operate their unsuccessful compulsory insurance program than it does to rely on motorists buying insurance willingly and voluntarily.

the 25-year and under age group are involved in 38 percent of all fatal accidents.

If Mr. MacDonald wants to share the extra dollar cost — I mean spread it out among all other drivers — then surely everyone's insurance will necessarily everyone's insurance will be increased. If this is his desire how can he possibly complain about the cost of insurance?

This is the same kind of garbled

. . . and disappointed litigants . . .'

Compensation Without Fault — The Time Has Not Yet Come

. . . The moral principle of reward for the good and punishment for wrong is universally accepted and justifiably so. The principle should not be weakened . . .'

By Leo A.

More about that 'Facility'

An adjuster's view of the new automobile Facility

. . . the Facility represents a change — a return if you will — to an old underwriting principle, but a change nevertheless, and the warning is that men do not change their habits as fast as the rules that are made to assist them . . .'

F. G. Mathesan

Mr. Chairman, gentlemen of the Society of Fellows and guests. How will the new Facility affect claims? The answer is brief and unspectacular. If the intent of the Facility is followed, its operation won't affect claims at all. The agreement says very little about claims, except that the Facility shall contribute to legal but not administrative expenses and that it may associate with the insurer in defense and control. Beyond that, it sets out some regula-

at the same time it wasted the insurers' money.

Assigned risks became indeed second class citizens. Surely there is no doubt about that. Non-waiver agreements, for example, that were seldom heard of in the forties and fifties, proliferated to such an extent that associations began to print them to save their members' stationery costs. Many an insurer has been inconvenienced

be claims involving policy breaches or occasionally even contracts contrary to law. Some of the good faith and utmost writing skill that are business in offer. But the concept that each insurer shall risk had to represent a proportion portfolio on its own has not been laid to rest forever. I have

PRUDENTIAL ASSURANCE APPOINTMENTS

B. M. KENNEDY D. MARTIN

The Prudential Assurance Company Limited announces the appointment of Mr. Barry Kennedy and Mr. Denis Martin as inspectors in the Montreal area. Each Mr. Kennedy and Mr. Martin have had much experience in the various aspects of General Insurance and their appointments are made necessary by a growing volume of business in the greater Montreal area.

A new committee was born and its prime function is to act as a sounding board for those complaints that come to the attention of the Superintendent of Insurance and to the attention of the Bureau at large through such media as "Action Line" on TV, and certain newspapers in the Toronto area. The committee is called "The Joint Committee on Insurance Claims". C.I.A.C. is one of the committee along with representatives of the Ontario Insurance Agents' Association, the Underwriters Association, the Canadian Claims Managers' Association, the Ontario Independent Adjusters' Association, the All Canada Insurance Federation or the C.I.C. as it is now called, the Ontario Department of Insurance and the Department of Transport (Motor Vehicle Accident Claims Fund). The Committee meets once a month and every problem arising from the handling of general insurance claims is threshed out and so

... we have made progress. We ... who have C.I.A.C. is much improved. We continue, then, to increase our stature and ... we moved a little but further along to

FELLOWS INSURANCE INSTITUTE OF CANADA

F.I.I.C. . . . Proud Designation

A Fellowship in the Insurance Institute of Canada stands for the ultimate in insurance education provided by the insurance Institute movement.

All **Canada Insurance Federation** and **Canadian Underwriter magazine** salute the latest group of insurance students, who have, by have successfully completed their Fellowship examinations. The industry can be proud of them.

Missing from the group are: J. G. Hamilton, Barry Ex-Atlas (Montreal); A. M. Ellis, Canadian Ins. Vancouver; W. G. Brown, Bell & Grant, Vancouver; Vaux, Co-Op. Ins., Guelph; Hallett; R. S. Bird, Co-Op. Ins., London; F. E. Lewis, Scotland Ins., London; R. A. Eder, Dom. of Canada, Tor.; T. W. Grimsdale, Eder, Dom. of Canada, Tor.; Gen. Accident Dale & Co., Tor.; M. Hodgson, Gen. Accident Co., Tor.; M. J. Mahaffy, Sun Alliance & London Ins., Tor.; Miss Bessie Halley, Tor.; R. D. Harrison, Anglo Adj., Tor.; P. D. Sanders, Great American, Tor.; J. M. S. Walker, Tor.; D. Hoates, Northern & Employers, Mtl.; A. Ramm, Guardian-Union, Que.

APRIL 1968

Canadian Independent Adjusters' Conference — Vancouver

September 1st, 1968

CU 80 Years.com *Articles: 1968 – 1970*

80

1934 - 2014

Canadian Merger Creates One Of The Larger Insurance Brokerage Firms In The World

Reed, Shaw, McNaught — Osler, Hammond & Nanton Cronyn, Pocock & Robinson join forces

Three of Canada's insurance organizations have merged to form one of the larger insurance brokerage firms in the world.

The Companies which have merged are Reed, Shaw & McNaught; Osler Hammond & Nanton Insurance Limited (and its associate Companies) and Cronyn, Pocock and Robinson Limited. The name of the new, wholly Canadian owned, organization will be Reed Shaw Osler Limited.

In announcing the merger, J. W. Whitnall, the new President, said that the Company will provide each client with additional experience and technical knowledge and that each of the merged companies will continue to operate as a separate entity.

A. R. Monahan, Vancouver, Senior Vice-President; G. P. McEvenue, London, Senior Vice-President; and J. M. Riley, Toronto, Secretary Treasurer. These men will serve on the Board of Directors together with J. S. Davidson, Vancouver; J. L. Halliday, Toronto; P. Filion, Montreal; G. W. Rand, Winnipeg; B. Mackid, Calgary; G. E. Jackson, London; A. R. Crane, Toronto; J. R. Wilkins, Edmonton; R. C. Hughes, Toronto and D. K. Russell, Toronto. Arthur C. Law of Vancouver will act as a senior consultant to the organization and Senator John B. Aird, Q.C., of Toronto, will be General Counsel.

The association of the merged companies will be known as Reed Shaw McNaught; Osler Hammond & Nanton; Cronyn, Pocock and Robinson.

Still Mighty Spry

THE OLDEST AGENT — But still mighty spry is Agent Reg. E. Wilkes of Marquette, Man. Mr. Wilkes, who was 87 last May, came from Mount Forest, Ont., in 1905, to take up farming but in 1923 became an agent for the Portage La Prairie Mutual taking over his brother-in-law's agency. A long time and active member, he receives a warm welcome to the Manitoba Agents Association annual meeting from S. Wilson Raftery, a former president of the association and now a vice president of the Canadian Federation of Agents & Brokers.

1968 Underwriting Experience in Canada

+$44.1 Million

Another Year Of Black Ink

BUT: the profit was less than that of the year previous and signs of deterioration call for a stable market of catastrophes helped last year. The general companies made $43.4 million and the reinsurers $4 million but the A & S companies lost $3.3 million. The marine market and aircraft insurance stand out among the winners.

1968 fire and casualty insurance experience in Canada was similar to that of 1967 — with some differences:

- an increase of 3.11 points on the debit side of the ledger on last year's automobile insurance earned loss ratio — 67.52% — as compared with 1967's 64.41%.
- a relatively puny increase of only 2% on the total volume written by the fire and casualty companies if the Accident & Sickness business is placed to one side, 5% if it is left in the total NPW.
- a much brighter profit picture for the reinsurance companies operating in this country — they made approximately $4 million last year as contrasted to $62.338 in 1967 — and the Canadian marine market which turned up a profit of $1.9 million. The purely

(Continued on Page 12)

UNDERWRITING PROFIT/LOSS IN CANADA
11 Years: 1957 - 1968

How Companies Rank In AUTOMOBILE Premiums (Top 70 companies)

	1968	1966	%
1. Royal Insurance Group	50,021,996	49,582,737	+
2. Allstate of Canada	40,951,262	35,514,810	+1
3. Commercial Union — Northern & Emps.	32,545,117	18,201,841	+7
4. Wawanesa Mutual Insurance Co.	30,450,297	28,174,114	+8
5. Lloyd's of London	25,077,621	27,336,307	−8
6. Co-operators Insurance Assoc.	24,964,300	20,587,066	+21
7. Guardian-Union Insurance Group	21,784,205	21,107,682	+3
8. State Farm Insurance Companies	20,808,166	16,681,797	+24
9. Canadian General Group	19,379,472	20,280,351	−4
10. Continental Ins. Companies	19,115,884	19,144,945	—
11. Travelers Group	17,872,997	18,028,124	—
12. Zurich Insurance Company	17,775,867	17,655,027	
13. Commerce Group	17,008,005	17,160,949	
14. Shaw & Begg Fund Group	16,183,098	15,503,9	
15. Co-operative Fire & Casualty	14,715,090	11,276,8	
16. Dominion of Canada Gen. Gp.	14,366,993	13,666,2	
17. Economical Mutual Group	12,344,112	11,974,8	
18. General Accident Group	11,603,652	11,339,8	
19. Prudential Assurance Company	9,985,621	8,190,4	
20. Liberty Mutual Group	9,867,136	8,326,6	
21. Canadian Indemnity Company	9,862,028	8,877,2	
22. Hartford Group	9,783,613	9,776,7	
23. Les Prevoyants du Canada	9,717,994	8,138,8	
24. Sun Alliance and London Group	9,699,310	9,243,6	
25. Home Insurance Company	9,587,170	8,346,7	
26. Provident Assurance Company	9,148,354	8,254,2	
27. Norwich Union Group	9,397,733	8,268,2	
28. Gore Mutual Insurance Co.	9,269,825	9,143,8	
29. Global Group	8,869,464	8,062,4	
30. Merit Insurance Company	8,458,349	8,492,6	
31. London & Midland General	8,232,353	8,767,6	
32. Pilot Insurance Company	8,046,448	8,282,2	
33. United Provinces Group	7,894,491	5,980,4	

Chartered Insurance Broker (C.I.B.) To Be National Designation Of Professionalism

SUN ALLIANCE & LONDON INSURANCE GROUP

The insurance agent who doesn't know his business is defrauding the public. This was the gist of the message delivered to the New Brunswick Insurance Agents' 1969 Annual Convention by John Nagle, F.I.I.C., who spoke to the gathering on the subject of 'Professionalism — What Does It Mean'.

Mr. Nagle reminded the New Brunswick agents that the public today could spot a phony with comparative ease and said that professionalism within the insurance agency ranks was a matter of survival. He said that consumerism today demanded the highest standard of service and because of this warned that the insurance industry must get its story across to the public.

Mr. Nagle said that the day is past when the insurance agent can hide in a corner. Today the insurance agent must be a true professional and he reminded his audience that the road to profes-

accomplished in the past year at Federation level with respect to the establishment of a code of ethics for the professional insurance man and that it has more or less been decided that the official national designation to be adopted to identify those who do achieve the professional status in the insurance business would be that of Chartered Insurance Broker, the same designation as used by The Insurance Brokers' Association of the Province of Quebec. Adoption of this title, he said, had been agreed upon with the co-operation of the Quebec Brokers' Association and it was the hope that title could be registered with Federal authorities within the year.

World War II started 30 years ago. The worst air raid on London

Discours du President

Par, Maurice Tanguay

Au terme de mon mandat, il me fait plaisir de venir soumettre le rapport de

membres d'y trouver de nombreux services techniques et professionnels.

gences de l'ère supersonique. Elle pourra de cette façon continuer de rendre efficacement les services pour lesquels elle a été créée.

C'est maintenant un agréable devoir pour moi de remercier les anciens présidents, tant pour leur participation active à la vie de notre Association, que pour l'aide qu'ils nous ont apportée et

Question #3

What Adjusters Think About Telephone Claims Adjusting

. . . We have endeavored to reduce costs and paper work by utilizing a telephone recorder system but as an independent adjusting firm in a rural area we find the system unfeasible as most companies are not inclined to accept such drastic changes . . .

No. ——

I have been in the adjusting business for over 20 years. No man can competently adjust 191 claims in a month, and I think it is an impossible to expect him to do so. Certainly the labour unions would be interested in investigating such

of around 200 might be possible, but beyond that guys go nuts.

We would like to see the system tried the competition won't tolerate it. The won't even accept short reports in some cases. They say they will but that's BS. You should see the demands on some an independent has a claim. And the

Insurance Institute Awards Nights

Fellowship graduates (above) of the Insurance Institute of Canada who received certificates at the annual dinner of the Institute in British Columbia were (front, l-r) Donald R. Stewart, Peter G. Lindsay, Peter G. Lapp, Miss Janet B. Kilian, Douglas J. Macpherson, David W. Holbrook, (back, l-r) William J. Herman, Clifford D. Edwards, John W. Berg, John A. Tolmie, Terence Faulkner, A. Frank Kingan and Gerald F. Hendine. Award winners (right) were (front, l-r) Ray S. Deptuck, Canadian Independent Adjusters' Conference in B.C. Award; Robert J. Gilmer, B.C. Insurance Adjusters' Association Award; (back, l-r) Kenneth W. Kelner, Canadian Insurance Claims Managers' Association Prize; Edward M. Lewis, Yorkshire Insurance Company Award; and David E. Holden, B.C. Fieldmen's Association Award. The dinner and presentations were held at the University of B.C.

On awards night in Ontario, W. J. Sutherland (far left), who took the Fellowship with honours, also received the Insurance Institute of Ontario Centennial Award and Prize (Fellowship Portal), which was presented by J. Gordon. ISO immediate past president, IIC President Francis Adam, with Gerry Lapp, presented Miss Pat Boyle with her AIC certificate. Miss Boyle was awarded the Toronto Insurance Conference Prize (Top Independent Agent), the Canadian Insurance Women's Club Prize, the Insurance Conference Prize (Continuing Education Course), the Ralph Sketch Award (Associate All Courses), and the ICI Agents' Courses Associate Prize, General Associate Prize, and Top Associate Diamond Jubilee Shield and the

Shield, Medal, and Prize, W. E. D. Baldwin Prize (both Fellowship I & II), Gilmour Prize (Fellowship I & II), Fellow-

Damage Appraisal): Leon J. David, Sec. Adjusters' Prize (Adjusters' Course), J. Guy Clavero, John F. Sullivan

An adjuster's view of the new automobile Facility

. . . the Facility represents a change — a return if you will — to an old underwriting principle, but a change nevertheless, and the warning is that men do not change their habits as fast as the rules that are made to assist them . . .

F. G. Mullman

Mr. Chairman, gentlemen of the Society of Fellows and guests. How will the new Facility affect claims? The answer is brief and unspectacular. If the intent of the Facility is followed, its operation won't affect claims at all. The agreement says very little about claims, namely that the Facility shall contribute to legal but not adjustment expenses and that it may associate with the insurer in the defence and forms. Beyond that, it sets out some rules

at the same time it wasted the insurers' money.

Assigned risks became indeed second class clients. Surely there is no doubt about that. Non-waiver agreements, for example, that were seldom heard of in the forties and fifties, proliferated to such an extent that associations began to print them to save their members' stationery costs. Many

be claims involving policy breaches occasionally even contracts void ab initio, for all the good faith and underwriting skill that our business can offer. But the concept that each individual risk had to represent a profitable portfolio on its own has long been laid to rest

Confrontation in Manitoba

. . . The provincial government should simplify automobile

Agents in Manitoba, who flocked to a hearing on automobile insurance, listen with a mixture of interest and apprehension to the creation of a government-appointed committee to a brief presented by their association.

insurance news and events

BOB BANNERMAN (left), Insurance Man of the Year, and his predecessor, J. E. BURNS, admire the just presented inscribed silver tray.

In the photo at right, ROBERT CLARK presents the Educational Award to THOMAS ROXBURGH.

Calgary's Banner-man of the year

R. B. "Bob" Bannerman, FIIC, president of the Calgary Insurance Institute, for outstanding service to the insurance industry, where and beyond his regular liaison with government has been of value to the industry as a whole.

Earthquake risks in Canada

Recent earthquakes in Peru which have taken a catastrophic toll of life and property are a stark reminder of the devastation that can be wrought by such events. The following article prepared by scientists of the Division of Seismology, Department of Energy, Mines and Resources, Ottawa, is officially titled The New Seismic Zoning Map For Canada. The article, apart from being timely in the light of events in Peru, will be of vital interest to underwriters in the Canadian insurance industry as an analysis of earthquake risks in Canada

By K. Whitham, W. G. Milne and W. E. T. Smith*
Division of Seismology, Earth Physics Branch
Department of Mines, Energy and Resources, Ottawa

Introduction

Earthquakes are a matter of considerable social and economic concern to twentieth century man. According to most UNESCO estimates, in the quarter century to 1950, each year an average of 14,000 people were killed and [illegible] million dollars of damage caused by earthquakes.

dicted from it.

The 6th edition of the National B[illegible] Canada, to be issued in 1970 by the D[illegible] Research of the National Research Co[illegible] regular quinquennial revision of the C[illegible]

Marketing — key to survival?

Excerpts from an address made by EDWARD F. (TED) BELTON, manager, Western & Eastern Division, The Halifax Insurance Co.

[illegible] general insurance business in [illegible] faces a real and explicit threat [illegible] survival as a carrier of automobile [illegible]

[illegible] in British Columbia and Man[illegible]

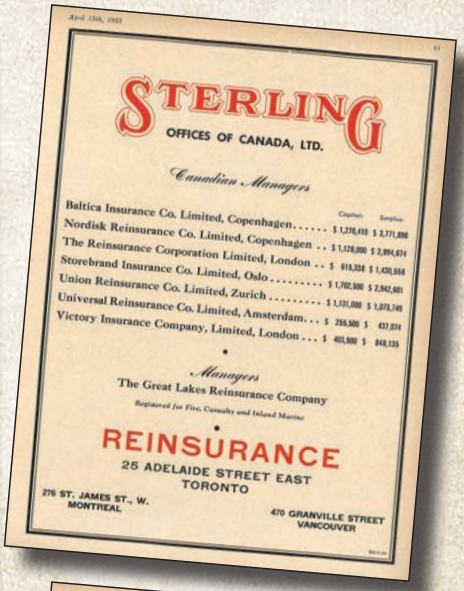
[illegible] surance has not kept pace with other industries in developing an understanding of the concepts of marketing and of modern marketing methods.

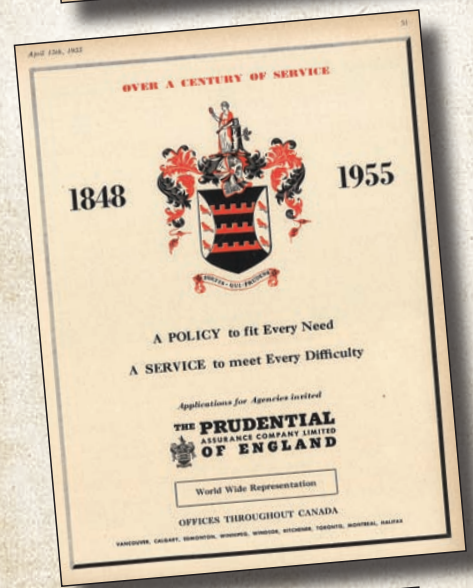
What is this thing called marketing?

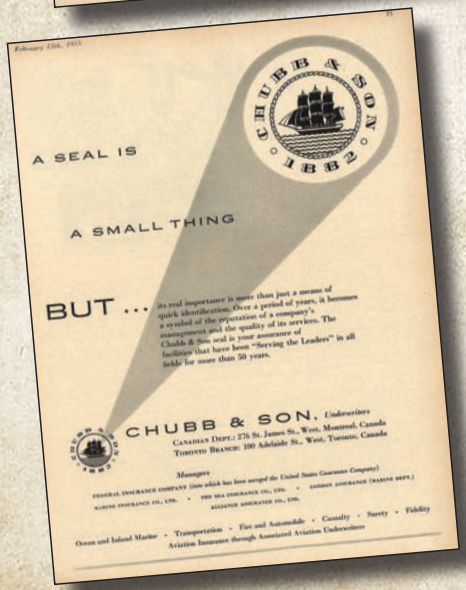
customers thinks he is buying *financial security*.

His prime need is to protect his assets whether they be in the form of his life, his income, his house, his business, his [illegible] or his wealth.

CU 80 Years.com *Advertisements: 1955*

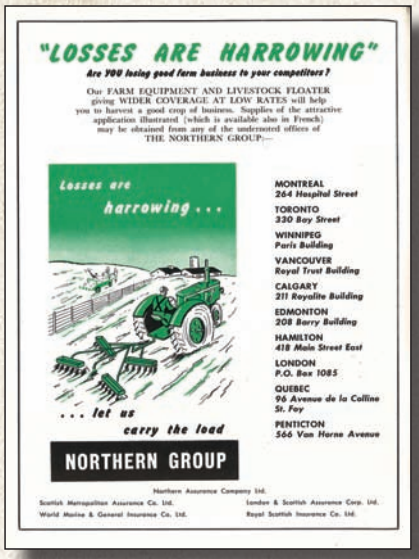


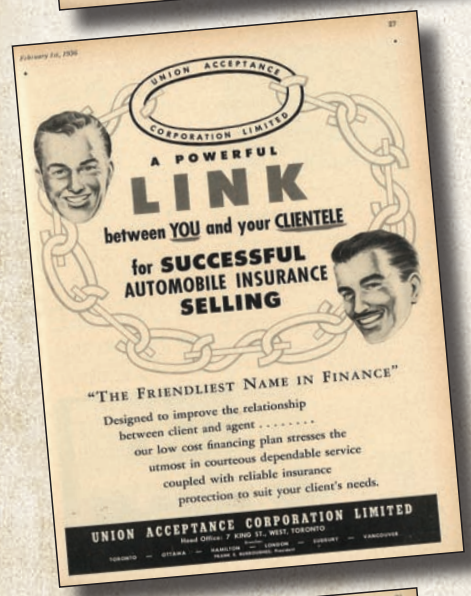


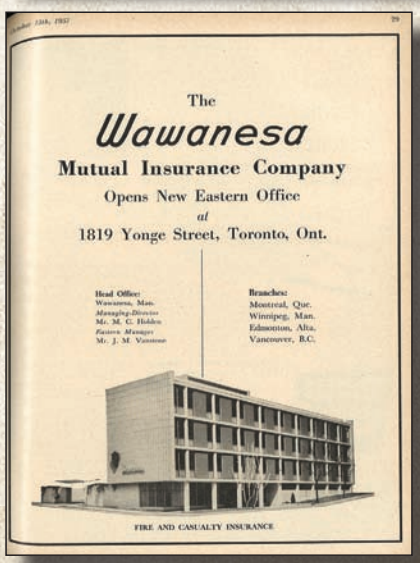


CU 80 Years.com Advertisements: 1955 – 1957

80
1934-2014







Cyber Evolution

The majority of the polled IT organizations are aware that some of their security measures are immature or ineffective.

Angela Stelmakowich, Editor
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Despite some discussion of a disconnect between how much of a threat cyber risk is (as portrayed in the media) and how high it is ranked by organizations (measured by actions taken), talk of cyber risk/security/attacks abounds.

The issue received yet another unwelcome reboot here at home with allegations in July that Chinese hackers had infiltrated the IT network of the National Research Council of Canada (NRC), the very council now working with others to develop a photonics-based, quantum-enhanced computer encryption system that would make such infiltrations a no-go.

"The emerging field of quantum communication promises unhackable, secure communication that can be applied to protect our digital infrastructure," notes information on NRC's website. For the time being, NRC computers will remain isolated from the rest of the federal government systems.

A study issued last year by the International Cyber Security Protection Alliance shows that 69% of surveyed Canadian businesses reported experiencing an attack in a 12-month period.

Another recent survey, this one released by ForeScout Technologies Inc., indicates 96% of the responding organizations, spanning five industries in the United States and Europe, had a significant IT security incident in the past year.

The majority of IT organizations are aware that some of their security measures are immature or ineffective, ForeScout Technologies notes, but only 33% are very confident in the likelihood that their organizations will improve less mature security controls.

The lack of confidence is hardly heartening. The Insurance Information Institute (III) in the United States reports there were 614 publicly disclosed data breaches in the U.S. last year compared to 449 in 2012, 419 in 2011 and 662 in 2010.

Cyber risk is a concern that has received notice from regulators and legislators both north and south of the border. In the paper, *Plans and Priorities for 2013-2016*, the Office of the Superintendent of Financial Institutions (OSFI) has listed cyber risk as one of its top priorities, notes a recent bulletin from Clyde & Co.

OSFI has made clear that the regulator expects senior management of all federally regulated financial institutions (FRFIs) to review cyber risk management policies to ensure they remain effective in light of changing circumstances and risk, writes Shani Briffa, an associate with Clyde & Co. As well, Briffa adds, "OSFI appears committed to providing the guidance and oversight required to encourage FRFIs to use (its) template to develop and maintain effective cyber security practices."

As for the U.S. House of Representatives, it has passed the *National Cybersecurity and Critical Infrastructure Protection Act of 2013*, which includes provisions to strengthen public and private information-sharing, a move that could incentivize behaviour to deal with the increase in cyber attacks.

That is all encouraging, but not everything is in the wake of attacks that have put a decidedly fine point on how close to home (and business) cyber attacks can come.

"Despite the fact that cyber risks and cyber security are widely acknowledged to be a serious threat, many companies today still do not purchase cyber risk insurance," notes the III, although that appears to be changing.

"As the standalone market for cyber insurance grows and as existing covers expand to encompass cyber exposures, we will see more and more claims come into the market," notes a white paper from Crawford & Company.

There is also some encouragement in statistics from Munich Re. Responses from more than 100 risk managers at this year's RIMS annual conference in Denver shows that 77% reported they plan to have some level of coverage in the next 12 months. As well, 42% said they plan to increase their level of cyber insurance or buy coverage for the first time.

Risk managers "understand that having financial protection is an important component of managing this increasing risk," Gerry Finley, a senior vice president at Munich Re America, said at the time.

Risk

"TOTAL COST OF RISK" TRENDS HIGHER: RIMS

The average "total cost of risk" (TCOR) for companies trended higher for the third consecutive year in 2013, notes the *RIMS Benchmark Survey*, issued in late July.

RIMS reports that TCOR increased 2% from $10.70 per $1,000 of revenue in 2012 to $10.90 per $1,000 of revenue in 2013. It had increased 5% in 2012 and 1.7% in 2011, "reflecting the influence of hardening insurance market conditions," states the report, which includes data for more than 52,000 insurance programs from 1,400-plus companies.

The contribution of property premiums to average TCOR also rose 15%, from $3.09 per $1,000 of revenue to $3.54 per $1,000 of revenue.

"The value of risk management and its impact on an organization's sustainability has emphasized the importance of developing comprehensive risk financing programs," says RIMS president Carolyn Snow. "Benchmarking the total cost of risk gives risk managers an undeniable advantage when structuring their risk financing programs, especially in today's competitive insurance market."

ZURICH OFFERS ADVICE ON SOLAR PANEL SAFETY

Zurich Insurance Group is recommending commercial building managers and risk managers try to avoid the installation or integration of photovoltaic (PV) systems onto or into buildings until associated risks are fully understood and addressed.

The recommendation is included in Zurich Insurance's new white paper on PV solar panel systems, information meant to help risk managers understand associated risks and how businesses can protect themselves before moving forward with green technology.

"Solar PV system use has increased three-fold over the last three years, which means more and more businesses need to understand the risks associated with them in order to help protect their property and business operations," says Mike Widdekind, technical director, property for Zurich Services Corporation.

Fire-related risks are among the top challenges with PV systems, Zurich notes, adding the systems have more fire ignition sources and present more opportunity for fires to occur beyond the reach of standard fire protection and fire detection systems.

As well, risk managers need to be aware of unexpected structural loads, such as snow or ice that accumulates in shaded areas below panels; and that PV solar panel systems can be susceptible to damage caused by wind-borne debris.

U.S. SENATE VOTES TO EXTEND TERRORISM INSURANCE ACT

The United States Senate voted in mid-July in favour of a bill that, if passed into law un-amended, would extend the Terrorism Insurance Program from the end of 2014 until the end of 2021, and would increase the insurance marketplace aggregate retention amount by US$10 billion, bringing the amount to US$37.5 billion.

On July 17, 93 of America's 100 senators voted in favour of the *Terrorism Risk Insurance Program Reauthorization Act of 2014*. A separate bill proposing to extend the U.S. government terrorism coverage program to 2019 was tabled June 17 in the House of Representatives, but had not been put before the full house for a vote.

TRIA requires insurers to cover losses in incidents "certified" by the U.S. government as terrorist acts, and requires the U.S. government to pay a portion of a carrier's insured losses that exceed the carrier's deductible.

The bill passed by the Senate proposes reducing the federal share of compensation for insured losses of an insurer during each program year (after the bill is passed into law) by 1% "until that share equals 80% of that portion of the amount of such insured losses that exceeds the applicable insurer deductible for such program year."

The Senate also proposed increasing the insurance marketplace aggregate retention amount, currently at US$27.5 billion, by US$2 billion per calendar year until the industry's retention is US$37.5 billion.

Canadian Market

ADJUSTER, PROVIDER TO OFFER REAL-TIME INFO ON CANADIAN CAT ZONES

Canadian independent adjusting firm Catastrophe Response Unit Adjusters Inc. (CRU) has partnered with an online loss index provider to offer real-time information from Cat zones in Canada.

Subscribers to the recently launched Catastrophe Indices and Quantification Inc. (CatIQ) will now have access to photos, videos and text-based reporting from catastrophe zones across Canada. Users will have the information within the first hours and days following an event, and then periodically as the recovery process unfolds.

The online subscription-based application provides insured loss indices, granular industry-wide loss estimates, Geographic Information System (GIS) mapping and other related information.

AIR RELEASES UPDATED QUAKE MODEL FOR CANADA

AIR Worldwide's Earthquake Model for Canada — which the risk modelling firm calls a significant tool for compliance with Guideline B-9 — has been updated to provide insurers and other industry stakeholders with an enhanced means of assessing potential losses from ground shaking, fire following earthquake, tsunami, liquefaction and landslide.

"The model reflects an up-to-date view of seismicity based on the latest hazard information from the Geological Survey of Canada and collaboration with leading academics," says Dr. Jayanta Guin, executive vice president, research and modelling for AIR Worldwide.

Among the model's features are detailed geotechnical and microzonation studies of several metropolitan areas, including Ottawa, Montreal, Victoria and Vancouver, to account more accurately for the impact of surface soils on ground shaking; and damage functions for industrial facilities and infrastructure.

Claims

"CALM CONTINUES" AS CAT LOSSES DECLINE IN CANADA, U.S.

Catastrophe losses in Canada during the first six months of 2014 fell 98% over 2013, with only two catastrophe events designated so far, note figures released by Property Claims Services (PCS).

The wind and thunderstorm events occurred in June. The first event's losses are estimated at $34 million; the estimate for the second is not yet available.

Catastrophe losses for the first half of 2014 (excluding the second June loss event) are also below the five-year average of $641 million.

"The steep year-over-year decline results from the fact that last year's flooding — which led to the highest catastrophe loss levels since PCS Canada began operations in 2010 — was followed by the quietest first half in the service's history," the report notes. "However, the results for 2013 may change based on future re-surveys."

In the United States, PCS designated 20 Cat events for the first six months of 2014, slightly above the 10-year average of 18.6. Insured losses for that period reached $9.5 billion, while losses in 2014 Q2 were $6.5 billion, the lowest level since 2010.

$200,000 FINE, RESTITUTION ORDERED FOR REHAB CLINIC

Toronto-area Ontario Rehab Centre was fined $200,000 in July after being convicted of auto insurance fraud-related offences.

The clinic — charged in the wake of co-operative investigations involving the Financial Services Commission of Ontario (FSCO), Insurance Bureau of Canada (IBC), multiple insurers and Toronto police — flows from an investigation into a staged accident ring.

IBC reports insurers paid out an estimated $4 million in fraudulent claims as a result of the scam.

Charges under Ontario's *Insurance Act* against the clinic include knowingly making false representations to State Farm to obtain payments for services provided to auto insurance claimants; and charging amounts to State Farm for the payment of services not provided.

Ontario Rehab Centre was found guilty on both counts and was fined the maximum $100,000 on each count. The clinic was also ordered to provide restitution to State Farm for amounts proven to have been falsely billed and paid, totalling $609,112.

EDMONTON POLICE RECOVER EQUIPMENT IN FALSE VIN SCHEME

The Edmonton Police Service (EPS) recently announced it has recovered more than $863,000 worth of travel trailers and other allegedly stolen property following an investigation into false vehicle identification numbers.

The trailers and recreational equipment that EPS recovered were "allegedly stolen and resold to unsuspecting buyers across Western Canada," the police report. EPS has "recovered an estimated $664,830 in additional stolen property."

Technology

PROPER USE OF TECHNOLOGY COULD LEAD TO SAVINGS

The insurance industry is poised to see high performance claims transformation if it takes steps to turn routinely overlooked data into actionable information and knowledge, notes Aite Group.

Aite Group research finds that about 15% of loss costs and loss adjustment expense could be saved with the proper use of technology, notes the research and advisory firm focused on business, technology and regulatory issues and their impact on the financial services industry.

The findings are based in part on a 2013 study of new entrants to the United States property and casualty insurance claims-handling market.

Using the 15% figure, the innovation opportunity could be more than US$110 million for a carrier with US$750 million in premium.

Claims-handling proficiency can be increased by making better use of what they operate on (data) which is found in underwriting, policy and claims systems, as well as external data sources.

Reinsurance

GLOBAL CATS CAUSE US$22 BILLION INSURED LOSSES FOR FIRST HALF

Global natural catastrophes for the first half of the year accounted for US$22 billion in insured losses, with more than half occurring in the United States, Impact Forecasting notes in a report.

Roughly 55% of the insured losses came from the U.S., with 23% in Europe and 19% in Asia, reports the catastrophe model development arm of Aon Benfield.

But insured losses were about 19% below the 10-year average of US$27 billion. Economic losses for the first half of 2014, as well, were below the 10-year average, at US$54 billion compared with the US$106 billion average for the period of 2004 to 2013.

Risk Ready

Angela Stelmakowich
Editor

RIMS president Carolyn Snow advises that risk managers and their organizations can work together to keep pace with the quickly changing risk scene.

There is no argument, no doubt. The risk landscape is changing — and both organizations and their risk managers would do well to remain in step.

Risk management has always been an evolving thing, but why has the pace of change ramped up?

"I think with the advent of ERM (enterprise risk management) that risk managers really broadened their scope of responsibility. Obviously not all risk managers do enterprise risk or strategic risk, but many more are than were in the past," says Carolyn Snow, president of RIMS and director of risk management for Humana Inc.

"In some ways, people look at ERM and say, 'Well, it's been around for a while,' — and it has. But it's really caught hold in the last few years," she points out.

Driving that profile higher are a number of developments, not least of which is that risk managers and others have done a good job of educating people about enterprise risk, additional tools are available to help develop enterprise risk frameworks, and there are more training and development opportunities.

Maybe the biggest contributor, though, is the influence that comes when rating organizations — more are requiring analysis of a company's ERM program — and regulatory areas take notice. When they start talking about enterprise risk, "then, obviously that moves up on the radar screen for organizations," Snow says.

PART OF THE CONVERSATION

The extra notice is welcome, since it helps risk become a larger part of both everyday and strategic conversations. That said, a seat at the table comes with expectations that risk managers will be well-versed and well-prepared.

"It's great to talk about strategic and enterprise risk and all those things, but then you have to bring those skills along with you," Snow emphasizes. For risk managers to continually broaden their skills and their expertise in these areas, she suggests it is a matter of education, training and developing expertise in bigger areas, such as strategy, that "traditionally risk managers really didn't get involved with."

Snow says she believes that there will be more and more people coming into risk management who understand strategy and who understand claims management. "Fifteen, 20 years from now, I think the backgrounds of some of the people in risk management will be very interesting."

"I think with the advent of ERM that risk managers really broadened their scope of responsibility."

Risk managers today are "more articulate about the value they bring and the other things they can do," Snow comments. But to fully realize that value, she says, they need more access to the C-suite and the senior leadership of an organization or a company.

Leadership, in turn, must provide support and resources for initiatives that, ultimately, are for the organization's protection and benefit.

"The whole time you're talking about strategic risk or enterprise risk, you're also probably asking for more resources and more opportunities to do those things," Snow says. Being comfortable to do so is also likely part of a transformation going on with risk management.

As risk management evolves, risk managers will work not only with traditional areas like workplace solutions and safety, Snow says, but also functions such as IT, strategy, and mergers and acquisitions. Those relationships will provide a view of not just current risks, but those that may develop down the road as an organization and its objectives change.

Noting she has been with Humana for 14 years, Snow says she is still learning about the company. "The reason is because we've changed as a company," she says. "As your company grows and as your industry changes, you've really got to keep up with all of that. So it's a continuous learning process."

And that is where building relationships with different departments and functions within a company or organizations will pay off. "If you sit behind your desk all day long, you probably don't have a clue what's going on in your organization," she ventures.

Really good risk managers get out into the company and are known, says Snow, a member of RIMS for 14 years, including seven years on its Board of Directors.

"When things happen, or even before things happen, when people are thinking about doing something different, they call you up."

VALUE OF EXPERIENCE

Snow would likely agree there is value in many types of work experience. In her current role at Humana, she manages the corporate insurance program, including its captive and RMIS system, serves on the corporate acquisition team and the legal entity committee, and is a member of the core advisory group for ERM.

Previously, she served as vice president of marketing at Aon Risk Services and in underwriting and marketing management positions with Fireman's Fund and Cigna P&C. At Cigna, "I learned a lot about analysis in terms of really analyzing risk," says Snow, a skill that, no doubt, can be applied in today's fast-changing environment.

When developing a risk management program, "you try to analyze and measure, you try to gauge all of the exposures that you're faced with," she says. "Risk management programs should never be filed away or put away. You should always be working on it, adjusting it."

At Aon, Snow gained a much broader view of things. "I saw things more from the customer's point of view because as a broker, you're all about service," she says.

As a risk manager in an organization, "my customers are the other departments."

The idea is that both experience and relationships can work together to help risk managers identify issues before they become concerns.

Photo: Supplied by RIMS

Consider how cyber risk, which Snow views as the most pressing risk management issue, has transformed.

"It's hard to measure, it's hard to know what your exposures are," she points out. "You can put all the mitigating things in place, but the people who do the cyber attacks are very, very sophisticated," she says, making it difficult "to do everything you need to do in a mitigation landscape."

Cyber is unlike damage to, for example, a building, where replacement costs can be calculated fairly easily, Snow says. Boards of directors are becoming very concerned about the issue, she says. "It's something that senior leadership no longer says, 'Well, I've got a good IT staff and they'll take care of that.'"

But there are some positives. "I think organizations and companies are doing a much better job of analyzing their risk and learning from mistakes of other organizations," Snow says. "I also think the individual is doing a better job of taking care of their information when they can and being a little bit more diligent," she adds.

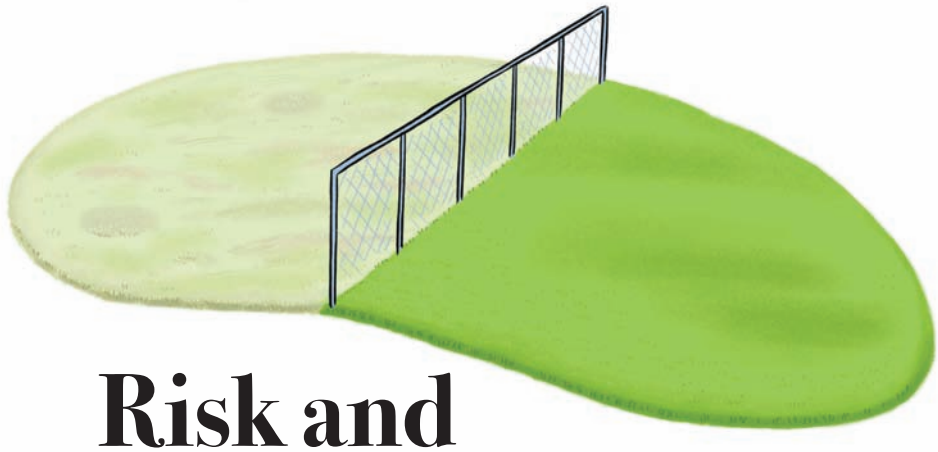
Diligence, though, is needed whatever the risk."We are such a small world and we are so closely interconnected in ways that we don't even think about it," Snow comments. The world seems more complex, as do the risks, she notes. As "that risk becomes more complex, then we have to think broader and maybe think about things that are risks that we never thought were in the past."

WIDER VIEW

Adopting a wider view marries well with RIMS's focus areas for 2014. RIMS 2020, the goal of which is to develop a long-range plan for the society, has three main areas: supporting tomorrow's leaders, knowledge and expertise, and globalization.

"What are risk managers going to look like five, 10 years from now? What are risks going to look like? And what do we need to do as an organization to support those risk managers in their role, whatever it is?" Snow asks.

There is negative risk, but there is also opportunity risk. "It's really easy to always just be focused on the negative side of risk, but I think what strategic risk does and what enterprise risk does is moves you more into looking at opportunities, because really at the end of the day, my job, in risk management, is to support my company's business plan."



Risk and Opportunity

A recent KPMG survey on risks and opportunities in the Canadian insurance sector shows both some familiar patterns and some surprises. Management of both, however, is necessary to ensure the insurance industry evolves as rapidly as the risk environment it faces.

Paul Cleveland
Vice President, Insurance Advisory Services, KPMG

The property and casualty insurance industry is in the risk business. As an industry driven by risk, it is reasonable to assume that p&c insurers understand and manage risk better than most. However, only history, and thus hindsight, can prove this assumption right or wrong.

KPMG recently conducted a survey on risks and opportunities in the Canadian insurance sector, seeking to identify the top risks and the top opportunities perceived by respondents as it pertains to their businesses. The first-ever *Canadian Insurance Industry Risks & Opportunities Survey*, released in May, reflects the views of 172 participants, of which 58% are within the p&c insurance industry and 42% are in the life insurance industry.

TOP RISKS FOR P&C COMPANIES

Not surprisingly, regulatory and compliance burden was identified as the top risk by two-thirds of survey respondents (see chart on page 20). The introduction of Own Risk and Solvency Assessment (ORSA) for federally regulated insurers in 2014, as well as auto insurance in Ontario, are certainly subjects of intense focus at this time.

Furthermore, it is soon expected that the provincial regulators will follow regulatory trends in both the United Kingdom and the United States, bringing market conduct to the fore.

Without doubt, catastrophic loss events that took place in 2013 weighed heavily on the minds of Canadians. Prior to 2013, the increasing frequency and severity of water-related disasters had already begun to make waves. *Water Damage Risk and Canadian Property Insurance Pricing*, a research paper issued by the Canadian Institute of Actuaries in February 2014, states that the past is no longer predictive of the future, and identifies numerous reasons behind the systemic under-pricing of water damage risk in the insurance industry.

When examining these reasons, it is hard not to ask why industry stakeholders did not already know this. Why could industry not have taken action earlier? Remember, hindsight is 20:20, and although identifying the risk is the first step, it is not necessarily the most important one. The most critical element of risk management is what action is taken and when. Of course, the cynic would say that there are no prizes for acting pre-emptively on a risk that never happens, but then, that is what risk management is all about.

One of the more interesting findings presented in the water damage research paper is the impact of human behaviour on the increasing water-related losses. Human behaviour (often referred to as behavioural economics) is a subject of increasing research, looking to explain how people

Illustration by Wes Tyrell

P&C Insurance
Top 10 Risks

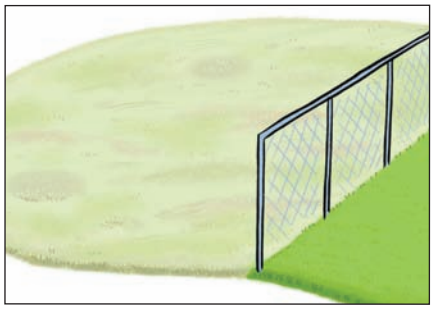
1. 67% Regulatory and compliance burden
2. 63% Catastrophic loss events
3. 60% Low interest rates
4. 52% Accounting and actuarial changes
5. 47% Climate changes affecting claims costs
6. 45% Cost and risks of IT investments
7. 42% Consumer preferences that shift to newer distribution channels
8. 39% Regulation of insurance pricing
9. 36% Competitors with better data analytics capability
10. 34% Consolidation resulting in dominant competitors

P&C Insurance
Top 10 Opportunities

1. 64% Improved understanding of risk and capital (better use of capital and management of risk)
1. 64% Customer data analytics to improve underwriting, pricing and marketing
3. 56% Improvement of operation processses and technology
4. 49% Technology to charge for risk better (e.g. telematics)
5. 40% Customer self-service technology to improve customer service satisfaction and reduce costs
6. 39% Technology to prevent and detect claims fraud
7. 38% Mergers/acquisitions to improve market position and economies of scale
8. 36% "Treating customers fairly" intiatives to reduce market conduct risks and strengthen customer loyalty
8. 36% Investment in organic growth (new products, pricing strategies, geographic expansion)
10. 34% Consumer preferences that shift to newer distribution channels

make economic decisions that are not consistent with conventional wisdom and economic facts.

The number of people living in areas considered to be earthquake zones who do not have earthquake insurance is a clear example of behavioural economics at work. The rational decision would be to buy insurance, but the observed human behaviour provides a different story.



Increasing collective understanding of behavioural economics is an important key to better managing risk in the insurance industry.

EMERGING INDUSTRY RISKS

When asked about risk, people tend to first consider their immediate outlook. It is common to consider what is top of mind, possibly even overstating an immediate risk, while understating future risks. As such, emerging risks or risks with longer timelines may not get the attention that they should — as possibly reflected in the KPMG survey top identified risks. It is best not to forget that at one point water-related loss was itself an emerging risk.

Today, many insurers are focused on the business opportunities provided by telematics and big data. However, in the longer term, the widespread adoption of driverless cars, although not identified as a significant risk in the survey, does pose a significantly disruptive risk to the insurance industry — thus telematics may be just a passing fad on the insurance continuum.

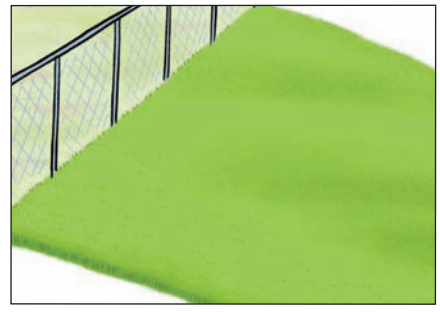
Those in the insurance industry should be considering how adaptive and flexible the current business model is with regard to the insurance industry of the future. The potential for new entrants with disruptive business models, whether auto manufacturers or companies like Google, cannot be ignored. To mitigate these emerging risks in the insurance industry, it is necessary to incorporate time-based scenario planning as part of the risk management process.

TECH AND CYBER RISKS

In an industry bedeviled by legacy technology, 45% of respondents identified the cost of IT investment as a significant risk. Cost overruns, delayed implementation timelines and concessions on functionality delivered are historical truisms of the changing world of technology.

Notwithstanding significant IT spend in the p&c industry between 2006-2012, the industry has yet to see technology investment drive down expense ratios.

Based on KPMG calculations for a select sample of 12 larger p&c insurers, their expense ratio (commissions and general expenses, excluding taxes) went from 26.4% in 2006 to 26.1% in 2012. This is a significant risk for the future of the



insurance industry, especially while anticipating new entrants into the industry at some point down the road.

One risk that surprisingly did not gain prominence in the survey was cyber security and the associated reputational risk. It is certainly a risk perceived by the media and broader market, as companies scramble to acquire insurance coverage protecting themselves against the impact of cyber attacks. Despite survey findings, more recent anecdotal evidence suggests this risk is rapidly gaining mindshare with industry executives.

TOP OPPORTUNITIES FOR P&C FIRMS

Turning to the opportunities available to p&c insurers, respondents surprisingly identified the need for improved understanding of risk and capital (ORSA anyone?) as a top opportunity.

This response is likely driven by two primary factors: a better understanding of capital requirements is necessary to fuel more informed decisions, and a broader and deeper understanding of risks across the organization is desired, and may be driven by discussions during the development of Risk Appetite Statements.

Customer data analytics

The other top opportunity identified relates to the use of technology and customer data analytics to enable better underwriting, pricing and marketing. The opportunity to gather data (both structured and unstructured) and then analyze it to identify profitable market segments and better understand the risk profiles — for specific market segments, geographic regions or specific risks types — means that the insurance industry will seek to obtain far more information than it can and does today.

The industry will also need to attract a new breed of employee: the data scientist. This person will have skills in data mining, analytics, math and statistics. They will need to be able to explain the data collected and what it means, in a way on which the business can profitably capitalize.

The main challenges here are twofold: first, the insurance industry must convince bright young people (the data scientists) that their future lies in the industry; and second, the regulatory environment must be responsive and collaborative so as to allow companies to take advantage of the opportunities that will be available. Certainly jurisdictions with a "file and use" regulatory approach enable companies to take more timely advantage of the insights gained through data analytics.

Technology and process improvement

Interestingly, technology and process improvement was considered a significant opportunity by more than half of the respondents and, thus, represents both one of the main opportunities and one of the biggest risks in the industry.

It has been clear for many years that p&c companies must improve their business processes. It is also clear money invested in new technology has yet to deliver industry-wide reductions in ongoing operating costs.

Despite these challenges, customer preferences are changing and they want services provided differently than in the past. To satisfy customers, new technology that meets these preferences must be deployed. Ultimately, the deployment of technology must be less about cost and more about service.

Generally, in the current environment, managing risks and capitalizing on opportunities is an extremely dynamic process. The question is, can the insurance industry evolve as rapidly as the risk environment that exists today?

Who to Ask?

The CIP Society Ethics Series

The CIP Society
Insurance Institute of Canada

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

A junior underwriter is being tested by ethical dilemmas, but her manager does not seem open to providing guidance. On one occasion, she feels compelled to seek advice from a manager in another department, which creates tension between her and her manager. Is it okay for her to seek advice from someone other than her manager?

A junior underwriter was gaining a reputation for doing a good job and wanting to do what is right. Her technical knowledge was as good as her experienced counterparts, but she felt continually tested by ethical dilemmas that confronted her.

Typically, the underwriter would look at each situation from all sides, although she felt better if she could run the situation by her manager. Unfortunately, the manager tended to shut out the underwriter, making statements such as, "I expect you to know this or to think for yourself." This tended to inhibit questions from all staff.

On one occasion, the junior underwriter decided to discuss a situation with her manager's counterpart in another department. This had the effect of garnering contempt from her manager, who indicated that she should come to see only him if she had any questions.

The junior underwriter felt that she was in a no-win situation with her boss. Many of the ethical dilemmas she encounters do not have written precedents she can refer to, nor do they call upon her well-developed technical knowledge.

What should the junior underwriter do? She follows the rules to the letter and relies upon her technical skill-set, but there are definitely people issues within her company's management team. And these issues seem to manifest themselves on a situation-by-situation basis.

Should she find answers and advice outside of her company? Is she within her rights to undertake some form of action?

Diane Brickner, CIP, ICD.D.
President & Chief Executive Officer
Peace Hills Insurance Company

In this scenario, I do not believe the junior underwriter should take her questions outside of

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the organization, especially if those questions pertain to issues that are of an ethical nature. She may have a mentor or close confidant with whom she could have a conversation. However, those conversations would have to be very, very confidential.

An employee should always feel that he or she has the right to take action on a situation when warranted. However, in this case, I believe it would not serve her well to go above the manager and take action against him. There is a good chance that the action would backfire on her and destroy any working relationship she and her manager may have.

So what can she do? I suggest she use her knowledge and experience to make the best decision she can in the situation. Once she has made her decision, she should immediately forward an e-mail to her manager explaining how she came to the decision and close the e-mail by saying that if he has any concerns with her position, he should let her know by a certain time.

In this way, she gives her manger an opportunity to weigh in on her decision-making if he has any concerns.

Drew Collins CIP, CRM, ACS

Vice President, Casualty

Totten Insurance Group

Very early on in my career, I received some valuable guidance from an individual to whom I reported that would appear to have some applicability in this scenario. Often approaching him in search of counsel, he would regularly begin our conversations with a reminder: "Now remember, I don't want to hear about your problems; I want to hear your suggested solutions."

While a seemingly simple steer of the conversation, this direction drove home the realization that his role in these conversations was to provide guidance and advice, not to become a dumping ground for my difficult challenges.

When I heeded this advice and started consistently approaching him with solutions instead of problems, he became more receptive, our discussions were more efficient and my confidence grew

So, my suggestion to the junior underwriter in this scenario would be to take another shot at approaching her manager, but with a deliberate focus on presenting suggested solutions to the ethical dilemmas that are confronting her.

If the manager remains non-responsive to her requests for guidance, despite this change in approach, this at least offers an opportunity for a further conversation about where the junior underwriter can go for assistance.

Despite the lack of support offered to this point, I would suggest that the junior underwriter still owes the manager the opportunity to engage in this conversation, before she begins seeking counsel elsewhere.

The underwriter and manager can decide, for example, that the underwriter will copy her manager on her decisions, but if there is an ethical dilemma she cannot solve on her own, she will schedule a brief meeting with the manager to discuss the particular situation in more detail.

While this might be a tough conversation for the junior underwriter to raise — and it will certainly take guts for her to put her hand up and state that she is not getting the support she needs — the benefits of this conversation will be realized in one of two ways. Either the manager will become more responsive to her requests for assistance and begin providing the necessary support she requires, or she will be able to confidently reach outside the department for help (to HR, another manager, a mentor, etc.) with the full confidence that she respected the established reporting structures and provided her manager every opportunity to step up to the plate before she engaged others.

David McCauley

Senior Vice President, Human Resources

Northbridge

At Northbridge, we believe that having an open and collaborative work environment is absolutely critical to the success of our business.

That is why, if one of our junior underwriters came to me with this issue, I would first ask if she has had a frank and open discussion with her manager about the challenges she feels she has been having. If not, I would recommend she do just that.

The situation, as it is presented, gives us the junior underwriter's perspective, but does not account for that of the manager. Maybe the manager knows the junior underwriter's technical skills are strong and he is looking to help her develop her ability to make the right judgment call.

Another possibility is this manager believes in empowering his team to make decisions, and that mistakes are learning opportunities, which is why he is encouraging the junior underwriter to make decisions. Perhaps his actions are being misinterpreted because he is not effectively communicating his intentions.

Whatever the case may be, an open discussion on what is happening will ensure both parties understand each other's point of view, which can often be the key to resolving this type of challenge.

Should the junior underwriter decide to have a discussion with her manager, it is very important that she identify two or three concrete examples of situations when she felt she needed support from him, but did not get it.

She should also tell her manager how each of these situations made her feel, and why she thought that she could have benefited from his guidance.

The manager should then have a chance to explain his point of view, and from there, they can work together to agree on what they can do to ensure that the junior underwriter feels comfortable and supported.

During the discussion, the junior underwriter should also bring up the specific instance when she discussed a challenging situation with her manager's counterpart in another department to find out why he asked that she come to him with questions instead.

Connected organizations are stronger. That is why it is so important that the junior underwriter and her manager work together to identify the types of situations for which she should seek out advice from other managers or colleagues, so that she is empowered to deliver an exceptional customer experience.

THE LAST WORD

The issues raised in this scenario point to, at the very least, a communications problem between the junior underwriter and her manager, but also suggest a workflow problem for the manager, and a lack of clear direction and learning opportunities for the underwriter.

While working with different personalities is a reality for all employees, as the insurance industry's demographics change with the impending exodus of workers through retirement, employees may find themselves working more frequently with people who have different communication styles and workplace values associated with different age groups.

These relationships may be characterized by more tension and uncertainty. In order to ensure workplace cohesion, organizations will need to acknowledge that those differences exist and respond by creating opportunities to bring employees together.

In this case, the junior underwriter can try to address the issue she is having with her manager by proposing a solution that includes defining her scope of decision-making and when it is appropriate to escalate an ethical issue.

The underwriter and manager can decide, for example, that the underwriter will copy her manager on her decisions, but if there is an ethical dilemma she cannot solve on her own, she will schedule a brief meeting with the manager to discuss the particular situation in more detail.

The underwriter can also ask the manager for a list of senior underwriters in the organization that can help answer questions and bounce around ideas when the manager is unavailable. As she acquires more experience, the underwriter and manager can revisit the workflow arrangement.

In the end, the underwriter will need to communicate clearly about her needs for direction while respecting the manager's time, to find a balance that ensures she can make her decisions and be confident that they are the right ones.

Fundamentally, because mature, seasoned workers have more experiential knowledge than younger ones, organizations need to promote knowledge transfer through a culture of learning, as well as programs like mentoring and coaching — and they need to do this before the workers retire!

Teaching ethical and professional competencies from one generation to the next can empower young employees and help organizations maintain continuity of business practices.

Lessons from a Disaster Zone

Alex Vinden
Associate,
Giffin Koerth

Lessons learned on the ground from the EF2-rated tornado that touched down in Essa Township June 17 could prove of value to communities, responding agencies and insurers in future disasters.

EVENT OVERVIEW

On June 17, 2014, at approximately 5:20 p.m., a tornado touched down in the Central Ontario community of Essa Township. The EF2-rated tornado damaged more than 100 houses, lifting the roofs off some and throwing debris into others.

The affected houses were primarily located in a residential subdivision between two parallel streets. Amazingly, just across the street from severely damaged houses, the houses were in pristine or near-pristine condition.

RESPONSE

Essa Township declared a state of emergency that very evening and police closed the site to public access. A team of workers from the township and various emergency services reached the site shortly after the incident, working late into the night to assess the extent of the damage, place unsafe building orders and evacuate residents from affected houses.

Utility companies worked to shut off power and gas to the affected houses, a process that took some time. Meanwhile, insurance companies were working to take inventory of insured houses in the area and assign teams to handle related claims, arrange access for their own engineers and provide any required information to their clients.

By the next day, utility shutdown was complete and the site in question was ready for a large-scale inspection by insurance adjusters, engineers and building officials.

At a township meeting on the morning of June 21, attended by adjusters and engineers to outline safety issues and details of the large-scale inspection, a system was implemented to assess all affected houses for safety. The township had earlier set up an emergency command post on the most affected street, where documentation on each house in the disaster zone was kept to maintain records of all inspections.

Professional engineers were to be accompanied by a building inspector and to categorize the houses into one of three groups:

- Category 1: fit for occupancy;
- Category 2: minor temporary work required, which allows removal of contents, but no occu-

Illustration by Wes Tyrell

pancy at present; and

- Category 3: building is unfit for occupancy without major work.

Safety was paramount in this process. Protocol prevented residents from entering unsafe buildings, while the goal was to provide rapid re-occupancy to residents of houses determined to be safe.

Once the inspection was completed, a demolition permit was issued on site with the fees waived. This permit allowed contractors to seal off the house and commence the temporary repairs specified by the engineer.

A sticker was also placed on the door of each unit, with a simple colour code to correspond to the damage category. This was a simple yet effective way to communicate important information, and enabled the police to monitor the situation and ensure that only qualified persons entered unsafe buildings.

Once the initial safety assessment was completed, the damaged house was turned over to the insurance adjusters, who could then schedule further inspection to develop a scope of work, arrange clean-up and minor repairs through restoration contractors, or arrange for utilities to be reconnected and for occupancy to be reinstated.

ON THE GROUND

Early on June 21, a team of six Giffin Koerth employees attended the disaster zone, where police had already secured the area and were permitting only emergency service vehicles and approved contractors on site. The team inspected 33 houses to assign a damage category.

Prior to inspection, Giffin Koerth engineers had developed a specific inspection protocol, which was strictly followed no matter how structurally sound a house appeared. This ensured a consistent evaluation process and result.

Observed damage in inspected houses ranged from missing shingles to punctured walls and windows, completely missing roof structures or shifted walls. A number of houses sustained significant damage, requiring demolition down to the foundation.

Many of the affected houses were semi-detached or link-style houses, separated from one another by demising walls that served as fire separations between the houses. Since a fire separation functions in both directions, inspecting just one side is not enough to ensure integrity and re-instate occupancy.

As adjacent units often had different insurers, an individual engineer was unable to access both sides of the fire separation since, in most cases, each insurer had retained its own engineer. This placed the onus on the building department to review inspection notes and reports before removing unsafe building orders on houses with demising walls.

Several homeowners expressed concern that their foundations had been affected by the tornado. However, the forces exerted by the wind would not be expected to cause minor damage, such as cracking to foundation walls.

As is often the case following a major event, some homeowners were more critical about the appearance of their property, identifying cracks that in many cases clearly predated the incident event.

LESSONS LEARNED

While the disaster recovery is ongoing, and will likely not be complete for months, the initial response was highly effective. The Giffin Koerth team noticed a number of processes that could have run more smoothly with additional planning. The lack of established processes speaks to the need for a standardized set of guidelines to follow in the event of a similar catastrophe.

The Ontario Building Officials Association is planning to develop such a procedure, which will be of great future benefit to local municipal authorities.

Below are some lessons learned that may prove helpful for insurance professionals dealing with future disasters.

Safety gear

Many of the insurance personnel who attended the secured disaster area were not prepared to enter a potentially dangerous site. Safety boots, hard hats and reflective vests must be considered mandatory gear for any individuals attending such scenes, which are akin to very disorganized construction sites.

Response overkill

Giffin Koerth was initially retained to inspect substantially fewer houses than it ultimately did. Excess personnel were brought to the site in anticipation that additional work would likely be required.

It was understood that work needed to be completed quickly given the need for our clients (insurers) to get insureds back into their houses as soon as possible. The "response overkill" proved extremely effective as the team was able to assist all initial client requests, as well as the many more that materialized.

This approach is recommended for all companies responding to such events, including insurers.

Fire separations

Some of the most significant confusion involved fire separations, which are a life safety element and must be verified intact before re-occupancy of either house can be granted. As the same engineer was often unable to inspect both sides of a fire separation, separate house inspections had to be documented and compared. This process was time-consuming and introduced the potential for error.

In future emergency work, houses with

shared demising walls should be identified prior to inspection. Special assessment instructions should be given to the engineers and a second colour coded sticker placed on the door once the inspection has been completed.

This simple process would reduce time and confusion while allowing more transparent inspections. Even better would be for insurers to retain the same engineering firm for attached houses.

Access

Some delays occurred in obtaining access to the affected houses, as homeowners were reluctant to hand over keys to field adjusters. Once the field adjusters obtained the keys, they had to be in several places at once to give access to contractors, engineers and building officials.

A system for handling keys, such as handing them to the building officials to be stored with the documentation for each house, or placing lock boxes on each house prior to the inspection date, would save time and reduce confusion.

Building permit authorizations

Once the inspections were carried out, many building permits were required. Engineers are often asked to apply for building permits on behalf of the homeowner. Bringing authorization forms on the date of inspection would help, as many homeowners could sign them on site, reducing delays.

Managing the process

With so many moving parts, it was difficult to keep track of who was responsible for what. With many Cat field adjusters responding on site and then passing off claims to local adjusters following the initial inspection, trying to get the proper documentation to or from the correct adjuster proved problematic.

This process was most successful when establishing a single project manager, who could keep track of all moving parts and ensure constant communication was maintained, to handle all of an insurer's tornado claims.

As insureds in disaster scenarios have literally just had their lives turned upside down, the better prepared the insurer is to respond, the happier the client will be with their insurer.

LOOKING FORWARD

While there is still significant work ahead to restore the damaged houses, the initial response to the tornado by the Township of Essa and the involved insurers has been extremely positive. Significantly, no injuries were reported as a result of the clean-up and inspection efforts.

Several challenges were identified, and lessons were learned. The hope is that through documenting this entire process, other communities, and responding agencies and insurers, will be able to build upon the success in the Township of Essa.

%Of Interest

Kulli Tamm
Senior Economist,
Swiss Re

What is the impact of the current interest rate environment on the property and casualty insurance industry? Experience has demonstrated that low rates are taking a bite out of p&c insurers, but a persistent spike in inflation would be worse.

With the post-financial crisis low interest rate environment persisting longer than most economists expected, Swiss Re's latest *Expertise Publication* looks at an extended history of Canadian interest rates and how the current environment is impacting insurers. Although p&c companies are not affected to the same degree as their life industry counterparts, low rates nevertheless hurt.

LOWER FOR LONGER

Nominal interest rates in Canada have been on the decline for about three decades. Rates have remained stuck at historically low levels for about half a decade now — with the Bank of Canada pausing on any rate hikes since September 2010, and the 10-year government benchmark rate below 3.5% for more than four years.

For some time after the financial crisis, the ultra-low, long-term rates were due to low growth, limited inflation pressures and massive monetary stimulus. Today, growth is getting back towards more normal levels, or even slightly catching up with the output gap, as is inflation, but rates remain low.

Monetary policy, including policy measures outside of Canada, is still a main driver, although other factors are also at play.

For example, vast savings in emerging markets have been offered up as a weight on rates. Similarly, actions by some countries' authorities to control their exchange rates by buying Canadian and United States government bonds are maintaining downward pressure on long-term interest rates across North America.

A few commentators even talk of a "new normal," where the environment seen today is here to stay. At the same time, others worry about the impact of all the monetary stimulus, particularly in the U.S., on future inflation.

INVESTMENT YIELD UNDER PRESSURE

The low share of multi-year contracts coupled with an absence of product guarantees mean that property and casualty insurers are generally less sensitive to interest rate changes than life companies. Nevertheless, long-tail lines of p&c insurance — such as casualty — are dependent on investment returns earned on underwriting cash flows and, therefore, are negatively impacted by the current low rates.

Property and casualty investment yields have fallen markedly over the past few decades, from low double digits in the early 1990s, to around 6% by the early 2000s, to just 3.2% for 2013, the last full year for which data is available. In 2014, medium- and long-term government bond yields have dipped to below end-2013 values again, putting further pressure on investment yields and profitability.

In general, profitability of p&c companies is driven by both underwriting and investment performance. Additionally, pricing for p&c products takes expected future interest rates into account, as the premium charged to the buyer is arrived at by calculating today's value of all the future expected cash flows on the particular product — the concept of time value of money.

However, p&c products are typically re-priced every year, and this can mitigate the impact of low rates and declining investment income to a great degree. Overall profitability has, thus, not declined to the same extent as investment yields.

Even so, for a given return on equity, a lower investment yield would necessitate an improvement in the combined ratio, including raising premium rates. The adjustment via higher premium rates comes with a lag and may be incomplete.

Moreover, falling yields cannot be fully compensated for by premium rate increases in times of economic weakness. That is because capital and capacity are inflated at the same time, intensifying competitive pressures while insurance buyers' demand is low.

On the other hand, to the extent that the prolonged low interest rate environment forces companies to focus on making an underwriting profit, this may be a small positive.

HAUNTING SPECTRE OF INFLATION

There is a much bigger potential threat to p&c insurers, and that is persistent inflation, which some fear may be caused by the massive monetary stimulus still ongoing in some places, and the possibly unclear path to unwinding it.

A spike in rates caused by surging inflation would lead to a confluence of falling asset values with simultaneously rising claims costs. Higher claims costs would necessitate reserve increases and erode profitability, and again, would have the greatest effect on long-term lines such as casualty. Additionally, general expenses would also be impacted.

The costliest would be a longer period of high inflation. Even a temporary spike can be challenging, as it would likely coincide with heightened uncertainty.

The more closely asset and liability durations are matched, the lower the vulnerability of the balance sheet and capital position to interest rate changes.

Expenses and p&c claims would likely increase, and volatile markets and policy uncertainty could see economic growth stutter. This scenario is much less stable than the lower-for-longer one, compounding the risks to insurers.

A sudden switch to high interest rates would also mean a rapid decline in the value of insurers' fixed income portfolios — p&c insurers in Canada, in particular, held nearly three-quarters of their investable assets in interest-sensitive bonds at the end of 2013. The more closely asset and liability durations are matched, the lower the vulnerability of the balance sheet and capital position to interest rate changes.

Given the relatively short-term nature of p&c liabilities, asset liability matching (ALM) is not as difficult for p&c as it is for life products. ALM risk cannot be entirely eliminated, however, as prices of assets and liabilities do not move in a linear manner. Even slowly rising rates would not be a clear boon if insurers had to pass on expected higher investment returns to policyholders as a result of competitive pressures.

A NEW NORMAL?

Gradually improving rates are the most likely path forward, as accelerating economic growth closes the output gap, and both the Canadian and U.S. monetary policy authorities start to lift policy rates. However, this still implies several years of low rates. A continued "lower-for-longer" environment is also a possible outcome, as exemplified by Japan since the mid-1990s.

Despite the projected uptick in the interest rate environment over the next few years, past averages of long-term interest rates — such as the 7.4% over the prior 40 years, or the 5.2% average since the Bank of Canada adopted inflation targeting in 1991 — are unlikely to be repeated, and the "run rate" once the economy returns to full capacity is closer to 4.5%.

Though this is not quite the pessimists' Japan-redux scenario, such long run levels are nevertheless not expected until 2017 at the earliest, and, thus, insurers' investment results likely remain under pressure for some years to come.

The challenging scenario of persistently high inflation and interest rates is the least likely, mainly due to the strong credibility of the Bank of Canada, and its solid inflation-targeting focus.

DARE TO BE PREPARED

History has shown that a number of different interest rate paths are possible, and that actual outcomes often deviate greatly from previous expectations. Enterprise Risk Management (ERM) is the most crucial component of insurer preparedness for all eventualities, including interest rate changes.

The insurance industry is generally more aware of ERM than other sectors, but even in 2012, a Towers Watson survey in North America found that almost a quarter of financial services companies, including insurers, did not have an ERM program. Thus, more awareness and implementation is necessary.

Canada may be somewhat ahead of the curve, as the federal regulator requires the appointed actuary to develop an understanding of the company's financial

sensitivity to several risk categories considered material to the firm through Dynamic Capital Adequacy Testing (DCAT).

But incorporation of DCAT into a firm's risk management processes is not mandatory, and many insurers reportedly still view it as purely a compliance matter rather than as a risk management tool.

Additionally, as of January 2014, another step toward a fully functioning ERM framework for insurers has been mandatory in Canada — the Own Risk and Solvency Assessment (ORSA). The ORSA process should provide a company's management with an assessment of the current adequacy of risk management, as well as the likelihood of future adequacy, and adds an Office of the Superintendent of Financial Institution (OSFI) draft guideline from January 2013, "serve as a tool to enhance an insurer's understanding of the interrelationships between its risk profile and capital needs."

Life insurers' most effective means to manage interest rate sensitivity going forward is new product design. Most p&c products are underwritten on an annual basis, so no significant product re-design is necessary to deal with the persistently low interest rates. The duration of long-tail liabilities is inherent in the underlying risks insured and usually not a function of product design.

However, given the limited pricing power in today's environment, an increased focus on operational efficiency is likely. Underwriting know-how and discipline remain key success drivers.

At the same time, as is done in some markets, inflation sensitivity can be reduced by contract design, for example through introducing "claims made" policies or adding sunset clauses — approaches that shorten the tail and, hence, the development risk.

Similarly, contract clauses indexing premiums, limits and deductibles to inflation can also help. While such designs are not the market practice in Canada, it is something to keep in mind for the future. Additionally, reinsurance can partially protect primary p&c companies from inflation surprises.

Many insurers already have solid risk management processes in place and have also taken a number of the other aforementioned steps to minimize their interest rate sensitivity, both to a lower-for-longer scenario and to an unexpected spike.

However, risk management is a continuous process and, therefore, it is important to periodically re-evaluate the approach, to update scenario testing and to make sure that the company is well-positioned to deal with the various scenarios the future may hold.

Fleets of Fancy

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A recent case out of Alberta considering relief from forfeiture illustrates the need for fleet and risk managers to carefully consider vehicle fleet lists provided to and by insurers to ensure comprehensive coverage.

Underwriters of fleet policies, as well as risk and insurance managers whose responsibilities include fleet policies, should take note of a case handed down earlier this year by Alberta's Court of Queen's Bench. The case relates to the little-considered area of relief from forfeiture, along with policyholders' obligations under fleet endorsements and the insurer's duty to defend.

The case discussed is *Northbridge General Insurance Corporation v. 943240 Alberta Ltd. et al*, decided March 6, 2014 by Justice J. T. McCarthy of the Court of Queen's Bench.

In order to understand the judgment, some facts are necessary: The policyholder, a family-owned gas servicing company, entered into an insurance contract (the policy, SEF No. 21 B-1, Blanket Basis Fleet Endorsement Policy) with an endorsement that provided blanket coverage for fleet vehicles.

The endorsement required the policyholders to submit a list of vehicles owned or leased by the policyholder at the inception of the policy. The policyholder would then pay an advance premium based on the vehicle list. At the end of the policy term, the policyholder was required to provide an "updated vehicle list."

In theory, the insurer would use the updated vehicle list to adjust the insurance premiums (i.e., based on the updates to the vehicle list, the insurer would reimburse the policyholder or request additional payments).

Important to the court was that any vehicles the policyholder owned *prior* to the start of the policy, but that were not included on the initial vehicle list, would not be covered by the policy. Aside from that exception, the policy covered all of the policyholder's vehicles.

Early in the placement of the policy, one of the insured's trucks was tangentially involved in a

car crash. (The insured's truck received a broken tail-light lens in the collision, but the results were catastrophic for a passenger in the other vehicle.)

The policyholder had purchased the truck in 2006, before entering into the policy. The policyholder provided a list of vehicles to the insurer at the inception of the policy and an updated list at a later date. However, the truck was not included in any of the policyholder's vehicle lists.

ARGUMENTS FOLLOWING DENIAL OF BENEFITS

The insurer denied coverage on the basis that the policyholder did not include the truck in the list of vehicles given by the brokerage at the policy's inception. In response to the insurer's denial of coverage, the policyholder raised a number of arguments:

1. ***Alleging the insurer breached Section 612(3) of Alberta's Insurance Act.***

The section requires an insurer to deliver to the policyholder a true copy of any "amendment" to an insurance contract. The policyholder argued that its vehicle list submissions amended the insurance contract because the list fundamentally changed coverage otherwise provided by the policy.

If successful, this argument would have held that the insurer was required to provide the policyholder with a revised policy, including a clear description of the vehicles covered by the policy. The argument goes along that since the insurer did not provide a revised policy, the insurer was in breach of the *Insurance Act* and, therefore, could not deny coverage.

The court found the insurer was not in breach as the list of vehicles was not an "amendment" to the policy. Rather, the court held that vehicle lists are schedules to a policy that the insurer merely uses to calculate premiums. Updated vehicle lists are not used by the insurer to *determine coverage*.

The court held the intent of the policy was to cover all automobiles owned by the insured, except those previously owned and undisclosed. Therefore, so long as the policyholder provided a proper vehicle list at the outset of the policy, then the policyholder would have blanket coverage of all of its vehicles, regardless of any additions and deletions throughout the course of the policy.

In the result, the insurer was found not to have breached the policy.

2 ***Relief from forfeiture.***

The court considered the availability of both common law and statutory relief from forfeiture (under Section 521 of Alberta's *Insurance Act*), and found that the policyholder was not entitled to relief under either category.

In regards to statutory relief from forfeiture, the court stated it is only available when there is an imperfect compliance with a term or condition of an insurance contract in the *proof of loss*.

The court held that Section 521 did not apply in this case because the issue was related to proof of coverage.

The court also found common law relief from forfeiture is only available after coverage has already been established. Denying the insureds the requested relief, the court stated, "… the Truck was never covered by the Policy and therefore no coverage is being forfeited... There can be no loss of insurability when there is no insurability in the first place."

3. *Even if there is no liability coverage for the truck, the insurer has a duty to defend the policyholder in a separate court proceeding related to tort claims arising from the accident.*

The court held that the insurer did not have a duty to defend, relying on the oft-cited Supreme Court of Canada case, *Nichols v. American Home Assurance*, handed down in 1990.

The Alberta court's holding was based on the principle that the duty to defend only arises with respect to claims that may result in legal liability for which there is insurance coverage. The court found that since the insurance contract does not cover the truck, no duty to defend is triggered.

Ultimately, this is what the policyholder felt a blanket fleet endorsement was to accomplish: to provide coverage for a number of vehicles within a certain class, even if certain vehicles were taken in and out of service over time. This is, of course, a business reality required to ensure proper maintenance and retirement of vehicles worn through usage.

4. *Confusion as to which vehicles were covered under the policy.*

The policyholder argued the policy identifies an "Auto Schedule" or "Schedule of Automobiles" as schedules that set out the specific scope of coverage under the policy. The policyholder noted the policy does not actually include any document by either of those names, and instead uses "Lists of Vehicles" and other named schedules.

The policyholder argued it was confusing to know what document the insured should refer to when trying to determine which vehicles were covered. As such, the insurer could not rely on confusing documents and schedules that were not correctly described in the covering language.

Further, the insurer provided its own list of vehicles with different versions of the policy. These showed only one VIN

The court held the policyholder was the only party with knowledge of the relevant information, and, in fact, only the policyholder had knowledge of which vehicles it owned. In the result, the court agreed with the insurer on all arguments, and, thus, found that the insurer was not obligated to indemnify or defend the policyholder.

(vehicle identification number), but stated that a number of vehicles of certain class were covered.

The policyholder argued this should demonstrate there was insufficient certainty in the subject matter of the insurance: the policyholder's covered vehicles.

By extension, the policyholder should be able to rely on the lists provided by the insurer as covering a certain *number* of vehicles within a class at any one time, rather than only specific vehicles within that class.

AMBIGUITY IN DOCUMENTS IRRELEVANT

In finding the name of the document referred to in the covering language was effectively immaterial, the court simply noted the following: (a) the onus to provide the list comprising the "Schedule of Automobiles" was on the policyholder; (b) neither the *Insurance Act* nor the policy requires the insurer to provide the policyholder with any schedule or list of vehicles covered; and (c) the truck was never listed or described anywhere. Therefore, the court held, any ambiguity or inconsistency in the documents is irrelevant.

Moreover, the court did not regard the lists provided by the insurer to the insured as being an important aspect of describing the subject matter of the insurance.

In other arguments, the policyholder provided Ontario case law in support of its position, and argued that the provision of a pink card showing blanket coverage should be combined with the above factors to demonstrate a broader covering intent.

Unfortunately for the policyholder and the injured party, the court distinguished the Ontario case, holding that there, the policyholder did not have knowledge or control of the relevant information. (In that case, the insurer had failed to provide the policyholder with information that indicated that one driver was not covered by the policy.)

Conversely, in the case at bar, the court held the policyholder was the only party with knowledge of the relevant information, and, in fact, only the policyholder had knowledge of which vehicles it owned.

In the result, the court agreed with the insurer on all arguments, and, thus, found that the insurer was not obligated to indemnify or defend the policyholder.

IMPLICATIONS OF DECISION

The significance of this case resides in the court's strict construction of the relief from forfeiture provisions in Alberta's *Insurance Act*, and refusal to grant relief for what was effectively a minor clerical error by the policyholder's representative.

With respect to His Lordship, the decision relates to what knowledge was in the possession of the policyholder, and this was not considered within the context of the documents the insurer provided at its own initiative. Specifically, the policyholder, in fact, relied on schedules provided by the insurer, and these only listed one VIN, but stated that a number of vehicles were afforded coverage.

Which of those vehicles on the list were provided coverage was, with respect, only within the knowledge of the insurer. Without a complete list being provided to the policyholder by the insurer, that knowledge could not be in the insured's knowledge.

Further, evidence was tendered to demonstrate that the insurer did not maintain its own list of the vehicles covered, and merely relied on the list provided by the policyholder's representative.

The insurer, however, did make abbreviated lists and issued them to the policyholder, which relied on those lists as a representation that a *number* of vehicles were covered rather than specific vehicles.

Ultimately, this is what the policyholder felt a blanket fleet endorsement was to accomplish: to provide coverage for a number of vehicles within a certain class, even if certain vehicles were taken in and out of service over time. This is, of course, a business reality required to ensure proper maintenance and retirement of vehicles worn through usage.

Fleet and risk managers should take a specific look at the lists provided to and by insurers.

In situations where ambiguity in lists or schedules provided by insurers is present, a prudent practice is likely to ask for confirmation of exactly which vehicles are afforded coverage.

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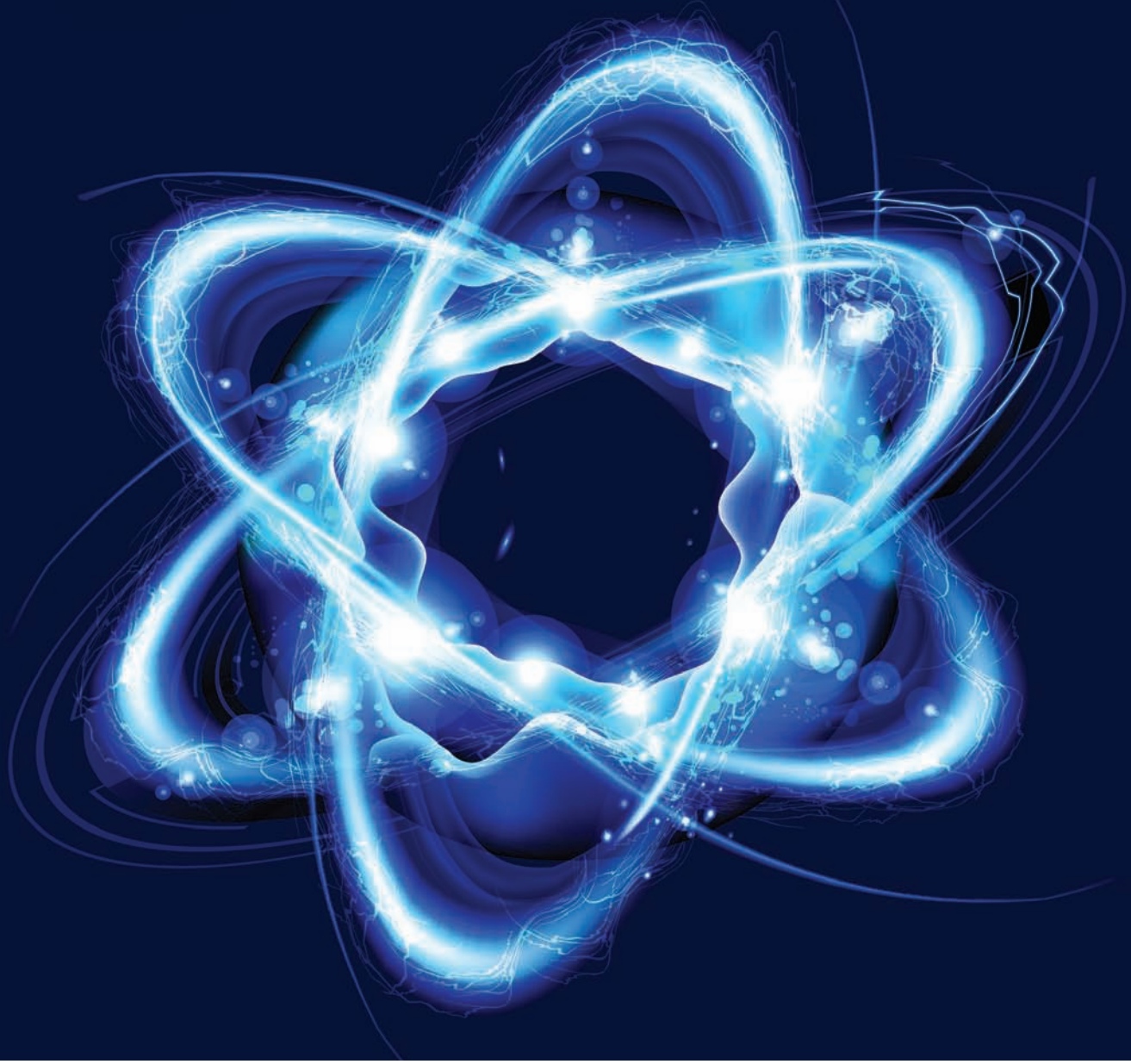
Risk Elements

While not every organization has launched enterprise risk management (ERM), there is growing awareness of its value among risk managers who recognize essential elements must be identified to reach a core understanding of the challenges their respective organizations face.

GREG MECKBACH



Risk is everywhere. The challenge that risks managers face — regardless of the sector in which they operate — is how best to identify existing and emerging risks, while at the same time understanding how risks can work individually and in combination. Enterprise risk management (ERM), which seeks to address and manage the full spectrum of an organization's risk, is the goal.

To meet that objective, though, participation of all departments and functions is necessary. This will allow a complete picture of risks to form and for all parts of an organization to continuously feed understanding of not only risks that are easily manageable, but also those that could contribute to worst-case scenarios.

Some Canadian risk managers are implementing ERM while others are using integrated or strategic risk management. ERM may mean slightly different things to different organizations, but RIMS (Risk and Insurance Management Society) defines this as "a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio."

Being in Canada, when talk turns to risks that organizations face, severe weather predictably is often top of mind; so too are global concerns such as cyber risk. Of course, issues currently on risk managers' radars go far beyond that.

Consider the risk management approach taken in the oil and gas industry. Javier Pardo, Calgary-based manager of risk management and insurance for Nexen Energy ULC, offers his view on how the global oil and gas company does strategic risk management (which PwC has been defined as an organization's response to the uncertainties and untapped opportunities embedded in strategic intent and how well they are executed).

Nexen Energy operational people from countries where Nexen has operations (including Western Canada and the North Sea) "gather around a meeting room table and they will brainstorm all of the horrible things that could happen within their divisions," Pardo reports. "One example is, you have 10 or 11 Nexen people or Nexen contractors in a helicopter flying towards a platform. There is a mechanical issue with the helicopter, it ends up crashing into the platform, killing or seriously injuring everyone on board."

AGGREGATING RISK

Risks may not always be this dramatic, but all need to be carefully considered and taken into account. At Mount Royal University in Calgary, senior members of faculty and staff are finding a "commonality of risks percolating between a lot of different departments," says Darius Delon, associate vice president of risk services at the university.

"Independently, they don't think it's necessarily all that important, but in an aggregate, it becomes very important because they are all dealing with it at the same time," Delon explains.

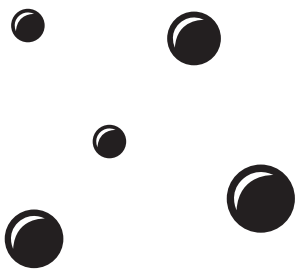
In essence, members of Mount Royal University's ERM group gather information on risk and identify significant risks to provide to the school's Board of Governors, thereby helping to give the board ready access to key concerns while increasing ERM's profile.

"One of my primary mandates was to get more traction with the ERM program," Delon says. "We tried to teach people about the benefits of it (ERM). There was still some resistance. They weren't able to see the actual benefit in front of their eyes," he suggests.

That said, deans and directors at the university were often "quite successful at identifying the different risks that they deal with on an operational hazard basis," Delon notes. Department chairs, as supervisors of faculty members, are often "quite successful at identifying the different risks that they deal with on an operational hazard basis, some of them financial and academic, and they are quite capable of actually developing that risk register," he adds.

With ERM, Mount Royal University officials can "identify those pieces that people think are low risk, or even isolated, aggregate them together and say, 'Hey, actually, this is a system-wide risk that we need to address and we need some resources. We cannot continue to try to manage it on an *ad-hoc* basis, so let's come up with a plan, let's come up with some resources and figure out an owner for that risk,'" Delon adds.

Jeff Schaafsma, president of B.C. Risk and Insurance Management Association Inc. (BCRIMA), would likely agree ERM offers value as a planning tool that can benefit the whole. "What ERM does is allows me to map the risks from the various departments and see how they tie into some more strategic risks and how mitigating one risk will affect the others," Schaafsma comments.



"What ERM does is allows me to map the risks from the various departments and see how they tie into some more strategic risks and how mitigating one risk will affect the others," comments says BCRIMA's Jeff Schaafsma.

Mount Royal University saw the benefits of ERM during its response to the June 2013 floods in southern Alberta, which are reported to have caused more than $5 billion in economic losses and inundated many areas, such as the Town of High River and downtown Calgary.

Bow Valley College's Calgary Campus, which is located in an area affected, responded by issuing "a mandatory evacuation of all its campuses in Calgary and surrounding areas."

In its own response, Delon reports that Mount Royal established an emergency operations centre. "We also became the emergency operations centre for Bow Valley College, because their building was actually out of commission because of the flood and because of the power being taken out," he points out.

However, some good emerged from the disruption and loss, Delon reports. The flooding resulted in "a lot of interest in mitigation work" on the part of Alberta policyholders to prevent flood losses in the future," he says.

Some of that work includes backup power for sump pumps. "If you didn't have emergency back-up able to run continuously for, let's say, two weeks, then the sump pump fails," he explains. "If the sump pump fails, then your lower level is actually flooded," he adds.

"There are examples of buildings in (Calgary) where a crafty building operator had all of his ducks in a row, had a lot of diesel to fill up his emergency generator set, his generator was attached to his sump pumps and they just made sure it never flooded."

MAP CONFUSION

Following flooding in southern Alberta last year, and more recently with the Oldman River (which runs through Lethbridge), "we did not have a lot of exposure in the river valley, other than our water treatment plant, our wastewater treatment plant, and a couple of facilities that would not be substantial hits to us financially," says Len Cheryk, Lethbridge's manager of integrated risk management.

That may be thanks to precautions taken. "We have taken steps to reduce the flood risk on both the water and wastewater treatment plant by building substantial berms," Cheryk says.

"Several years ago, our city fathers made a decision to move all the residential development out of the river valley and that's proved to be quite attractive for insurers. Unless we just get a Noah's ark-type of rainstorm, flood and so on, we are not going to have that kind of exposure to flood," he says.

In the aftermath of the Alberta flooding, however, some policyholders are facing steep deductibles, Delon says, pointing out that some policyholders do not have access to new flood maps in Alberta.

"Some of the flood deductible wordings are based on someone else's reference map of what is a flood zone and what is not a flood zone," he reports. "It's not really clear if you have a property in a certain area, whether or not you have this flood deductible or another."

This is likely because some insurers have not informed policyholders in which zones they are located, rather saying more generally that changes are related to a specific map. "Well, if that map changes, unbeknownst to the insured, then we have no idea if that deductible has changed," Delon suggests, adding he is convinced downtown Calgary "now has a different flood map compared to 2012," or from before the 2013 floods.

Clearly, questions (and maybe confusion) related to severe weather and its effects persist in other parts of the country as well.

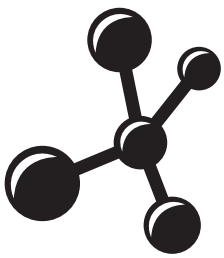
Having talked to some risk managers, Schaafsma comments that "the insurance markets, we think, are fairly stable right now. It's a soft market… some people are interested in what's going to happen in the next couple of years on the property side, particularly if there is more and more water damage and catastrophic weather events, how that's going to affect the marketplace."

Asked about emerging risks, "climate adaptation and climate change is one that a lot of people are starting to be alive to and the impact that it will have when you actually drill down and look at various sectors, like agriculture and forestry," Schaafsma says. "Those sectors could have, potentially enormous impact."

With the possibility of more frequent and more severe events, there is a very real need to be prepared.

"During a recent rainfall flood event this past spring, we had a situation where we had to evacuate a campground, so they had to co-ordinate with police and fire to evacuate," Cheryk says. "There were probably 40 or 50 units that had to be evacuated, and they had to find alternate accommodations for them."

There was also a situation this past March when the river from which the city draws its water had increased turbidity because of a quick spring melt over land that was still frozen.



"There are examples of buildings in (Calgary) where a crafty building operator had all of his ducks in a row, had a lot of diesel to fill up his emergency generator set, his generator was attached to his sump pumps and they just made sure it never flooded," says Mount Royal University's Darius Delon.

Production at the water treatment plant was halted, the city declared a state of emergency and residents were told not to use washing machines or dishwashers, Cheryk says.

"We were at the stage where we had to actually shut off the system in order to clean the water properly. We had to potentially warn our citizens that we may not be able to have any clean water at all in the system because we would not have had enough water to fight a fire, had a fire occurred," he reports.

If unclean water had been pumped into the system, Cheryk says, "it would have taken us probably four to five weeks to clean out the system and Alberta Health would have had to certify the water as being clean and potable and so on," he adds. The boil water advisory was lifted March 14.

In 2005, the City of Lethbridge began moving to an "integrated risk management system, which is one step down from an enterprise risk management system," Cheryk says. (The Treasury Board Secretariat defines integrated risk management as promoting "a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective.")

One way that the city manages risk is to take the occupational health and safety program for municipal employees and use that information for its hazard management program, says Cheryk.

"What we found is that a lot of the things that our health and safety program was doing was mitigating our risk to our employees for injuries and so on," he says. "We thought that what we should do is to take that good information from the health and safety side, desilo it and bring that information over to the risk management, or in other words, the hazard management side of our business."

Cheryk notes he is currently working with city managers to move from integrated risk management to ERM, which he sees as taking "risk management to the strategic level, looking at objectives that the corporation sets for itself, identifying those risks that might cause us to fail, and developing mitigation strategies in response to those risks that we've identified so that we do not fail."

Says Schaafsma, ERM allows municipal risk managers to "map the risks from the various departments and see how they tie into some more strategic risks and how mitigating one risk will affect the others."

Cheryk expects that he will likely have a helping hand, saying that municipalities tend to share information with other municipalities. "It makes it a little bit easier where I don't have to re-invent the wheel," he suggests.

"I can go to Calgary or Edmonton and talk to them about, 'How do you get started? What are your steps? How do I make my risks better here? How do I understand what risks we have?'"

SHARED EXPERIENCE

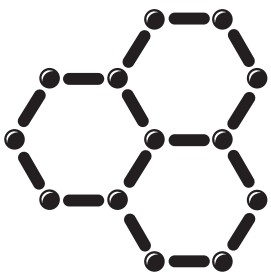
Schaafsma agrees that it is very helpful to gather experience from other risk managers. He notes, for example, that some of his recent conversations indicate that an issue high on risk managers' radar screens is fraud and embezzlement, especially for banks and credit unions.

To help reduce the risks, "educate the managers that supervise cash handling, that supervise people who have the opportunity (to steal), so they see the signs when somebody is defrauding the company. The banks have a well-developed system for identifying fraud and that sort of thing, but it's something the smaller organizations have to be aware of, particularly not-for -profits, where they put a lot of trust in one or two people, with insufficient checks and internal audits to make sure that what's supposed to happen is happening. That's when they become victims," he cautions.

Looking externally, another major concern is cyber risk. "Anybody involved in e-commerce has a risk of having credit card data compromised," says Schaafsma, suggesting one way to reduce risk is to use standards from PCI Security Standards Council LLC, a Wakefield, Massachusetts-based forum that represents merchants, banks, processors and vendors. The PCI Security Standards Council reports on its website that its security standards include the Payment Card Industry Data Security Standard, Payment Application Data Security Standard, and PIN Transaction Security requirements.

"The costs associated with the theft of credit card data is expensive as well," Schaafsma says. "There are a lot or risk managers with organizations that are not PCI-compliant that do have that risk."

Cyber risk, of course, applies to any industry — and can have some long-reaching and costly implications.



"We thought that what we should do is to take that good information from the health and safety side, de-silo it and bring that information over to the risk management, or in other words, the hazard management side of our business," says the City of Lethbridge's Len Cheryk.

If an oil and gas company had problems with its computers in the process control systems in either its offshore oil platforms or its on-shore field facilities, there could be a "significant loss," says Nexen Energy's Javier Pardo.

What if the screens that provide data on pressures, temperatures levels of liquids — monitored by control room operators — all went black, Pardo offers.

"So are you now operating your facilities blind? Or do you shut everything down because you are nervous about what could actually be happening in the field and you don't know about it? It could be that you are still looking at your screens, but your screens are giving you false data and that false data could be problematic. It could be a valve that isn't working, maybe it's leaking hydrocarbons into the sea, or you could have lost equipment that you just don't know about because you don't have visibility into the system," he points out.

And what is the cause for screens going black? Is it an accident or "bad guys hacking into your systems," Pardo says. "It is unclear to us whether we have insurance against those kinds of perils from a traditional property and casualty insurance policy."

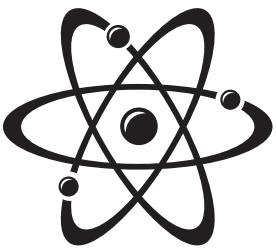
With regard to cyber risks in oil and gas, Pardo says "we don't think the insurance industry is mature enough yet to properly understand what these risks are, and so it's difficult to find a policy that gives you the certainty that you need. That's a new developing area."

Pardo says even if underwriters could determine "what could go wrong with all the various computerized systems an oil and gas producer has," the underwriters "are having a tough time understanding what would be the impact on either physical loss or damage, business interruption or liabilities. What would be the impact of that if those things actually did go wrong?"

Pardo suggests "until you get some actual claims experience, and some actual losses to rely on, you don't know how big of a problem you have."

BUYING GLOBALLY

One watershed moment for risk managers in oil and gas was the April 2010 Deepwater Horizon incident, when an explosion killed 11 workers and caused a drilling rig in the Gulf of Mexico to sink. The tragedy "was an industry-changing event," Pardo says. "We spend a lot more time performing audits on our drilling contractors. We ensure that the blowout preventer that the drilling rig contractor owns is tested… in the water, in the depths that the well is expected to be in," he adds.



With regard to cyber risks involving oil and gas operations, says Nexen Energy ULC's Javier Pardo, "we don't think the insurance industry is mature enough yet to properly understand what these risks are, and so it's difficult to find a policy that gives you the certainty that you need."

Many insurance carriers do not offer full limits on coverage of a blowout because they could be insuring multiple parties, Pardo says, noting that now the coverage limit would be reduced by the policyholder's interest in the well. This makes it difficult to provide one number related to a company's limit of third-party liability and pollution insurance "because that number will be reduced according to whatever working interest you have in that particular well in that particular location," he says.

"Oil and gas companies today tend to go into areas with harsher climates, such as the arctic. Some are also digging deeper offshore wells where there are higher temperatures and higher pressures," conditions that "could lead to larger losses," Pardo suggests.

"Even though your risks might be higher, you might not be able to buy as much as you need, so you end up, by default, self-insuring the top portions of big losses where your program ends. That just forces you into better and better operational controls because you know you can't transfer those risks to insurance companies," he explains.

Although a helicopter has never crashed on a Nexen Energy offshore oil platform, perhaps resulting in injuries or deaths and demanding repairs, company managers still contemplate that risk. Everything up to and including monetary loss because the company cannot produce while its assets are being repaired must be taken into account.

"We add that all up to get a severity and then we put a probability of that occurrence happening," Pardo says.

Mount Royal University's Darius Delon says that the university participates in the Campus Alberta Risk and Assurance (CARA) Committee, which this past May launched an effort to educate staff and students at several Alberta schools about how to respond to a shooting in which people on campus are being targeted.

CARA — whose partner institutions include Concordia University College, MacEwan University, NorQuest College, SAIT Polytechnic, the University of Alberta and the University of Lethbridge — consulted with police experts to develop awareness materials.

"I think there is a great benefit to all institutions to take a very close look at their emergency response plan," Delon says. "Think of really the worst-case scenarios, and not the most probable scenarios," he emphasizes.

It all ties into the risk manager's role. "The role of risk management is to bring those different scenarios forward and have people contemplate it," Delon says. "If it's never contemplated, that's a loss. At least if you contemplate it, you bring in some experts, you talk about it, and you say, 'Will we ever be exposed to it?'"

Substance Over Convenience

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Senior Partner,
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A 2014 ruling by the Court of Appeal for Ontario, which considers the province's "pay first, dispute later" regime for insurance, demonstrates the importance of substance over convenience in determining what contracts fall within the ambit of this regime.

The Court of Appeal for Ontario's recent decision, *Zurich Insurance Company v. Chubb Insurance Company of Canada*, addresses important questions of insurance law that will have implications beyond the specific facts of the case. Most notably, the case considered the breadth of Ontario's "pay first, dispute later" regime for insurance.

The decision demonstrates the importance of substance over convenience in determining what contracts fall within the ambit of this regime. It also presents risk mitigation opportunities for insurance companies, though such opportunities must be approached with caution.

The deference the majority suggested should be accorded to an arbitrator's decision may also affect future practice in this area. The division among Court of Appeal judges demonstrates the difficult nature of these issues, and the possible need for clarification in the future.

THE FACTS

Ontario's "pay first, dispute later" regime for motor vehicle insurance requires that the first insurer who receives an application under the *Statutory Accident Benefits Schedule* pay said statutory accident benefits (SABS) if there is a non-random nexus or connection between the claimant and the insurer. If that insurer believes that another insurer should be responsible for payment of the SABS, the first insurer must nonetheless pay them, but give notice within 90 days to the other insurer, and follow a statutory scheme of arbitration to determine which insurer should pay the SABS.

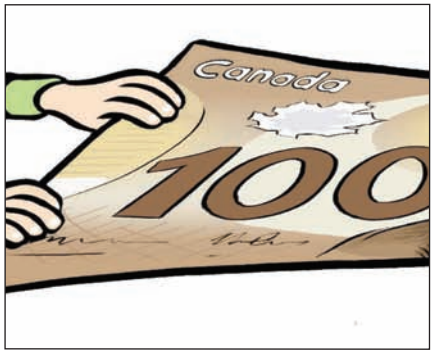
In *Zurich v. Chubb*, Sukhvinder Singh rented a vehicle from Wheels 4 Rent. Chubb Insurance Company of Canada issued an accident policy to Wheels 4 Rent and Zurich Insurance Company issued a policy insuring the vehicle.

Chubb's policy was limited, providing "optional death and dismemberment insurance to Wheels

Illustration by Wes Tyrell

4 Rent customers, and extended to death or dismemberment unrelated to a motor vehicle accident, provided it occurred during the rental period," the decision notes. Singh did not purchase Chubb's optional insurance.

After an accident, Singh submitted a claim for SABS to Chubb. Chubb refused



to pay. Zurich began paying the SABS, but shortly thereafter, Chubb and Zurich agreed to submit their dispute to arbitration, with the arbitration agreement stating, among other things, that the arbitrator was to determine whether or not Chubb is an "insurer" under Section 268 of Ontario's *Insurance Act* and Ontario Regulation 283/95, and whether or not Chubb was responsible for indemnifying Zurich for any amounts.

The arbitrator concluded Chubb was not a "motor vehicle liability insurer." On appeal to Ontario's Superior Court of Justice, this finding was set aside.

THE DECISION

Justice Gladys Pardu (Justice Sarah Pepall concurring) agreed with the arbitrator that Chubb was not a "motor vehicle liability insurer" on these facts. Justice Pardu accordingly found that the "pay first, dispute later" regime imposed pursuant to Section 268 of the *Insurance Act* was inapplicable. She reasoned:

[21] The content of "motor vehicle liability policies" is highly regulated. These policies must provide for payment of SABS, and a statutory minimum amount of liability coverage. The Chubb policy has none of these characteristics.

[22] The rationale [of the legislation] would not be furthered by requiring insurers other than "motor vehicle liability insurer[s]" to respond to a claim for SABS. An insurer providing fire or life insurance or some group or accident or disability insurance not having the features of a "motor vehicle liability policy" may have no expertise in adjusting these claims, and should not be expected to respond to them where it has not issued a motor vehicle liability policy even if there is a nexus or relationship between the claimant and such insurer.

[23] The priority and dispute resolution regime established under O. Reg. 283/95 applies to "disputes as to which insurer is required to pay benefits *under s.* 268 of the *Insurance Act*." [emphasis added by Justice Pardu]

Justice Pardu found that the arbitrator's decision was correct. However, a deferential attitude is nonetheless implicit in her decision, as she held that "whether there was a sufficient nexus between Chubb and the claimant is a question of mixed fact and law reviewable on the standard of reasonableness."

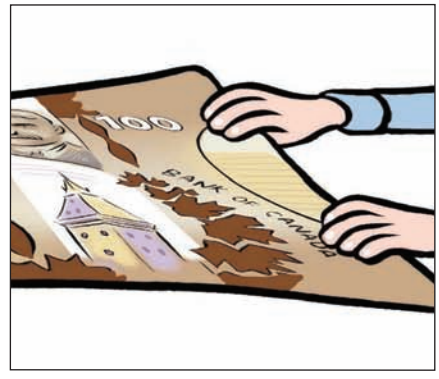
[24] Section 268 says every contract "evidenced by a motor vehicle liability policy" shall be deemed to provide for SABS. These benefits are not incorporated into insurance policies which are not motor vehicle liability policies and those insurers may have no expertise in adjusting these claims.

[25] *All of the cases cited in which an analysis is made to ascertain whether there was a sufficient nexus between the claimant and the first insurer to review an application for SABS are premised on there having been an actual or purported motor vehicle liability policy in place at some time.* [emphasis added by Gelowitz and Kennedy]

[27] Ms. Singh's choice to send her application to Chubb was not random or arbitrary, but was based on the optional coverage provided to Wheels 4 Rent customers. Nonetheless, Chubb was not required to respond as it was not a "motor vehicle liability insurer," nor had it held out or represented to have ever provided such coverage at any relevant time.

Justice Russell Juriansz dissented. Justice Juriansz would have applied the "nexus" test.

For him, the fact that Chubb regularly provided motor vehicle insurance coverage placed it within the ambit of the rule. He expected that future adjudicators "would have difficulty reconciling the conclusion that the plain meaning of the Regulation excludes 'non-motor vehicle liability insurers' [a term he had difficulty understanding] with the proposition that the pay first obligation will continue to apply in cases where there is no actual coverage, but only 'purported' or 'represented' coverage."



Justice Juriansz continued:

[37] In the earlier cases, the rationale for applying the Regulation in cases of "purported" or "represented" coverage was that the applicant chose the insurance company based on a non-arbitrary belief that the insurance company provided coverage on the relevant vehicle.

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> This is the crux of the nexus test. If the claimant's non-arbitrary but mistaken belief is a basis for requiring the insurance company to pay benefits in cases of "purported" or "represented" coverage, I see no reason to treat claimants differently if their non-arbitrary beliefs are based on information other than a false representation. In my view, it would be best to allow adjudicators to continue to consider whether there is some connection between the parties as set out in the familiar and established nexus test. ...
>
> [40] The overriding public policy of the Regulation is to provide timely delivery of benefits to all persons injured in car accidents in Ontario, despite the inconvenience to insurance companies who must provide benefits immediately and seek reimbursement from the correct insurance company later. ...

THE IMPLICATIONS

The first and most obvious implication of the decision is the holding that the "pay first, dispute later" regime in Ontario insurance law is confined to "motor vehicle liability insurers."

From the perspective of insurance companies, this is a triumph of substance. Chubb, on the facts of this case, was not in the business of insuring individuals in Singh's situation, and the legislature clearly contemplated that the obligation to "pay first, dispute later" would only apply to insurers whose policies contemplated the payment of SABS, which Chubb's did not.

The primary advantage of obligating such insurers to nonetheless "pay first, dispute later" is predictability and convenience for consumers, as highlighted by Justice Juriansz's dissent. The majority encourages consumers to understand the policies under which they are insured.

Second, the decision should be noted for what it did *not* decide. It did not hold that the "nexus" test was to be jettisoned — rather, it is only relevant if a claimant seeks SABS from an insurance company that is, indeed, a motor vehicle liability insurer.

Future cases will need to be monitored to determine whether and how insurance companies are found to be "motor vehicle liability insurers" on the facts of particular cases. In deciding whether or not to pay SABS in a particular case, insurance companies will need to make decisions carefully.

Given the large number of insurance policyholders and the commonality between insurance policies, class proceedings are not an academic concern should insurance companies be alleged to make a habit of improperly refusing to pay SABS.

Third, the case considers the intersection of arbitrators' decisions and the courts. In this case, a right of appeal existed pursuant to the arbitration agreement between Zurich and Chubb.

The most important element of the case — whether Chubb was a motor vehicle liability insurer within the meaning of the statute and regulations — was reviewed on the correctness standard.

Justice Pardu found that the arbitrator's decision was correct. However, a deferential attitude is nonetheless implicit in her decision, as she held that "whether there was a sufficient nexus between Chubb and the claimant is a question of mixed fact and law reviewable on the standard of reasonableness."

The standard of review analysis was based on the specific arbitration agreement at issue. Such agreements should be considered carefully as insurers make more frequent use of arbitration as a preferable vehicle, occasionally (as in this case) imposed by statute, to resolve disputes more efficiently than the courts.

CONCLUSION

Zurich v. Chubb is an important case in Ontario insurance law that clarifies the need to establish that an insurer is, indeed, a "motor vehicle liability insurer" before it can have duties under Ontario's "pay first, dispute later" system.

Though the precedential value of the case outside that context remains uncertain, its impact may be broader — the full impact of the decision may require future assessment.

Manufacturing CHANGE

Dmitri Iankine
Underwriting Manager, National Manufacturing Advocate, CNA Canada

The manufacturing industry has changed dramatically in the last five years, featuring among other things, global supply chains, just-in-time delivery, third-party outsourcing and technological innovation. Those changes demand complete, tailored insurance solutions to compete in today's global economy.

Many economic and political observers have commented on the declining manufacturing base in Canada, particularly Ontario. While the country continues to see headlines of plant closures and job losses, the reality is not so simple.

It has certainly been a challenging time for the manufacturing sector since the global economic downturn of 2008-2009, but there have been strong signs of resurgence in recent years.

Statistics Canada reports that industrial production in Canada increased 3.29% in 2013 over the previous year as the economy slowly recovered from the financial crisis (industrial production in Canada has averaged 2.93% from 1962 until 2013).

Since June 2009, Canadian exports of manufactured products have increased at a rate of 7% per year to 2013, Andrew Leach, an associate professor in the School of Business at the University of Alberta, notes in an article in the November 19, 2013 edition of *Maclean's*, entitled *Why Canada's Manufacturing Sector is Stronger Than You Think*.

The fact is that the manufacturing industry has changed dramatically in the last five years — and not just in Canada. Global supply chains, just-in-time (JIT) delivery, single or sole source suppliers, third-party outsourcing, research and development, logistics management, process improvement and technological innovation — are just some of the trends and buzzwords that define modern manufacturing.

With these changes, it makes sense that property and casualty insurance solutions are — or at least should be — adapting to new and emerging risks.

COMPREHENSIVE SOLUTION DESIRABLE

CNA Canada recently asked leading manufacturers, along with its broker partners, what they want to see in insurance and risk protection. What keeps them awake at night? How do they perceive insurance in the context of business and revenue growth? What will give them the greatest ease of mind in the changing world of global manufacturing?

The results of the focus groups were very informative. Manufacturers want insurance solutions that allow them to pursue opportunities with confidence, whether geographically or by product line. They do not like surprises or coverage gaps that fail to provide protection in certain regions or for non-specified exposures. They are keen to place confidence in a comprehensive solution that will cover the vast majority of business risks, including lost sales from product recalls, supply chain disruptions, loss or damage to research and development prototypes, resultant business income losses, and legal settlements for punitive damages.

And they eschew fine-print exclusions that fail to meet their business needs.

Commercial brokers also expressed interest in insurance solutions that protect them from potential errors and omissions (E&O) liability claims. If an insurance product is patched together with endorsements and non-admitted cover in some regions (especially the United States), the ensuing headaches could be substantial.

It turns out that many of the same issues also keep insurance intermediaries up at night.

BRIDGING THE GAP

So what are the main gaps in insurance coverage for manufacturing firms? There are several, one of the recurring problems being that companies may perceive they have existing protection in areas such as product recall, E&O or research and development. However, most general liability and commercial property policies have specific exclusions or limitations of coverage in these and other areas.

A hot-button topic is global supply chains, which have become a reality in today's interconnected world. It is common to see parts of the manufacturing process outsourced to countries around the world, including those in Asia, South America and Europe.

Most traditional commercial insurance and business interruption policies do not offer coverage for resulting loss of profits, delays or alternate parts sourcing in supply chain failures.

With agile manufacturing and mass customization of products, companies do not want to carry huge inventories and are looking to outsource key components to specialized third parties.

A manufacturer will frequently have only one supplier for a purchased part, so that close relationships can be established with a smaller number of suppliers. However, this can also increase risk if a strategic supplier experiences prolonged downtime.

A 2013 survey from the Business Continuity Institute, a research firm based in the United Kingdom, revealed deep-rooted sources of supply chain failure. Responses from across 71 countries showed 75% of polled organizations recorded at least one supply chain disruption in 2012. For 9% of the respondents, the financial costs of the largest single incident totalled US$1.3 million or more.

Most traditional commercial insurance and business interruption policies do not offer coverage for resulting loss of profits, delays or alternate parts sourcing in supply chain failures. If a company in North America, for example, experienced disruptions because of a supplier problem in Asia, this would not be covered under most standard commercial insurance policies.

This reality was evidenced in the aftermath of Japan's 2011 Tohoku earthquake. Japan is a critical link in the global supply chain of many automakers and electronics manufacturers, to name just a few affected industries.

The quake and ensuing tsunami destroyed infrastructure, knocked out factories and forced port closures. The resulting drop in production levels affected companies and retailers around the world, many of which were not covered for the exposure in their supply chains.

TAILOR COVERAGE TO EXPOSURE

Insurance solutions have to recognize the emergence of global supply chains and provide coverage tailored to this exposure.

Single-source suppliers

Single-source suppliers are a reality for many multinational manufacturing firms. Contingent business interruption (CBI) can respond to losses beyond triggers of traditional business interruption policies. CBI, for example, reimburses lost profits or earnings, as well as extra expenses resulting from an interruption of business at the premises of a supplier. It also addresses issues around alternate delivery of parts.

Over the last few years, several high-profile product recalls have garnered the attention of the media — and raised concern amongst consumers. Whether the issue is cars, consumer goods or pharmaceutical products, the number of product defects and ensuing recalls seems to be on the rise.

This may also be a feature of globalized manufacturing, with firms outsourcing production facilities to other regions for lower labour costs. As shown with recent recalls, however, product defects can also be "made" in North America.

Product recall

Product recall is another exposure that is not *typically* covered by traditional business insurance policies. Although

similar to products liability insurance — which requires an actual accident — coverage for a product recall claim is normally triggered by the risk of injury to people or damage to property by a product.

Comprehensive insurance solutions for modern manufacturing firms should also offer coverage for the loss of profits as a result of product recalls.

Canadian manufacturing firms rely on innovation to differentiate themselves from global competitors. Thus, investing heavily in research and development (R&D) processes and prototypes is clearly a significant concern for Canadian companies.

A 2011 report released jointly by Industry Canada and McMaster University, entitled *State of Advanced Manufacturing: A Canadian Perspective*, notes the following: "The manufacturing sector outpaces all other industries in the introduction of process, organizational, product and marketing innovations in Canada."

However, many companies do not realize that they are not always covered by traditional insurance if an R&D model or prototype is stolen, damaged or destroyed. Innovative insurance solutions should offer this kind of coverage to the modern manufacturing firm, including lost revenue or cancellations of government grant funding related to research and development claims.

Emerging vulnerabilities

General liability insurance also does not *fully* protect manufacturing firms from emerging vulnerabilities and financial loss resulting from a failure of a product or service to perform to specifications. Manufacturers' E&O insurance is designed to cover these gaps in coverage.

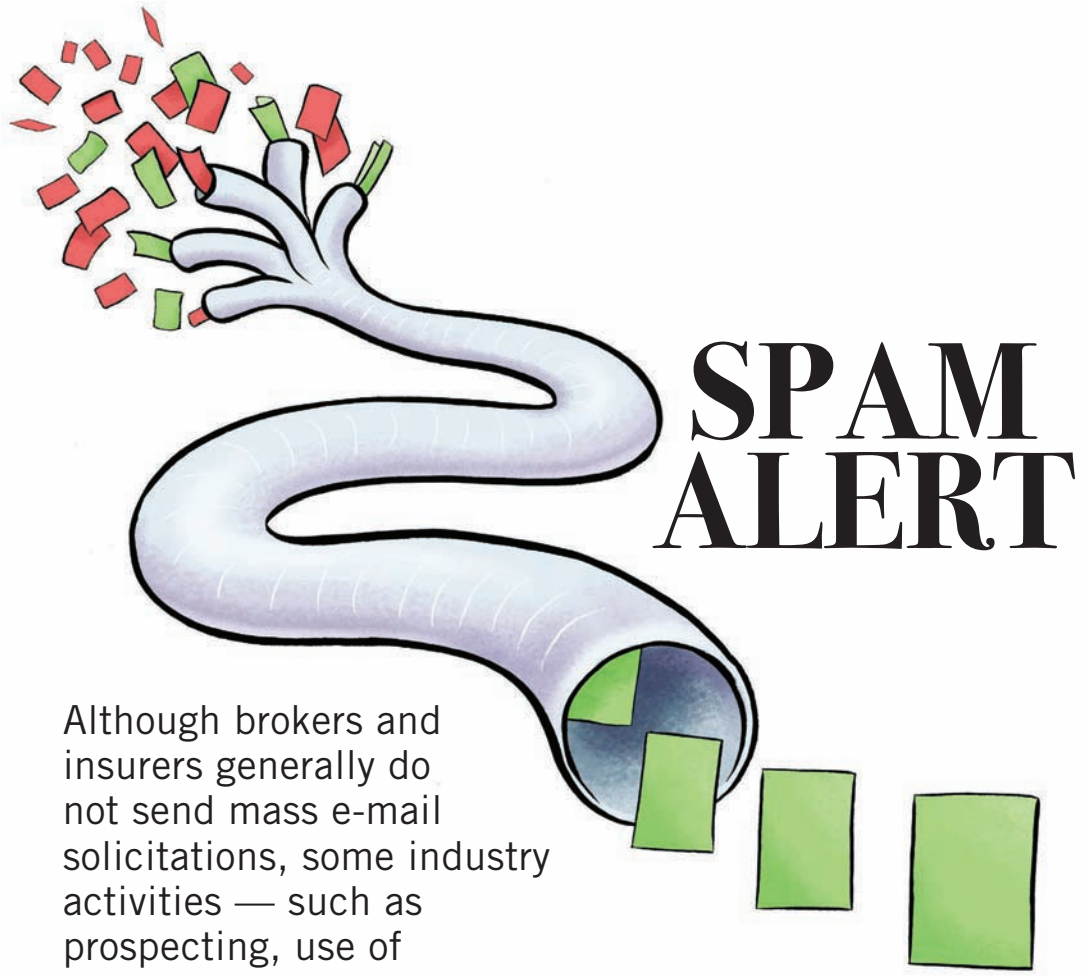
This highly customizable insurance protection covers an insured for legal obligation to pay financial damages arising out of covered products and/or services. If a product fails in its warranted capacity and causes financial loss to a customer, the right E&O insurance can cover a company from lawsuits.

This can be a substantial threat to a manufacturer's financial stability, particularly if products are sold or supplied in the aggressive U.S. legal climate.

It is increasingly clear that firms are looking for complete, tailored insurance solutions that address the demands of modern manufacturing in today's global economy. They are also looking for innovative forms of protection that cover against emerging risks and exposures.

Brokers enter a potentially confusing new world of international exposures when they seek to provide comprehensive products for their manufacturing and export-based clients.

Knowledge, expertise and experience are the critical factors in choosing the right insurance market.



SPAM ALERT

Craig Harris
Freelance Writer

Although brokers and insurers generally do not send mass e-mail solicitations, some industry activities — such as prospecting, use of third-party marketing services and even social media — may get caught in the web of Canada's new anti-spam legislation.

July 1 came and went with the introduction of Canada's anti-spam legislation (CASL), touted by many as one of the toughest regulatory crackdowns on unsolicited e-mails. Although those who opened their inboxes July 2 likely did not find a reduction in the amount of spam, that was not the immediate intent of the legislation.

CASL, officially known as Bill C-28, governs the use of commercial electronic messages (CEM) sent to e-addresses. A CEM is defined as a message that encourages participation in a commercial activity, such as product promotion or advertising (this does not necessarily have to be for profit). As of July 1, companies cannot send a CEM without the receiver's consent.

The line between implied and express consent is key, as it differentiates between an existing customer (i.e., renewing client of a brokerage) and a prospect. Today, firms cannot send a CEM to any e-address without at least implied consent. However, brokers and insurers can ask existing customers for express consent through a message that should include an opt-in/opt-out choice with clear "unsubscribe mechanism" for continuing electronic communication.

To allow businesses time to adjust, CASL provides a three-year transition related to consent requirements. There is a delay period of three years before "Right of Private Action" is allowed, meaning individual or class action lawsuits cannot be brought until 2017.

As the federal government notes on its anti-spam website: "No law will eliminate all spam, including that from overseas." Instead, CASL governs spammers operating in Canada. It also puts enforcement into the hands of the Canadian Radio-television and Telecommunications Commission (CRTC).

Illustration by Wes Tyrell

The CRTC has a range of tools available to it, from warnings to penalties. Penalties can go as high as $1 million for individuals and $10 million for businesses. These fines, however, are reserved for the most serious violations of CASL.

In the days following July 1, the CRTC reported that it received hundreds of reports of spam violations submitted to fightspam@gc.ca, which have resulted in investigations. As of early August, no fines or penalties had been levied.

HOW TO GET READY

Getting ready for the new anti-spam measures has become a micro industry, with a spate of legal firms weighing in with advice and recommendations. These tips for business include formation of a compliance committee, development of guidelines and policy for staff, and investment in computer systems/database management to ensure adherence to the legislation.

In general, insurance organizations are aware of requirements related to CASL. Insurance Bureau of Canada (IBC), for example, has implemented an internal CASL compliance program, as well as training and ongoing monitoring of compliance, notes IBC's senior counsel Mario Fiorino. The same is true of member companies. "IBC members are aware of CASL requirements and have implemented compliance programs as each insurer deems appropriate for their respective operations," Fiorino says.

However, it is brokers, in their direct customer contact and marketing capacities, who will likely be on the front lines of CASL requirements. This is especially true for activities such as administration, prospecting and use of third-party marketers or customer list providers.

However, many brokers are tackling the anti-spam compliance challenges sooner rather than later.

"While this legislation is still fresh in everyone's minds, our brokerage has taken an initiative to obtain expressed consent in order to continue sending valuable information," says Debbie Thompson, vice president of business development for Whitby, Ontario-based Beyond Insurance Brokers Inc.

"We have made it part of our process on all new business, that is, asking explicitly for consent. We have also made available on our website a CASL toolkit for our business community, so they understand this important piece of legislation," Thompson reports.

With social media, "the list of domains that constitute social networking sites is always growing and changing due to the nature of the Internet — this will be a challenge in itself to monitor," Thompson suggests.

The Insurance Brokers Association of Ontario (IBAO) has provided member brokers with education and self-learning modules related to CASL, as well as supporting documentation and sample scripts for seeking consent.

"I think brokers were relatively prepared for the anti-spam legislation," says Lola Thake, IBAO's director of education. "People are getting their heads around the fact that this applies only to electronic messages with a commercial or sales focus. It doesn't involve electronic servicing of accounts, for example," Thake adds.

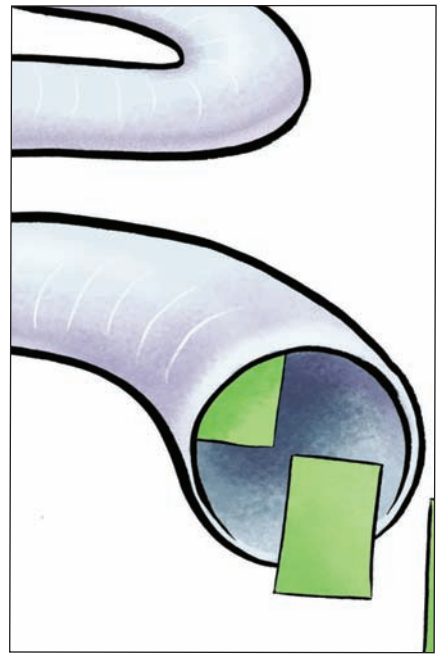
Kat Macaulay, a communications specialist with Calgary-based Rogers Insurance, says the nine member firms of the Canadian Broker Network (CBN, which includes Rogers) were aware of CASL and its impact on operations.

"Right across the board, we were all prepared for (CASL) and how it will affect all commercial electronic messages," Macaulay notes. "But some brokers were more concerned than others, depending on how they use e-mail."

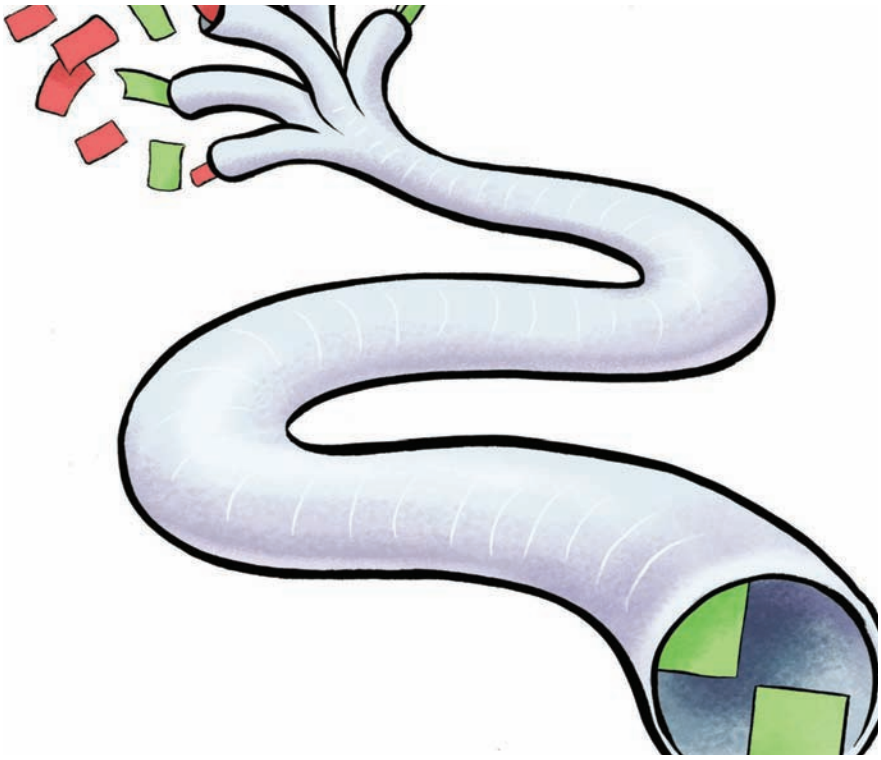
No members of CBN use spam, reports Macaulay, but adds that some brokers still rely on e-mail for marketing and prospecting.

CLEARING HURDLES

Sources suggest that the main obstacle for brokerages in CASL compliance seems to involve administrative headaches — especially for smaller firms.



"The concern was more the amount of administrative work required," Macaulay says. "If you are a smaller broker, for example, you don't have resources or systems in place to set up and capture consent or opt-in/opt-out subscriber forms. It can be an expensive process



for smaller companies to invest in these tools and people who, for example, can actively scrub lists," she says.

"I think the main issue from a broker's perspective is workflow and having to add this to their administrative processes to ensure compliance," Thake suggests. "However, the three-year grace period definitely gives time to move from implied to express consent, so it is not all at once," she adds.

Generating new business through e-mail may also pose a significant hurdle in the wake of CASL's implementation.

"For our commercial producers, CASL has caused some friction when it comes to prospecting," Macaulay reports. "The producer's job is to make sure they are reaching out to prospects and driving new business. There is frustration that now there is an added layer of work in terms of compliance."

Another potential issue is the use of third-party services, such as marketers and data/customer list providers.

"We have taken a closer look at our third-party relationships that provide 'ready to buy' lists as permission is not transferable, as well as third-party relationships that we use for e-mail marketing," Thompson says. "It's important to ensure that the third party will communicate immediately regarding opt-outs, as well as alert us if they are cited for violation of CASL," she adds.

SOCIAL MEDIA GREY AREA

A grey area of CASL relates to social media. The federal government indicates on its anti-spam website that the legislation "applies to e-mails, texts and instant messages and any similar messages sent to electronic addresses… CASL does not apply to promotional information you post online in places like blogs or social media."

But there is a fine line between an online conversation or interaction related to a business and a CEM.

"We were concerned about this because Rogers Insurance uses social media a lot to reach out to our communities and our customers," says Macaulay. "Our understanding from our lawyers is that social media is excluded from CASL, in the sense that social media sites have their own agreements and terms."

Macaulay uses the example of the networking site, LinkedIn, where members must agree to its terms before signing up. "It is a platform built outside of CASL," she says.

"I believe (social media) is still an area that is unclear, as most consumers who use social media have taken the initiative to communicate that way with our business," Thompson comments.

"The list of domains that constitute social networking sites is always growing and changing due to the nature of the Internet — this will be a challenge in itself to monitor," she suggests.

CANADIAN CONTENT

The complexity of CASL compliance can sometimes blur the fact that the legislation focuses specifically on Canadian companies that regularly use spam. For some, it represents a fairly blunt instrument to address the unsolicited e-mail problem — a sledgehammer to swat pesky mosquitoes.

"It is important to remember that this legislation (CASL) was targeted at spammers, and my understanding is that only about 5% of Canadian companies actively use e-mail spam," says Thake. "So this is a heck of a piece of legislation to target that 5%."

For Macaulay, the effectiveness of CASL comes down to enforcement.

"The proof is in the pudding," she suggests. "In three year's time, it could be very similar to what happened with illegal downloads and the music industry. That was only taken seriously when the first fines were handed out, which involved hundreds of thousands of dollars to regular people."

Thompson explains that when the Private Right of Action comes into force in 2017, individuals who feel they have been affected by a CASL violation can pursue their own legal remedies.

"This Private Right of Action will also open the door for anti-spam class action lawsuits, with maximum damages capped at $1 million per day," she says. "Furthermore, under this provision, directors and officers can be held personally liable for violations of the law if they directed, authorized or consented to the violation of the law."

Of CASL's ongoing compliance requirements and the potential for penalties, Thompson argues that it is far better to be safe than sorry.

"My advice is: be prepared, take action and be compliant," she says.

Fire [Defence]

Cynthia Melick
Canadian Appraisal and Loss Prevention Manager, Chubb Insurance Company of Canada

Western Canada is wildfire country — and no stranger to the displacement, damage and complete loss that such fires can bring. With more building in densely wooded areas, the potential for associated loss also rises. But there are steps homeowners can take to protect their homes during the hot summer months.

Following a winter that was dryer than usual, a bolt of summer lightning or a forgotten campfire is more likely to spark a wildfire in Western Canada. And as more homes and businesses are being built near the dense woods in the region, the threat of destructive wildfires grows.

The Alberta government reports, on average, wildfires burn 2 million hectares of forest in Canada each year, and half of those blazes are caused by people. Most of these wildfires are extinguished before they burn more than 100 hectares, but many of them have forced residents to evacuate their homes and have caused millions of dollars in property damage.

In 2011, a wildfire decimated the community of Slave Lake, Alberta, destroying 374 homes while accumulating more than $700 million in insurable property damages. More than 700 people were displaced because of the fire, which burned for more than two days.

Fires raged in British Columbia's Okanagan Mountain Park in 2003, causing $33.8 million of destruction. Spanning 25,912 hectares, the fires forced the evacuation of some 27,000 residents throughout the province.

Another wildfire spread through British Columbia in 2009 in Kelowna, driving 12,500 residents from their homes and putting thousands more on alert at the peak of the blaze. While there

was little property damage, hundreds of homes were directly exposed to the fire.

Low humidity has already helped ignite uncontrollable blazes this summer. On July 13, thousands of homeowners vacated the Cariboo Regional District in British Columbia because of a wildfire that grew to more than 1,200 hectares.

While there are well-documented cases of wildfires throughout Western Canada, cities such as Vancouver and Whistler, which have seen significant housing growth in recent years, have so far been spared from the destruction of wildfire.

THE URBAN-WILDFIRE INTERFACE

People continue to build homes in these highly desirable areas, where the landscape is ideal for winter vacations for those who enjoy skiing and snowboarding. However, these destinations of choice also often provide the ideal conditions for potential wildfires.

With liveable land becoming scarcer, plot holders are forced to pin their properties right up against the luscious conifer forests of the area. Being so close to dense woods may put a home at risk if a fire breaks out during the warm summer season.

Building in remote areas also makes it more difficult for fire departments to reach the homes, making those properties much harder to protect.

Wildfire assessments and advice about how customers and homeowners can mitigate wildfire exposure is available, including from insurers, but many homeowners in the region use their properties as vacation rentals and some neglect to practice safe property management.

One of the vulnerable areas of a home that is most susceptible to wildfire is the roof. Many rooftops are finished with cedar shake or wood, highly flammable materials that serve as kindling when they come in contact with hot embers.

Ember storms, which can occur as far as two kilometres away from the initial fire, can quickly ignite these materials.

These flammable roof coverings should be replaced with fire-resistive materials such as concrete, clay or slate tiles. Other options include metal or fibre cement.

Agents and brokers can also speak to their homeowner customers about the potential hazards of the surrounding foliage. Overgrown vegetation — which includes long grass, untrimmed trees and neglected plants and bushes — can catch fire easily and quickly spread fire to a nearby home.

It is up to the homeowners to maintain their properties. They can help protect their homes by trimming flammable branches while keeping the plant life around the home as moist as possible during the hot summer months. It is also wise to remove highly combustible plants such as pine and juniper trees in the area.

With liveable land becoming scarcer, plot holders are forced to pin their properties right up against the luscious conifer forests of the area. Being so close to dense woods may put a home at risk if a fire breaks out during the warm summer season.

PRIORITY ZONES

A customer's property should be split into three specific zones.

- Priority Zone 1, the 10-metre space surrounding the home, must be free of any plant life and dry material that could serve as fuel to a fire.
- All vegetation in Priority Zone 2, the next 20 metres around the property, should be trimmed and pruned.
- Priority Zone 3, the remaining area, does not necessarily need to be cleared, but rather thinned to reduce the risk of fire spreading.

For properties located in wildfire-susceptible areas, here are some more tips to help mitigate wildfire exposures:

- When constructing a new home, use fire-retardant materials such as stucco, metal, brick and concrete. Avoid using heavy timber, vinyl and wood. All of the latter provide little protection against a blaze and can serve as more fuel for the fire.
- For windows, use metal frames, as this will withstand fire more so than vinyl clad. Vinyl clad can melt and sag if not reinforced with metal, which can create gaps to the inside. Also, utilize metal screens that will not ignite due to falling embers.
- If constructing a deck of less than three metres, or one connected to the home, it should be built with ignition-resistant materials. It is also wise to have the area below the deck enclosed, eliminating the chance for flammable debris to accumulate. If not enclosed, make sure to thoroughly clear brush out from underneath.
- Use a metal screen to prevent embers from escaping through the top of the chimney and spreading embers onto the roof.
- Install flame-resistive vents to help prevent burning embers from entering the home. Weather stripping around and under the garage door should also be implemented to help restrict embers.
- Unconnected structures — such as sheds, fences, patio furniture, trash cans and other property items — are usually built using flammable material. These items should be kept as far away from the house as possible.
- If possible, make sure the property has access to an on-site emergency water supply, which includes a pond, tank, creek or lake. An emergency vehicle should also be in close proximity.

Expansion into this area is only inevitable as the demand for land in these parts of the country continues on an upward trajectory. But with more property owners erecting homes in or near wooded areas, agents and brokers can provide advice to help customers protect their homes.

In the end, though, it is up to the homeowner to implement wildfire-preventive measures to their property.

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Cooling Meltdown

Hotter, intermittent summer temperatures, mixed with equipment complexity and inadequate maintenance, make cooling systems the number one source of equipment breakdown claims.

David Pivato
Vice-President, Underwriting and Professional Engineer, The Boiler Inspection and Insurance Company of Canada, part of Munich Re

Climate change and geography influence air conditioner failures. And Canadian summers have been getting hotter. Two years ago, the country experienced the warmest summer on record, followed by the eighth hottest in 2013.

Still, there appears to be little relief on the way, with heat alerts becoming more frequent.

The City of Toronto, for example, saw a 66% increase in the number of heat alerts declared in the last three years compared to the three years prior. This puts added strain on cooling systems, increasing chances of failure.

Consequently, the economic costs to homes and businesses without equipment breakdown insurance are rising along with the temperatures. From 2008 to 2013, total breakdown claims for cooling equipment increased 82%, while the average claim size more than doubled.

Although traditional insurance policies cover certain weather perils, only equipment breakdown insurance covers accidental electrical and mechanical equipment failures. The average cost per claim in 2013 for a cooling system failure was $5,600.

FACTORS FUELLING BREAKDOWNS

Over-frequent on/off cycling

It should come as no surprise that, as illustrated by claim data from HSB BI&I, home air-conditioning units in Canada have a higher likelihood of failure during the summer months. This is partly because of constant on/off cycling, which is expected to happen frequently this summer.

Environment Canada has predicted a 2014 summer of "warm weather with cool breaks." While cool breaks provide welcome relief, they can also wreak havoc on air-conditioning systems. Over-frequent on/off cycling shortens the life of the insulation surrounding the motor windings, causing motors to burn out prematurely.

Also causing frequent on/off cycling is the notion that "bigger is better." Many air-conditioning systems are far too large for their applications. And an air-conditioning motor or compressor that is too big will bring down temperatures far too quickly, adding more on/off cycles and further straining the system.

Changes in voltage and brown-outs

As with all electrical equipment, any sudden change in voltage will cause motor strain and increase the risk of breakdown. A utility's maximum current is generally finite, and if everybody suddenly switches on their air conditioners at the same time, a brown-out will occur, in which the voltage reaching cooling systems drops. Low voltage puts more strain on motors, which must then run harder to generate the same power.

Systems sitting idle

Most failures occur when equipment is started after sitting idle through a long winter, or when it cycles on and off frequently during hot weather. Equipment idleness is likely here to stay because of the nature of the Canadian climate, although one way to reduce its negative effects is regular maintenance.

Drivers would never dream of keeping cars on the road without adequate maintenance, but an air conditioner is much like an automobile in stop-and-go traffic during a rush-hour commute — intermittent hotter days cause the equipment to work in the same way as a car driving uphill in heavy traffic. It really takes a toll on the equipment.

While cool breaks provide welcome relief, they can also wreak havoc on air-conditioning systems. Over-frequent on/off cycling shortens the life of the insulation surrounding the motor windings, causing motors to burn out prematurely.

Maintenance and smaller systems

Oftentimes, owners of very large air-conditioning systems, like those found in office buildings, are more conscientious about scheduled maintenance, perhaps because tenants expect it.

But it is the smaller systems, such as those found in homes and smaller businesses, that may not be serviced as often as recommended, resulting in more frequent breakdowns, especially in the early summer.

It is recommended that pre-season check-ups be carried out, applying the same diligence to cooling systems as applied to heating. Typically, maintenance should check thermostat settings, electrical connections and currents, lubrication of mechanical parts, air coils and refrigerant.

Complexity of systems

Breakdown rates are also linked to system complexity. Air-conditioning systems do more than just remove heat; they

If cooled air does not come within five minutes of a unit being turned on, the air conditioner may have lost its refrigerant charge, or the compressor, condenser or air circulation fan may have failed.

control humidity and air quality, and distribute conditioned air throughout a building.

Many different types of components — from pressure vessels and piping to mechanical compressors, electrical wiring and electronic control systems — need to work together to create a comfortable indoor climate. If one component of the system fails, the whole system may break down.

Consider a recent home air-conditioning claim in which a cracked pipe caused refrigerant to leak. As a result, the whole system broke down and was replaced at a cost of $4,526.

In another instance, condenser tubing in a central air-conditioning system cracked due to thermal stresses. The tubes were not accessible for repair and had to be replaced, costing $3,100.

Inadequate maintenance a big issue

HSB BI&I has found that about 35% of equipment breakdowns can be attributed to the human factor. Examples include inadequate or improper maintenance, as well as the failure to replace or calibrate controls, such as thermostats.

A room thermostat that informs an air-conditioning system that it is too hot when, in fact, it is not, causes excessive wear and tear that can lead to a system breakdown.

A loss was recently paid where, as a result of a thermostat failure, a home air conditioner operated in an overheated condition for an extended period of time. The whole system had to be replaced, costing $5,101. That thermostat could have been purchased for $70 from most local hardware stores.

LOSSES CAN EXTEND BEYOND DIRECT DAMAGE

A small business, such as a restaurant or retail store, has a lot to lose if its air-conditioning system suddenly fails. Customers may opt to go elsewhere and the business may be forced to shut down, which can lead to business interruption losses. Business interruption or extra expense losses are seen in around 30% of air-conditioning breakdown claims.

In addition, direct damage losses can be hefty — refrigerant replacement can cost thousands of dollars. If a system is located on the business's rooftop, a crane would be required to remove or replace the unit. If a business could not afford to shut down, portable refrigeration units would need to be rented, adding extra expense.

Recently, there was an incident in a restaurant where workers found smoke pouring through the dining room. The investigation found extensive control wiring damage to the rooftop air-conditioning unit because a transformer failure sent high voltage surging through the circuits.

The repair cost alone was $49,516, but the total loss included business interruption expenses of $6,463.

SIMPLE HOMEOWNER TIPS TO STAY COOL

A number of conditions can ultimately lead to equipment breakdown. Consider the following:

- Outdoor units blocked with debris and vegetation: Not only do blocked coils and vents increase the risk of equipment damage, they can significantly reduce air-conditioning operating efficiency. Clean the condenser unit at least twice during the cooling season, remove all leaves, seedlings and weeds with a light brush or shop vac, and cut back all plants at least three feet in all directions from the exterior of the condenser unit.
- Filter replacement: An indoor filter should be replaced every two months during the cooling season. A dusty air filter, which causes the house temperature to rise well above the thermostat setting and the unit to run longer to produce the same cooling effect, is the most common and easily fixed problem. It is a good idea to keep a stock of replacement filters.
- If cooled air does not come within five minutes of a unit being turned on, the air conditioner may have lost its refrigerant charge, or the compressor, condenser or air circulation fan may have failed. Seek a diagnosis from a qualified professional. In most cases, fan failure is the issue.
- Annual service by a qualified professional will keep air-conditioning units operating at the lowest cost, and reduce chances of service interruption.

With that in mind, HSB BI&I engineers suggest consideration of the following:

- replacing older equipment can save as much as 80% in energy costs;
- installing a programmable thermostat and operating air conditioning only when the house is occupied or soon-to-be-occupied;
- locating (or relocating) the thermostat to the area most frequently occupied to minimize over-cooling of less-used spaces;
- using the "fan only" option when temperatures permit; and
- always disconnecting power before performing any type of maintenance activity.

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by Receivables Insurance Association of Canada – July 22

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Granite Claims Solutions Welcomes Maeve Davis as Executive Vice President, National Customer Solutions
by Granite Claims Solutions – July 2

Derek Gibson Joins Read Jones Christoffersen Ltd. to Lead Forensic Engineering
by Read Jones Christoffersen Ltd. – July 2

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1a


1b


2a


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7


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1 CNA Financial Corporation announced in August that John Hennessy [1a] will take on duties as president and chief operating officer (COO) of CNA Canada, effective September 15. Hennessy replaces Gary Owcar, who has led CNA Canada since 2009 and is retiring. Hennessy, most recently chief executive of CNA Europe, has previously held roles at CNA, including Milwaukee branch manager, central region president, senior vice president for casualty underwriting and middle market, and senior vice president of distribution management. Also at CNA, David Brosnan [1b] has been named chief executive of CNA Insurance Company Limited (CNA Europe) as of August 18. Brosnan will maintain his post as chief executive of Hardy Underwriting Bermuda Limited (acquired in 2012 by CNA). He served as division president (property & casualty) and chief underwriting officer for ACE Canada from July 2012 through May 2013, when he joined CNA as senior vice president, international. Brosnan has held various roles with the Chubb Group of Companies, notes his LinkedIn profile.

2 FM Global has announced Thomas Lawson [2a], with the company since 1979, began serving as president on August 1. Previously executive vice president, Lawson has also been elected to FM Global's Board of Directors. He will replace Shivan Subramaniam [2b] as CEO on January 1, 2015. Subramaniam, who has been with FM Global for four decades, was named CEO in 1999 and will stay on as chairman. Also at the company, Jonathan Hall, most recently executive vice president, has taken on the role of chief operating officer. With FM Global since 1980, Hall will oversee insurance operations and insurance staff functions.

3 Hub International Limited has acquired the shares of Gibson's Insurance Agency Ltd. The locations in Treherne and Notre Dame de Lourdes, Manitoba will remain in operation and become part of the Hub International Horizon operations. The acquisition brings to 22 the number of Hub International locations in Manitoba, notes the company, formed in 1998 through the merger of 11 Canadian brokerages. "Because Gibson's agricultural clients are similar to Hub's Manitoba client profile, they are in a great position to take advantage of Hub's unique innovative insurance products developed for crop production, employee benefits, and life and estate planning," Keith Jordan, president and CEO of Hub International Horizon, says in a statement.

4 RSA Canada's new vice president of underwriting, global specialty lines is Colette Taylor [4]. Taylor was previously global specialty lines underwriting director for the Ontario region. Before joining RSA Canada in 2010, her LinkedIn profile notes Taylor worked for Jones DesLauriers Insurance Management Inc., St. Paul/Travelers, QBE Insurance and Marsh. Her experience as a broker "has given her a balanced perspective of how RSA Canada can best develop and deliver propositions that work for its customers," the insurer notes.

5 Elliott Special Risks recently announced three appointments to its leadership team in Canada. Effective August 1, Rod Spurrell is vice president of underwriting and business development, Ray Gimble is


2b


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vice president of technical underwriting and Jaime Yoon is manager of environmental liability. Spurrell "will be responsible for national audit reviews and ensuring the clarity of policy documentation, while managing operational and compliance related activities," notes a company press release, while Gimble "will be responsible for leading a national team of regional and product line leaders to enhance the company's market positioning and improve product line profitability." Yoon will manage the company's environmental impairment liability book of business and lead the team in its Toronto office. In Canada, Elliott Special Risks has offices in Montreal, Toronto, Calgary and Vancouver.

6 Risk and Insurance Management Society Inc. (RIMS) announced in July that its executive director, Mary Roth [6], has been named president of the International Federation of Risk and Insurance Management Associations (IFRIMA). Roth will continue to serve as RIMS executive director, a role she has held since October 2004. Having joined RIMS in 1985, her past roles with the society include assistant director of research, director of membership and chapter services, and chief operating officer.

7 The Centre for Study of Insurance Operations (CSIO) has hired Ian Ferenci [7] as its manager of technology and advisory services. Ferenci "will be responsible for enhancing CSIO's membership value proposition by overseeing the development of all leading-edge technology standards, solutions and process improvement initiatives," notes a CSIO statement. Before joining CSIO, Ferenci was manager of business planning and analysis for Grey Power Insurance Brokers. Also at the centre, it recently announced availability of its eSignatures Vendor Dashboard, a web page on which CSIO publishes a review of eight electronic signature products in Canada. CSIO reviewed the electronic signature products against the following criteria: legislative and regulatory compliance; workflow efficiency and user experience; and pricing and support.

8 Disaster restoration firm DKI Canada has hired Paul Burns [8] as its director of global business development. Before joining DKI, Burns was vice president, Ontario operations and national sales for Capital Claims Adjuster Ltd., notes his LinkedIn profile. He has also been vice president of London market services for Cunningham Lindsey. Among DKI's services are emergency response, water damage mitigation, fire and contents cleaning, and mould remediation.

9 Crawford & Company (Canada) Inc. announced in July that Kelly Albert [9] is its new national account executive, global client and business development, for the Western Canada region. "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," the company reports. Albert, who holds both the Chartered Insurance Professional and Canadian Risk Management designations, has worked for several insurers, adds his LinkedIn profile.

10 Michael Georgiev [10] is the new vice president of construction and infrastructure practice at Jones DesLauriers Insurance Management Inc. (JDMI). Before joining JDMI, Georgiev managed the surety department at Aviva Canada. He is "well-versed in many areas of insurance and risk management as related to the construction industry, including financial analysis, project planning and portfolio management, as well as underwriting negotiations and best practices," JDMI notes.

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

The **Professional Liability Underwriting Society (PLUS) Canadian Chapter** held a **workshop** on ***The Future of Professional & Executive Liability***, on June 5 at the McCague Borlack LLP offices in downtown Toronto. Presenters examined case law to explore the increasing trend of how discretionary trading can be cause for termination, how planners can protect themselves from clients who ignore the investment plans delivered, and new proposed legislation that, if enacted, would require advisors to comply with a fiduciary standard. Kelly MacDonald of Aon Risk Services moderated a panel of experts from various insurance and legal backgrounds. The presentation was preceded by lunch and networking.












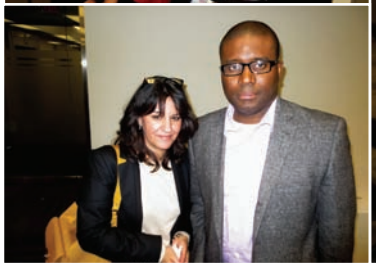

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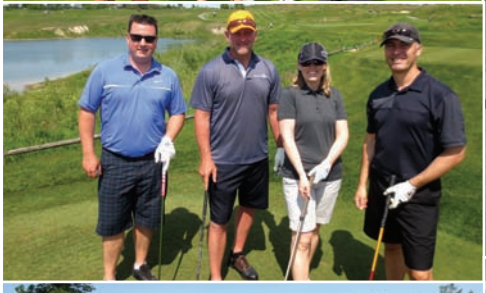
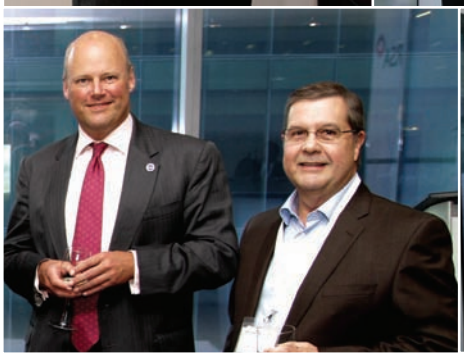





The **GTA Fellows** and their guests gathered for the **CIP Society's Annual Fellows' Golf Tournament** June 9 to enjoy a beautiful day at Wyndance Golf Club in Uxbridge, Ontario. For the second consecutive year, Steamatic — represented by golfers Eric Higgins, David Bonnar, Jean-Denis Paré and Toby Struewing — took home first prize. Thank you to all our sponsors and to everyone who came out. In addition to a great day on the course, participants had a number of opportunities to take home some great prizes from a raffle draw, with all proceeds going to the John E. Lowes Insurance Education Fund.

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

In early July, **RSA Canada** welcomed its **new global CEO, Stephen Hester**, from England, and took the opportunity to host approximately 75 of the insurer's brokers at an **exclusive executive reception** held at its head office in Toronto. RSA reports that Hester, now settling into his role, is looking to deepen his understanding of the RSA business and its people. The reception was co-ordinated with Hester's July visit to Toronto to introduce himself to employees, and to spend time meeting with key partners, brokers and regulators.



TOTTEN GROUP
INSURANCE

Appointment

Muriel Schmidt, CIP, CRM

TIG (Totten Insurance Group) is pleased to announce the appointment of Muriel Schmidt to the position of Senior Underwriting Specialist, Casualty.

Having 30+ years in the Canadian marketplace, Muriel supports a high commitment work environment and motivates people to achieve success through empowerment. Her assistance in the development and implementation of Casualty/Construction Underwriting, Marketing and Production goals/strategies, align directly to the corporate objectives that support the delivery of client service excellence for TIG's client base. By implementing cross selling opportunities in Central Canada and the development of integrated relationships between TIG, Brokers, and Markets, Muriel will support the execution of the distribution strategy and customer centric propositions.

Muriel's extensive experience at major National Insurers encompassed a broad range of responsibilities and underwriting of large and risk managed Canadian-based Commercial, Industrial, Manufacturing , Resource and Energy-based risks. For many years, she was the Canadian Casualty Manager of a large multi-national insurer.

Being recognized as one of the top Casualty experts in Canada, Muriel prides herself on her proven ability to forge sustainable relationships with Markets, Brokers, Clients and Risk Managers. This extensive expertise directly compliments her demonstrated ability to develop portfolio growth with profitability through market analysis and strategic planning, reinforcing TIG's primary goal of adding additional strength to the strategic growth plans.

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The Magnes Group Inc. recently held its **annual Charity Golf Classic** on June 12 at Heron Point Golf Club in Ancaster, Ontario. More than 120 golfers and volunteers came out to enjoy a wonderful day on the course. Through the generous financial support received from both corporate and individual sponsors, this year's event was able to raise $45,000 for some very deserving charities in the local region. This marks the 16th annual event hosted by Magnes, get-togethers that have allowed the group to donate in excess of $900,000 to local charities. The proceeds from the 2014 Charity Tournament were donated to Ian Anderson House, Camp Trillium, Kerr Street Ministries, Children's Aid Foundation of Halton, WICC (Women in Insurance Cancer Crusade), InterVarsity and Bridges to Community.

McKellar Structured Settlements Inc. would like to thank all those who took part in the **16th Annual McKellar Charity Golf Day** on June 16. The event raised $23,975 for WICC (Women in Insurance Cancer Crusade) for use and support in its fight against cancer.

wicc

APPOINTMENT

Olivia Cheng

Claude Blouin and Jamie Dunn, Partners at Blouin, Dunn LLP, are pleased to announce that former articling student Olivia Cheng has been hired back as an associate at the firm.

Olivia (Sin Ying) Cheng received her Bachelor (Honours) degree in Finance from York University in 2010, graduating on the Dean's Honour Roll. She obtained her Juris Doctor degree at the University of Windsor in 2013.

Prior to law school, Olivia gained valuable experience working in the accident benefits department of a reputable law firm. She also has extensive knowledge of the residential and commercial real estate practice.

Olivia received a Golden Key International Honour Society award for placing within the top 15% of her class in 2011. She was also heavily involved with Community Legal Aid and Pro Bono Students Canada.

Olivia completed her articles and was called to the Ontario Bar in 2014. During her articling year, Olivia attended the Superior Court of Justice for routine and contested matters, and was responsible for many Small Claims Court files.

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

Outside of work, Olivia's interests include fashion, travelling and ethnic cuisines.

Olivia's contact information is:
ocheng@blouindunn.com
(416) 365-7888 ext. 158

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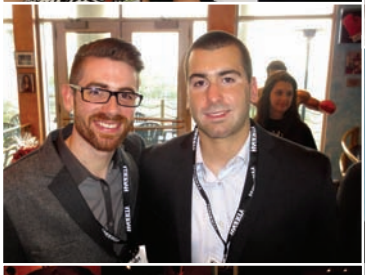
More than 100 young brokers attended the **10th Annual IBAO Young Brokers Council (YBC) Conference**, held June 11-13 in Niagara Falls, Ontario. YBC Exhibitor Night was held on June 12 and provided sponsors and vendors an opportunity to lead a variety of interactive and fun-filled ice-breaker activities. To satisfy the palate, the dinner menu featured "Little Sips & Little Plates," including both food and Niagara wine tasting stations.



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

On **June 18, Gore Mutual** celebrated its **175th anniversary**. Gore Mutual transformed the grounds of its head office in Cambridge, Ontario into an **elegant garden party** for more than 600 guests, complete with food stations, musical entertainment and an archive tent showcasing Gore Mutual's rich history. Gore Mutual was founded in 1839, 28 years prior to the founding of modern Canada. "Our company's long history instills a deep pride and sense of purpose in all of us," said Kevin McNeil, President and CEO of Gore Mutual, who retired at the end of June. "There is an unspoken commitment that we share and a responsibility to uphold the values that have continued to beat at the heart of our company for 175 years."

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

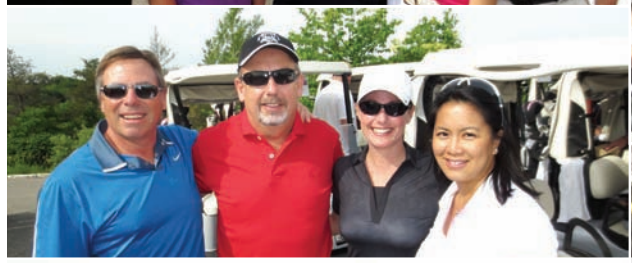
Swiss Re Corporate Solutions enjoyed a great turn-out June 19 for its **summer cocktail event** on the rooftop terrace of Maison Mercer in Toronto. Guests enjoyed a delightful summer party, complete with sunshine, a fine selection of gourmet passed appetizers, a live DJ and, of course, great company.

The 2014 version of the **Canadian Cancer Society's *Relay For Life*** featured one of the largest-ever number of insurance industry participants. The Relay is a tribute to the lives of loved ones who have been touched by cancer. Teams took part in the 12-hour, overnight, non-competitive relay, taking turns walking, running or strolling around a track. Across Canada, friends and members of the insurance industry formed teams under the '**WICC *Relay For Life***' banner, participating in the Relay of their choice across various locations. According to Paul Martin and Mariellen Glover WICC Co-Chairs, *Relay For Life*, dozens of teams raised more than $198,746 in pledges with sponsorships raising the total to $359,746. *Relay For Life* is now WICC Ontario's largest fundraising activity. WICC Ontario's headquarters Relay event was *Relay For Life* in North York held at Esther Shiner Stadium on June 22. (Photos taken at *Relay For Life* North York, June 22).

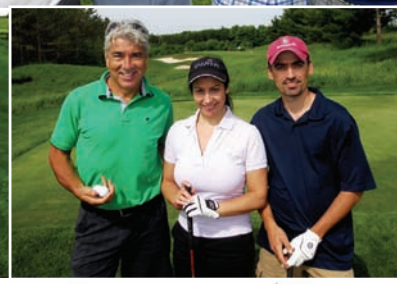
See all photos from this event at www.canadianunderwriter.ca/gallery

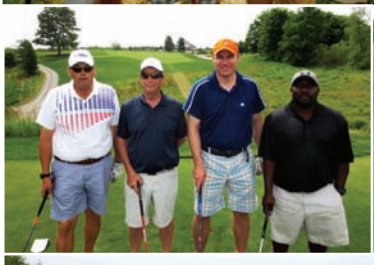
Hub International HKMB held the **Shadow Lake Centre 46th Annual Golf Tournament** at Coppinwood Golf Club on June 23. Golfers enjoyed a breezy beautiful day on the scenic and challenging Coppinwood layout. CTV's Bill Hutchinson emceed the afternoon reception, which included a silent auction, tournament prizes and a draw for the Grand Prize Trip to Aruba. All proceeds were donated in support of Community Living Toronto, which owns and operates Shadow Lake Centre, a year-round outdoor recreation facility for all ages of people with an intellectual disability.













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









Cowan Insurance Group's 2014 golf tournaments held in Ottawa and Waterloo Region raised $57,500, matched by The Cowan Foundation for a total donation of $115,000. With this donation, the **Cowan Charity Classic** will now have distributed over $1 million dollars to Canadian charities. The Cowan Charity Classic was launched in 2002, and through the support of Cowan's insurance company sponsors, business partners, golf tournament participants and annual matching by The Cowan Foundation, has been able to support charities such as iSisters Technology Mentoring, House of Friendship, The Heart and Stroke Foundation, Easter Seals Ontario, Big Brothers Big Sisters, The John Howard Society and Pathways to Education. This year, funds will be directed towards The Royal in Ottawa and KW Counselling Services in Waterloo Region.

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






On June 24, the **Ontario Risk and Insurance Management Society (ORIMS)** held its **annual golf tournament** at Deer Creek Golf Club in Ajax, Ontario. It was a well-attended and successful day, with 279 golfers taking part. ORIMS members and their guests enjoyed a fantastic day of socializing and fun. ORIMS was pleased to announce that the tournament raised $3,190 in support of the Juvenile Diabetes Research Foundation. Prior to the tournament, ORIMS held its 54th Annual General Meeting at the golf club. At the AGM, outgoing president David Beal handed the reins to incoming 2014-2015 term president, Julian Valeri, and the new ORIMS Board of Directors was introduced.







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

CARTSTAR held its **annual Charity Golf Classic** at Beverly Golf & Country Club on June 26. Industry colleagues and associates were treated to a fantastic day of golf on this classic parklands layout. Several on-course contests were in play, including three different hole-in-one cash prizes of $20,000. All proceeds from the event were donated to Cystic Fibrosis Canada. A presentation was made by Cystic Fibrosis Canada to help raise awareness of the disease and ongoing research efforts. The day culminated with cocktails and dinner, where tournament and raffle prizes were awarded to the various winners.

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

180 golfers attended the **15th Annual WICC Ontario Golf Tournament** on July 7 at Angus Glen Golf Club in Markham, Ontario. The weather co-operated with the day's schedule and attendees enjoyed a BBQ lunch, silent auction, raffle and delicious dinner. A WICC cheque in the amount of $75,000 was presented by Golf Committee Chair, Jean Faulkner, to the Canadian Cancer Society.