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JULY 2015

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Water Logged

BY ANGELA STELMAKOWICH

Serious About Casualty

BY GEOFF LUBERT & ANDREW NEWMAN

Shaky Ground

BY IAIN BAILEY

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VOL. 82, NO. 7, JULY 2015

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COVER STORY

Water Logged

Protection is available for much of the damage that water can do on the residential side, but certainly not all. Will the overland flooding options now becoming available help cap the flow or will leaks in coverage remain? And what might changes mean for insurers and reinsurers alike?

BY ANGELA STELMAKOWICH

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Casualty Catastrophe Modelling

With advances in casualty Cat modelling, liability insurers are poised for a transformation in risk management, reinsurance focus and strategy.

BY GEOFF LUBERT & ANDREW NEWMAN

Weather Data Capture

The explosion of third-party data providers has spurred many commercial insurers to reassess their methods for capturing data about weather-related risks.

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Earthquake Preparedness

Despite the fact that parts of Canada are in earthquake country, concerted efforts are needed to ensure that quake remains top of mind.

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Pan Am Games

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Alberta Poon, president of the Canadian Independent Adjusters' Association, knows that adjusters understand how important it is to put customers first, particularly in an environment where customer demands and knowledge are on the rise.
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Position of Strength

It is important for those driving M&A deals to articulate a clear message about the value they can deliver to their clients.

Angela Stelmakowich
Editor
Canadian Underwriter
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The reinsurance industry is under a lot of pressure, be it from the seemingly relentless influx of insurance-linked securities (ILS), consolidations or the relatively benign catastophe environment.

But are the changing conditions necessarily a bad thing? Or just a bad thing right now?

Can reinsurers' expertise and relationships — built on a solid understanding of how things work in both good and bad times, as well as over the long term — coupled with some updating, sustain the traditional reinsurance industry as a relevant player?

This will likely depend on how the industry responds and prepares, as well as how open it is to changes that enhance, but not threaten, its foundations.

Consider what is happening in the insurance industry. A new report from A.M. Best states merger and acquisition (M&A) activity has increased in recent months as a result of factors such as evolving client needs, new risks, regulatory demands and dwindling investment returns.

Central to many of these deals has been a coming together of equals, "where the two companies arrive with strong underwriting acumen, acknowledged brands and the ability to innovate through changing client needs," A.M. Best reports.

"Strong stand-alone organizations are combining with other strong organizations to become even stronger."

This size and scale allows stronger entities "to significantly influence reinsurance terms and conditions, or in many cases, enhance the firm's ability to access alternative capital for reinsurance solutions through sidecars or other special purpose vehicles," states the report.

And with fewer premiums often ceded to the traditional reinsurance market, this clearly has an influence.

Guy Carpenter reports that "increased demand for reinsurance and expansion of tailored coverage persisted through the July renewal period from previous seasons."

Why? This is "primarily due to new entities purchasing coverage and companies using a portion of their savings to enhance coverage, fill in gaps or to provide additional coverage as they expand their business."

Total alternative capital "remains impactful to the overall market for risk transfer, as more traditional reinsurers incorporate into their capital structures and enhance offerings to their primary insurer customers," Aon Benfield notes in a market outlook for June and July.

Reinsurers have responded to pressures — sometimes with M&A activity of their own; sometimes by expanding their focus beyond catastrophe — but also by employing their expertise and experience to enhance customer service.

Whether broker, insurer or reinsurer, Greg Belton, executive chairman of HKMB Hub International, said during a recent panel discussion in Toronto that he does not necessarily think consolidation is a bad thing.

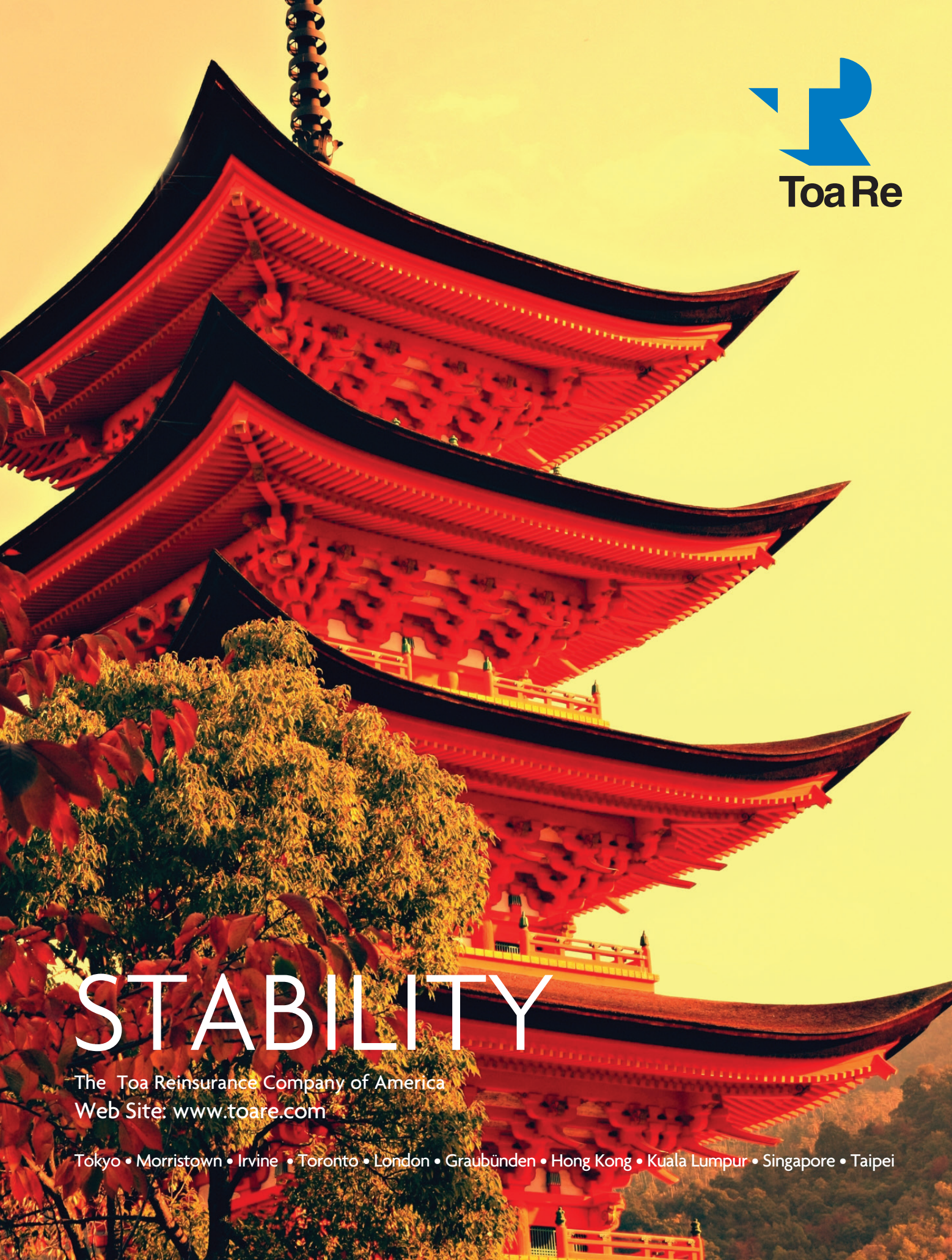
"Through the consolidation, people become more efficient and they have resources that allow them to operate in a more sophisticated way with larger scale, and I think we're better able to withstand market-moving events such as natural catastrophes or stock market calamities."

But John Cavanagh, global chief executive officer of Willis Re, notes a caution in the recent *1st View report*, regarding M&A activity among reinsurers. "It is important for those driving M&A deals to articulate a clear message about the value they can deliver to their clients, as opposed to the current focus on the value to each company's own shareholders and management."

Using technology more fully may be one way to demonstrate value, notes a new Xuber survey of reinsurance executives around the world.

While more than half of companies plan to make a major IT investment over the next year or so, "in its never-ending quest to leverage present-day technologies, the reinsurance sector must not be afraid to consider 'next-generation innovations.'"

Maintaining a client focus — enhanced by taking a broader view, employing technology effectively and exploring different partnerships — may help reinsurers weather current choppy conditions and reach a calmer (and stronger) position.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Reinsurance

REINSURANCE IN A STRUCTURAL CRISIS: MUNICH RE

The reinsurance industry must overcome the current state of "structural crisis" to remain relevant, Philipp Wassenberg, president and chief executive officer of Munich Reinsurance Company of Canada, said at a recent panel discussion.

"From a reinsurance perspective, but this drives into the insurance perspective as well, we are in a state of structural crisis and we have to overcome this crisis in order to stay relevant," Wassenberg stated during the Property Casualty Underwriters Club event.

That said, the reinsurance industry is "aware of being in a crisis," he pointed out.

"Our models were basically built on higher interest rates," he said. This is coupled with what looks to be "a very benign nat-cat scenario."

GLOBAL ACCESS TO DOMESTIC CANADIAN INSURANCE POOL

The Nuclear Insurance Association of Canada (NIAC) will allow global access to the domestic Canadian insurance pool by other international nuclear pools.

Under a new co-operative agreement with Nuclear Risk Insurers, NIAC can leverage its "Made-in-Canada expertise while providing access to other international nuclear insurance pools to increase capacity in order to meet Bill C-22's $650 million and rising liability limit for nuclear operators," NIAC reports.

Absolute liability for nuclear operators is increasing from $75 million to $650 million and will rise in phases to $1 billion by February 2018.

TECHNOLOGY A VITAL TOOL FOR REINSURERS FACING MARKET CHALLENGES

More than half of respondents to Xuber's latest *Global Reinsurance Survey 2015* are planning major IT investment over the next 18 months, in line with the fact that two-thirds of those polled agree or strongly agree that technology drives the success of their businesses.

The survey found 53% of respondents are planning a major investment in IT in the next 18 months, 31% were not, and 16% did not know.

Asked if technology drives the business' success, 29% strongly agreed, 37% agreed, 21% neither agreed nor disagreed, and 13% disagreed.

Those that fail to keep up with technology risk falling further behind other industries by relinquishing their leadership positions to newer players, the survey cautions.

Risk

OILSANDS PROJECT SHUT DOWN BY WILDFIRE BACK UP AND RUNNING

Cenovus Energy Inc. returned to normal operations at its Foster Creek oilsands project in northern Alberta in early June after a nearby forest fire prompted a precautionary shutdown for 11 full days.

Essential staff were cleared to return to Foster Creek June 1 to inspect the site and begin start-up activities.

No damage to the facility or infrastructure was found.

RANSOMWARE UP 165% IN 2015 Q1: REPORT

There has been a 165% increase in new ransomware in the first quarter of 2015 compared to the last quarter of 2014, Intel Security notes.

The *McAfee Labs Threats Report: May 2015* indicates the company registered the hike in new ransomware, driven by the CTB-Locker family, a new ransomware called Teslacrypt and the emergence of new versions of CryptoWall, TorrentLocker and BandarChor. Half of the victims were in North America.

Intel reports that "McAfee Labs attributes CTB-Locker's success to clever techniques for evading security software, higher-quality phishing emails, and an 'affiliate' program that offers accomplices a percentage of ransom payments in return for flooding cyberspace with CTB-Locker phishing messages."

Regulation

FEDERAL DEMUTUALIZATION REGS NOW IN EFFECT

Canada's Department of Finance has issued the long-awaited final rules governing federally regulated mutual property and casualty insurance companies, a move welcomed by Economical Insurance, which has been readying its business for the demutualization option over the last few years.

The Mutual Property and Casualty Insurance Company with Non-mutual Policyholders Conversion Regulations were finalized and published in Part II of the *Canada Gazette* July 1, 2015. The draft regulations were published in the *Canada Gazette*, Part I February 28, and were subject to a 30-day comment period.

The key factors in determining eligibility remain unchanged in the final rules, notes Economical Insurance, which announced the company's intention to pursue demutualization in 2010.

Economical Insurance's special committee and Board of Directors (BoD) are reviewing the regulations "to determine whether demutualization within the final regulatory framework is in the best interests of the company and how to proceed," says John Bowey, BoD vice-chair and head of the committee.

HOMEOWNERS IN RURAL B.C. MAY QUALIFY FOR FIRE INSURANCE DISCOUNT

The City of Maple Ridge, British Columbia recently reported some homeowners in rural areas may be eligible for a discount on their fire insurance premiums.

The local fire department has earned the "Superior Tanker Shuttle Service" designation, which will allow

some rural homeowners to receive a discount on their fire insurance premiums. The discount was not disclosed.

The announcement follows the execution of a special exercise, monitored by the Fire Underwriters Survey, last year to demonstrate the capacity to get water to rural areas of the community not serviced by fire hydrants.

NEW N.B. ONLINE LICENSING SYSTEM TO BE LAUNCHED

New Brunswick's Office of the Premier reports recent changes to the provincial *Insurance Act* will "enable the introduction of a more efficient licensing system for the insurance industry."

Premier Brian Gallant announced changes to applications and forms to allow them to be completed and submitted online.

The Financial and Consumer Services Commission will develop an online system, expected to launch this fall.

MIG NOT EXCLUSION TO STATUTORY ACCIDENT BENEFITS SCHEDULE

Nothing in Ontario's *Statutory Accident Benefits Schedule* (SABS) "expressly incorporates by reference the entirety" of the provincial Minor Injury Guideline (MIG) for auto insurance claims, but the "burden of proof" is on claimants "to establish entitlement to the appropriate level" of auto accident benefits, notes Ontario's Divisional Court.

The court has ruled largely against Lenworth Scarlett, who was injured when the vehicle in which he was a passenger was rear-ended.

The vehicle's insurer, Belair Insurance Company Inc., disputes Scarlett's contention his injuries fall outside the MIG, which puts a $3,500 limit on auto insurance claims.

The ruling follows a decision two years ago by an arbitrator with the Financial Services Commission of Ontario (FSCO) who found Scarlett was "not precluded" from claiming housekeeping, attendant care and medical and rehabilitation expenses beyond the $3,500 limit.

A FSCO appeals officer later found that the analysis had legal errors requiring it be returned for a new arbitration hearing." While the divisional court found most findings by the FSCO appeal officer to be reasonable, it disagreed MIG is "as binding" as SABS.

Claims

MORE CHARGES LAID IN LAC-MÉGANTIC DERAILMENT

Transport Canada announced in June that additional charges have been laid in connection with the train derailment in Lac-Mégantic, Quebec in July 2013.

The charges, under the *Railway Safety Act* and the *Fisheries Act*, follow a Transport Canada probe that found an insufficient number of handbrakes were applied and that the train's handbrakes were not tested properly.

Media reports suggest those charged include Montreal Maine & Atlantic Canada Company, Montreal Maine & Atlantic Canada Railway Ltd., and the MMA's chief executive officer and president, the general manager of transportation, the director of operating practices, the assistant director, the manager of train operations, and the train engineer.

The engineer, manager of train operations and railway traffic controller already face 47 counts of criminal negligence causing death.

The new charges come just two months after Canada and the United States unveiled a new class of rail tank car to transport flammable liquids.

COLLISION AVOIDANCE SYSTEMS URGED FOR NEW VEHICLES IN U.S.

The National Transportation Safety Board (NTSB) in the United States recommends that the "life-saving benefits" of currently available collision avoidance systems (CAS) become standard on all new passenger and commercial vehicles.

NTSB has found that CAS can prevent or lessen the severity of rear-end crashes, thus saving lives and reducing injuries. CAS, "particularly when paired with active breaking, could significantly reduce the frequency and severity of rear-end crashes."

A separate review of claims data from Acura, Mercedes-Benz and Volvo shows "a lower property damage liability claim frequency across all vehicles equipped with any type of forward CAS."

Canadian Market

ACE TO ACQUIRE CHUBB FOR US$28.3 BILLION

ACE Limited and The Chubb Corporation have jointly announced the Boards of Directors of both companies have approved a definitive agreement under which the former will acquire the latter.

ACE shareholders will own 70% of the combined company, while Chubb shareholders will own 30%. The total value of the acquisition is about US$28.3 billion in the aggregate. Closing of the transaction is expected by the first quarter of 2016.

An ACE press release notes Evan Greenberg, current chairman and chief executive officer of ACE Limited, will serve as chairman and CEO of the combined company. John Finnegan, Chubb's chairman, president and CEO, will serve as executive vice chairman for external affairs of North America, and will assist with integration.

"Together, ACE and Chubb will create a global leader in commercial and personal p&c insurance, with enhanced growth and earning power and an exceptional balance of products as a result of greater diversification and a product mix with reduced exposure to the p&c industry pricing cycle," the statement adds.

Both companies will offer complementary personal lines offerings in Canada, Europe, Asia and Latin America.

Customers First

Angela Stelmakowich
Editor

Albert Poon, president of the Canadian Independent Adjusters' Association, says adjusters understand the importance of putting customers first.

The phrase, "the customer is always right," may never have been truer for independent loss adjusters than it is today.

One top-of-mind issue for adjusters is "enhancing that customer experience and making sure the customer, being the policyholder, basically gets the best possible claims experience," says Albert Poon, president of the Canadian Independent Adjusters' Association (CIAA).

Consumers today are more knowledgeable and more demanding, making adjuster education, expertise and efficiency all the more important, says Poon, chief operating officer (COO) for Cunningham Lindsey Canada.

And, increasingly, delivery on expectations must be done more and more quickly. The consumer has expectations that the fulfillment of that experience "will come basically 24/7/365," he says.

Having in place a process that promotes immediate mitigation of losses is key, Poon says. "People want it done tomorrow," he notes.

"It's absolutely an expectation of the consumer that you're able to answer the questions relative to the different coverages, relative to what's available under the different coverages, as well as be able to manage expectations of the process," Poon says. This means ensuring "the communication lines are open so that the consumer, or the policyholder, is well-versed in terms of what that timetable looks like and what the process looks like," he explains.

"What may have been acceptable in the past with respect to timelines basically have been shortened significantly," particularly for simpler claims, Poon reports. "In order to manage that, you have to be aware of all the coverages of how to manage that claim within the timelines and within both customers' expectations."

That objective can be advanced, Poon says, by ensuring that independent adjusters are up to date with, and knowledgeable about, emerging trends.

"Cyber risk is probably the hottest topic right now," he says. Learning about it "requires significant investment in education as new products get developed and get brought to market that, ultimately, will require expertise in the management of those types of claims," he says.

"As you bring new policies and new wordings to market, the challenge is interpretation of those wordings and what the expectation was in terms of the product," says Poon.

"So it requires significant investment to really understand — different companies will have different interpretations — what is the intent of the policy, and then at the same time, being able to understand what exposures exist in the marketplace."

Learning about cyber "requires significant investment in education as new products get developed and get brought to market."

With cyber being a moving target, understanding the cost of a "typical" breach is "constantly being challenged," Poon notes, adding that the realization of what is possible continues to broaden "the risk being underwritten."

"Everyone's using smartphones, everyone's using computers," he says. Looking forward, the likelihood is that cyber will be "incorporated into a variety of different policies that get underwritten as opposed to just a standalone," he suggests, except perhaps for large commercial entities that have specific special exposures.

Of course, there are other risks about which adjusters must be well-versed. Consider, for example, water.

"All you have to do is look at the Toronto floods and the Alberta floods to say, 'Wow, the exposures are huge,'" Poon says. "I'm not a weather predictor, but you look at everybody describing these as one in 100-year events. Is that true? If it's not, then the challenge becomes, from a claims standpoint," that costs can multiply significantly.

As always, CIAA efforts to help educate, support and promote independent adjusters will continue.

Beyond promotion of independent loss adjusting as a profession — "we would like to see all independent adjusters across Canada" — it will also work to ensure an ongoing dialogue with government and key stakeholders, whether they be in the brokering community, insurance industry or risk management field, says Poon.

Since its 2014-2015 strategic plan was developed, a number of key initiatives have been executed over the course of the year, Poon says, and CIAA will continue working to demonstrate its value and increase awareness of the independent adjuster brand.

SPECIALISTS, GENERALISTS

Beyond dealing with new risks, there are also changes to loss adjusting itself. Loss adjusting as a discipline has certainly changed over the years, with the increase in "specialization, which is good and bad," Poon says.

"Obviously, you become very well-versed in one line of coverage and you can technically even become an expert in that particular area of insurance. Or you can have a broader scope," he says.

There is certainly value in having generalists available, he says, citing natural catastrophes as a prime example.

On the property side, there is a huge swing in terms of capacity requirements, Poon suggests. "If you only have specialists, then you cannot then offer what I would consider to be the necessary capacity unless you have people who are versed in multiple lines of coverage."

Poon's varied work experience has provided him with a broader view.

The road to what Poon regards as a very rewarding career to date began as a summer work term in an industry he knew nothing about and knew no one in.

His summer job at Home Insurance — mostly making calls related to bodily injury claims and following up with lawyers and doctors for reports — gave way to fall, and as circumstances would have it, the company came calling and asked if he wanted a full-time position.

Photo: Patrick Thompson

In 1990, Poon began as a telephone adjuster in property, staying there for about six months before hitting the road as a field property adjuster.

"Obviously, that was a major change with respect to what the role entailed," he reports. "Dealing with people on the phone and dealing with people in person are very different."

Poon remained on the insurance company side for about five years before entering the independent adjusting world at Crawford & Company (Canada) Inc. as a field adjuster, first in property and later in accident benefits and liability claims, before moving on to account management and then serving as branch manager.

He then detoured to risk management for more than three years, working at Discount Car and Truck Rentals, assisting the company in the development of an insurance program that included a lot of different lines of coverage, he says.

"Going to that side of the business gave me what I would consider to be a much broader spectrum of different business opportunities as well, because they dabbled in a lot of different things beyond just insurance."

Then it was back to independent adjusting, taking a position with Cunningham Lindsey Canada as vice president of the company's program division.

Poon has since held operational management positions there and currently serves as COO, he says.

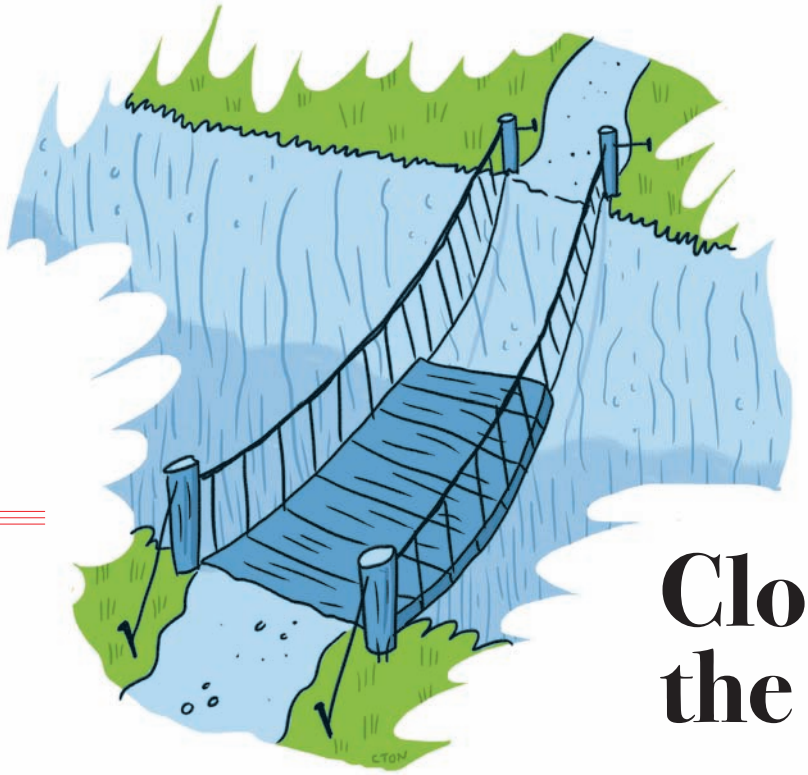
NEW BLOOD

As CIAA works to fulfill its goals, one thing to consider is getting more people interested in the adjusting field.

"I would say that the ability to bring new blood into the profession is more and more challenging" in light of the increasing demands of the job, Poon says. Beyond the work, though, the job requires significant soft skills.

"You are dealing with people who have had a traumatic experience," like a break-in, flood or car accident, he says. "It's an absolute requirement of the role that you have the skill to deal with people. You have to demonstrate empathy, you have to make sure you're there to help," he says.

For Poon, that is rewarding. "You can feel good about it at the end of the day."



Opinion/Analysis

Closing the Divide

Geoff Lubert
Managing Director,
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Andrew Newman
Global Head of Casualty,
Willis Re

With advances in casualty catastrophe modelling and greater use of enterprise risk management, liability insurers are poised for a transformation in risk management, reinsurance focus and strategy. The shifting focus to real exposures of liability business is closing the divide that, until recently, has existed between the framework that supports property versus casualty exposures.

Over the past two decades, a transformation has occurred in how Canadian property insurers measure, manage and mitigate first-party threats. The use of models has created an objective framework for evaluating risk, establishing risk tolerance and addressing exceedance with dovetailed reinsurance strategies that reduces downside risk to targeted levels.

In the face of advances in casualty catastrophe modelling and the greater use of enterprise risk management (ERM), liability insurers are on the verge of a similar transformation in risk management, reinsurance focus and strategy.

Until recently, there has been a widening divide between the framework that supports property versus casualty exposures.

While third-party vendor models are embedded within most companies' property portfolio optimization, peak risk mitigation strategies and ERM frameworks, there is no universally accepted equivalent for liability.

The lack of a defined risk management framework is a consequence of the inherent complexity of casualty business, driven by latent exposures and continually evolving risk, coupled with the (correct) assertion that extreme property losses present the greater threat to liquidity and capital over a 12-month time horizon.

These fundamental differences in casualty threats present a palpable challenge to liability insurers in quantifying the threats and setting the appropriate strategy for management and mitigation. Consequently, focus has tended to be on expected versus actual loss ratios, which while invaluable as a performance metric, provides no meaningful insight to the real potential downside risk — whether to earnings or, more importantly, to capital.

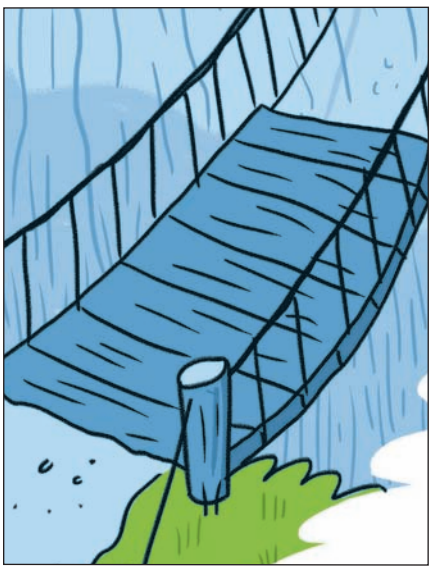
Illustration by Clayton Hanmer/Reactor Art + Design Limited

The complexity of casualty and the fact this business exhibits more challenging exposure management dynamics relative to property is no longer sufficient justification for not developing robust risk management framework and advancements are being made quickly. Improvements in liability modelling, the greater adoption, and integration, of ERM, and external stakeholder interest in understanding how liability tail risks are evaluated and quantified are all converging to stimulate a heightened focus on tail risk and the extreme threats to liability insurers.

With some larger insurance companies now reporting their liability event return periods, momentum will inevitably grow, with shareholders, analysts and other stakeholders increasingly expecting greater levels of risk management transparency across the industry.

CHANGES IN (RE)INSURANCE STRATEGY

Historically, liability lines have tended to be protected from results volatility by independent profit centres. Today, by



embracing a group-level approach, liability insurers are matching reinsurance with corporate appetite for risk.

Motivated by a need to increase margin in a competitive market where growth is hard to come by, these strategies are enabled by — and, in turn, are enabling — larger and more robust balance sheets. This interplay is manifesting itself in reinsurance programs, spanning most or even all liability lines, either within a geographic territory (for example, North America) or globally, sometimes with increased retentions, but always conveying economic efficiency.

Companies are reclaiming the economic value of diversification and either choosing greater self-finance (of expected loss) or seeking those benefits to be factored into their reinsurance pricing through the adoption of consolidated casualty reinsurance strategies.

Directionally, companies are less concerned about managing a single loss at the business unit level, the impact of which might be readily contained net within a broad, diverse portfolio. As such, focus is shifting to the management of accumulations or concentrations of exposures and potential or expected losses.

The role of external reinsurance is required to finance those bigger and more severe threats to earnings or capital (as company risk appetite dictates).

LARGE LOSS WOUNDS, SYSTEMIC LOSSES KILL

Liability risks are dynamic and rapidly evolving threats that may not necessarily be constrained in space or time, and globalization means liability risks are no longer localized or within a single territory. Compounding these difficulties are evolving legal and regulatory systems, changing social attitudes and the rate of product development.

In many industries, innovation is ingrained as a constant, where every new development can become a new risk, and technology is continually becoming more and more ingrained in every aspect of daily life.

As an example, while data breach and accompanying loss of records at organizations such as Home Depot and Target have generated many headlines and significant insurance losses, these single-risk exposures are, indeed, manageable within the context of traditional reinsurance. The greater threat could arguably be from a co-ordinated attack, not just on a single company, but on an entire industry; not merely breaching privacy information, but bringing down transactional systems and cutting business supply chains.

As insurers build scale through cross-selling or through industry or segment specialization, overtly working to become a "go-to market" in select trades or industries, these companies begin to accumulate larger pools of homogenous risk.

RESPONSE TO SYSTEMIC LOSS

There are a number of traditional reinsurance solutions that provide an element of protection for accumulation risk. The value of embedded catastrophe cover within excess of loss and proportional per risk reinsurance is too regularly eroded by loss caps or other limitations that limit severe tail risk protection. It is the resulting net per risk accumulations that represent the greater challenge for companies to measure, manage and mitigate.

Aggregate protections, while often considered to provide the gold standard for mitigating downside risk, tend to be priced accordingly and have historically lacked cross-cycle resilience in liability lines. Other mechanisms, such as occurrence reinsurance, provide effective cover for disasters such as the Lac-Mégantic tragedy, which are limited in space and time.

However, neither is designed to respond to the more complex and potentially more corrosive losses that emerge once exposure has been amassed across

many accident years. The inherent latency in losses occurring trigger also means counterparty risk at the tail needs consideration.

The complexity surrounding the definition of a liability occurrence, which may be systemic in nature, means these exposures are commonly overlooked by occurrence programs. While a named-perils approach to defining coverage for property reinsurance is tried and tested, the unforeseen nature of liability exposures require an alternative approach.

While most companies will address known liability exposure through underwriting discipline and portfolio management, it is the unknown exposures that represent the greatest challenge.

To answer the industry's growing desire to obtain a systemic hedge against group liability risk, Willis Re recently developed a product to respond to complex and unforeseen exposures that cannot be confined to named perils. It recognizes the ability for liability events to emerge after exposures exist on multiple accident years and for losses to transcend theoretical lines of business or territorial boundaries.

As insurers build scale through cross-selling or through industry or segment specialization, overtly working to become a "go-to market" in select trades or industries, these companies begin to accumulate larger pools of homogenous risk.

Structured as a facility to streamline the process of building reinsurance to address complex tail exposures, all facility reinsurers have agreed to a template wording. Limits up to $400 million per program are available to companies, although the limit available to any one client recognizes that not all companies require the same level of downside protection.

The facility preserves a client's right to control its reinsurers and is supported by a syndicated panel of reinsurers that can offer the depth of market required to provide cross-cycle resilience and efficient price discovery.

Conclusively, insurers have been afforded the benefit of effective reinsurance for event-based threats in the property market that have been responsive, resilient and efficient.

Focus now shifts to the equivalent on liability business.

Indeed, a recent report from A.M. Best suggests that over the 35 years from 1977 to 2013, almost half of all financial impairments have been driven by casualty threats versus less than 10% from property-based risk. An effective hedge for such threats is invaluable and long overdue.

Calm Before the Storm?

Will climate change make Canada vulnerable to hurricanes? Industry's ability to observe tropical cyclone activity in the North Atlantic has certainly improved. Climate change could result in an increase in hurricane intensity, and should that occur, the geographical extent of the storms will be greater and the impacted area larger.

Karen Clark
Chief Executive Officer,
Karen Clark & Company

Climate change gets a lot of attention in the media, and it is easy to start believing every extreme weather event is caused by global warming. The media hype can also lead one to conclude that extreme events are getting more frequent and more severe. If that is true, perhaps Canada will start seeing more losses from hurricanes.

Historically, Canada has not been significantly impacted by North Atlantic hurricane activity. On a few rare occasions, fast-moving hurricanes — the Great New England of 1938 and Hazel of 1954 — have tracked into Canada with wind speeds high enough to cause power outages and some damage to trees and small structures.

Neither of these storms produced strong hurricane force winds in Canada, but Hazel caused devastating floods in and around Toronto and still ranks as one of Canada's greatest natural disasters.

Hurricane Hazel made landfall as a Category 4 storm in the United States about 10 miles north of Myrtle Beach, South Carolina — far from the Canadian border. However, because of its very fast forward speed — nearly 50 miles/hour (mph) — the storm was able to travel hundreds of miles across the mid-Atlantic states without losing hurricane strength.

The storm would likely have weakened to tropical storm status before entering Canada, but while over Pennsylvania, Hazel interacted with another storm system — a strong cold front — that enabled it to maintain hurricane strength as it crossed over the Great Lakes and into Ontario.

The combined storm system then stalled over Toronto as a Category 1 hurricane, dumping several inches of rain on the city. Exacerbating the situation was the fact that the Toronto area had experienced unusually high rainfall amounts in the weeks before Hazel's arrival, so the ground was already saturated. The record amount of rainfall that fell as a result of Hazel ran directly off the surface and into the area streams and rivers, causing all of the major rivers in Toronto to overflow their banks.

There were 81 fatalities in Canada as a result of the storm and unprecedented devastation. Along with homes and commercial structures, roads and infrastructure were washed out. The cost and economic damages of Hazel occurring today are estimated to be well over US$1 billion.

FREQUENCY AND SUSCEPTIBILITY

Could the changing climate make events like Hazel more frequent in Canada in the future? Is climate change making Canada more susceptible to hurricane damage?

As indicated earlier, many people may think

hurricanes are already becoming more frequent and severe. It would be surprising to learn that is not the case.

The Intergovernmental Panel on Climate Change (IPCC) collects and synthesizes the global research and scientific consensus on climate change and its many potential impacts. IPCC's most recent report in 2013 shows that climate change has not had an observable impact on hurricane activity to date.

Ability to observe activity

The apparent increase in tropical cyclone activity in the North Atlantic is, in reality, simply a result of the ability to *observe* more of that activity. That is, advances in technology over the past several decades have enabled scientists to detect and track more storms. And after adjusting for advances in detection technology, the scientific consensus is that there is no statistically significant increasing trend in tropical cyclone frequency.

Scientists also generally agree that demographic changes have accounted for the upward trend in hurricane losses to date, with the increasing numbers and values of properties constructed in areas prone to catastrophes being the primary driver of increasing losses. Notes the IPCC report, "There is low confidence in any observed long-term increases in tropical cyclone activity (intensity, frequency, duration) after accounting for past changes in observing capabilities."

Future developments

What about the future? Perhaps, again surprisingly, the current scientific consensus is it is likely the global frequency of tropical cyclones will either decrease or stay the same with climate change. This counterintuitive conclusion is a result of the complex interactions and feedback loops in the atmosphere.

For example, while rising sea surface temperatures (SSTs) have a positive impact on tropical cyclone formation, higher SSTs also create more instability in the atmosphere, most notably, more vertical wind shear. Wind shear is the difference in wind speed and direction between winds in the upper atmosphere and at the surface — a detrimental factor for storm development.

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While tropical cyclone frequency is likely to either stay the same or decrease on a global basis, the IPCC reports, the maximum intensity of hurricanes is likely to increase by the end of this century. The IPCC's projected range is for peak wind speeds to increase from 2% to 11% over the next several decades.

If peak wind speeds do increase, more storms could make their way into Canada and make some areas of the country more vulnerable to hurricane damage — from both wind and rain.

HIGH WINDS, BIG POTENTIAL LOSSES

While 2% to 11% does not sound like a significant increase, hurricane damages increase exponentially with wind speeds. Studies by Karen Clark & Company (KCC) show that a 2% increase in maximum winds will lead to a 15% increase in insured losses, while an 11% increase in wind speeds will lead to a doubling of losses.

Increasing wind speeds also mean the geographical extent of the storms will be greater and the impacted area larger. Northeast hurricanes already tend to be relatively large and fast-moving.

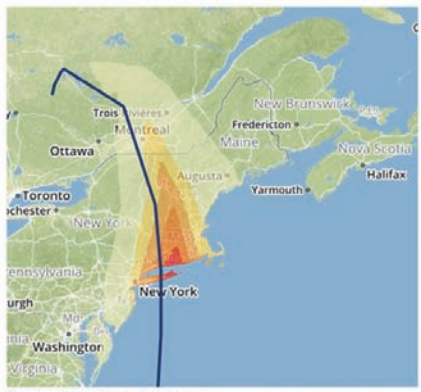
Consider that the Great New England Hurricane made landfall across Long Island, New York travelling at more than 50 mph. Peak sustained winds at landfall are estimated to have been approximately 120 mph, and hurricane force winds covered hundreds of square miles.

Figure 1 below shows the track and wind footprint of the 1938 event, while Figure 2 shows what the likely wind footprint would be if peak winds are increased by 11% to 133 mph.

Clearly, the hurricane will impact a much larger area — KCC estimates insured losses in the U.S. will increase from US$40 billion to over US$80 billion. More importantly for Canada, the more intense storm will likely cause hurricane force winds well into Quebec, resulting in extensive damage in Montreal.

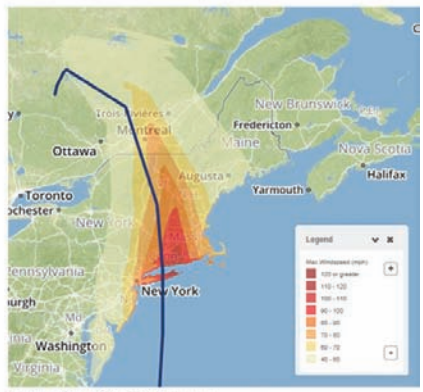
It may be many decades before hurricanes are a serious concern for Canada, but potential losses from other perils such as floods and earthquakes continue to rise — primarily as a result of demographic factors. While there may be temporary lulls in catastrophe activity, the demand for catastrophe reinsurance will continue to increase over the long term.

Track and wind footprint of Great New England Hurricane of 1938



Source: Karen Clark & Company

Track and wind footprint assuming peak winds are 11 percent higher



Source: Karen Clark & Company

Shaky View

Hollywood disaster movies can help temporarily raise the level of earthquake risk awareness. But additional and concerted efforts are required — including around improved understanding of associated risks and available insurance cover — to achieve a permanent solution.

Iain Bailey
Earthquake Specialist, Swiss Re

Despite the fact that parts of Canada are in earthquake country, it is easy to forget the country is exposed to this infrequent peril.

Recently, Hollywood provided a reminder of earthquake devastation via the movie *San Andreas*, wherein the Hoover Dam, Los Angeles and San Francisco are all shaken to the ground by a series of earthquakes. While the movie is a complete work of fiction, its depiction of what can happen during and after an earthquake offers food for thought, and may also help to promote risk awareness, perhaps even in a country where insurance uptake, at most, is about 60%.

Google reports that more people used the search phrase "earthquake insurance" in May, after the movie was released, than in April, after the Nepal earthquake. Certainly a disaster movie reaches a wide audience. Based on a US$53 million box office gross, more people watched *San Andreas* in its opening weekend than the approximately 1.1 million Californian homeowners who have an earthquake insurance policy.

FICTION TO FACT

The possibility of a damaging earthquake in Canada should not belong in the realm of fiction. The British Columbia coast runs parallel to a major tectonic boundary. Part of this was the source of a mega-earthquake in 1700, big enough to cause tsunami damage thousands of kilometres away in Japan.

Given the current scientific knowledge, such an earthquake should not be a surprise if it were to reoccur tomorrow. Smaller faults associated with the plate boundary extend into the earth's crust beneath Victoria, Vancouver and Seattle — some of which may not even be known.

Smaller unknown faults like these can be the source of devastating earthquakes. Consider, for example, the 1994 Northridge earthquake in California, the 1995 Kobe quake in Japan and the 2011 Christchurch tremblor in New Zealand, with estimated economic losses of US$48 billion, US$128 billion and US$21 billion, respectively, notes information contained on Swiss Re's sigma explore database.

Canada also has its own version of the United States' New Madrid scenario, courtesy of the Charlevoix seismic zone that is close to Quebec City. Earthquakes in locations like this, far away from a plate boundary, can lead to damaging shaking over huge areas (for example, as far away as

Illustration by Clayton Hanmer/Reactor Art + Design Limited

Toronto). Low-probability/high-severity events such as these can have a major influence on the financial stability of the insurance industry.

Awareness levels

At first glance, there is good evidence British Columbians have more awareness of earthquake risks than Californians have with their library of disaster movies. An October 2013 study commissioned by Insurance Bureau of Canada, conducted by AIR Worldwide, notes that residential earthquake insurance penetration is around 60% in B.C. and 85% for commercial property. This compares to a Californian residential take-up of just over 10%.

Relatively high insurance penetration is a good thing for the economy of B.C., since the greater part of the disaster cost will be borne by external funds.

While B.C. surpasses California at this first hurdle of getting people insured, the next hurdle is to establish whether or not those providing the insurance are risk-aware enough.

After Northridge in 1994, many insurers were surprised by their losses and effectively pulled out of the residential earthquake market. Such a change in the market had consequences for the policyholders and can be linked to the decrease in take-up rate from 30% to 10%.

It is hoped such surprise losses can be avoided in the event of a future Canadian earthquake. In the last 20 years, catastrophe models have come a long way in helping stakeholders to anticipate potential damage from shaking.

However, without market experience, there is always uncertainty about how insured losses may evolve following an earthquake. This aspect of loss is more difficult to capture in models.

Lessons learned

As a December 2011 article in *Canadian Underwriter* indicates, the Christchurch earthquakes of 2010 and 2011 are case studies with some relevance for Canada. Christchurch is New Zealand's third largest city, with similarities to Vancouver or Victoria in its building stock, seismic hazard level, earthquake history and soil type.

The most damaging of the Christchurch earthquakes was a magnitude 6.3 event that hit the city on February 22, 2011. It left the downtown area looking now like an abandoned urban wasteland, caused an economic loss of around US$21.5 billion and an insurable loss of about US$17 billion.

Swiss Re estimates that a similar scenario of a magnitude 6.3 earthquake beneath Vancouver would cause $50 billion in economic damages, notes the company's 2014 report, *Small quakes, big impact: lessons learned from Christchurch*.

Preparedness

Two aspects of the Christchurch earthquake and its aftermath are important to consider with respect to Vancouver's preparedness.

The first is liquefaction, a phenomenon of earthquakes whereby shaking causes firm soils to lose their coherence and behave like a muddy liquid. Buildings that do not sustain any material damage from shaking can become total losses as a result of the sinking or tilting of their foundations into this soil.

In Christchurch, liquefaction was widespread and an unexpected loss contributor for insurers. The Vancouver area, especially the Fraser River delta, is a textbook example of somewhere prone to liquefaction. Insurers should be aware of this hazard and incorporate it into their risk view and post-event planning.

The second aspect of the Christchurch earthquake to highlight is the claims burden when insurance penetration is high. From one day to the next in Christchurch, the insurance industry found itself with hundreds of thousands of claims and only a few qualified adjustors.

The scale of structural damage from earthquakes can easily be underestimated during an initial inspection, leading to multiple revisions of some claims. As such, the claims resolution process has been long, complex and expensive in Christchurch, continuing into 2015.

The insurance penetration of Vancouver exposes the city to a similar challenge of resolving an unprecedented number of claims.

A robust plan for resolving those claims with limited resources will be valuable. Such a plan should contain enough redundancy to overcome realistic problems, including the airport being inaccessible because of liquefaction.

POLICY COVER

Moving beyond Christchurch experiences, a potential source of loss accumulation worth highlighting is strata loss assessment coverage. This type of policy covers individual condo owners or homeowners against assessments from their strata corporation on retained losses.

It is increasingly common to find more restrictive coverage on strata insurance policies — for example, high deductibles of 15% to 20% — that would increase the potential flow into loss assessment coverages.

Variable take-up of loss assessment coverage among a strata community could lead to a messy claims situation with potential for disputes about who is responsible for what.

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Correctly modelling and quantifying the loss potential for an insurance portfolio with these coverages requires technical expertise and detailed exposure data.

It is likely that some of the market underestimates the potential accumulation of loss that this could generate from an earthquake.

LOOKING EASTWARD

While Vancouver can look to Christchurch to help better prepare for an earthquake, Ontario and Quebec may need to consider a scenario far worse. Damaging earthquakes have and will happen in the Quebec region.

The probability is lower, but the potential impact is worse than for an earthquake of the same size in B.C.

Older buildings combined with the lower attenuation of seismic energy in eastern North America means that the damage from an earthquake can extend over a very wide region. A good proportion of the building stock was not constructed with earthquake safety in mind, and the footprint of damage could cover hundreds of kilometres.

A large part of economic loss would not be covered by insurance, since residential earthquake insurance penetration is only about 5%.

This can, hopefully, change by increasing risk awareness and careful underwriting judgment.

Wood-frame houses bolted to their foundations are insurable risks for earthquake. The California Earthquake Authority, for example, has a sub-limit on damage from masonry chimneys as a method for controlling risk of this common source of damage.

The year of construction and soil type also can have big influences on earthquake damage and can be incorporated into the underwriting process. The collection and management of detailed exposure data can be utilized to manage accumulation potential and limit reinsurance costs.

In 1663, Quebec was hit by a strong earthquake that some of the early French settlers considered to be a punishment for disobedience. Such harshness is not necessary in the event of a future earthquake, but it must be acknowledged that there is more to be done to prepare for a recovery.

Stakeholders can build on every opportunity to promote risk awareness and be ready for an earthquake. There may not be a hero to save everyone, as was the case in *San Andreas*.

Positive Signs

Andrew Cartmell
President and Chief Executive Officer, SGI CANADA

Having identified British Columbia as a province with strong growth and profit potential, SGI CANADA is set to enter the marketplace this summer. While the focus in the short term will be to provide brokers in the interior with an additional market and capacity, the company will eventually offer products in higher earthquake regions.

Entering a new insurance market is a bit like running a marathon. After months of training and preparation, race day finally arrives. Some inexperienced runners take off like a rocket, but halfway through the race, they have exhausted their energy and taper off or even quit altogether.

Then there are the runners who take a different approach — starting more slowly, knowing that they are in it to the end. That is the approach SGI CANADA intends to take as it enters the British Columbia insurance market in the summer of 2015.

So what goes into the preparation phase? For a runner, it is hours and hours, and miles and miles, of training. For an insurance company, it is months and months of research.

There are a lot of variables to consider when entering a new market. Risk analysis and geographic proximity to existing markets are factors that any insurer would evaluate and weigh against its own unique products, capabilities and long-term strategic plans.

But when it comes to B.C. specifically, two of the most important factors considered were fairly simple — population and economic conditions.

British Columbia is a province of four million people with a population steadily on the rise and an economy that continues to grow. Its economy has performed as well throughout the recession as any province with a strongly diversified economy. So for those reasons alone, it was seen as an attractive market.

The strength of the economy was one consideration — the specific make-up of that economy

The move into B.C. also allows SGI CANADA to reach geographic diversification targets more quickly. Geographic diversification means risk is spread, thereby benefiting insurance customers in all regions in terms of the ability to offer competitive rates.

was another. SGI CANADA has historically targeted small business and will continue do so in B.C., offering products that are tailored specifically to suit the insurance needs of oil and gas servicing companies and the transportation industry. The insurer's experience with resource-based industries in Saskatchewan and Alberta runs deep.

It has been important as a Western Canadian insurer to fit these unique needs with commercial property products, including those that cover select oil and gas industry exposures; all manner of cargo being shipped; all manner of commercial exposures, small to medium in scale; select home-based businesses; small (micro) contracting exposures; and a variety of small-scale exposures such as retail, contracting, professionals, offices, auto servicing, realty and restaurants.

All of these will be available to customers in B.C. this summer.

Another primary factor that made the province especially attractive is the healthy proportion of brokers in the insurance market. SGI CANADA sells 100% of its products through brokers, and in B.C., brokers have captured 85% of the market, with direct writers and agents servicing 15%.

Brokers tend to dominate throughout Western Canada, in fact, while retaining a lower percentage of the market throughout Eastern Canada.

The B.C. focus for the short term will be to provide brokers in the interior with an additional market and capacity. To reach a reasonable market share, the company will eventually offer products in higher earthquake regions.

Before then, however, the resources need to be put in place to be comfortable with additional risk.

Part of that process is ensuring reinsurance coverage is in place to deal with that additional risk, and that work is being done now. Phase 2 will be both geographic and product-based, as SGI CANADA prepares to offer personal lines products to homeowners, condo owners and tenants.

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Selling property and casualty products in four provinces through a network of 500 brokers, the insurer wrote $540 million in premium in Western Canada last year. The company has grown in Alberta from $0 in premium in 2006 to $100 million in premium in 2015.

Within British Columbia, the target for 2015 is about $500,000 in written premium to start with, eventually growing to $200 million with the two lines of insurance — commercial and personal.

The move into B.C. also allows SGI CANADA to reach geographic diversification targets more quickly — ideally, 50% of written premium within the company's home province of Saskatchewan and 50% in other markets.

Currently, the company has a spread of 70% within Saskatchewan and 30% outside of Saskatchewan.

Geographic diversification means risk is spread, thereby benefiting insurance customers in all regions in terms of the ability to offer competitive rates.

SGI CANADA's actuarial analysis shows that earnings would stabilize with a more geographically balanced book of business.

Spreading risk, and stabilizing earnings, translates into stable rates for customers because the company is better able to absorb major losses in one particular region. This is especially important as weather-related losses become more frequent and severe.

It also translates into the ability to offer more services and products to customers.

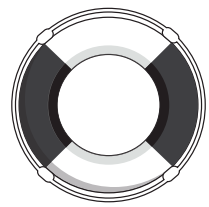
British Columbia is a province with strong growth and profit potential, but that profit may not come instantly. As with the marathon runner, it is important to start slowly and pace oneself.

Growth is best achieved by developing strong relationships with brokers, growing premium in profitable segments, diligent underwriting practices and effective claims handling — all through a lens focused on customer-centricity.

Water Logged

There is no getting away from water in Canada's property and casualty insurance industry. Protection is available for much of the damage that water can do on the residential side, but not all. Will the overland flooding options now becoming available help cap the flow or will leaks in coverage remain? And what might this evolving environment mean for insurers and reinsurers alike?

ANGELA STELMAKOWICH



Ask those in Canada's property and casualty insurance industry if they have concerns about water-related losses and their responses are likely to mirror those elsewhere in the world: a definitive "yes."

"Water-related losses, which incorporate any type of loss where water is involved (that is, weather and non-weather-related) continue to be the largest single driver of personal property claims in the country," says Glenn McGillivray, managing director of the Institute for Catastrophic Loss Reduction.

Veronica Scotti, president and chief executive officer of Swiss Re Canada, notes that over the last 10 years, there has been a significant upward trend of more frequent and severe weather-related losses across Canada. "This trend is alarming, and if we consider some of the climate scenarios for the year 2100, it could become an even greater threat," Scotti cautions.

Projections in the latest study from the Intergovernmental Panel for Climate Change (IPCC) include that the 20-year, single-day rain event could potentially occur every five years in Canada, she reports. "People often ask, 'Can we afford to adapt and mitigate?' But I would ask, 'Can we afford not to?'" says Scotti.

"Water-related property losses have been on a steady increase for some time," says Glenn Cooper, senior manager of public relations and social media for Aviva Canada. Looking specifically at his company's figures, Cooper reports that water damage claims accounted for 44% of dollars paid out on all property damage claims in 2014 compared to 39% a decade earlier in 2004. "The average cost per residential water damage claim has also increased significantly — going from $11,709 in 2004 to $16,070 in 2014, a 37% increase," he points out.

But these are losses that are currently insurable. What about situations in which overland flood losses are being absorbed by insurers (even though they are not technically supposed to be), that are most certainly being absorbed by governments through disaster assistance, recovery and rebuilding, or that are being absorbed (with no return) by individuals and communities alike?

Long a topic of conversation, debate and consternation, residential losses flowing from overland flooding — at least until this spring — were not covered anywhere in the country. But the devastation and expense of two different flooding events in southern Alberta and the Toronto area two years ago have pushed the issue, the discussions and proposed solutions to the fore.

ON THE RISE

"Over the past two decades, storms and floods have increased in frequency by a factor of 20, making overland flooding the most frequently occurring natural disaster and the one that affects the most people worldwide," comments Lapo Calamai, director of catastrophe risk and economic analysis, Policy Development, at Insurance Bureau of Canada (IBC). "Between 1900 and 2012, there were 289 significant floods in Canada — the equivalent of more than two major floods every year — representing almost 40% of all natural disasters ever recorded," Calamai reports.

Citing the continuing upward trajectory of water losses, McGillivray says an ongoing challenges for the insurance industry is "we have what amounts to a fire policy (designed for low-frequency/high-severity events) responding to water losses (which can be more scattered, depending on what you are looking at: low frequency/low severity, high/low, low/high, high/high)."

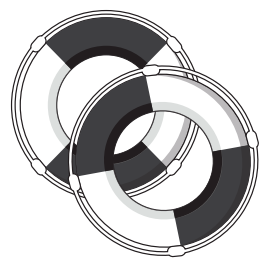
Peter Morris, president of Robertson Morris Consulting, reports that a number of factors are driving losses: climate change, aging urban infrastructure that is not being adequately supplemented to handle the increased concentration of population, and policyholders having "deeper basements with expensive finishing and contents."

"A big factor is the densification of cities, where we are seeing less and less permeable ground cover, and more pavement and roofs," McGillivray says. "When you get even a moderate rainfall event, the water often has nowhere to go. Couple this with climate change (more and more intense rainfalls) and you have a big problem."

LOSSES ALL AROUND

That problem became crystal clear with the Calgary and Toronto events of 2013. "The combined insured losses were approximately $3 billion, of which 35% to 40% was covered by insurer and 60% to 65% by reinsurer," reports Christoph Oehy, head of treaty underwriting for Swiss Re Canada. "Besides these large-loss events, there are obviously series of smaller events with localized pluvial and fluvial flooding," Oehy says.

The story is far different this year. "By mid-June 2015, the Canadian market did not see any major water-related activity that would be noticeable to the reinsurance industry," points out Joseph El-Sayegh, senior vice president of property and casualty, Canada for SCOR Canada Reinsurance Company. "While we have had some isolated events in Manitoba, British Columbia and Alberta, their consequences were concentrated and limited," El-Sayegh says.



"When you get even a moderate rainfall event, the water often has nowhere to go. Couple this with climate change (more and more intense rainfalls) and you have a big problem," says Glenn McGillivray of the Institute for Catastrophic Loss Reduction.

Calamai does not see residential flood in Canada as a reinsurance issue right now, in light of the fact that "global reinsurance markets (Canada included) have plenty of available capital and the necessary risk appetite to take on more of the exposure that is unlocked as flood insurance becomes available in the primary market."

Unlike earthquake, "flood is not a 'tail' risk, meaning that hedging for the potential losses does not require that much capital," Calamai explains. "If climatic trends worsen significantly over the next few decades, resulting in more extreme and more frequent flood events," he notes, "flood risk could start to be seen as a tail risk, too," he adds.

"Regardless of the definition used for residential flood (including sewer back-up, riverine flood, storm surge or flash flooding), its insurance will become a reinsurance issue in Canada," El-Sayegh says. "The treaties that cover the cedents in the Canadian market typically do not exclude flood. The flood exclusion is enforced at the insurance policy level and the reinsurance market is counting on the quality of the underwriting of the insurance companies to mitigate the exposure," he explains.

"When insurers discuss the expansion of the product offerings to include excluded perils such as flood insurance, it exposes the reinsurance contracts to larger exposures that need to be identified, analyzed and quantified. The insurance and reinsurance industries at this stage are working together to reach that level of understanding," El-Sayegh says.

Overland flooding "potentially has a huge impact on reinsurance because it totally changes our view to, obviously, an aggregation of loss," Philipp Wassenberg, president and chief executive officer of Munich Reinsurance Company of Canada, said during a recent panel discussion in downtown Toronto.

"The fact is in most reinsurance treaties... if it's not getting in there, it's covered. So we have to find answers how to understand the risk and know what kind of aggregation it means," Wassenberg told attendees.

"As insurers begin adding overland flood coverage to their homeowner policy wordings, reinsurers will be called upon to contribute in the event of a natural catastrophe and will, therefore, be affected to an even greater extent by these weather events than has been the case until now," Morris predicts.

"Reinsurers are using their data to gain insight and build tools to help insurers get ahead of the issue," says Marilyn Horrick, national vice president, GUARANTEE GOLD for The Guarantee Company of North America. "We, too, are managing our exposure in developing risk strategies, including underwriting tools necessary to avoid adverse risk selection and, for the customer, offer targeted mitigation and prevention advice."

ON OFFER

But the lack of available overland flood models — until recently, at least — has made risk assessment difficult.

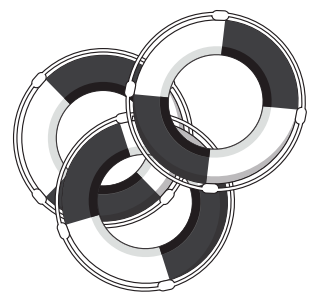
This March, however, Willis Re introduced a suite of flood analytics for the Canadian insurance market designed to provide insurers the means to develop and enhance underwriting and risk transfer strategy, manage and monitor portfolio accumulations, and calculate probable maximum loss estimations.

"Insurers need to leverage the latest science and analytical methods to evaluate and manage local and regional flood exposure," Geoffrey Lubert, managing director of Willis Re Canada, noted in a statement at the time.

Guy Carpenter & Company LLC also introduced a new Canada flood model focusing on riverine flooding, with the view being that that "captures the majority of the hazard," Joseph Becker, company research hydrologist, said in April. Currently, the flood model evaluates fluvial (or riverine) overland flood risk, together with the off-plain component of such events.

Scotti's view is both risk awareness and risk assessment capabilities have greatly improved over the last two years. "For example, flood zones are now widely used in the underwriting process and flood-modelling tools are becoming available to better assess the accumulation risk. These advancements clearly prepare the grounds for residential flood products," she says.

This, in fact, started to happen this spring: The Co-operators Group Limited is now offering a flood product in Alberta, available as an endorsement to the insurer's homeowners' insurance policies and which provides protection against water and sewer back-up, water from intense rainfall and overland flooding from an overflowing body of water such as a river or lake; and Aviva Canada is offering coverage in Ontario and Alberta, available as an endorsement to personal property insurance policies that have sewer back-up protection in place, and "covers most aspects of water entering a home and causing damage — including overland water," notes Aviva Canada's Glenn Cooper.



"Flood zones are now widely used in the underwriting process and flood modelling tools are becoming available to better assess the accumulation risk. These advancements clearly prepare the grounds for residential flood products," says Veronica Scotti of Swiss Re Canada.

But are the current residential flood offerings "true" overland coverage?

Morris says "yes," noting that each has stipulated the coverage is only available as an add-on to policies that already have sewer back-up coverage.

Characterizing them "a great first step," Calamai suggests that the biggest value of the new offerings may be that insurers are showing they are "ready to step up and innovate to serve the public."

Despite that positive, though, "the insurance industry on its own will unlikely be able to ever provide fulsome coverage for everyone, especially for those who need it the most," Calamai says. "The international experience tells us that a portion of Canadians, those located in the highest-risk areas, may never be eligible for coverage — or may be offered limited products and/or be faced with potentially unaffordable risk-based premiums. That's just the basic economics of flood insurance," he says.

But Leonard Sharman, senior advisor of media relations for The Co-operators, says the insurer's water endorsement is not meant solely for areas with a small risk of flooding. It is meant "to meet a previously unmet need," Sharman says.

"Recognizing that those at a high risk of flooding would pay an appropriate amount in terms of premium, we built in flexibility to allow those clients to manage their premiums," he notes. Users can select the amount of coverage and deductible, which is offered as a percentage of claims, to suit their particular comfort level, he explains.

In addition, discounts are offered for clients who take certain preventive measures, including installing backwater valves or sump pumps with back-up power, and compensation is available to clients who protect their property in advance of a flood.

At Aviva Canada, "while we cannot offer the product to everyone, the vast majority of our customers will have coverage available to them," says Cooper. The overland water component of the insurer's property water protection package "is a new peril for personal lines insurers, and there is an incremental premium associated with the risk. As with all insurers, there will be some eligibility criteria, including some exclusions."

Donna Ince, senior vice president of personal insurance for RSA Canada, reports the insurer is now developing

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"what we believe to be a more comprehensive water damage solution than the historic market offerings. We are participating with IBC habitational committee as we build our revised sewer and flood wording that will ensure we learn from the shared industry knowledge."

The company is "looking to announce further details on our new overland water strategy in the months to come," Ince says.

"The expectation is that within the next few months many insurers will provide coverage, in one form or another," says El-Sayegh. "There are no expectations that the private industry will be able to cover all exposures. Therefore, the involvement of the government will still be required, especially to ensure that high exposure risks are protected," he comments.

"While there's still debate on how to manage the needs of those most at risk, it has started a dialogue that wasn't happening before," Horrick says of the release of new flood products. "Companies, including ours, are coming to market with viable solutions from policyholder communications to enhanced coverage."

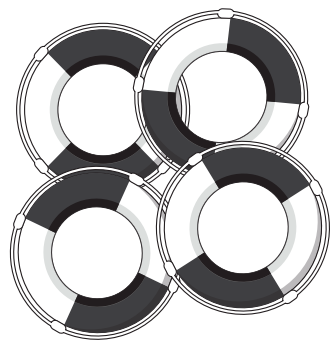
But is the innovation to date enough?

Morris notes that adverse selection is a major challenge. "Without an adequate spread of risk across a broad range of policies with varying degrees of exposure, it is difficult to generate the premium necessary to cover the losses," he says.

"To the extent that coverage is only offered to customers with a manageable exposure to overland water, the cost of providing the coverage should be fairly reasonable," he says. But for homeowners with a severe exposure, "it will be a challenge to provide the coverage at a reasonable price, especially for those homeowners at most risk of having an overland water loss," he adds.

"For more than 90% of the homeowners across Canada 'overland flood' coverage should be possible and affordable," Oehy says. "There can be regions where flood coverage is very restrictive or cost-prohibitive due to the high risk of flooding. For these high-risk properties, a partnership between the public sector and the insurance industry is needed to provide a sustainable solution," he notes.

For the highest-risk properties, "a purely private, risk-based product for those high-risk consumers is likely to face significant availability and/or affordability constraints," Calamai notes.



For the highest-risk properties, "a purely private, risk-based product for those high-risk consumers is likely to face significant availability and/or affordability constraints," says Insurance Bureau of Canada's Lapo Calamai.

For the highest-risk priorities, "what needs to happen is a public-private partnership between insurers and governments at all levels. It requires a degree of risk-sharing between all stakeholders, and clear roles and responsibility for all — including responsibility around financial risk management as well as risk mitigation."

Cooper agrees. "Maintaining the availability and affordability of the product requires collaboration and commitment from all levels of government in Canada," he suggests.

"For the majority of insureds, overland residential coverage can be economically accessible and the viability of which is dependent upon the collaborative efforts of government, insurance industry and homeowners," Horrick adds.

Actions taken by all levels of government to reduce the risk of flooding and water damage must include "increased investment in new infrastructure and updating building codes to reduce the impact of future storms on businesses and personal property," Ince notes.

"Insurance (and, therefore, reinsurance) of this risk is possible provided there is transparency in the coverage offered, as well as transparency between the various government agencies and the insurance and reinsurance industries regarding the mitigation factors implemented," El-Sayegh comments.

"It seems that some of the new flood products are bundling all water damage claims together, whether sewer back-up and overland flood; while others are keeping the overland flood product optional as an add-on to the existing sewer back-up coverage," he observes.

"As we saw in 2013, the cost of water-related losses to insurers and reinsurers can be significant. Introducing new flood insurance products that more clearly outline the coverages and the costs of such coverages will help insurers and reinsurers better anticipate the losses and include them in their capital requirement calculations," he says.

"The market will, ultimately, demonstrate to what extent this is a commercially viable proposition — and to what extent consumers have the resources to take this on," Calamai points out.

ACCESS TO DISASTER ASSISTANCE

If "overland flood" coverage is available, what does that mean for currently constituted disaster financial assistance arrangements (DFAA), which do not apply to insurable loss?

Morris notes that availability is, ultimately, a political question.

"With coverage now being available in the open market, it is unlikely the federal and provincial governments

will feel compelled to provide financial assistance to homeowners who have chosen not to purchase this coverage," he suggests.

"Technically, through disaster financial assistance (DFAA), only payments for damages that could not have been reasonably insured are eligible," Calamai explains. "Whether or not, following a disaster, the government would deem flood risk to be eligible depends on several factors, including availability, affordability, take-up by consumers and possibly even public awareness."

Scotti's view is that, at this stage, it is probably too early to consider residential flood as an insurable loss in the context of DFAA. "However, if the product becomes widely available to the consumer and they have a choice to include or decline this coverage on their policy, then residential flood is insurable."

Morris's advice to brokers? "The safest course of action will be for the broker to offer the coverage to the client rather than avoiding the discussion and placing coverage with an insurer that does not offer overland flood coverage," he says.

MITIGATION EFFORTS

A new study — commissioned by The Co-operators and released in May — assesses the level of preparedness of 15 major Canadian cities for flooding caused by extreme rainfall, relative to 16 areas of flood vulnerability.

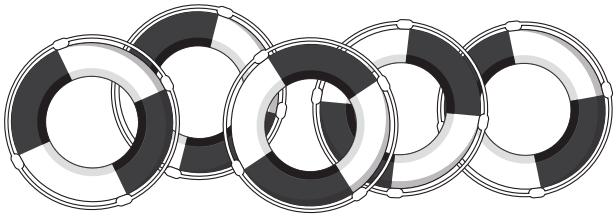
Among the strengths identified are that most Canadian cities require backwater valves for new home construction, up-to-date flood plain maps are being developed, land use planners in most cities are using the maps to restrict building in flood-prone areas, and urban drainage maintenance is on the rise.

Work in this area will continue, directed by the recently announced Partners for Action (P4A) applied research network at the University of Waterloo, which is co-founded by The Co-operators and Farm Mutual Reinsurance Plan. The work of P4A, meant to bring together stakeholders, will include monetizing economic costs and benefits of adaptation, and promoting the need for improved flood mapping country-wide.

At an IBC symposium this spring, Swiss Re Canada's Christoph Oehy said "the risk assessment for flood is complex and flood hazard maps are a necessary precondition to make insurance possible."

Based on fluvial flood exposure in Canada, Swiss Re estimates about 9% of the residential insurable values are at risk of flooding at least once every 100 years, and about 3% at least once every 50 years, while "almost 85% of the residential insurable values are only very remotely exposed to fluvial flood risk, meaning they are outside of the 500-year flood zone," he said. "Probabilistic flood models are needed. They allow getting the complete risk picture and help to understand the accumulation risk taking into account the correlation along the river network."

Detailed information is essential when it comes to modelling flood risk and es-



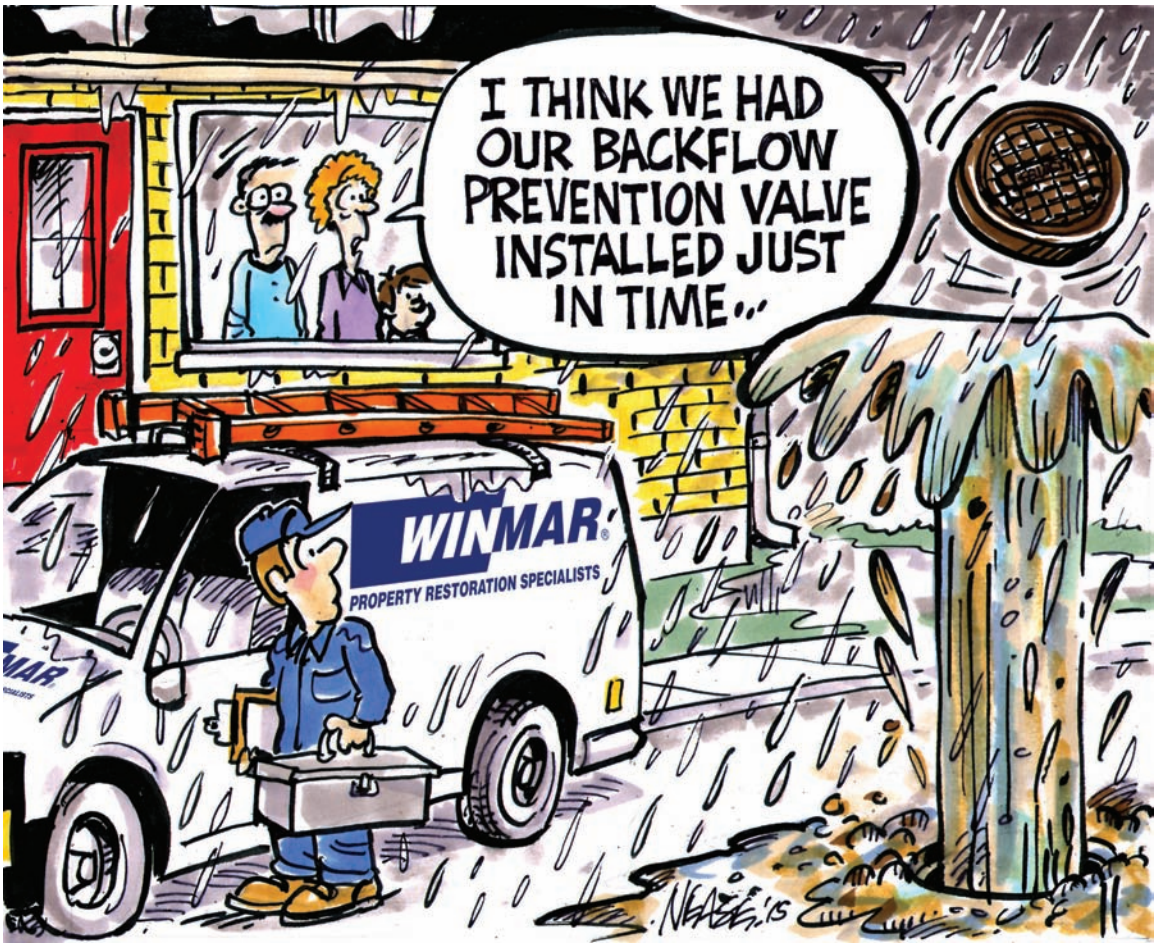
"Introducing new flood insurance products that more clearly outline the coverages and the costs of such coverages will help insurers and reinsurers better anticipate the losses and include them in their capital requirement calculations," says Joseph El-Sayegh of SCOR Canada Reinsurance Company.

timating potential losses, Vaclav Rara, a flood model developer and hydraulic modeler at Aon Benfield in Prague, emphasized during the Toronto installment of Aon Benfield's Catastrophe Analytics Roadshow in June. Hazard perimeter "can vary in fewer metres by metre," said Rara, who served as part of the team that created the company's new probabilistic flood model for Canada.

IBC, for its part, has engaged JBA Risk Management to "develop a best-in-class flood model customized for Canada, building on best practices in modelling methodology and using all available input data," Calamai reports.

Expected to be completed by the end of the year, the model will include both fluvial (riverine or on-plain) and pluvial (urban or off-plain) flood risk, and will provide a consistent view of risk for virtually the whole of Canada, he says.

"There is a lot of momentum on the overland flood topic across the whole insurance industry, but also including governments, brokers and reinsurers," Scotti says. It "needs to be maintained so that in the near future, Canadian homeowners can get wide access to insurance for overland flood across the country."



Sussing Out Risk

Roch Lacroix
Director, Canadian Operations, Verisk Insurance Solutions, a Verisk Analytics business

Data and analytics may offer the clues to help solve the mysteries of weather-related risk. In response to the explosion of third-party providers of data and analytics, many commercial insurers are reassessing their traditional methods for capturing information about potential risks.

When it comes to uncovering information, identifying patterns and revealing truths, not everyone can be Detective William Murdoch — innovation and prescience personified — the fictional sleuth of *Murdoch Mysteries* whose wits unfailingly win the day. Far too often, in insurance, as in whodunnits, conventional methods are the norm. But who wants to play the role of the elegant detective's plodding counterpart, Inspector Brackenreid?

Detective work around the turn of the 20th century and commercial property insurance of the early 21st century are not as far afield as might be imagined — for both, it is all about the data and analytics. An explosion of third-party providers of data and analytics has many commercial insurers reassessing their traditional methods for capturing information about potential risks.

GATHERING CLUES

In general, insurers have an obligation to their owners, distributors and clients to be both thorough and innovative in their sales and underwriting processes. The more complete the information about a property, the more competitive and sustainable an underwriter's pricing will likely be.

Consider this example of insurance detective work. A hypothetical insurer is evaluating a commercial property for coverage, and the underwriter knows it is a 20-unit motel, two storeys tall, of masonry construction and located in Ontario. In this imaginary case, the insurer previously covered the property from 2008 to 2010, with one paid claim on file.

That hypothetical profile sounds pretty straightforward, although there can often be inaccurate or missing information, if not outright "unknowns." For example, what if from 2010 to the present, the insurer that covered the property

Illustration by Clayton Hanmer/Reactor Art + Design Limited

received a fire claim? Also, there were two more fires — one in a dumpster at the rear of the building and another in the laundry room caused by an overheated clothes dryer.

Neither incident resulted in a claim, and the traditional process for developing the underwriter's information would not have necessarily disclosed that fact. Fire and gas incidents may suggest the presence of risks and a lack of precautions (previously unknown to the insurer) that warrant urgent examination.

Across the insurance industry, data about fire reports often remains a big question mark. The National Fire Incident Reporting System (NFIRS) collects incident reports in the United States from the majority of the country's more than 50,000 fire jurisdictions. As a result, the NFIRS database represents about 75% of estimated fire incidents — a substantial majority, but still incomplete.

Unfortunately, Canada's more than 3,700 fire departments have served without a central reporting clearinghouse for more than a decade, making an underwriter's decision whether or not to write the risk — and how to price the policy — even more challenging.

Other unknowns often include the property's weather history. What is the likelihood of prior hail damage that has not been reported? How frequent are wildfires or lightning storms? What are the chances of additional peril events in the future? Predicting those would likely be a tall order even for Detective Murdoch, let alone any underwriter.

TRACKING CONTEXT

Granular and up-to-date analytics on a range of perils — wind, lightning, hail and wildfires — are a key requirement for assessment of weather-related risks to a property.

Throughout Canada and the U.S., there is already a detailed network of ground-based radars (for wind and hail), lightning detection sensors, satellite and airborne remote sensing (for wildfire mapping, terrain and road network analysis), weather and climate models, as well as ground observation stations (for further data-analytic validation). These data assets cover a wide spectrum of granularity.

Working together, these sensors collect data at an astounding velocity. Radar networks observe fast-moving storms about every five to 10 minutes, in a system that includes the roughly 31 individual radars covering the most populated regions of Canada. A global network

Granular and up-to-date analytics on a range of perils — wind, lightning, hail and wildfires — are a key requirement for assessment of weather-related risks to a property.

of about 700 lightning sensors records more than 99% of all cloud-to-ground strikes. That information is further augmented by observations from more than 1,000 weather stations in Canada.

Peril data developed by Verisk Climate includes a trend indication for each of the events, historical occurrences down to the street level of the property, and date of the most recent event — all of which help provide insight into the probability that a damage-producing incident affected the property in the past.

Every detective story has a *dénouement*, and insurance stories are no different. For many underwriters, the question of whether a property fits their appetites, or comports with their guidelines, can often be answered with several pieces of evidence:

- likelihood the property has pre-existing damage or a history of incidents;
- need to perform a property inspection; and
- the property's risk level compared with its peers.

Most insurers need new information on perils and incidents to better understand risks, align those risks with their underwriting guidelines, and prioritize inspections for properties with a history of incidents that did not result in a corresponding claim. But raw, unexamined data can often only go so far — there needs to be careful analysis to translate that information into something useful and actionable for an underwriter. Scoring the likelihood of future weather-related events can add an entirely new dimension to the review.

Weather data and analytics of the type available in the U.S. could be a similar game-changer for many Canadian insurers. Although record-breaking hailstorms seem to be *de rigueur* for Calgary and its environs, it is not only the historic storms that are resulting in claims. A steady stream of smaller hailstorms over the course of time can have the same effect as one large event.

Four storms of low to moderate damage may not lead to a filed claim, but the damage over time may, ultimately, result in one. The insured could file the claim after the fifth storm has inflicted similar, but compounded, damage.

Many insurers are increasingly recognizing the unprecedented granularity and accuracy of these assets to empower more effective underwriting and claims management. Underwriters can often ill afford to be the insurer for that last storm — the storm that leads to a claim — when they could have known about the previous four.

As Detective Murdoch demonstrates time and again, it can pay to do some careful legwork, review the clues and follow new insights to success.

Building Success, Building Protection

Carl Spensieri
Vice President,
Environment,
Berkley Canada

Public-private partnership (P3) agreements are emerging as the design, build, fund and operate model of choice in Canada. But while the model offers an opportunity to share risks and realize rewards, it demands careful consideration of potential exposures, including environmental risk, which are best addressed by tailored cover.

The Canadian construction economy will see an estimated $159 billion in infrastructure projects reach project financing or commencement in 2015. The majority of the spending will centre on energy, transportation, healthcare and institutional construction.

In order to successfully design, build, fund and operate (DBFO) these Canadian projects, owners, designers, builders, operators and lenders are increasingly electing to partner and share in the risks and rewards by entering into public-private partnership (P3) agreements.

In Canada, P3s are clearly emerging as the DBFO mechanism of choice. In 2015, it is estimated more than 20% of infrastructure projects will be procured using the P3 DBFO model.

P3s seek to deliver best-in-class build quality and lower operating and maintenance costs over the full life cycle of the project.

At the same time, the P3 DBFO model allows private equity to fund a significant portion of the construction costs, thereby reducing capital burdens on governments.

Of course, with the increased complexity of infrastructure projects comes increased risk, including environmental risk. To better understand those exposures, it is helpful to consider some examples of environmental risk from the perspective of each project stakeholder.

PROJECT STAKEHOLDERS

Owner and operator

The owner and operator of a project are typically responsible for pollution at, or migrating from,

the project site and arising out of the operation of the project, respectively. For example, an owner bears the cost for clean-up of existing pollution at the project site prior to or during construction (that is, the cost to excavate and dispose of existing contaminated soils).

While the cost associated with that clean-up is not generally insurable, an owner can transfer the risk of incurring additional clean-up costs arising from unknown pollution discovered during the course of construction by purchasing a fixed site environmental policy.

In addition, an owner can transfer the risk associated with claims for bodily injury or property damage associated with pollution at, or migrating from, the project site.

Owners can also transfer the financial risk associated with project delays arising from pollution. Specifically, an owner can insure loss of income or extra expenses (for example, interest on a construction loan) arising from a project delay attributed to pollution discovered during the course of construction or arising from construction activities.

Architect and engineer

Project designers may not have ownership or operational control of a project, but they often develop engineering controls, standard operating procedures and construction guidelines to manage existing pollution at a project site. Further, environmental consultants are often on site during construction to assist with contaminated media management and disposal.

In these situations, the distinction between professional services and contracting operations is blurred. For this reason, designers may elect to supplement their professional cover with contractor pollution liability cover for activities such as site supervision.

Contractor

Contractors are responsible for pollution arising from their contracting operations, including the worsening of existing pollution (for example, inadvertently using contaminated soil as backfill).

To address these risks, contractors typically rely on practice or project contractor pollution liability policies. These policies typically cover the contractor for bodily injury, property damage and clean-up claims arising from their contracting operations, including waste management (for example, improper disposal of construction waste) and transportation (for example, movement of fuels to and from the project site).

To minimize construction delays and facilitate recovery of construction delay costs, owners and contractors often agree to specific liquidated damages spelled out in a construction agreement. While liquidated damages are not (generally) insurable, a contractor can purchase accelerated clean-up cover to help mitigate or reduce the liquidated damages risk.

Specifically, accelerated clean-up cover affirms that clean-up will be undertak-

en using the fastest clean-up method. This cover gives the contractor the best possible chance of still completing the project on time, when construction is delayed because of clean-up.

Lenders

Lenders are not typically responsible for pollution at a project site or arising from project construction. However, in the event of default resulting in the lender taking ownership of the project site, environmental regulations may impose various levels of liability for clean-up.

In general, lenders have an opportunity to divest themselves of the project site within a reasonable period of time (under prescribed circumstances). That said, the regulator can issue a clean-up order against the lender if the project site is not divested within the prescribed period.

While regulatory relief provisions are useful, they do not address the commercial realities associated with a lender trying to sell a contaminated project site. Such a sale can often take a long time and require the lender to first complete clean-up (at its cost) to make the project site more commercially appealing.

To address this risk, a lender typically purchases a lender pollution liability policy that covers clean-up costs, as well as claims for bodily injury and property damage in the event of default by the owner.

Prior to the rise of the P3 DBFO model, each stakeholder purchased individual pollution policies designed to address the stakeholder's specific risks. While this approach allowed for bespoke cover that aligned with each stakeholder's tolerance for risk, the cost for each policy was often passed along as a cost to the project owner, increasing the overall cost of project procurement.

CANADIAN INFRASTRUCTURE PROJECTS

Roles and responsibilities

Today, the P3 DBFO model has emerged as the delivery mechanism of choice in Canada. While the model delivers many benefits, it also blurs and blends the roles and responsibilities of owner and contractor. Two brief examples bring greater clarity to this issue:

- *Ownership*: While a project site is legally owned by the project owner (for example, a government agency or institution), the contractor has an exclusive agreement to effectively control and manage the project site over a substantial period of time (typically 20 to 30 years), effectively transferring ownership responsibilities to the contractor.
- *Financial risk*: In exchange for access to private capital, the owner typically forgoes revenues associated with operation of the project (for example, tolls on a highway) or agrees to pay defined operation and maintenance fees to the operator (contractor) once the project is complete. If the project is delayed, the contractor then does not receive the anticipated revenue or fees and, as such, bears the financial risk.

Given the degree of risk transfer between owner and contractor in the P3 DBFO model, it is not possible for stakeholders to make use of traditional pollution policies to address their risks. Put simply, the Canadian construction industry has evolved to the point where relying on traditional pollution policies is not an appropriate or prudent risk transfer strategy.

Tailored cover

Given the degree of risk transfer between owner and contractor in the P3 DBFO model, it is not possible for stakeholders to make use of traditional pollution policies to address their risks. Put simply, the Canadian construction industry has evolved to the point where relying on traditional pollution policies is not an appropriate or prudent risk transfer strategy.

In response, the Canadian insurance industry has developed sophisticated pollution policies designed to directly address the unique pollution risks associated with infrastructure projects.

Today, all P3 DBFO stakeholders can benefit from tailored pollution cover provided under a P3 project pollution policy.

The policy typically includes fixed site environmental and contractor pollution liability cover that can be triggered by the project owner or the contractor to pay for clean-up costs associated with discovery of pollution at the project site or as a result of contracting operations.

In addition, the policy protects all stakeholders, including designers, operators and lenders, against claims for clean-up, bodily injury and property damage arising from pollution. Finally, the policy can also cover extra expenses and lost revenues associated with delay in start-up arising from pollution.

Beyond offering very broad cover, P3 project pollution policies are designed to address the complex contractual requirements of P3 DBFO project agreements, construction agreements and lender agreements.

For example, the policy is designed to backstop contractual risk transfer provisions between owner and contractor, and address assignment provisions required by the lender and owner in the event the contractor defaults on a key obligation. The policy also addresses numerous logistical requirements (for example, stakeholder notification for prescribed events and severability of interest provisions).

Today, insureds and brokers have access to innovative insurance solutions designed to address complex risks and support a key part of the Canadian economy.

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Beyond Fun & Games

Toronto is playing host to the Pan Am Games and the Parapan Am Games this summer. But what if something happened — a flood, a civil protest, a transportation shutdown? What could it mean for reinsurers and insurers if the Games are interrupted?

Andrew Duxbury
Underwriting Manager, Munich Re

This summer, thousands of athletes from the Americas and the Caribbean are to gather in Toronto for the Pan American Games and the Parapan Am Games. Over 16 days in July and eight days in August, athletes will compete in 36 Pan Am sports and 15 Parapan Am sports in many different locations around the Greater Toronto Area (GTA). More than 20,000 volunteers are slated to work toward ensuring athletes, coaches and visitors are welcomed and feel at home.

Such events are a big undertaking, demanding years of planning and preparation.

But what if the Games do not start, or are interrupted? What would happen in the event of a windstorm or flood?

When British monarch, Edward VII, fell ill in June 1902, shortly before his coronation, the festivities had to be postponed. This spurred a series of court cases, which became known as the "coronation cases," and for the first time, an event cancellation was recognized as a legitimate reason for withdrawing from a contract.

Insurance policies to cover these situations are essential for any large sporting event. If the event cannot be held as planned, or is cancelled altogether, associated costs can be high. Consider demands from television networks that planned to transmit the event, sponsors who pumped money into advertising and visitors who purchased tickets, as well as the merchandise and accommodations that would not be sold or used.

Insuring major sporting events like the Pan Am Games, the Olympic Games and other major sporting events involves a variety of covers ranging from construction/erection all risk (CAR/EAR) insurance for building stadiums and venues, to liability covers for the organizers, accident insurance for the athletes, and covers against theft of trophies or medals. Event cancellation insurance is one of the most important types of cover.

Interruption, postponement or, if worst comes to worst, cancellation of these events can result in enormous costs. Not only sporting event organizers, but also television broadcasters, sponsors, souvenir manufacturers, travel operators and hotel owners can protect themselves against the financial consequences of such a scenario.

Big sporting events are also big business, with revenues generated through television rights, sponsorship, ticket sales, corporate hospitality, travel packages and souvenirs running into billions of dollars. The overall economic impact of such events can only be estimated, but the single largest individual revenue stream comes from the sale of television screening rights.

With the financial stakes high, global sporting

Illustration by Clayton Hanmer/Reactor Art + Design Limited

bodies, local organizers, security forces and (re)insurers combine forces, often many years before, to achieve the common goal of a successful sporting event enjoyed by a wide audience on television and many more in person.

UNDERWRITING ASPECTS

While cancellation policy wordings vary, as they are adjusted to individual requirements, cover is fundamentally sought to protect against any unforeseen cancellation, abandonment, interruption or relocation of the event — including the opening and closing ceremonies.

The major underwriting considerations involved in covering such large events include the following:

- contractual commitments/liability of the insured (television/sponsorship/ticket conditions);
- the political risk environment (war, internal unrest, terrorism exposure, etc.);
- exposure to natural hazards (for example, earthquake, windstorm, flooding);
- the host country's experience in hosting large global events;
- security arrangements;
- the host country's infrastructure; and
- the organizer's contingency plans.

RISKS TO CONSIDER

Canada has hosted three Olympics — 1976 Montreal, 1988 Calgary and 2010 Vancouver — and security considerations were vastly different for each. The Montreal Summer Games were organized in light of the sad events of the 1972 Munich Olympics and the FLQ crisis, while the 2010 Winter Olympics in Vancouver considered the post-9/11 reality.

Climate was an issue in Whistler, as truckloads of snow had to be brought in to cope with the lack of natural snow. Earthquake exposure exists in both locations. And while this was noted in planning documents for each of the Games, the risk was thought to be minimal compared to security risks.

The security organization for Montreal and Vancouver were the largest peacetime operations in Canadian history.

Other considerations for the Vancouver Games included flooding of British Columbia's Lower Mainland, fire, excessive snowfall, and damage or collapse of the Lion's Gate Bridge.

Many of the aforementioned were safety risks covered in the routine operation of public infrastructure. However, mass volumes of spectators and event personnel added pressure to the transportation system, something that was certainly a consideration in Toronto's Pan Am/Parapan Am Games.

In Vancouver, traffic was a particular concern for organizers, especially on the Sea to Sky Highway linking Vancouver and Whistler, the site of a summer landslide in 2008 that closed the throughway for several days.

With intense media attention on such events, it also attracts activist groups that use the potential for unrest or disruption to highlight their causes. The Vancouver

Opening Ceremony — a significant part of the overall event — was very nearly compromised on the night as protesters blocked routes to the stadium, threatening to prevent athletes and officials from reaching the ceremonies in time.

In Toronto, there was significant public conversation about the impact on traffic flows. Major arterial highways throughout the GTA were given designated HOV (high-occupancy vehicle) lanes in advance of the event exclusively for vehicles carrying three or more people. Organizers asked businesses to consider modified work hours and telecommuting for staff to alleviate the expected 250,000 spectators and athletes coming to the GTA during the event.

A survey recently released by the Ontario Trucking Association notes some carriers worked with their customers, determining alternate delivery times, sharing costs for using toll-enabled routes, or modifying existing guaranteed service levels.

In all, almost 43% of polled carriers reported that they had or would implement surcharges to offset money lost because of congestion encountered.

INSURABLE RISKS

Obvious insurable perils include weather, natural catastrophes, acts of terror, communicable diseases, venue damage, power failure, satellite or transmission failure, riots, strikes, civil commotion and national mourning.

Each type of sport has its own technical challenges, as does each venue, and there are no limits to the kinds of reasons for an event cancellation. The only important criterion for the policy to attach is that the trigger event must lie outside the control of the policyholder.

The biggest challenge posed by sports events of the scale of the Olympics or the Pan Am Games is that they cannot be moved to another venue at short notice if something untoward happens immediately beforehand.

And not every nation would be able to absorb the effects of a powerful event, such as the earthquake that occurred in China in 2008, just a few months before the Olympic Games, and still carry out the games as planned.

Some sports events can be relocated to other stadiums or facilities in an emergency. Consider, for example, the 2011 Rugby World Cup in New Zealand, where in the wake of the Christchurch earthquakes, the united efforts of all those involved succeeded in conducting the competition in other cities. The additional costs that resulted were borne by the insurers.

Each type of sport has its own technical challenges, as does each venue, and there are no limits to the kinds of reasons for an event cancellation.

SECURITY THREATS

Security threats cannot be ignored. This is well-known, certainly since the attack on and the deaths of 11 members of the Israeli team that overshadowed the Munich Olympics in 1972. Terrorism is an omnipresent hazard that always needs to be taken into account in underwriting.

In March 2015, for example, 35 teams pulled out of a major cheerleading tournament hosted at the West Edmonton Mall after a Somali terror group made threats against the shopping centre.

Although the likelihood of attack was remote, it was sufficiently concerning that many school-based teams withdrew, some of these decisions following consultations with the insurance companies that cover liability for the schools.

A physical loss to event venues from natural catastrophe, weather or builder error can also prove disruptive. In July 2011, a sudden windstorm partially collapsed a stage at an Ottawa music festival, injuring three and causing organizers to close the stages and cancel the evening's remaining performances.

Contingency plans to move an event to another location are sometimes possible, although this demands additional time and resources, rescheduling and reconfiguring security arrangements and transportation both to and from the new venue.

Countries with often the highest exposure to terrorism are also usually the best-equipped to counter the threat, particularly given the amount of international collaboration undertaken around such events.

Despite the potential for terror threat at the London and Sochi Olympic Games, both events ran well while maintaining high levels of security.

Global events can also import international issues into a territory. To assess these, security would include information such as the following:

- host experience — police/security forces;
- venues — are they purpose-built?;
- athletes' transportation;
- employee- and volunteer-vetting procedures; and
- contingency plans.

Terror cover provided will generally be limited by time before and distance from the event. There will be prescribed triggers specifying which authorities are able to cancel or suspend the event.

Realistically, for such global sporting events, it will be the government of the host nation that decides such matters. However, there are considerable vested interests in ensuring that the event continues — as was the case with incidents in both Munich and Atlanta.

WICC Announces a New National Sponsor at the Platinum Level

WICC
WOMEN IN INSURANCE CANCER CRUSADE
www.wicc.ca

WICC is delighted to announce a recent addition at the Platinum Level to its National Sponsorship Program.

BELFOR
PROPERTY RESTORATION

BELFOR Property Restoration has been a contributor in a variety of ways towards the Women In Insurance Cancer Crusade for several years from a regional standpoint. As an organization we felt that becoming a National Sponsor of WICC was only fitting given that nearly everyone has felt the impacts of this disease in one way or another from all our locations coast to coast.

WICC stands out in our industry in their mission to fund research and raise awareness, and has brought the Canadian insurance industry together as a single body with one common goal of fighting this terrible disease. BELFOR is proud to play a part as a National Sponsor in this mission and look forward to a long standing relationship.

BELFOR Property Restoration is now a part of a very special group of WICC National Sponsors at the Platinum Level. WICC is extremely thankful to this group of organizations which share the vision and desire to put an end to cancer!

WICC National Sponsors at the Platinum Level also include:

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Recreational Waivers

Robert A. Betts
Associate,
Beard Winter LLP

Vendors of recreational activities, such as amateur athletics and extreme sports, can face legal actions in the event of accidents, including those resulting in injury. What are the issues around waivers in the recreational industry and what steps should be taken in support of a waiver defence?

Vendors of recreational activities, such as amateur athletics and extreme sports, are often the target of litigation when unfortunate accidents occur, resulting in injury to their patrons. In many cases, because of the nature of the sport or activity, these injuries can be very serious.

The primary avenue of attack by plaintiffs in these cases in Ontario is based on the duty of care outlined in Section 3(1) of the *Occupiers' Liability Act*, which states that an "occupier of premises owes a duty to take such care as in all the circumstances of the case is reasonable to see that persons entering on the premises, and the property brought on the premises by those persons are reasonably safe while on the premises."

However, the act also permits an occupier, such as a ski hill, to "restrict, modify or exclude" the duty provided that reasonable steps are taken to bring that restriction, modification or exclusion to the attention of the patron. These exceptions allow for the use and application of contractual waivers, which can provide an excellent defence that can often defeat claims entirely or, at a minimum, provide significant leverage in any settlement discussions.

While the term "waiver" is used generically, those that are properly drafted contain not only a waiver, but also terms regarding jurisdiction, indemnity and assumption of risk.

There are three types of waivers: written; ticket; and signage. Executed written waivers are the strongest contractual form and signage-based waivers are best used as evidence of reasonable efforts to bring the waiver to the attention of patrons.

GUIDANCE TO DATE

In *Dyck v. Manitoba Snowmobile Assn. Inc.*, issued in 1985, the Supreme Court of Canada was faced with a claim arising from a snowmobiling injury that occurred when the plaintiff, Ronald James Dyck, was struck while signalling the end of a race event.

The plaintiff had executed a release in favour of the defendant as part of the membership package for the snowmobiling competition. In addition, the entry form executed by the plaintiff had an indemnity provision.

The Supreme Court of Canada concurred with the ruling from Manitoba's Court of Appeal that the waiver formed a complete defence to the claims advanced by the plaintiff.

In a public policy comment, Canada's high court found the waiver did "not appear to be unreasonable" as the plaintiff knew, or should have known, that snowmobile racing was dangerous. The contracted waiver was not "unconscionable" as there was no difference in the bargaining strength of the two parties.

One of the leading cases in Ontario in the area of recreational waivers and releases is *Isildar v. Kanata Diving Supply*, issued in 2008 by the Superior Court of Justice, where Ali Isildar died during a dive while taking a course from the defendant, Kanata Diving Supply.

His widow and son brought an action for damages and alleged, *inter alia*, that Kanata Diving Supply had a contractual obligation to the deceased, "including the right to rent to him up-to-date and reliable equipment in working order and suitable for the requirements of each instructional dive, and in particular the deep dive."

The court found the company negligent for its selection of the dive instructors, in addition to a finding of vicarious liability for the negligence of the instructors. Despite those findings, the court held that the release signed by the deceased was a bar to the plaintiffs' derivative claims. In making this ruling, the court outlined a three-part test to determine the validity of a signed release:

"Based on case law as it has developed, a three-staged analysis is required to determine whether or not a signed release of liability is valid. The analysis requires a consideration of the following questions:

1. Is the release valid in the sense that the plaintiff knew what he was signing? Alternatively, if the circumstances are such that a reasonable person would know that a party signing a document did not intend to agree to the liability release it contains, did the party presenting the document take reasonable steps to bring it to the attention of the signatory?
2. What is the scope of the release and is it worded broadly enough to cover the conduct of the defendant?
3. Should the waiver not be enforced because it is unconscionable?

CIP Society
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Events and Seminars Calendar

You work hard to protect your clients' property. Now, it's time to ensure that you apply the same kind of energy and commitment to your own success. CIP Society Events and Seminars give you the opportunity to learn, to network, to catch up on industry developments and to think about your career.

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Kitchener – PRO*edge*: Claims Mediation ..... September 23
Toronto – PRO*edge*: Facility Association ..... September 24
Conestoga – Building Better Relationships at Work ..... October 1
Webinar – PRO*edge*: Slip & Fall ..... October 6
Toronto – PRO*edge*: Shining the Light on Solar Insurance ..... October 7
Edmonton – Think on Your Feet® ..... October 20-21
Toronto – PRO*edge*: Leading Insurance Coverage & Liability Cases ..... October 21

CIP Society Events:

Kelowna – Okanagan Boat Cruise ..... July 16
Edmonton – Golf Fun Day ..... July 20
Moncton – Golf Tournament ..... August 13
Hamilton – Volleyball Tournament ..... September 2
Brooklin, ON – Volleyball Tournament ..... September 3
Dartmouth – Charity Softball Tournament ..... September 18
Dartmouth – Insurance Idol! ..... October 15

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TOOLS TO COMBAT CLAIMS

The principles outlined in these cases and others — including *Goodspeed v. Tyax Mountain Lake Resorts Ltd.*, *Karroll v. Silver Star Mountain Resorts Ltd.*, *Blomberg v. Blackcomb Skiing Enterprises Ltd.* and *Mayer v. Big White Ski Resort Ltd.* — provide the recreational industry with a valuable tool to defeat personal injury claims. In fact, now that the Supreme Court of Canada has lowered the threshold for summary judgment motions (see the 2014 ruling, *Hryniak v. Mauldin*), defendants in these types of actions can move prior to trial to dispose of these lawsuits.

An excellent example of this tactic is found in the 2015 decision by Ontario's Superior Court of Justice, *Trimmeliti v. Blue Mountain Resorts Limited*, where the plaintiff skier was injured when he struck an orange mesh ribbon used by Blue Mountain Resorts to close off a trail known as Crooked Oak.

The plaintiff's primary allegation of negligence against the company was that it should not have had snow-making equipment active at that time as it obscured his vision and prevented him from seeing the ribbon.

He also put forward arguments that the trail did not have sufficient lighting and that the use of the orange mesh ribbon itself was a hazard.

At the time of the incident, the plaintiff had accessed the resort with a season's pass he had obtained at the beginning of the ski season.

To purchase the pass, he was required to execute a written waiver (see at right) with that warning heading posted at the top.

The season's pass agreement contained a detailed assumption of risks provision, an indemnity section and, most importantly, a broad waiver of claims. Despite his extensive skiing background, the plaintiff denied having any knowledge of the waiver agreement or the various waiver signs posted at Blue Mountain Resort's facilities.

In discussing the application of the waiver, the court noted that the heading could not have left anyone confused as to the "nature of the contractual terms that followed." Upon review of the full waiver, the court concluded that it "would have been impossible for any literate person to have signed this document — even if they did no more than scan the heading — and remain ignorant of its general purpose and intent." The waiver was not so much "fine print" as a "loud proclamation placed in a further highlighted, bold type text box."

Upon review of the full waiver, the court concluded that it "would have been impossible for any literate person to have signed this document — even if they did no more than scan the heading — and remain ignorant of its general purpose and intent."

Blue Mountain Resorts was found to have made reasonable efforts to bring the waiver to the attention of the plaintiff as a result of the form/content of the waiver itself, as well as signage and ticket waivers used at the ski hill.

RELEASE OF LIABILITY AGREEMENT, WAIVER OF CLAIMS, ASSUMPTION OF RISKS AND INDEMNITY AGREEMENT
BY SIGNING THIS DOCUMENT YOU WILL WAIVE CERTAIN LEGAL RIGHTS, INCLUDING THE RIGHT TO SUE
PLEASE READ CAREFULLY!

INTIAL HERE

Importantly, the court also held that the waiver covered the very allegations of negligence that were being advanced by the plaintiff in the litigation. There was also no basis to argue unconscionability.

The Ontario court, ultimately, granted summary judgment in favour of Blue Mountain Resorts not only on the waiver, but also as a result of an absence of negligence.

In defending the tort claims, the court stated that the company had "put its best foot forward, including filing expert reports," and that it had "clearly done [its] homework in preparing to meet [the] case." Based on the detailed factual record before it, which included photographic and video evidence, the court held that "no negligence [could] be attributed to the defendant ski resort operator on the facts of [the] case."

CHECKS AND BALANCES

From a risk management perspective, operators who want to rely on waivers should have their contracts reviewed by counsel to ensure that they contain all of the appropriate provisions. The contracts need to cover off all forms of risk and all sources of legal liability, including statute, negligence and contract.

The waivers must not be "hidden." Make the review of the waiver mandatory as part of the event/activity sign-up process. Bold headers with colourful font need to be used to draw attention to the nature of the contract and the legal rights being affected within. Initial boxes should be used on key points and the document needs to be witnessed and signed. The original written releases should be preserved so that they can be entered into evidence.

Written and ticket waivers should also be supported by appropriate signage at the event/activity. They should be strategically placed, including at entrances and lift lines. Photologs should also be created on an annual basis so that the existence and placement of the signs can be proven in court.

Finally, appropriate and immediate investigation of accidents can go a long way toward helping support a waiver argument. Statements should be obtained, witnesses identified, scene photographs taken and physical evidence preserved.

All of this evidence is crucial to supporting a waiver defence as well as providing potential defences against negligence claims.

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

1 With the amalgamation of the global Crawford Specialty markets group and the Global Technical Services (GTS) unit, Paul Hancock [1] will head the merged division in Canada, reports Crawford & Company (Canada) Inc. The GTS unit "has expanded its service offerings to incorporate cyber risk, forensic accounting and environmental services, aviation and energy, and it has further broadened its marine and cargo services capabilities through the addition of highly qualified surveyors who possess extensive cargo and hull loss expertise," Hancock says.


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2 HUB International Limited has acquired the shares of Gamble & Associates Insurance Ltd., a brokerage with nine locations in southwestern Ontario. Terms of the acquisition were not disclosed. With the acquisition of Gamble & Associates, HUB Ontario doubles its offices in the province to 18 locations. Gamble & Associates president Barry Hogan [2] will become president of the new HUB Gamble division, as well as part of the HUB Ontario executive team. Gamble & Associates has offices in London, Sarnia, Chatham, St. Thomas, Wallaceburg, Forest, Ridgetown, Petrolia and Thamesville.

3 ClaimsPro has acquired Atlantic Canada-based Plant Hope Adjusters Ltd. Fred Plant [3a], formerly president of the adjusting service, will serve as ClaimsPro's senior vice president of operations, Atlantic Canada, working alongside Wayne Guy, the company's vice president, Atlantic Canada. Plant Hope Adjusters has 11 offices and 42 adjusters operating in Atlantic Canada. The alliance with Plant Hope Adjusters, whose services include complete loss investigation, marine surveying and claims management for insurers, provides ClaimsPro with "important regional scale," states ClaimsPro president Ross Betteridge [3b].

4 ALIGNED Insurance Inc. has acquired Precept Insurance & Risk Management Inc. Toronto-based ALIGNED Insurance, which sells commercial insurance, is "thrilled to add the entire Precept Insurance & Risk Management team and nearly 800 clients," says Andrew Clark [4], president and chief executive officer. With offices in Toronto, Calgary and Vancouver, ALIGNED Insurance provides, among other commercial offerings, property, kidnap and ransom, auto, boiler and machinery, and various types of liability.

5 Jack Wilkinson [5], a member of The Co-operators Group Limited's board, was elected president and chair of The Co-operatives and Mutuals Canada (CMC) on June 18. Wilkinson is a former president of both the International Federation of Agricultural Producers, and the Ontario Federation of Agriculture. Hazel Corcoran and Denis Richard will continue as vice-presidents of the CMC board.

6 Construction insurance broker and bond consultancy Petrela, Winter & Associates is joining the Navacord Inc. network. "As a Navacord partner, we will succeed as a bigger and stronger force in the insurance brokerage community, maintaining our entrepreneurial culture and autonomy, which is important


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11b


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to us," says Gregory Petrela [6], president of Petrela, Winter & Associates. Based in Mississauga, Ontario, Navacord was founded by Jones DesLauriers Insurance Management Inc., Lloyd Sadd Insurance Brokers and Fairfax Financial Holdings Ltd.

7 BMS Canada Risk Services Ltd. has launched Lions Gate Underwriting, a managing general agent. BMS Canada, a subsidiary of London-based BMS Group Ltd., will offer coverages, including war risk and terrorism, construction, liability, cyber and property. Shaun Johnston [7], chief operating officer of BMS Canada, has been appointed managing director of Lions Gate Underwriting.

8 Elliott Special Risks Ltd. has rebranded as Markel, the name of its parent firm, effective July 1. "By aligning our brand more closely with Markel International, we are able to further improve our capabilities and demonstrate to the Canadian market that we have grown from an MGA to a carrier," says divisional managing director Karen Barkley [8]. Markel acquired Elliott Special Risks in 2009.

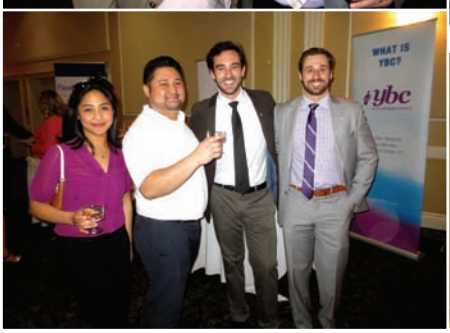
9 James Richardson & Sons Ltd. of Winnipeg reports it has agreed to acquire the shares of Wynward Insurance Group that it does not already own. Prior to the transaction, Richardson International owned 55% of Wynward Insurance. It was originally a joint venture of prairie grain elevator owners. "Our new ownership structure provides us with another opportunity to build upon our unique customer value proposition, reinforces our commitment to the broker channel, and enhances our competitive position in a very dynamic market," says Darryl Levy, president and chief executive officer of Wynward Insurance.

10 Charles Taylor Adjusting (CTA) has opened a satellite office in Montreal. "There is a growing demand in Quebec for loss adjusters with the ability to handle large and complex losses," says Michael Guy, CTA's vice president, Toronto branch manager and senior loss adjuster. Pierre-Luc Thiffeault, a licensed adjuster in Quebec, will serve as the designated loss adjuster for the office. In Canada, CTA has offices in Vancouver, Calgary, Halifax and St. John's.

11 Roar Engineering Inc., led by co-chief executive officers Michael Rochon and Vincent Rochon, has hired Barry Kozluk [11a] and Joseph Jakym [11b] as engineers. Kozluk has extensive experience establishing the cause of failures in structural concrete, steel framing and timber framing, and investigating construction-type failures related to large-loss incidents. Jakym, now a company partner who has been exposed to more than 1,000 accident reconstruction investigations, will manage Roar Engineering's accident reconstruction department.

12 Kernaghan Adjusters Ltd. has named Carol Cheney [12] as corporate services manager, working from Kernaghan Adjusters' head office in Vancouver. Cheney has more than 25 years of experience in the industry.

The **Insurance Brokers of Toronto Region (IBTR)** held its **annual Friendship Night** at Le Parc in Thornhill, Ontario on May 7. The "Night in Paris" themed social event brought together insurance brokers, insurance company reps and many dedicated Industry Sponsors giving everyone a chance to meet face to face and enjoy a fun-filled evening together with their industry peers.

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TRAVELERS
Travelers is dedicated to getting it right

Canada's insurance community raised $221,443 for **Starlight Children's Foundation Canada** at the **21st Annual Starlight Insurance Gala** – "Black & White – An Evening of Elegance Ball" held May 9 at the Carlu in Toronto. Starlight Children's Foundation Canada is dedicated to helping seriously ill children and their families cope with their pain, fear and isolation through entertainment, education and family activities. Starlight's programs are designed to distract children from their pain, help them better understand and manage their illnesses and connect families facing similar challenges so that no one feels alone. According to 2015 Starlight Insurance Charity Gala co-chairs, Sara Runnalls and Karen Akeson, in the Starlight Insurance Gala's 20 years (not including proceeds from this year's gala), the event has donated more than $3.68 million to Starlight Children's Foundation Canada; fulfilled over 947 wishes; placed 90 Fun Centers in pediatric wards across Ontario; and brought thousands of smiles to the faces of seriously ill children.

A solid turnout of 200+ industry representatives attended the **56th Annual Reception of the Quarter Century Club** on May 13 at the Albany Club in Toronto. The event was a roast for claims industry veteran Paul Hancock, National Director/Toronto Branch, Manager Global Technical Services at Crawford & Company (Canada) Inc.

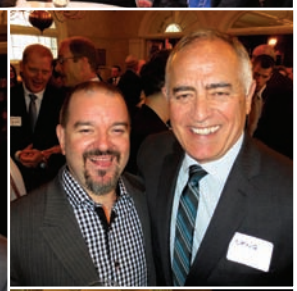




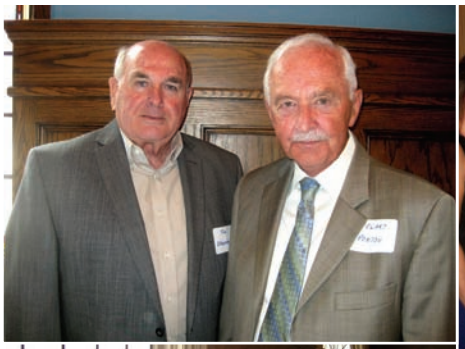














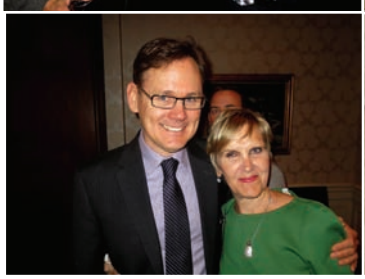












The **CIP Society – Ontario's Annual Fellows' Reception** was held at The National Club in downtown Toronto on May 20. The newest Fellow Chartered Insurance Professional (FCIP) graduates were greeted and recognized as part of a reception featuring good food and good company. Andrew Lawrence, Assistant Vice President at ACE INA Insurance, delivered the valedictorian address to graduates and guests. This year, Camille Alexander, FCIP, CRM, ICP, Director of Canadian Operations – Gallagher Bassett Canada, received the 2014 Greater Toronto Area Fellow of Distinction Award. The award, recipients of which have achieved their FCIP designations, is presented each year by The CIP Society, a division of The Insurance Institute of Canada, to recognize outstanding achievement in the insurance industry in Toronto. Colleagues nominate insurance professionals, and a nominating review committee makes the final selections of award recipients.

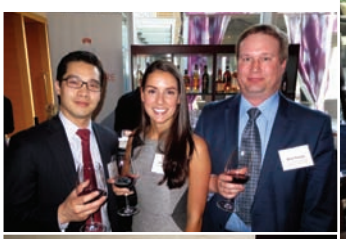
On May 20, **Ironeshore Canada's brokerage partners attended an Ironshore produced event called "In The New Normal, there is No Normal,"** where insurance, risks, trends and solutions were discussed by Ironshore senior executives. Held at the Shangri-La Hotel in Toronto, the event was to help provide brokers with insights into the current state of the insurance marketplace. With 150 in attendance, following the presentation, a cocktail reception was held to commemorate the five-year anniversary of Ironshore in Canada.
















The **2015 AGM** of the **Ontario Risk & Insurance Management Society (ORIMS)** was held at the McCague Borlack LLP offices in downtown Toronto on May 20. Outgoing ORIMS president Julian Valeri passed the gavel to incoming president Paul Provis. New ORIMS Board members include Colleen Bryan - Manulife, Terry Lampropoulos -TD Bank and Tony Rossi - Toronto District School Board. After the meeting a networking reception was held at EARLS Kitchen & Bar which hosted over 100 guests.

APPOINTMENT

Troy Bourassa

Jeff Somerville, President of Strategic Underwriting Managers Inc. (SUM) is pleased to announce that Troy Bourassa, CIP, CIOP, MBA, has joined the Company as Vice President, Operations and Claims Manager. Previously, Troy was the VP, Operations for a mid-size regional insurance carrier and prior to that Claims Director. He has been active in the industry over 18 years with notable contributions to the CICMA, IBC, the Insurance Institute, and the insurance program at Grant MacEwan University.

Strategic Underwriting Managers Inc. is an independent and 100% Canadian Managing General Agent. Operating as SUM Insurance and Morin Elliott Associes Ltee, it services Canada coast to coast from offices in Toronto and Montreal. SUM works collaboratively with first class insurers and reinsurers to design, underwrite and deliver commercial insurance products to its customers - insurance brokers. For information about us please see **www.suminsurance.ca** and **www.morinelliott.ca**

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MORIN ELLIOTT ASSOCIÉS LTÉE

The **ARC Group Canada** held its **2015 Annual Seminar and Cocktail Reception** at the St. Andrews Club and Conference Centre in downtown Toronto on May 21. This year's seminar saw experts offer their views and insight as part of the panel, A New World Order – Are You Cyber Ready? Panelists included Patrick Bourk, B.A., LL.B. Senior VP, Management Risk Practice Leader, Integro Group; Bobbie Goldie, VP Professional Risk, ACE; Eileen Greene, VP and Partner, Hub International; and Aleksandra Zivanovic, BCL, LL.B., LL.M., Hughes Amys LLP. Keynote speaker was Ray Boisvert, President of I-Sec Integrated Stategies and Endnote Speaker was Paul Hanley, KPMG's National Leader for Cyber Security. See coverage of speaker comments, including video's and links to other coverage at: http://bit.ly/arcseminar15


























On May 21st, **RSA, Commercial and Global Specialty Lines** held a **"Welcome to the Neighborhood" cocktail reception** in honour of its Marsh Canada broker partners at the Steam Whistle Brewery on Bremner Blvd. in Toronto. RSA's offices are located at 18 York Street in Toronto and Marsh Canada recently moved into the neighborhood at 120 Bremner Boulevard, Suite 800.


The **Property & Casualty Underwriter's Club (PCUC)** held its **51st Annual Charity Golf Tournament** on May 28th at Hidden Lake Golf Club in Burlington, Ontario. Always a fun day, the event is a chance for members to get out on the links and spend some quality time with clients, colleagues and vendors.

APPOINTMENT NOTICE

Sylvie Paquette

Insurance Bureau of Canada (IBC) is pleased to announce that its Board of Directors has elected Sylvie Paquette as Chair.

Ms. Paquette is President and Chief Operating Officer of Desjardins General Insurance Group (DGIG). A Fellow of both the Canadian Institute of Actuaries and the Casualty Actuarial Society, Ms. Paquette has been with Desjardins since 1984. Prior to being appointed President & COO of DGIG in 2008, she held a number of progressive leadership positions in the organzation.

Ms. Paquette has been a member of IBC's Board since 2010.

Ms. Paquette brings 30 years of experience and a deep understanding of the issues affecting Canada's private P&C insurance industry. In her IBC role, she will help member insurers to work together to address key issues such as severe weather and the creation of sustainable and affordable auto insurance markets across the country for the benefit of Canadian consumers.

IBC is the national industry association representing Canada's private home, auto and business insurers. Its member companies make up 90% of the P&C insurance market in Canada. For more than 50 years, IBC has worked with governments across the country to help make affordable home, auto and business insurance available for all Canadians.

IBC BAC

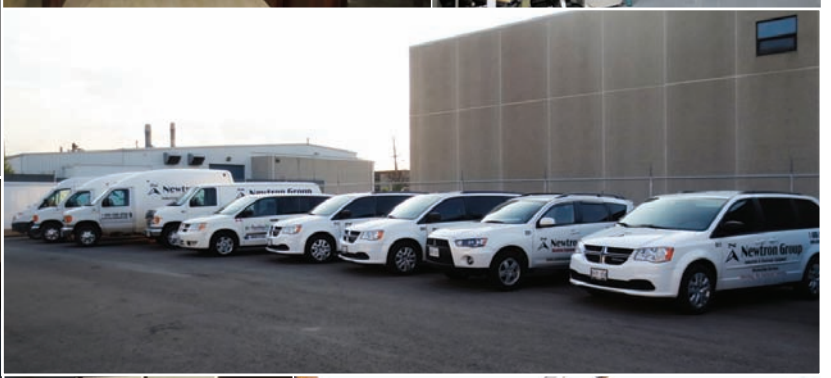
Newtron Group's "Grand Opening Extravaganza" was hosted at their new 50,000 sq/ft equipment restoration facility and headquarters in Brampton, Ontario. More than 200 professionals from the property insurance and restoration communities attended. Guests were treated to the finest of foods catered by Pusateri's and a premium spirits and cigar lounge.













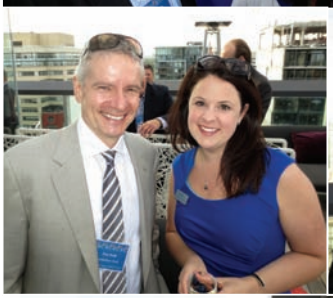


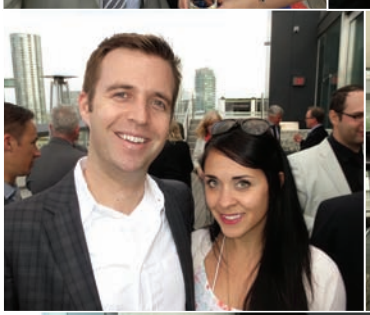


The Sovereign General Insurance Company hosted its **annual "Spring Cocktail Social" reception** on the Rooftop Lounge of the Thompsons Hotel in Toronto on May 21. Guests were treated to unparalleled views of the Toronto skyline, great music, fine food and cocktails.











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