CANADA'S INSURANCE AND RISK MAGAZINE. CANADIANUNDERWRITER.CA

CANADIAN UNDERWRITER

APRIL 2016

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Channel Surfing

BY ANGELA STELMAKOWICH

IoThings to Consider

BY BRIAN ROSENBAUM

Privacy Matters

BY BRENDA ROSE

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CANADIAN UNDERWRITER

VOL. 83, NO. 4, APRIL 2016

CANADA'S INSURANCE AND RISK MAGAZINE.
PUBLISHED BY
NEWCOM BUSINESS MEDIA INC.

www.canadianunderwriter.ca

COVER STORY

Channel Surfing

The look of property and casualty insurance in Canada, as elsewhere, is undergoing a makeover. Once-defined channels are being transformed. To some customers, where they get insurance is not as important as it once was. Do channels still matter? What does all this mean for brokers?

BY ANGELA STELMAKOWICH

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IoT Coverage Gaps

The exclusions and wordings in policies mean policyholders should not assume coverage is available for a loss related to the Internet of Things.

BY BRIAN ROSENBAUM

Dispute Resolution

With it being near impossible to appeal arbitral findings, claims resolution by arbitration can carry more risk for insurers than traditional litigation.

BY GORDON BUCK

Digital Privacy

With the *Digital Privacy Act*, the broker's responsibility to respect customer privacy continues, but new demands have been added. Brokers need to have a solid plan.

BY BRENDA ROSE

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In reviewing a typical family exclusion in homeowner policies, a B.C. court took the rare step of drafting an exclusion that would have been effective in the case.

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Photo: Mikaela MacKenzie

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CANADIAN UNDERWRITER.ca

Published by
NEWCOM
NEWCOM BUSINESS MEDIA INC.

Canadian Underwriter is published thirteen times yearly (monthly + the Annual Statistical Issue) by NEWCOM BUSINESS MEDIA INC.

Canadian Underwriter is located at 80 Valleybrook Drive, Toronto, Ontario, M3B 2S9
Phone: (416) 442-5600.

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© Published monthly as a source of news, technical information and comment, and as a link between all segments of the insurance industry including brokers, agents, insurance and reinsurance companies, adjusters, risk managers and consultants.

Subscription Rates: 2015 Canada
1 Year $51.95 plus applicable taxes
2 Years $75.95 plus applicable taxes

Single Copies $10 plus applicable taxes

Elsewhere
1 Year $71.95

Annual Statistical Issue
(included with above subscription)
or separately $39 plus applicable taxes

Subscription Inquiries/Customer Service
Bona Lao (416) 442-5600 Ext. 3552
blao@annexnewcom.ca

GST Registration number 890939689RT0001
Second Class Mail Registration Number: 08840
Publications Mail Agreement #40063170

Return undeliverable Canadian addresses to:
Circulation Dept.
Canadian Underwriter
80 Valleybrook Drive, Toronto, Ontario
M3B 2S9

We acknowledge the financial support of the Government of Canada through the Canada Periodical Fund of the Department of Canadian Heritage

Canada

Alliance for Audited Media

ISSN Print: 0008-5251
ISSN Digital: 1923-3426

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AWARDS

Expanding Credit?

Ontario credit unions will be allowed to "wholly own a wider spectrum of subsidiary businesses than currently permitted, such as insurance brokerages, so they can better compete with other financial institutions."

Angela Stelmakowich
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The Ontario government has welcomed proposed changes it suggests will up the competitiveness of credit unions and caisses populaires in the province, while also helping to better serve individuals, communities and businesses.

In recently accepting a report prepared by Laura Albanese, parliamentary assistant to Ontario finance minister Charles Sousa — which contains 15 recommendations for reform of the *Credit Unions and Caisses Populaires Act, 1994* — the minister reported in February the suggestions will protect consumers, align legislation with international best practices to mitigate risk and enable credit unions to meet evolving needs of members.

But what does this mean for brokers, if anything at all?

Among the recommended changes is that credit unions will be allowed to "wholly own a wider spectrum of subsidiary businesses than currently permitted, such as insurance brokerages, so they can better compete with other financial institutions," notes a statement from Ontario's Ministry of Finance.

Members of credit unions, including small businesses, rely on them for essential financial services, often as alternatives to banks. "Implementing these recommendations would foster a more efficient and effective regulatory framework that better protects consumers and investors while improving the competitiveness of Ontario's financial services sector," Sousa maintains.

"The report means to address recent changes in the credit union industry, including consolidation of credit unions, an increase in their asset size, and the development of new and innovative business lines that generate non-interest income," states a briefing from Blake Cassels & Graydon LLP. "The objective is to put credit unions on equal footing with the investment powers of banks."

The broker position has been to support the ban on credit unions being able to sell or market unauthorized insurance products, such as home and auto insurance.

Following the release of the Ontario budget in 2014, the Insurance Brokers Association of Ontario (IBAO) applauded the proposal therein to ban online retailing of unauthorized insurance products. "Credit unions are currently marketing insurance on their credit union websites despite the intent of regulations under the *Credit Unions and Caisses Populaires Act* that prohibits the promotion or selling of unauthorized insurance products," IBAO noted at the time. "Banks have the same prohibitions under the *Bank Act*."

The approach "protects consumers who are vulnerable at the point of lending from an obligation to purchase an important insurance product under duress," IBAO noted, adding consumers are also protected from cross-selling tactics from persons who are not properly trained to provide insurance advice.

The Blake Cassels & Graydon briefing notes the report "suggests regulatory prohibitions related to coercive tied-selling, negative option billing, maximum cheque-holding periods, or minimum account balances as conditions for loans."

To brokers, the ban on selling insurance at the point of credit in place under the *Bank Act* needs to continue.

"Authorized" products that banks can sell include creditors' disability, creditors' life, creditors' vehicle inventory, mortgage and travel. Banks, however, cannot sell home and auto insurance in their branches, and since 2012, through their websites.

The federal government noted in its 2016-2017 budget document that it is proposing to extend by two years (to March 29, 2019) the mandatory review of the act, which had been scheduled for 2017. The move has been welcomed by brokers.

"It seems like the government wants to do a thorough and proper review on how Canadians and all communities are served by the banks and insurers," Steve Masnyk, IBAC's manager of public affairs, told *Canadian Underwriter*. "We are confident the review will culminate with the notion that in the interests of all Canadians, credit-granting institutions ought not to be selling insurance at the point of granting credit."

Time will tell if changes being considered in Ontario and federally will do just that.

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Regulation

NOVA SCOTIA CHANGES AUTO INSURANCE RULES FOR MINOR ACCIDENTS

Nova Scotia's Department of Finance and Treasury Board has announced changes to auto insurance rules that "will help some drivers keep their insurance premiums stable and create consistency in the marketplace."

Options available to drivers to maintain insurance costs have been clarified, notes a press release from the provincial department.

Nova Scotia is the first province to allow voluntary payments. When a driver has a minor at-fault accident without resulting injuries, he or she may be able to reimburse the insurance company for the cost of the resulting damages.

Under the changes, once a voluntary payment is made, the accident is registered as not-at-fault, and does not affect the driver's record.

BC COURT URGED TO HEAR APPEAL ON ACCIDENT CAUSED BY DRUNK PASSENGER

A dispute between the Insurance Corporation of British Columbia (ICBC) and a woman seriously injured in a vehicle crash, arising from an intoxicated passenger grabbing the steering wheel, could reach the Supreme Court of Canada.

The Supreme Court of Canada noted in a recent bulletin that all materials on the leave application have been submitted to the court.

British Columbia's Court of Appeal ruled against ICBC in the case of Marnetta Felix, who had been awarded damages of almost $800,000, plus costs, after suing the estate of Kevin Hearne.

Felix sought to have ICBC indemnify the estate of Hearne, as passenger of the vehicle she was driving, who grabbed her steering wheel, resulting in an accident that killed Hearne and seriously injured Felix.

Unsuccessful before the Supreme Court of British Columbia, the ruling was later overturned by the province's appeal court.

ONTARIO HOME INSPECTOR LICENSING BILL PASSES SECOND READING

A bill proposing to introduce home inspectors' licensing in Ontario, as well as to provide for regulations mandating liability insurance, was recently referred to a committee of the legislature.

If the private member's bill, the *Licensed Home Inspectors Act*, is passed into law, it would be illegal to perform a home inspection in Ontario without a licence.

The bill proposes allowing the Ontario government to make regulations "prescribing the types of insurance they must have, which must include coverage for errors, omissions and commercial general liability," and setting minimum coverage levels.

The bill has passed second reading and been referred to the committee.

Canadian Market

ENHANCED CYBER, TECH E&O PRODUCTS LAUNCHED

IronPro, the financial and professional lines unit of Ironshore, is introducing a suite of enhanced cyber and technology errors and omissions products customized for the Canadian marketplace.

The products will also provide eligible Ironshore Highly Protected Information policyholders with cyber monitoring and alert services (CMAS) during the policy period, reports Ironshore.

If there is a potential risk, CMAS generates and transmits a cyber risk warning alert to a predetermined point of contact at the insured for immediate action.

Information security firm BorderHawk has been engaged to provide CMAS services to detect potential threat indicators and extrapolate such knowledge into an indication and warning process for IronPro insureds.

HIGH CONSTRUCTION SPEND SPURS MOVE TO EXTEND OFFER TO MID-SIZED FIRMS

Mid-sized construction firms in the United States and Canada now have access to certain Chubb insurance products and services previously only available to large national and international construction companies.

The products will be handled through the company's expanded Construction Industry Practice.

The decision to offer the products and services to mid-sized companies follows higher construction spending in 2015, Chubb reports, citing figures from the American Institute of Architects.

Building construction spending was up more than 16% through November 2015 compared to the same period in 2014. Growth levels for 2016 and 2017 are forecast to be "healthy."

NEW CYBER COVERAGE INCLUDES NETWORK INTERRUPTION

Markel Insurance Company of Canada has announced the availability of a cyber risk product that includes a cyber risk help line provided by NetDiligence and access to the response team at law firm Fasken Martineau.

The new cyber product includes cyber liability and first-party coverages for data protection, cyber risk and network interruption, the company reports.

It also offers a privacy, data breach and electronic risk endorsement that can be sold in conjunction with most of the company's policies.

Among other things, the company's cyber customers "will have access to the cyber response team at Fasken Martineau, including lawyers in every major Canadian centre, to provide expert legal and technical IT security guidance on a range of issues arising from cyber and data protection risks."

Technology

AUTONOMOUS VEHICLES NOT NECESSARILY A THREAT TO INSURANCE PROVIDERS

Personal auto insurance providers cannot afford to wait 10 years to adjust their business for autonomous vehicles, but driverless cars do not necessarily pose a threat to their business, suggests Tim Bzowey, head of home and auto for RBC Insurance.

Alluding to the autonomous vehicle pilot launched by Ontario's Ministry of Transportation, Bzowey said at a recent Insurance Institute of Ontario-hosted event that while the province will require autonomous vehicles to have a driver capable of taking over, published reports in the United States indicate Google wants Congress to provide the company permission to bring to market a self-driving vehicle with no steering wheels or pedals.

"If you have no control over the vehicle, the whole notion of a personal rating… falls away," Bzowey explained. "This whole line of business can effectively go away."

But "while one door closes, another one opens, and for me, it's our willingness to grasp those new opportunities that come forward," he said, citing product liability coverage as an opportunity.

"Personal lines insurers will need commercial expertise to stay in the game. They will also need richer data and more informed research and advanced analytics," he said.

MILLENNIALS MOST LIKELY TO BUY INSURANCE ONLINE USING TABLETS, PHONES

Consumers from the Millennial generation are more likely to buy insurance online using a tablet or mobile phone than their older counterparts, notes United Kingdom-focused research released by Finaccord.

Covering a range of different insurance products commonly acquired by individual customers, the research found 16.2% of all online purchases of these policy types in the U.K. in 2015 were originally made via a mobile device, with the remaining 84.8% acquired online through a laptop or desktop computer.

Among Millennial consumers (34 and younger), 20.3% of policies bought online were purchased using a mobile device, segmenting between 13.9% using a tablet and 6.4% using a mobile phone, Finaccord reports.

The company suggests the findings are important for both underwriters and intermediaries marketing insurance products to consumers.

Claims

U.S. WINTER STORM AFFECTED CANADA

Total economic losses from the late-February winter storm in the United States that was felt in eastern Canada are estimated in the millions of dollars (U.S.), notes Impact Forecasting.

Accumulating snow, freezing rain, ice and flooding led to damage in parts of Quebec, Ontario and Atlantic Canada.

Also, almost 300,000 people lost electricity when fallen trees downed power lines.

ALLEGED FRAUD SCHEME SPURS CHARGES

Aviva Canada has reported that Toronto police have laid fraud-related charges against a chiropractor, a paralegal and a clinic employee.

None of the allegations have been proven in court.

"An Aviva Canada customer who stepped forward after allegedly facing pressure to lie about accident injuries prompted the investigation," the insurer reports, adding it subsequently provided police video and supporting evidence that led to the charges.

An undercover "investigator was told he would get a $10,000 insurance settlement in approximately one year; $3,000 to be retained by the law office and $7,000 for the investigator," Aviva adds.

Risk

RANSOMWARE RISKS, RISE OF IOT CHALLENGING CANADIAN ORGANIZATIONS

Increased risks of ransomware and extortion-driven attacks, as well as the rise of the Internet of Things (IoT), are challenging Canadian organizations in new ways, notes a new report from KPMG.

KPMG identified five key cyber security trends that are putting heightened pressure on organizations to protect, detect and respond to new adversaries and threat tactics, while preserving their trust and reputation with customers.

These include the rise in extortion-driven and ransomware incidents; mandatory breach notification; and increased risk with use of mobile devices and the growing pervasiveness of IoT.

"Oversight is a key component of a defensible position, so proper metrics and oversight should be in place for audit committees and boards," KPMG recommends.

DISTRESS, DIVESTMENTS TO DOMINATE MINING DEALS

Financial stress among Canadian mining and metal companies drove transactions to a decade-long low in 2015 and that environment is expected to shape the sector's merger and acquisition (M&A) activity in 2016, suggests Ernst & Young (EY).

Deal activity is now in its fifth consecutive year of decline across the sector, with overall volume dropping 34% to 358 deals, from 544 deals in 2014. Deal value also dropped 10% to US$40 billion, from US$44 billion in 2014.

Anticipating transaction risks such as separation and regulatory and joint venture approvals becomes even more important in this market, EY notes. Prospective buyers will reduce valuation, or even walk away, if issues are not adequately addressed.

Healthy Brokerages

Greg Meckbach
Associate Editor

Volunteering with industry associations is "about the health of the industry," says Robyn Young, president of the Insurance Brokers Association of Alberta.

With both the federal and Alberta elections last year, educating rookie politicians on issues affecting insurance brokers was one of the activities that has kept (and continues to keep) Robyn Young busy as president of the Insurance Brokers Association of Alberta (IBAA).

By day, Young is a principal and member of the Board of Directors for Lundgren & Young Insurance Ltd., the Calgary-based business that she and her brother, A.J. Young, bought from their parents. She is also chief operating officer of Southland Registrations Ltd., whose services include vehicle and driver licensing.

Young, whose term as IBAA president ends this May, has served as the association's president-elect, vice president and chair of the Calgary local council.

IBAA is another thing that the brother and sister have shared. "My brother was the previous chair of the local council, and I was working on organizing some of the events," she says. "The person that replaced A.J. stepped down and I decided I was doing most of the work anyway and I should just step up and take the credit for it," quips the former Calgary director of the Professional Young Insurance Brokers.

"Being involved in the association and just being involved in our industry — it's about the health of the industry as a whole," Young suggests. One challenge to that health, however, is the pace of change.

"Technology is probably the biggest disruptor," she comments. "Brokers in our industry have to recognize that insurance isn't a 9-to-5 job anymore. Our customers need to be able to access us when and how they want to access us, and we have to adapt to that if we want to stay relevant," she contends.

Brokers also "need to start thinking" about the effect, on the insurance industry, of the sharing economy and self-driving cars, Young recommends.

ON THE RADAR

Government relations is a major activity for IBAA, and the federal *Bank Act* is "always on our radar," she says.

The legislation prohibits banks from selling insurance, other than eight "authorized" types, through branches. Since 2012, that prohibition has also meant banks may not provide links, from their web pages, to other web pages, through which any type of insurance other than "authorized" coverages (credit or charge card-related, creditors' disability, creditors' life, creditors' loss of employment, creditors' vehicle inventory, export credit, mortgage and travel) are sold.

Originally scheduled to be reviewed in 2017, the federal government reported in its budget document for 2016-2017 that it proposes to "extend the current statutory sunset date (for the *Bank Act* review) by two years to March 29, 2019."

The extension "is probably good" for the insurance industry, Young suggests, adding that "we feel that banks ought not to sell insurance at the point of granting credit, particularly (property and casualty) insurance."

As well, the delay will provide more opportunity for brokers to educate federal parliamentarians elected this past October. That education is just one way associations like IBAA are advocating on behalf of brokers, she says.

The federal election that resulted in a Liberal government came five months after the New Democratic Party (NDP) won a majority government in Alberta. That being the case, Young says IBAA officials are meeting with new members of Alberta's legislative assembly as well.

"We have tried to get in and see as many MLAs as we can just to introduce ourselves and let them know about our industry and what we do and how we do it," Young reports. "Lots of people have a lot of confusion on the difference between a broker and an agent, or a broker and a direct writer," she explains.

"When your family works in the industry, you have a lot of family dinners with lots of insurance-related conversation," Young says, "and it just kind of becomes ingrained in you."

Along with George Hodgson, IBAA's chief executive officer, Young met with Alberta finance minister Joe Cici last July. "We had no indication at all that there were any concerns in our industry," she recounts of the meeting with Cici.

"Obviously, when the NDP government was first elected, there is always concern that they may look at government auto, but we didn't get any indication on that," Young says. "Of course, that could

change, but we didn't receive any indication that that's even something that's on their radar. There's nothing broken in our industry that needs to be fixed that way," she adds.

ROAD WORK, FLOOD ISSUES

One way that auto insurance is changing, however, is with the rise of telematics. IBAA plans to present a position paper on usage-based auto insurance to its members at the upcoming Annual General Meeting (AGM).

"It will be released to our members 45 days prior to our AGM and then voted on at our AGM," Young says of the paper. "It is centred on who owns the data and, as an association, we believe that the customer should own the data and that it should be portable," she says of the association's general position on telematics. "There are five different positions and they all centre around that."

Another key issue facing brokers in Alberta, as elsewhere, is overland flood coverage. In the summer of 2013, Canada's costliest natural disaster, when measured by insured losses of almost $2 billion, took place in southern Alberta.

To address coverage gaps for homeowners experiencing water damage, Aviva Canada and The Co-operators Group rolled out overland flood coverage in the spring of 2015. RSA followed suit towards the end of the year and this past February, Gore Mutual announced the availability of its own product for some Ontario customers.

Photo: Mikaela MacKenzie

"There have been a lot of different products coming into the marketplace regarding overland water insurance," Young says. "They all have their different pieces to them and that can be confusing. We have to make sure the brokers have the knowledge to educate their customers and that their customers understand the coverage regardless of which company they're with," she says.

REWARDING CHOICES

Like most insurance professionals, Young "fell into" the business. Born in Winnipeg, her family moved to Calgary in 1987.

"It was never necessarily my intent to grow up to be an insurance broker," says Young. "When I was four, I wanted to be Wonder Woman. When I was in Grade 5, I wanted to be a lawyer, and I don't think insurance was ever really on my radar," she recalls.

"But when your family works in the industry, you have a lot of family dinners with lots of insurance-related conversation and business-related conversation, and it just kind of becomes ingrained in you," Young points out.

By the time she was 19, Young had started Southland Registrations, a family business. "I started on the front counter doing customer service and worked my way up to manager," she says.

While Young was at Southland Registrations, her parents operated Lundgren & Young in partnership with Jack Lundgren, who founded the brokerage in 1983. Her parents acquired Lundgren's interest in the business in 2000, and then two years ago, sister and brother bought the brokerage from their parents.

Young's roles with Lundgren & Young have included managing a branch office and administrative responsibilities. "I have done a bit of everything here and there," she says.

While not busy with her jobs at Lundgren & Young and Southland Registries — or volunteering with IBAA — Young's favourite past-times include camping and riding her Harley motorcycle.

Despite earlier ambitions to enter law (or save the world as Wonder Woman), Young has been very happy with her career choice. "A lot of people think insurance is boring and I think insurance is sexy," she says.

Her experience as IBAA president has also been "truly rewarding," allowing her to get to know many brokers and other professionals in the industry. "If I could do it again, I would do it again in a heartbeat."

Opinion/Analysis

Things to Consider

The Internet of Things brings with it both risks and rewards. But given the exclusions and wording issues in a number of policies, coupled with the paucity of judicial analysis, policyholders should not assume that coverage is available in the event of an IoT-related loss.

Brian Rosenbaum
Senior Vice President, Financial Services Group,
and National Director, Legal and Research Practice,
Aon Reed Stenhouse Inc.

One of the greatest challenges that the insurance industry will deal with over the next few years is how to effectively and profitably transfer the risks associated with machine-to-machine technology or the Internet of Things (IoT).

IoT is a term that has been defined in a variety of ways. For example, consider the following definition: it is a system of intelligently connected smart-computing devices, machines, objects, animals and people that have unique identifiers and, as a result, can sense one another and communicate without the impetus of human-to-human or human-to-computer contact, thus changing how, where and by whom decisions about the physical world are made.

The benefits conferred by IoT in all facets of life are obvious and immense, including those below:

- healthcare devices can continually monitor medical and health information of humans and animals, as well as transfer such information at lightning speed;
- through wireless tracking and monitoring programs, manufacturing facilities can increase efficiencies in supply chain logistics, inventory tracking and line production;
- smart home and building environments can be controlled by mobile devices through the Internet; and
- city infrastructure such as electrical grids, water, traffic and sewage systems can be operated via devices that are connected through wireless networks.

Along with these benefits, however, is the fact that the more people rely on the interconnectivity of devices through closed and open networks to control the things in the world, the more everyone is vulnerable to cyber crime, extortion and disruption. This is especially true because the rate at which the IoT phenomenon is unfolding often does not give IoT innovators the time to develop adequate security measures for device-to-device communication.

IoT risks are no longer theoretical. There have been IoT attacks where manufacturing facilities have been blown up, oil and gas pipelines have been set on fire, consumer vehicles have been hijacked, medical devices have been tampered with, and building and home environmental systems have been disabled. These incidents have caused both property damage and/or personal injury to organizations, governments and individuals, resulting in various heads of economic loss.

Illustration by Marc Mones/threeinabox.com

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In theory, a number of insurance policies — including cyber, commercial general liability (CGL) or property — could provide some coverage for these types of losses. But do they? What has the insurance industry provided to consumers, governments and organizations in the way of risk transfer to deal with IoT exposures?

CYBER INSURANCE

The focus of cyber liability insurance over the past decade has been to protect insured organizations from losses arising out of the unauthorized access to, or loss of, individuals' personal identifiable information that the organization has collected (this has been extended to include the loss of non-personal confidential information of a third party).

There are two fundamental coverages provided by the typical cyber policy. The first covers the organization's own costs (first-party costs) in investigating and mitigating the effects of the breach, as well as complying with applicable privacy laws, regulations and guidelines (that is, notification, forensic investigation, credit monitoring, call centre and breach coach costs) irrespective of whether a third party, such as a customer, client or employee, sues the organization for a breach of security or privacy.

The second provides third-party liability protection by paying for defence costs, as well as amounts to settle or satisfy a judgment or pay an insurable fine levied by a regulator as a result of an investigatory or regulatory proceeding. Additional coverage can be purchased for cyber extortion, business interruption and digital asset restoration.

It would be easy to conclude that coverage might be available under a cyber policy for IoT losses resulting from a cyber breach. However, that is likely not the case. All cyber policies contain some sort of bodily injury and property damage exclusion that states the insurer is not liable for the payment of loss if the claim is for either personal injury or property damage.

Since IoT exposures most often result in either property damage or personal injury, organizations should not look to their cyber policies for fulsome coverage for those type of losses. The rationale for this exclusion is that these types of matters should be covered under other insurance, namely property or CGL policies. But is that truly the case?

CGL POLICIES

The CGL policy is the most popular type of insurance businesses typically purchase. The basic CGL policy protects the policyholder from liability for bodily injury and property damage caused to third parties. For damaged property to be covered, it must be tangible in nature.

While it may appear at first that a CGL policy would cover many of the losses resulting from an IoT exposure, there are a number of exclusions and wording issues that could create coverage issues.

The first potential hurdle to accessing insurance proceeds under a CGL policy for a hacking incident is that courts have vacillated about whether or not data is tangible property. If the damage to property or persons comes as a result of the damage to, or manipulation of, data, and the data is not considered tangible property, coverage for the resulting physical losses could be limited. As well, many CGL policies contain broad electronic data exclusions that could limit or preclude coverage where a device or system is accessed through unauthorized means.

IoT losses that arise, in part, out of malfunctions within a device itself as a result of an intrusion may not be covered by application of the impaired property exclusion. This exclusion could reduce or eliminate coverage for coding errors and other software defects exacerbated by some sort of malicious code or malware.

CGL coverage for IoT-type losses has not been thoroughly tested in the courts and there is enough potential for ambiguity in this coverage such that there is no certainty about the extent to which a CGL policy would respond.

PROPERTY INSURANCE

Property insurance covers the policyholders' own assets. It will provide protection for losses that arise from direct physical loss of, or damage to, covered property caused by, or resulting from, any covered cause of loss. Property policies can be written on a named-peril basis or on an all-risks basis.

But in either case, if there is a property loss occasioned by a flood or explosion (two perils that are almost always covered under a property policy) at an organization, the policy will respond. That said, will the policy respond if the flood or exposure is caused by a cyber event such as a hack?

Similar to CGL policies, some property policies have electronic data exclusions. These exclusions could certainly limit coverage for IoT incidents.

Further, the majority of property policies are silent on whether or not they will respond to cyber-related damage. As such, it is unclear if the property damage resulting from an explosion that was caused by a malicious code will be covered.

Unlike CGL policies that have been tested to some degree in courts with respect to IoT losses, there has been virtually no judicial analysis of available coverage under property policies for first-party claims arising out of cyber incidents.

As it stands, policyholders are no more secure relying on their property policies for first-party coverage for IoT exposures than they are in relying on their CGL insurance for third-party liability protection.

AUDITING FOR COVERAGE GAPS

Given the uncertainty in coverage under cyber, CGL and property policies for IoT-type exposures, it is advisable that organizations be proactive and undertake a comprehensive review and audit of all of their insurance polices to identify gaps in coverage. This is, by no means, an easy task as there are vagaries in all wordings and few legal precedents to provide guidance.

But stress testing of policies against plausible loss scenarios can be useful in identifying coverage issues. It is highly recommended insured organizations enlist the help of a well-informed insurance professional to assist in this endeavour.

RISK TRANSFER SOLUTIONS FOR IOT

Identifying gaps in insurance coverage for IoT is only the first step. The insurance industry has a meaningful opportunity to come up with IoT risk transfer solutions for policyholders. Although there are a few specialized insurance policies that expressly, and with much more certainty, cover IoT exposures, they are offered only in certain industry sectors, largely in excess or umbrella form or are relatively expensive.

Brokers must help to innovate coverage on a grander scale to deal with a broad range of insureds with IoT risk. They must push the insurer community to clearly define where coverage is, and is not, and be well-informed to explain it to their clients.

If the client/broker community will be one of the impetuses for change, the insurer community will have to embrace that change. A major challenge for insurers, however, will be how to profitably underwrite and charge for IoT risks without reams of loss data and analysis.

In addition, insurers will have to determine if they wish to cover liability issues arising out of IoT things in CGL policies, property and cyber policies, or in a new and commercially available insurance wording.

If the former, insurers are going to have to remove some of the exclusionary language that currently exists in these policies, revamp a number of terms and conditions, and implement clear and express wording with respect to how they will respond to IoT-type claims.

There is little debate that the advent of IoT has changed the world significantly, in many cases for the better. However, the risks of machine-to-machine technology are real, significant and current. The insurance industry, as a whole, has not properly and thoroughly examined the extent to which it is currently providing coverage for these risks, nor has it dealt with a multiplicity of ambiguous, overlapping and unclear wording in the insurance policies it offers.

Policyholders are concerned about their IoT risks and are asking questions about what is, and is not, transferred in their respective insurance programs. The insurance industry must have answers for them. Clearly, there is much to be done.

Who Pays for Recovery?

Canada can learn from the earthquake experience and loss elsewhere. Brokers in British Columbia are heartened by growing government support around prevention and recovery, but believe a shift from post-event disaster funding to securing funding sources before an event occurs will only help to further enhance resilience and reduce losses.

Clay Germain
President,
Insurance Brokers
Association of
British Columbia

Canada may not have the earthquake loss history of other countries. But with the coast of British Columbia along part of the world's most active quake zones — the Pacific Ring of Fire — the province can benefit from the lessons learned elsewhere. That information is of particular interest now with the heightened public awareness and government support of initiatives to prevent and recover from an earthquake.

EXPERIENCE THAT MATTERS

This year marks five years since the world's highest economic losses from earthquakes on record. A 2012 earthquake analysis by the Center for Disaster Management and Risk Reduction in Germany notes earthquakes and their consequences in 2011 caused damages amounting to US$365 billion.

The countries hit hardest were New Zealand, with a series of large earthquakes near Christchurch in February, and Japan, with the Tohuku quake and tsunami the following month in March. The earthquakes and their after-effects destroyed or damaged more than 1.7 million buildings globally; more than 1 million of these in Japan.

The year 2015, for its part, marked the 10-year anniversary of Hurricane Katrina, which caused US$108 billion in damage to New Orleans and still represents the costliest natural disaster in the history of the United States. In 2012, Superstorm Sandy caused US$62 billion in damage along the U.S. eastern seaboard, while closer to home, the 2013 floods in southern Alberta caused $6 billion in damage, overtaking the 1998 ice storm to become Canada's costliest-ever natural disaster.

Each of these events — and others like them — brings with it experience that people in other jurisdictions can apply to their prevention, response and recovery plans. The lessons are piling up and, for better or worse, are becoming an expensive, somber and significant reminder of the need to change.

The good news is that there is increasing awareness and discernible progress in the public and private sectors about the need to increase resilience. Experience has also shown that recovery success depends on access to funding for reconstruction. Who pays for that recovery?

RING OF CONCERN

The Pacific Ring of Fire that takes in New Zealand, Japan and Chile (which has sustained several quakes, including a major one in 2010), also encompasses the North American coastline stretching from Alaska to California. Specifically, the ring includes the Cascadia Subduction Zone, running about 1,000 kilometres from northern Vancouver Island to northern California.

The plates in the Cascadia Subduction Zone are locked and when they release, it has been predicted that based on earthquakes experienced in similar situations around the world, they will do so in a megathrust. In other words, the result will be an estimated magnitude 9 "big one."

The state, provincial and municipal governments within this zone have responded to the new science about the risk level by upgrading their resiliency plans.

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GETTING ACTIVE IN THE PROCESS

Property and casualty insurers and brokers have, of course, been actively involved with government in this process. Henry Renteria, former director of the California Governor's Office of Emergency Services, was commissioned by the British Columbia government in 2014 to consult with stakeholders and recommend ways the province can increase its emergency-response capacity.

Representatives of the Insurance Brokers Association of British Columbia (IBABC) and Insurance Bureau of Canada met with Renteria during his listening tour of the province.

In early 2015, Renteria submitted his recommendations, and a few months later, Emergency Management B.C. (EMBC) released its "B.C. Earthquake Immediate Response Plan." Notably, EMBC outlined its role in immediate and sustained response, and stated that recovery was the responsibility of others.

And this past January, the office of Naomi Yamamoto, British Columbia's minister of state for emergency preparedness, initiated a public consultation on proposed changes to the province's *Emergency Program Act*.

Best practices in emergency management have evolved significantly over the past two decades, but the act has remained largely unchanged since its introduction in 1993. Proposed amendments reflect Renteria's recommendations and align British Columbia with other jurisdictions, including Alberta and Manitoba, that have already modernized their emergency management laws.

Canada's p&c insurance industry is making progress on managing an exposure that has the capacity to incur the largest claims costs ever.

In late 2013, Insurance Bureau of Canada (IBC) released a comprehensive impact scenario conducted by AIR Worldwide that estimated a magnitude 9 earthquake event hitting British Columbia's southwest would have a total economic loss (including direct losses to property and infrastructure and indirect losses resulting from supply chain interruptions and network disruptions) of almost $75 billion. Of that amount, only an estimated $20 billion will be offset by insurance.

Still, IBC surveys of consumer attitudes about insurance to date have indicated more public education is needed. (On a national basis, about one-third of surveyed consumers report that they are not prepared and know they are not; about a third are not prepared and do not know it; and a third are insured and know it.)

Earlier this year, IBC provided its members with new advisory wordings for earthquake coverage that could provide more choice and diversity in future earthquake coverage products, something brokers have been asking for.

UNDERSTANDING THE NUMBERS

But more needs to be done, and to understand how much more, one first has to start with the number that is hard to imagine: $55 billion in uninsured losses.

The difference between total economic losses and insured losses is referred to by global reinsurer and insurer Swiss Re as the "protection gap." Much of this gap is the result of uninsured natural catastrophe risk, which has been rising steadily over the past several decades.

In its 2015 report, *Underinsurance of Property: Closing the Gaps*, it estimated that in the last 10 years, cumulative total damage to global property from natural disaster events was US$1.8 trillion, and only about 30% of those losses were insured. AIR Worldwide's scenario estimate of a $55 billion funding shortfall for a British Columbia earthquake is consistent with Swiss Re's global estimate of a 70% protection gap.

The Cascadia earthquake could be over in a matter of minutes, while response efforts would likely be over within a few weeks. But the long road to recovery will take many years, span several electoral cycles and redefine the lives of British Columbians.

Brokers continue to encourage government to shift from a post-event approach to disaster funding to one that secures funding sources before a disaster occurs. The approach should have resiliency mechanisms already in place at all levels of society so that recovery can start in an orderly manner, thereby saving time and reducing hardship.

Government cannot shoulder the burden of recovery alone. Resiliency is a shared responsibility. The concept of a public/private partnership has been recommended by Renteria, Emergency Management B.C., IBABC and other stakeholders, and is also supported by those with first-hand experience with disaster recovery.

The number one lesson learned from the southern Alberta floods in 2013 is that recovery should start immediately after a disaster, with an intensity of effort that matches the need. Achieving this goal requires a highly resourced and functional level of support and resiliency of both the private and public sectors.

Perhaps most difficult of all is the culture shift that is necessary for consumers to understand and accept their responsibility for their own recovery. Brokers have urged government to provide more clarity around the ineligibility of insurable losses for government-funded disaster financial assistance.

Homeowners' record levels of consumer debt and their lack of savings will make it extremely challenging for them to pay deductibles to start reconstruction.

ENTERING A NEW PHASE

Brokers are doing their part to educate their clients on the risks of earthquake, liquefaction and tsunami. They are also adopting their own business continuity plans and encouraging their business clients to do the same.

Updated emergency management statutes around the country have adopted the four phases of emergency management: prevention, preparedness, response and recovery. As New Zealanders recognize the fifth anniversary of the earthquakes that so changed their lives, they take pride in having turned the corner on their recovery and moving on to a fifth phase: regeneration.

People in British Columbia have the opportunity to learn from their experience and develop contingency plays that would rebuild within five years of a major quake. That is the challenge.

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Associated with comfort and warmth since caveman days, the word "fire" can also be one of the most terrifying in the English language. For farm and commercial customers, that's especially true when it's being used to describe the reason their operation has just suffered a total loss.

Fires in non-residential settings typically come with much higher costs than their counterpart in personal lines. With the added losses of production, inventory, or livestock, they can also be financially and emotionally devastating to their owners.

J.B. Hahn, Risk Services Manager at Economical, says that's the reason the insurer started looking for more proactive ways to tackle fire prevention several years ago. "Electrical was the number one cause of total farm losses due to fire," he said. "We needed to be able to give farmers a concrete way to zero in on — and remedy — the specific electrical exposures."

In 2007, Economical purchased two infrared cameras at a cost of $25K each, and J.B., a licensed electrician by trade, began a new career in thermography — the science of detecting potentially disastrous hot spots that are invisible to the naked eye. Within a few years, 17 more cameras were purchased and, as demand for the service grew, complimentary consultations were extended to commercial customers.

These days, hundreds of Economical policyholders across Canada benefit from the expertise of a team of 14 thermographers, professionals who specialize in converting mysterious-looking, multi-coloured data into useful, actionable information. "It's a really rewarding line of work," said J.B. "Because we know that, in many instances, our assessment has very likely just prevented someone's livelihood from being wiped out."

Having found everything from permanently fused electrical outlets to a 600-degree Celsius arc flash, he's not exaggerating. "We get some really heartfelt thanks from our broker partners and customers," he said. "They recognize and truly appreciate the enormous value of the service. But the fact that it's free for qualifying customers, well, that just blows them away."

That Economical offers thousands of dollars' worth of thermography consultations at no charge — particularly considering the cost of the software alone is six figures — speaks to the value of such predictive maintenance. At farms with confined livestock or manufacturers with significant electrical load, locating and eliminating potential large-scale losses can be the difference between making and avoiding a claim worth millions of dollars. Continued follow-up, where warranted, is just another value-added service of the program.

"All of our thermographers are in-house," explains J.B. "That sets us apart in the market." This includes certified electricians who can remove the breaker panels and interpret amp readings. "That means we don't have to outsource and charge an extra fee for that service either, so brokers are impressed and the customer is grateful."

"They recognize and truly appreciate the enormous value of the service. But the fact that it's free for qualifying customers, well, that just blows them away."

Electrical panels can be scanned with the covers off, while plants are in full production, so there's no need for equipment shutdown. The thermographer's recommendations are then pulled into an action plan that's delivered to the broker, who then presents it to the customer.

To learn more about taking advantage of thermography services with Economical, watch "Seeing is believing" at **bit.do/thermography** and talk to your Business Development Advisor.

Privacy Matters

Brokers clearly understand the need to respect customer privacy. With the passage of the *Digital Privacy Act*, that responsibility continues, but a few new ones have been added. Brokers should have a plan, choose partners wisely and identify potential liabilities.

Brenda Rose
Vice President and Partner, FCA Insurance Brokers and Technology Champion, Insurance Brokers Association of Canada

Life has become more complicated in the insurance business.

Insurance coverage decisions, and corresponding rates, have always been derived from the information available about a given individual or risk.

With the analytics tools now available, however, decisions can be tied even more closely to individual characteristics, rather than to average experience. Very specific data is the prerequisite for such analytics science to be effective, with the result that in order to serve their customers' needs, brokers must collect and share ever-greater amounts of detailed information about diverse aspects of their lives.

Various pieces of Canadian legislation determine how individuals' information may be used. The *Privacy Act* of 1983 set out basic parameters for the federal government's handling of personal data. Then, in 2000, the *Personal Information Protection and Electronics Act* (PIPEDA) enshrined more detailed responsibilities for all organizations.

PIPEDA articulates the following 10 guiding principles, which are intended to protect consumers when they entrust their personal information to others:

- accountability;
- identifying purposes;
- consent;
- limiting collection;
- limiting use, disclosure and retention;
- accuracy;
- safeguarding information;
- policy accessibility;
- information accessibility; and
- addressing complaints.

BROKER VALUE PROPOSITION

The concepts embedded in PIPEDA have always been intrinsic to brokers' basic value proposition; a fundamental respect for an individual's situation and protection of that privacy are prerequisites to effectively serving insurance consumers' needs. "We understand how important it is for brokerages to implement a meaningful and robust approach to privacy protection," comments Patrick Ballantyne, chief executive officer of the Registered Insurance Brokers of Ontario (RIBO).

"From a RIBO perspective, the requirement to maintain confidentiality has long existed in the *Code of Conduct*," Ballantyne says, which states, in part, the following:

> *A member shall hold in strict confidence all information acquired in the course of the professional relationship concerning the business and affairs of the member's client, and the member shall not divulge any such information unless authorized by the client to do so, required*

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by law to do so or required to do so in conducting negotiations with underwriters or insurers on behalf of the client.

Similar language is echoed by regulators across the country. For example, the Insurance Council of British Columbia has long stated that there is "… no tolerance for intentional unauthorized access to or use of a person's information," and an entire section of the council's published *Code of Conduct* is devoted to client confidentiality guidelines.

Nevertheless, in 2015, the *Digital Privacy Act* was passed by the Parliament of Canada to amend PIPEDA and align it further with privacy statutes elsewhere. Additional responsibilities have been created that impact how brokers and insurers look at how they manage data, and how they communicate with customers about the risks associated with their own information.

NEW ACT, NEW OBLIGATIONS

The legislation applies to all organizations in Canada not otherwise subject to more specific provincial laws. New, additional obligations are included for organizations to track and record any and every breach of security involving personal information.

Further, the new stipulations require organizations suffering a breach to notify affected individuals and the Privacy Commissioner of Canada "as soon as feasible," in any situation where a breach represents "real risk of significant harm."

The concept of consent has been elaborated from its original expression in PIPEDA, so that now consent for collection, use or disclosure of information is deemed to be valid only if the individual understands fully the nature, purpose and potential consequences of sharing their information. The 2015 revisions also make a number of amendments to the exceptions where consent is not necessary for information to be disclosed, situations such as fraud or other criminal investigations, employment relationship management, or due diligence for potential business transactions.

Unlike the United States, there is no detailed breakdown of what constitutes "personal information" within the Canadian legislation. While the U.S. system provides a finite list of the specific types of data subject to special safeguarding, in Canada, "personal information" is simply "information about an identifiable individual."

This scope, therefore, includes any data that could lead to identifying an individual. Current analytics tools can

use virtually any collection of details to identify an individual by their consumption and activity patterns.

Developing a plan

For brokers, the consequences of the legislative updates are manifold. A brokerage's privacy strategy impacts every aspect of an operation, as customer information lies at the heart of every relationship and exchange. The new, added responsibilities and refinements can, consequently, lead to a wholesale review of all established processes within a firm.

In order to track all breaches as required by the *Digital Privacy Act*, security measures in place for a brokerage's internal and external network connections need to include the ability to both monitor and report on all access. Regular routines for reviewing the reports are also needed, so that unusual activity and warning signs are identified promptly.

Every operation is unique and the information collected varies, so the legislation does not mandate the specifics of monitoring, but instead is concerned with the capability of a business to be accountable. In addition, for situations where a breach is identified, brokerages need to have established procedures for informing affected parties, as well as the privacy commissioner.

Again, no specifics are mandated for the notification itself, other than the stipulation to accomplish it quickly.

With urgency as the prime directive, there is little time to be devising a response plan once security has already been compromised. The notification process may be complex, incur significant expense and the follow-through can linger over many months. Brokerages' current disaster plans need to incorporate strategy for immediate responses to breaches, including details of how the activity would be managed and funded.

Choosing partners wisely

Given the new mandate for customers' full comprehension of the implications of data collection or use when providing valid consent, particular care is in order when information is collected by third parties and may be used in determining what is offered to a customer.

Insurers commonly supplement the data directly supplied by clients and their representatives from additional sources, such as public databases or reports, claims archives or information culled from an individual's public activity online. Even without knowledge of an insurer's specific proprietary algorithms, brokers can still help consumers understand what information may be used and how it might affect their insurance options.

Brokers also need to be vigilant about how other business partners — vendors as well as insurers — may use or share information that the broker has collected and relayed, and challenge any potential inappropriate uses.

With the proliferation of "online" and "hosted" applications, some careful questions and a clear understanding of proposed contracts are necessary, so that a broker can keep customers informed about where their information goes and how it may be used.

Identifying potential liabilities

While safeguarding customer's interests, brokers should also recognize the impact on their own potential liabilities.

Internal procedures that reflect the new guidelines will be needed. Updates may include reviewing how client discussions are conducted, and revisiting published privacy policies and the disclosure templates used to document that clients fully understand the implications of providing consent.

To assist brokers with these internal reviews, an updated toolkit has been developed by the Insurance Brokers Association of Canada. The revised documents have been shared with the provincial and regional brokers' associations across the country, with the recommendation that input from provincial regulators be solicited, before the updated tools are, in turn, provided to broker principals.

Additional support can be found through the legal commentary offered in papers and interpretations published over the last few months, including from legal firms, the privacy offices of the various provinces and, above all, the Privacy Commissioner of Canada.

Included in the posted documentation are advisories on the creation of business privacy plans and conduct of privacy impact assessments of planned activities.

BEYOND COMPLIANCE

It is evident that the standard of care expected of any organization holding personal information continues to rise. Beyond simply complying with specific rules, such as the appointment of a privacy officer or notification of individuals following a breach, organizations are to emphasize the context in which these measures are executed.

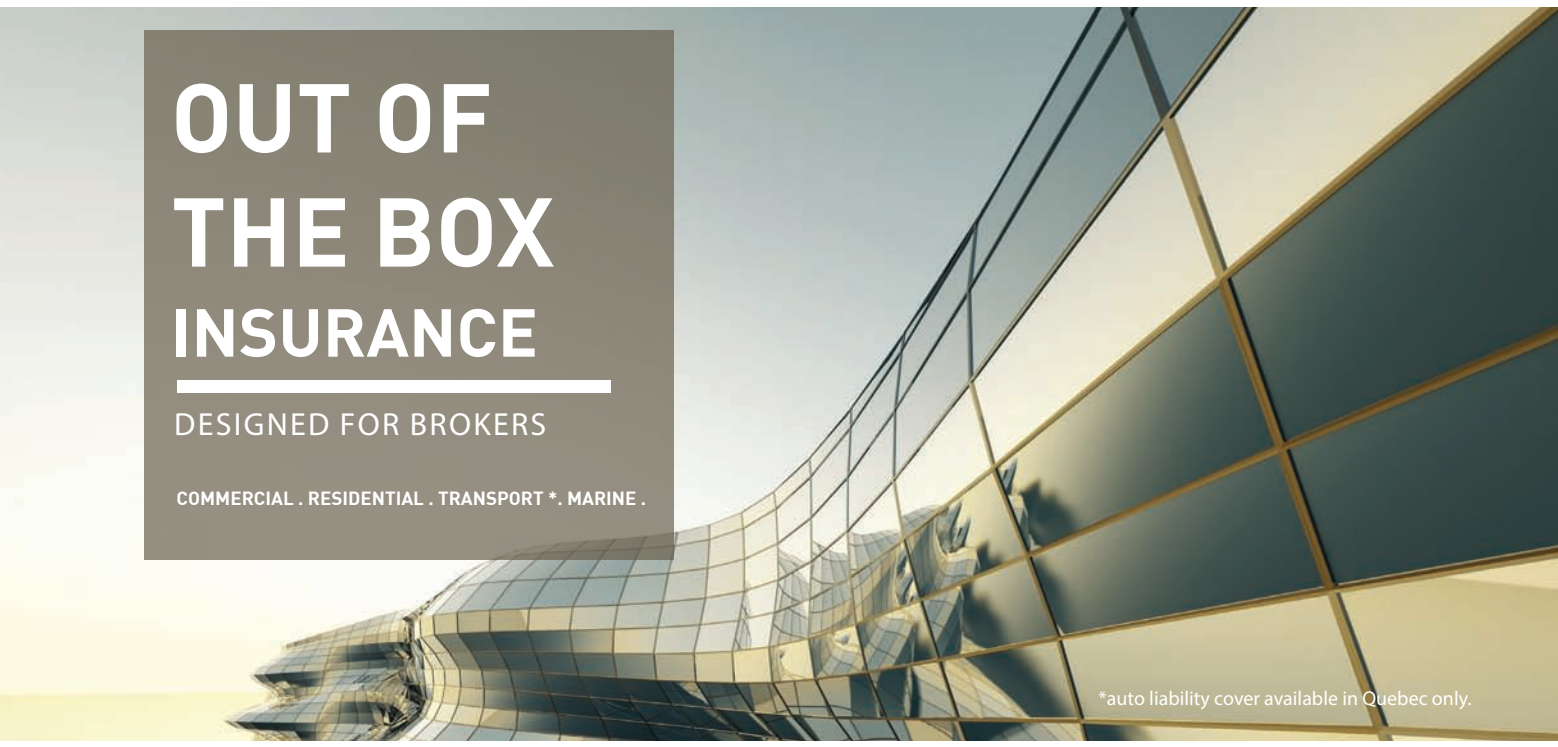
The Office of the Privacy Commissioner of Canada looks for evidence that key components — from fundamental "building blocks" through ongoing controls and routines for regular updates — are embedded throughout the entire organization and its governance structure to foster a privacy culture.

Brokers are, of course, intimately familiar with what are essentially risk management processes; now, however, they have the added responsibility of conducting these reviews for their own operations, focusing explicitly on privacy.

Though the regulations to define the rules for breach notifications, and the attendant set of penalties for failure to do so, have not yet been published, the *Digital Privacy Act* is otherwise already in force.

In concert with the earlier PIPEDA principles, it is already providing a frame of reference for businesses, even as the options for distributing and deploying information continue to evolve.

There is much for brokers to do to help consumers understand how they are affected both by increasing risks and by the protection their advisors offer.



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Prepare for Anything

Canadians are well-aware of events that can produce insured losses, including storms and cold weather. But the possible influence of other less-familiar perils, like earthquakes and cyber cats, should also be on the radar.

Greg Meckbach
Associate Editor

Jason Contant
Online Editor

Attendees gathered at the Canadian Catastrophe Conference in downtown Toronto this past February to hear about all things catastrophe: insured losses, cyber risk, resilience and more.

UPPING MUNICIPAL RISK MANAGEMENT

Offering incentives to municipalities to invest in addressing risk and improving resilience is a dialogue that deserves more attention, attendees heard during the Canadian Catastrophe Conference, produced by Catastrophe Indices and Quantification Inc. (CatIQ).

"We want to move to dialogue that can help provide clear incentives for cities that invest in improving and addressing risk, and encourage other stakeholders in investing in addressing risk and improving resilience," said Matthew Lynch, vice president of global partnerships and initiatives with Toronto-based World Council on City Data.

As a "general sort of template," Lynch cited the National Flood Insurance Program's community rating system. "If communities take certain levels of actions, it feeds back into the premiums they are offering," he told conference attendees.

"We're looking at those linkages — standardized indicators that can help broker those linkages between risk resilience and insurability," he said.

Commenting on city-level performance, "there are a number of things that greatly influence that risk base, be it planning controls, design and implementation of building codes, performance and infrastructure, emergency response capabilities," Lynch explained. Though dialogue between insurers and municipalities in Canada is "already happening a lot anyway," he said, "I think there's always room for more."

Ewa Jackson, manager of ICLEI Canada, an association for urban sustainability, pointed to a climate change-related incentive for municipalities introduced by the Nova Scotia government.

Municipal climate change action plans essentially provide a roadmap that "every municipality in Nova Scotia is going to follow to get more climate-ready, and that's both on the mitigation and adaptation side," Jackson said. "Climate change has really amplified existing risks."

Barb Szychta, vice president of risk management services with Frank Cowan Company, said her company sees climate change as a "very significant emerging risk" for municipalities given that it has an impact on many local services. "Climate change is not something that a municipality alone can fix; it's a partnership. They need the various levels of government," Szychta advised.

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CHECK QUAKE COVERAGE

The threat of an earthquake in British Columbia should have reinsurers checking policy terms carefully, Balz Grollimund, head of earthquake for Swiss Reinsurance Company, suggested to attendees.

"We also need to understand what these policies look like. What do they cover when claims go really bad? How does that affect the claims process?"

Grollimund cited a 2013 report from AIR Worldwide, commissioned by Insurance Bureau of Canada. In the British Columbia scenario, involving a magnitude 9.0 quake off the west coast, large parts of suburban Vancouver would be affected by liquefaction, he said, adding this also affected Christchurch in 2011.

"That's the ground underneath the buildings, becoming not solid, but liquid," he explained. "If you walk on the beach next to the place where the wave hits the sand and if you step on the sand too hard, then your foot sinks in because the sand becomes liquid," he said.

Grollimund said the most expensive quakes in history were Japan's Tohuku event ($54.7 billion) and California's Northridge event ($33.2 billion).

PREPARATION KEY TO LESS LOSS

The 2013 flooding in southern Alberta has better-prepared claims executives for another major catastrophe, speakers suggested during the conference.

"You think you are ready, but you're never quite ready for what was to unfold," said Mathieu Lamy, senior vice president of claims at Intact Financial Corporation. "I don't think we were quite ready to handle that from an adjusting standpoint," Lamy suggested.

Noting that there was a lot of learning from the southern Alberta flooding, "we never prepared as much as we should of for water. I think now we'd be in a better place to do that," he said.

Preparing in advance can help mitigate losses when they do occur and improve claims experience, the speakers pointed out. "We incorporate a process of what we call a 'pre-mortem,'" said Pat Van Bakel, president and chief executive officer of Crawford and Company (Canada) Inc. "That gives you the forward-looking opportunity to build mitigation strategies to, hopefully, prevent some of those failures when they happen."

Rissa Revin, general counsel and senior vice president, claims and compliance for Munich Re Canada, said "for me, it's really about the role we play in the preparatory stage, in preparing for the event and how we can assist our partners in achieving the best results."

When talking about economic loss, insured loss and closing the gap, "a lot of what we've seen as an industry reaction to the floods of 2013 in Toronto and Calgary has been the exact opposite," Van Bakel contended. "We're reducing coverage, reducing availability of coverage, increasing deductibles, putting in sub-limits and charging more for it."

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Electronic Proof... Still Not in Canada
by Willie Handler – Feb 19

WESTERN CANADA HARD HIT

Canada was hit with six severe-weather catastrophes last year, with all but one affecting the western part of the country, said Carolyn Rennie, director of catastrophic loss analysis for Catastrophe Indices and Quantification Inc.

"2015 was the year all hail broke loose," Rennie said, noting CatIQ tracked six Cat (more than $25 million in damage) events and 10 notable (losses of $10 million to $25 million) events in 2015.

"Alberta incurred the majority of losses from catastrophes" last year, she said, pointing out that CatIQ has tracked 69 catastrophes since 2008.

Between 2008 and 2013, including catastrophic and notable events, these resulted in an average of $1.4 billion in damage annually on a nominal basis.

The most expensive event in 2015 occurred July 21, when a severe convective thunderstorm in Alberta produced tennis ball-sized hail and wind gusts of as much as 110 kilometres per hour, prompting $260 million in insured losses. There was damage to roof shingles, siding and extensive auto damage.

OPERATIONAL TECHNOLOGY RISK

"Operational technology" is at risk of attacks from malicious code, Jose Fernandez, a professor at Montreal's Ecole Polytechnique, said at the conference.

"The attack vectors are potentially the same" as for computer networks, Fernandez explained, but the consequences and the actors are not the same. "Somebody who is infecting your machine, who wants to make a buck by using it to send spam is not going to be interested in the machine of an industrial control engineer more than any others."

It is difficult for operational control experts to evaluate risk of what Fernandez calls a "cyber cat," noting "there's no historical data." It is more that "we have this chicken and egg conundrum, where there is no chicken and no egg."

FLOOD OF INFORMATION

Insurance Bureau of Canada (IBC) now has flood maps that allow it to "assess flood risk right down to the residential level for both fluvial and pluvial flooding," Craig Stewart, IBC's vice president of federal affairs, said at the conference.

RELX Group plc's LexisNexis Risk Solutions unit announced last year it had been selected by IBC as a lead partner to develop flood hazard maps and property-level exposure data for Canada.

"We have just received the results of that work now," Stewart reported. "It's available to insurance companies now so that they can underwrite risk."

The data shows 20% of households could be qualified as high risk and 10% of those would be considered very high risk. "You need to have a solution that is going to encourage uptake by Canadians regardless of income level and that may mean some sort of private-public partnership at the end of the day."

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Channel Surfing

The look of the property and casualty insurance chain in Canada, as elsewhere, is undergoing an extreme makeover. Once well-defined channels, each with its specific task for helping to distribute products, are being transformed. To some customers, where they get insurance is not as important as when and how quickly. Do channels still matter? Is it all about the customer experience now? And what does this all mean for brokers?

ANGELA STELMAKOWICH

Change in the property and casualty industry is inescapable, perhaps now more than ever in light of the rapid pace of technology, a leveller in the minds of many, and the ever-increasing customer demands for interaction, speed and service.

Clearly, brokers and insurers are having to change in step, albeit some more successfully than others. As two integral parts of the insurance chain, they are adjusting to strengthening and weakening links by anticipating the opportunity in new and transforming relationships, some of which could become a permanent part of the landscape moving forward.

These changing times have brought with them the desire for scale, be it regional or national in scope, and an openness to partnerships, although not necessarily with just the same old players. New partnerships promise to not only add freshness and expertise, but offer an opportunity to enhance customer engagement and build relationships able to withstand new suitors which, as relationships deepen over time, could produce a new level of understanding about customer wants and needs.

What does the future of distribution look like? What will be the role for brokers? And how important is it for the channel to view the tremendous distribution change unfolding daily as a threat or an opportunity?

BROKERS TODAY, TOMORROW

As in the past, independent insurance brokers have a role to play and will continue to have a role to play.

"The current role of the broker involves de-risking clients and adding value, expertise and competitive choice to the insurance transaction or risk solution," says Sean Duggan, vice president, partner and practice leader of technology, fintech, cleantech and life sciences at HUB International HKMB.

John Belyea, chief operating officer of Moore McLean Insurance Group Ltd., says that only brokers offer true choice and unbiased advice to purchasers of insurance products.

"Notwithstanding significant competitive pressures, the broker channel has maintained a significant market share, which is a testament to their success on delivering this value proposition," Belyea says. Noting that even if brokers end up losing market share in purely commodity-driven spaces, he says "the p&c industry is $40 billion, so there's lots of business for everyone. Innovation will be key as will a focused and effective business strategy."

Peter Morris, president of Robertson Morris Consulting, would likely agree. If a broker is truly an independent expert on insurance matters, Morris says, "he or she is in a strong position to compete in a changing world."

That change is undeniable. The view of Jason Storah, executive vice president of broker distribution for Aviva Canada, is that, right now, brokers are largely administrating and selling. "It's very product-led and it's very desk-top or face-to-face attendance in terms of their relationships with their customers," Storah suggests.

While "the mass of brokers that used to be, maybe five or 10 years ago, quite vanilla in the sense of everyone was providing some similarity of services, I think that's now changing and you're getting these breakaway groups (emerging, digital or semi-aggregated brokers) that are really looking to evolve what their role is as a broker," he notes.

To Storah, this offers opportunity for brokers to provide "a lot more advocacy, a lot more facilitation, focusing on customer needs rather than the products the insurers are selling specifically."

"Traditionally, those elements have all been delivered by customers essentially coming through our front door," says Sheldon Wasylenko of Rayner Agencies Ltd. "What we're working hard and fast to achieve is to deliver those same three elements — choice, advice, advocacy — through our digital front door."

The pillars of choice, advice and advocacy are the cornerstone of what makes this industry work, says Sheldon Wasylenko, general manager of Rayner Agencies Ltd. and president of the Insurance Brokers Association of Saskatchewan. What is needed is for brokers to offer the same service they have in past, but just do it digitally, Wasylenko maintains.

"Traditionally, those elements have all been delivered by customers essentially coming through our front door, our physical front door," he says. "What we're working hard and fast to achieve is to deliver those same three elements — choice, advice, advocacy — through our digital front door," he adds.

It is a safe bet Daniel Shum, a partner in Deloitte's financial services practice and national insurance sector leader, agrees. Emphasizing that brokers still have a very important role to play in the insurance value chain, "what they need to do is they need to adapt to the change as well, either by becoming more focused, less generalists and more niche, focusing on specific lines, or providing the same type of options to the consumers that carriers are starting to offer."

In fact, Shum says, there is opportunity for brokers who are well-prepared in that regard to do even more than their competitors. "Here's my site, and my site is actually better than the carrier's site because I can offer you choices," and different markets, he recommends as a way brokers could position themselves.

"Brokers can certainly maintain a mixed delivery product," suggest Russell Wasnie, president of the Insurance Brokers Association of Manitoba (IBAM), and David Schioler, IBAM's chief executive officer. "However, they will simultaneously have to determine their expertise and move towards that niche market that will allow them to be the number one service provider for their customers," Wasnie and Schioler maintains.

"We need to shift along with evolving customer demands and innovate value. Certain clients will continue to demand consultative advice and advocacy, while there is growing demand for a quick, seamless digital transaction by others," Duggan reports.

Expertise will be key. While, historically, commercial and personal have been under one roof, "I see them quickly bifurcating where you're going to become either an expert and focus yourself in the personal lines or you're going to focus yourself in the commercial lines," says Marshall Sadd, executive chairman of Navacord. "The ones that we're seeing in the commercial lines space that are winning are becoming very focused, niche players in certain sectors, and have

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leverage of markets, helping their customers become better through better risk management practices," Sadd says.

"It really seems as though the Canadian marketplace in personal insurance is 50% direct and 50% through broker," notes Sean DeSantis, president and chief executive officer of Navacord. "And a lot of companies are saying, 'I just don't want to play in 50% of the market; I want to play in the whole market, and, therefore, I've got to build a direct strategy,'" DeSantis adds.

"Digital and other advancing technologies have already begun to reshape the insurance industry — both in how we service customers and in the products we insure. Their impact will only increase and speed up in the future," contends Sylvie Paquette, senior vice president and chief executive officer of property and casualty insurance for Desjardins Group.

But even in the direct space, advice is crucial to convert shopping to buying.

Wasylenko cites Google's recent decision to pull out of insurance (at least for now) as an example. "Because they weren't able to convert that shopping experience to a buying experience to the degree that they thought they would be able to, I think was one of the reasons that they ended up pulling out."

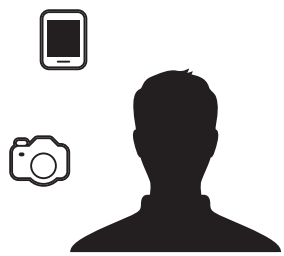
People still need advice when making purchasing decisions, Wasylenko argues. "That's where we continue to excel and I think why this industry will continue to survive," he suggests of brokers.

Advice will still be needed, sometimes even for a supposedly simple, commoditized type of product, he says. "There's a reason why a lot of sites are doing well when it comes to the quoting aspect of it, but I think there's a bit of a disconnect between the quoting and having to buy at that same point in time," he adds.

"Purchasing an insurance policy involves nuances. Consumers must feel comfortable with certain risks, some are unknown to them. For that reason, a majority of consumers across the province want to talk to a broker," reports Patrick Bouchard, chair of Quebec's broker association, Regroupement des cabinets de courtage d'assurance du Quebec.

"In Quebec, we note consumers tend to acquire information and compare products online, but prefer to seek the involvement of a certified representative before making a decision," Bouchard says.

That may be why George Hodgson, chief executive officer of the Insurance Brokers Association of Alberta, does not see the broker's "role itself changing so much as I see it changing in terms of how it's delivered. People tend to shop online when it comes to insurance, but purchase in person."



"Brokers need to be concerned about disintermediation via the direct channel, but it's also an opportunity for us to adapt, transform and innovate our role and value to the customer," including "investing in technology, digital distribution and analytics," maintains HUB International HKMB's Sean Duggan.

"There is still a market there that doesn't go away overnight, but would change over time, where clients and customers still look for that in-person, live voice at the other end of the line," Shum says of personal customers.

On the commercial side, he suggests, "you'll continue to see brokers play a very important role in commercial lines. I think, over time, you're going to find probably small- to medium commercial lines go the way of personal lines, where carriers will look to commoditize those products and bring them online, make the ease of doing business a lot easier for the consumer," especially when carriers can package small, medium commercial line products into "more consumable and understandable products."

Hodgson can see something like travel insurance or some auto, particularly if in a government auto province, lending itself to online purchase over time, but he is not so sure about property. "I don't see property becoming commoditized as quickly perhaps as auto is, just because it seems to be getting more complex as opposed to less when you add in things like overland water, flood, sewer, fire."

There is a "flight to specialization and the digital experience, depending on the customer," suggests Duggan. "Clients are more demanding in terms of wanting product and sector expertise for their niche industries," he reports.

"Given the digital world we're living in and the impact of real-time communication through social media, the market's voice is much more crystallized," Brian Duperreault, chairman and chief executive officer of Hamilton Insurance Group, said at recent event in the United States "There's an immediacy, an intimacy that we've never had to deal with before."

BROKERS RESPONDING

Executing disciplined business strategies will remain vital, suggests Belyea, but success will depend on how brokers market. "The most successful brokers today are those with a strong degree of focus and this will only become more important in the future," he maintains.

"As consumers with less complex insurance requirements become increasingly able to obtain insurance directly from insurers, it may well be the case that brokers are left with two choices: either launch their own online service to compete with the direct writers, or

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focus their efforts on commercial lines accounts and on personal lines clients who prefer, or require, individualized expert attention," Morris comments.

That may be where partnerships come into play. Shum says he sees p&c carriers looking for opportunities to create partnerships and be able to offer their products through different channels, say when a person is buying a house. Brokers can do the same, he says.

They just need to figure out how they "insert themselves into that transaction chain of that broader transaction," says Shum. "I think brokers have not necessarily taken advantage of that in the past."

Duggan's view is that brokers need to be "forward-thinking and proactive about opportunities to collaborate with other affinity channels to meet shifting customer demands. I suspect a number of industries, including the technology sector, are exploring opportunities to partner with insurance," he says.

"I think there is a core group of brokers that are exploring what other companies are out there, what other partnership opportunities can give them access either to technology or to customer insight or customer touch points that are meaningful and that create meaningful relationships," Storah says.

Some examples of moves into the digital space include the following:

- Gore Mutual has made a capital investment in technology start-up, Brokerlift Inc., which will work with brokers to integrate online quoting, credit card payment and electronic document delivery directly into their existing websites;
- Brokerage InsureMy Ltd. has launched a time-based insurance product for commercial drivers and fleets in Alberta and Ontario that uses telematics technology from Intelligent Mechatronic Systems to allow fleet operators to receive refunds based on vehicle usage; and
- Moore McLean Insurance Group collaborated with the six other members of the CBN group to create Bullfrog, an online commercial insurance brokerage.

"Not one of us on our own could have developed Bullfrog," Belyea points out. "Moving forward, brokers will have to partner together to leverage knowledge, expertise and resources," something that he suggests will help the broker channel thrive.

EFFECT OF CONSOLIDATION

"Brokers need to be concerned about disintermediation via the direct channel, but it's also an opportunity for us to adapt, transform and innovate our role and value to the customer," including "investing in technology, digital distribution and analytics," Duggan says.

"As more and more options become available for consumers who are willing to consider dealing directly with an insurer, the pressure will build on brokers to be able to offer the technology and round-the-clock service that direct writers are able to provide," Peter Morris of Robertson Morris Consulting suggests.

"We're getting to a space where the top four or five insurance companies in Canada have a meaningful, material portion of the market share," Storah says. With size, "carriers with more data (will be) able to get greater insights from their data and use more predictive analytics" to achieve price sophistication and individualized rating, he notes. Not only will that give "those insurers an advantage," they will also have a "better network of vendors and third-party providers from a claims perspective."

Storah does not believe that insurer-led broker consolidation is "going to stop anytime soon, but I think a lot of the low-hanging fruit is already been taken."

On the broker side, the industry is seeing a definite emergence of large, dominant regional brokers, he says, predicting that "having scale and having scale relationships with your key markets, key insurers, gives brokers advantage."

That is happening in Alberta, Hodgson says. He cites a case in which brokerages with personal and commercial expertise have come together. While, individually, many were relatively small, together, they have enough volume to perhaps get larger insurer policies "where they couldn't before because they didn't meet volume requirements. I see that happening now and I see it increasing over time."

From the insurance company point of view, DeSantis notes, "we're seeing a lot more attention being given by commercial carriers to large commercial brokerages because they know there's an opportunity for them to grow there with those offices."

TECHNOLOGY STARTER

Whatever type of broker, however, technology and keeping pace with quickly changing times is expected to be critically important. "Whether they are a local community broker or a large national or an international broker, anybody that isn't embracing technology isn't embracing the disruption that's happening in other industries and the obvious area that it's going to happen in insurance, I think is really going to struggle in the next few years," Storah expects.

"Many brokers are well-advanced in their use of technology, but many more need to adapt and shift to a digital, multi-channel model to stay in sync with evolving real-time customer demands, particularly among Millennials," Duggan says.

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"A lot of people worry about, 'Is the role of brokers diminishing'? Is technology taking away the role of a broker? Customer trends, customer behaviours, is that creating a more challenging environment for brokers?" Storah asks.

"We look at that and think, technology is levelling the playing field for brokers to be able to compete and offer customers an experience that, in the past, may have been tough for brokers to offer," he says. "We see brokers in the digital space, embracing different ways to engage with their customers, really maximizing digital marketing, search engine optimization, micro-sites — we see those guys growing 10%, 20%, 50% year over year."

Technology can be a leveller, although "it may take a fair degree of investment to get there," Shum notes. Technology becomes a leveller "when you can get scale and it's important that brokers look at how do they work together as a unit to be able to gain that scale," he says.

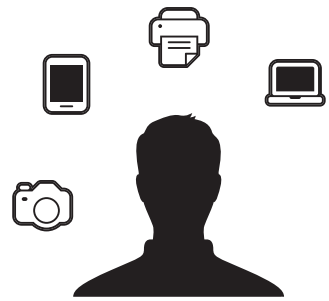
"I would challenge the broker association to say, 'How do we build a site that each broker can make some level of customization so that they can gain the scale and leverage that they need," Shum adds.

Paquette suggests that partnering with technology companies is a fast and effective way to develop and launch new innovative products and services. "This type of partnership will be critical with technologies such as drones, the connected home, big data and so on."

Asked about insurer thinking behind such alliances, she says it is "quite simple: we can't do it on our own. There's too much technological change, happening too quickly, on too many fronts."

Not only would developing expertise in-house take considerable time and resources, partnering for technology expertise allows for a "more open mindset these companies bring. They're not preoccupied with our legacy systems and they aren't blinded by our paradigms," she says. "So they are in a better position to strip away all the legacy baggage and develop customer solutions that are simple, elegant and in tune with customer needs and preferences."

Denise Garth, senior vice president of strategic marketing at Majesco, said in February "if insurers are not able to overcome the barriers created by their legacy business models, outdated systems, siloed data and limited analytic capabilities, they run the risk of being supplanted by the new, attractive options being offered to consumers by well-funded start-ups who come to the game without any of this baggage to hold them back."



"The debate around distribution channel or disintermediation of distribution or choosing one distribution channel over another, those debates, in my view, are all meaningless, because the world's moved on. What's meaningful now is what's important to customers and how do customers want to buy insurance, what insurance do they want to buy," argues Aviva Canada's Jason Storah.

Noting that the p&c insurance industry's main products (home and auto insurance) are largely commoditized, "the right technology partners can provide a real edge in developing new ways to interact with customers, use various data sources and sophisticated analytical tools to evaluate risk, and develop and bundle new and innovative product offers and services," Paquette suggests.

That said, she says she sees partnerships changing. "With all the challenges facing the industry, distributors will benefit by expanding their product offerings to strengthen the customer relationship. For example, it makes sense to bundle emergency roadside assistance with telematics, or perhaps to offer security monitoring or even home inspections, with property insurance."

CHANNEL THREAT

"Whatever insurers might say, the expansion of insurers into the direct channel represents a competitive threat to brokers," Morris says. "As more and more options become available for consumers who are willing to consider dealing directly with an insurer, the pressure will build on brokers to be able to offer the technology and round-the-clock service that direct writers are able to provide."

Belyea says insurers are pursuing a dual strategy and it is not necessarily mutually exclusive. "I continue to see insurers investing heavily in the broker channel and helping enable and empower brokers who have strong digital strategies. Intact and Aviva, both of whom have direct arms, are leading in this regard," he adds.

"At the end of the day, insurers are in existence to sell their products and services," Morris says. "As such, they can hardly be blamed for considering the direct model in light of the expanding number of consumers who are willing to forego the personalized attention of a broker in exchange for a lower premium and better access to technology."

If some insurers feel their broker partners are not able to move forward quickly enough, says Wasylenko, they will take those steps on their own. "We need to be doing more; I think that's a given."

Aviva Canada has launched a direct business through its partnership with RBC Insurance, Storah says, but adds selling insurance through independent brokers is fundamental to its business.

"The debate around distribution channel or disintermediation of distribution

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Brokers "have opportunities to leverage analytics and simple customer solutions to be able to segment their customers in a way that they can go in and offer meaningful incentives and meaningful tie-ins to their products to their customers that will, again, create greater loyalty and stickiness," says Deloitte's Daniel Shum.

or choosing one distribution channel over another, those debates, in my view, are all meaningless, because the world's moved on. What's meaningful now is what's important to customers and how do customers want to buy insurance, what insurance do they want to buy," he says. "It's not about choosing one distribution channel over the other; it's about how do we get access to customers."

SIZE MATTERS

"Technology costs money. In order to provide the increasing access to technology that consumers demand, size matters," Morris points out. "It is not hard to imagine an insurance market in the future that is dominated by a small number of large players competing in the standard market, and a large number of small players competing in various niche markets," he envisions.

"A broker that doesn't generate at least $75 million in premiums will struggle to fund and implement strategies that will power organic growth," Belyea notes. "However, this scale can come in two forms — collaboration and through acquisition/growth," he reports.

"Size is important as we have seen through continued consolidation, but leveraging technology and niche expertise is still a means to be nimble, disruptive and innovative," Duggan comments. "Effective use of technology also means that p&c players can scale and build their brand very quickly," he adds.

Another must will be customer data. "Leveraging big data and predictive analytics tells us where our customers' needs and demands are going, and where our industry needs to be, not only from a client service standpoint, but also in terms of opportunities for us and to proactively compete with competitive disruptors," Duggan says. "Safeguarding this customer data is also massively important for our industry," he notes.

"Insurers or brokerages that collect consumer data and analyze them have an advantage over their competition," Morrison says. "This advantage can be seen when it comes to pricing products and to developing targeted marketing campaigns," he maintains. Large players have an advantage over small players since the greater the pool of data, the more reliable the analytics, he adds.

Paquette says she has no doubt that providing timely offers, "along with risk prevention services and advice, will become increasingly important in simplifying, enriching and deepening the customer relationship."

Shum's take is "carriers are starting to use analytics to figure out how they can create better stickiness with their customers, and use incentives to keep their customers happy rather than just playing the pricing game," which "just gets you so far, especially in a soft market."

Storah says "our starting point is we want to be able to offer our products to customers through whatever channel they choose to access with them, or whatever channels engage with them the way that is most meaningful for them."

Paquette suggests "the more diversified the business, and the more products you can provide your customers, the more opportunities for growth and the more loyal your customers will be."

She says "smart companies will use customer information so they can anticipate customer needs and provide the appropriate product offers, service or risk prevention advice at the appropriate time."

As for brokers, they must capitalize on the rich data in their broker management systems, says Shum. "They have opportunities to leverage analytics and simple customer solutions to be able to segment their customers in a way that they can go in and offer meaningful incentives and meaningful tie-ins to their products to their customers that will, again, create greater loyalty and stickiness."

Based on a survey of 414 senior insurance executives globally, Accenture reports insurers are accelerating their plans to become more digital. "Carriers that analyze and use these new sources of customer data have a significant advantage over the competition, and will be best placed to offer 'living services' — which allow companies to personalize the customer experience and better respond to the evolving customer needs and desires as they develop in real time," suggests Erik Sandquist, managing director for Accenture Distribution and Marketing Services in North America.

"The demise of the broker channel has been predicted for years, but has not happened," say IBAM's Russell Wasnie and David Schioler. "In fact, brokers can grow their market share by a direct-to-consumer approach if they utilize technology efficiently. Again, they key is providing extraordinary service and choice."

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Alternative dispute resolution is increasingly being used for settling disputes. As a practical matter, it is now virtually impossible to appeal most arbitral findings, making it clear that claims resolution through arbitration proceedings can entail much greater risk for insurers than traditional litigation.

Alternative dispute resolution (ADR) mechanisms, such as mandatory mediation or binding arbitration, are appearing with increasing frequency as an alternative to the traditional litigation process for settling disputes.

ADR clauses are frequently found in commercial contracts and standard-form consumer agreements, and all Canadian Construction Documents Committee standard-form construction contracts contain some form of ADR mechanism. As well, some insurance policies will have ADR clauses that can be invoked with respect to coverage disputes.

Given the proliferation of ADR clauses in many standard-form contracts, it is not unusual for an insurer to find itself defending a claim in the context of an ADR procedure as opposed to traditional litigation in the civil courts.

In addition, from time to time, insurers may agree to submit disputes between themselves and other insurers — for example, disputes regarding overlapping coverage or of which several policies are primary — to an ADR process rather than litigating the matter in the courts.

ADR COMMONLY USED

Perhaps the most common type of ADR is arbitration, where the parties agree to submit their dispute to a neutral decision-maker or panel. The ADR clause in the agreement may make arbitration mandatory or permissive, as well as define the scope of disputes that can be submitted to arbitration, the form the arbitration will take, the number of arbitrators and the procedural rules that will apply.

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One of the most significant ways that the private arbitration process differs from traditional litigation is with respect to rights of appeal. While the parties to an arbitration clause can, in theory, define the extent of any rights of appeal by express agreement, in practical terms, the right to appeal from an arbitrator is typically much more limited than the right to appeal from a decision in the civil courts. Most provinces have legislation that places limits on appeals from arbitral awards — typically only "questions of law" are subject to appeal.

What constitutes a "question of law" has been the subject of much judicial commentary. However, a number of recent cases (including one from the Supreme Court of Canada) appear to have settled the law on this issue.

The effect of these decisions has been to place significant limitations on any rights of appeal from arbitral decisions. Given that insurers may find themselves defending claims in the context of arbitrations with increasing frequency, this is an important factor for consideration in the underwriting process.

Creston Moly v. Sattva Capital

On August 1, 2014, the Supreme Court of Canada issued reasons for judgment in *Creston Moly Corp. v. Sattva Capital Corp.*, a case with a somewhat tortured procedural history. The underlying dispute related to an agreement between Creston Moly and Sattva Capital, which required the former to pay the latter a finder's fee in relation to the purchase of a mining property.

A dispute arose with respect to the interpretation of the finder's fee provisions in the agreement, and the parties submitted the matter to binding arbitration. The arbitrator awarded Sattva Capital damages of over $4 million.

Creston Moly then appealed to the Supreme Court of British Columbia for leave to appeal the arbitration award, as required by the legislation. The court concluded the leave application did not raise a question of law, and it was dismissed. British Columbia's Court of Appeal disagreed, however, and granted leave to appeal the award.

The practical effect of this shift in the law, however, is that appeals from arbitrations will only be available in very limited circumstances. In other words, where a dispute is submitted to arbitration, the arbitrator's decision will effectively be final.

The Supreme Court of British Columbia then heard the appeal on the merits. Creston Moly's appeal was dismissed, however, as the court concluded that the arbitrator had correctly interpreted the finder's fee provision. Creston Moly again appealed to the province's Court of Appeal, and was successful.

Sattva Capital then appealed to the Supreme Court of Canada, and argued that not only was the decision on the merits incorrect, but leave to appeal should not have been granted in the first place.

Canada's high court agreed with Sattva Capital, concluding that leave to appeal should not have been granted and that the arbitral award should be reinstated. The Supreme Court of Canada found that the interpretation of the parties' agreement did not constitute a question of law, but rather was a question of mixed fact and law, and, thus, not subject to appeal.

The court held that contractual interpretation is an exercise in construing the words of a contract in light of the factual matrix, and that the historical approach in which issues of contractual interpretation were considered questions of law should be abandoned.

Significantly, while the court stated that it might be possible to identify a discrete question of law in a contractual interpretation case, such circumstances would be very rare. The court also went on to comment that even if a discrete question of law could be identified, the arbitrator's decision would be reviewable on a more deferential "reasonableness" standard, except in certain very specific circumstances involving constitutional questions or questions of central importance to the legal system as a whole.

Urban Communications v. BCNET Networking Society

This high level of judicial deference to the decisions of private arbitrators was again underlined in the 2015 decision of British Columbia's Court of Appeal in *Urban Communications Inc. v. BCNET Networking Society.*

Urban Communications and BCNET were parties to a leasing agreement for the use of fibre optics. A dispute arose over whether or not BCNET had properly exercised a renewal option, which was submitted to arbitration. The arbitrator concluded that BCNET had validly exercised the option.

Urban Communications obtained leave to appeal the award and, on appeal, a judge of the Supreme Court of British Columbia found that the arbitrator had

erred in law, and varied the award accordingly. BCNET then appealed to British Columbia's Court of Appeal, taking the position that leave to appeal should not have been granted.

The Court of Appeal allowed BCNET's appeal and restored the arbitrator's award.

The court noted *Sattva* had changed the approach to be taken both on leave to appeal applications and on considerations of the merits of appeal, and confirmed that questions of contractual interpretation almost always involved questions of mixed fact and law (that is, whether or not the facts satisfy the legal tests).

British Columbia's Court of Appeal applied the legal principles established in *Sattva* and found that Urban Communications could not establish a pure question of law arising from the arbitrator's interpretation of the agreement and the letter exercising the renewal option. As such, there could be no appeal from the arbitrator's interpretation.

MUCH-NEEDED GUIDANCE

Many have welcomed these decisions as providing much-needed guidance on the issue of when an appeal may be taken from an arbitration decision. The practical effect of this shift in the law, however, is that appeals from arbitrations will only be available in very limited circumstances.

In other words, where a dispute is submitted to arbitration, the arbitrator's decision will effectively be final.

This will be an important consideration in cases where an insured's claim is being adjudicated in a private arbitration, as opposed to the civil courts.

Arbitrations often do not provide for the same kind of pre-hearing discovery procedures that are available in civil litigation.

Rules of evidence may be more relaxed and hearings may proceed in a more informal manner.

Many aspects of the process, including substantive issues such as how costs will be awarded, are left entirely within the discretion of the arbitrator.

When one adds the fact that it is now virtually impossible, as a practical matter, to appeal most arbitral findings, it becomes clear that the resolution of claims through arbitration proceedings can entail much greater risk for insurers than traditional litigation.

Insurers will want to be mindful of these trends when dealing with insureds who frequently make use of standard-form contracts containing ADR clauses, or who are otherwise subject to some sort of ADR process, as insurers may find themselves defending claims in a process with limited procedural protections and no right of appeal.

Similarly, insurers contemplating submitting coverage disputes to arbitration (or providing for such mechanisms in policy language), will need to be comfortable with the risk of an adverse finding, which will effectively be immune from appeal or review.

Changing Landscape

The Internet of Things is having a transformative influence on the insurance landscape. Insurers are advised to take steps to help ensure they are prepared for a new insurance industry that likely features new insurance models, new types of customers and stakeholders, and entirely new competitors.

John Mullen
Corporate Vice President and Global Insurance Leader, Capgemini Financial Services

The first major revolution in people connectivity was brought about by the widespread adoption of the Internet. If customer survey statistics, as detailed in Capgemini and Efma's recently released *World Insurance Report* 2016, are anything to go by, the next revolution in customer lives and the insurance industry is going to be ushered in by the Internet of Things (IoT).

The report — covering 30 markets across North America, Latin America, Europe and Asia-Pacific — features data from more than 15,000 insurance customers, as well as input from 183 face-to-face or online interviews with insurance executives (see some results in charts on page 46).

IoT is connecting everything and everyone. Many of the recent technological advances are tending towards three key themes:

- connected ecosystems — for example, smart homes and smart buildings that are able to form a completely self-managed and independent ecosystem through machine-to-machine communication;
- embedded technology — for example, wearables and in-vehicle devices, which are driven by the need for increased portability of technology; and
- machine intelligence — for example, driverless cars that are increasingly equipped to perform tasks and make decisions on behalf of humans.

CUSTOMER EXPERIENCE

Through an increased number of touch points and the exploration of new value propositions, including proactive risk mitigation and innovative value-added services, insurers are able to take advantage of connected technologies to enhance customer experience.

Canadians open to adoption

The likelihood for customer adoption of emerging connected technologies such as smart ecosystems, wearables and driverless cars is also high. The survey shows that 23% of polled customers in Canada expressed a desire to adopt smart ecosystems. In all, 22% of respondents said they would likely adopt wearables and 19% reported they would adopt driverless cars.

Affluence, age delineation

A more in-depth breakdown by age group and affluence shows an interesting trend emerging in the Canadian market. There was a significant demarcation seen in the likelihood of adoption rates among affluent Gen Y customers compared to all other customer segments.

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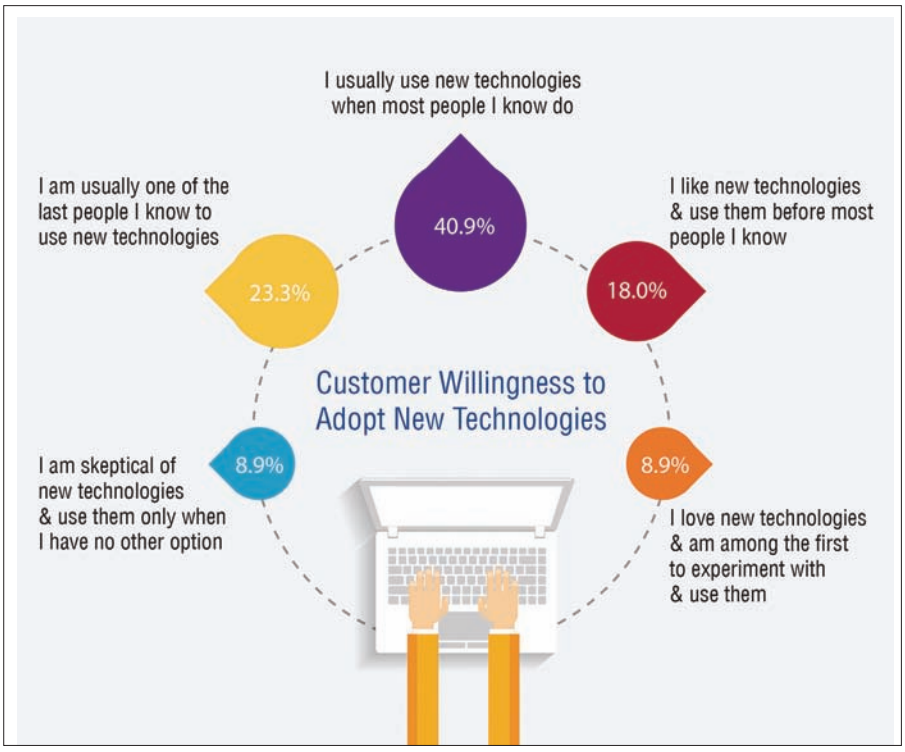
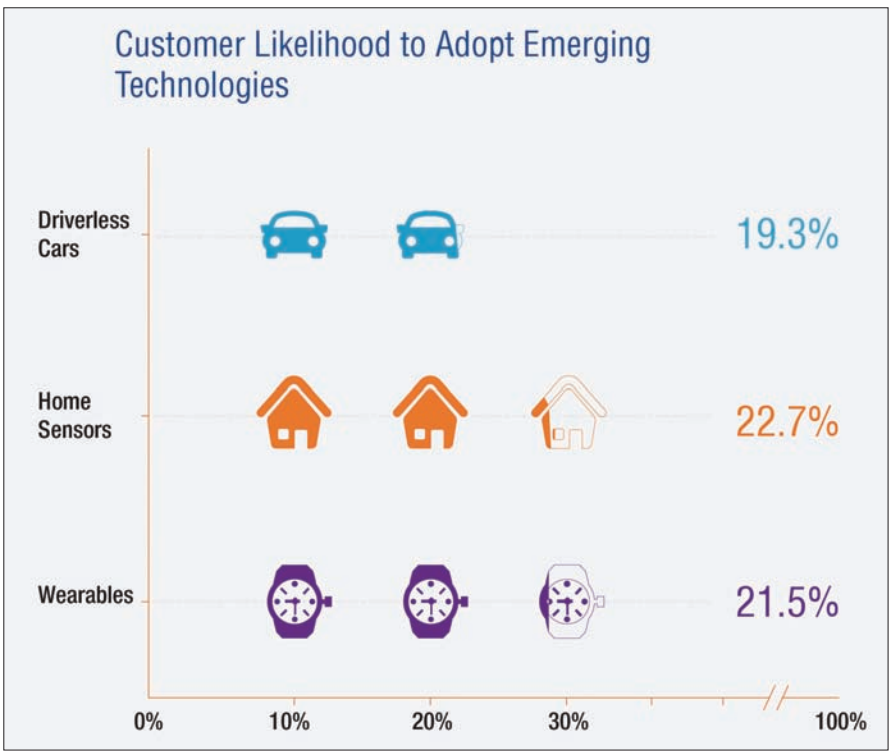


In all, 48% of affluent Gen Y customers in Canada noted that they are likely to adopt smart ecosystems, while 52% of such customers are likely to adopt driverless cars.

This is a stark contrast to the 26% and 24% of non-affluent Gen Y customers likely to adopt smart ecosystems and driverless cars, respectively, although these customers are still more likely to adopt the new technologies than older customers. Among older customers, the adoption rates stand at 20% and 15%, respectively, for smart ecosystems and driverless cars.

Affluent Gen Y customers are also showing a higher tendency to switch to technology firms for insurance solutions, if technology firms were to enter the marketplace. In Canada, 33% of affluent Gen Y customers are ready to purchase insurance from technology firms, while that percentage is less than half that for other customer segments.



Specifically, 16% of non-affluent Gen Y and 9% of older customers have said that they are likely to purchase insurance from technology firms.

Globally, the survey shows that Gen Y customers are less likely to have positive experiences compared to other age groups, despite communicating with them more often. Still, positive customer experience levels are almost 20 percentage points lower than those of customers in other age brackets, suggesting Gen Y customers have higher expectations for the standard of digital channels than their older peers.

In Canada, the difference in positive experience is even greater at 26 percentage points, with only 34% of Gen Y customers reporting positive experience compared to 60% of older customers.

By not providing adequate engagement for digitally advanced customers, carriers run the risk of pushing them toward a growing population of market entrants and non-traditional, technology-driven competitors.

In order to safeguard the highly attractive affluent Gen Y customer base, Canadian insurers must stay ahead of the latest innovations around customer experience by capitalizing on the latest technologies. The fact that customers are willing to share data through these technologies makes them more attractive for insurers to adopt.

For instance, 20% of surveyed customers in Canada reported that they are willing to share information with insurers through wearables and driverless cars in exchange for monetary benefits. This rises to 23% for home sensors, such as thermostats and smoke detectors.

FUNDAMENTAL IMPLICATIONS

Apart from customer interactions, IoT and connected technologies also have

implications for insurers at a more fundamental level as they drive realignment in the very nature of risk itself:

- first, risk transparency is increasing as a result of access to direct risk-indicating data from connected technologies (this reduces insurers' dependence on statistical models for risk assessment based on proxy variables alone);
- second, the nature of risk ownership is changing to include new stakeholders for a single insurable property due to automation and the rise of sharing economies;
- third, connected and intelligent technologies are creating a safer environment and, thereby, gradually reducing customer exposure to risk over time, which may decrease the need for insurance itself in the long run; and
- finally, with real-time customer connectivity enabled by IoT, the underlying principle of insurance may shift from risk transfer alone to risk mitigation coupled with risk transfer.

SETTING THE STAGE

These changing risk variables can transform insurance underwriting in the long run by making it possible to create more dynamic and individualized risk models and risk-pricing strategies.

IoT and connected technologies can also transform other areas of the insurance business design. The insurance operating model may shift towards mass personalization and insurers could see readjustments in their customer and product portfolios, with new opportunities opening up for commercial insurers in cyber insurance and commercial liability insurance.

These potential changes in insurance underwriting and business design make it possible for new market entrants to pose greater competition to insurers as they may possess advantages over traditional insurers, including stronger data capabilities and customer interfaces.

With such a scenario possibly on the horizon, it is very important for insurers to start planning their short-term and medium-term strategies now.

In the short term, insurers should strengthen their businesses by streamlining operations, building capabilities in data and insights, and exploring opportunities for strategic growth.

In the medium term, insurers can enhance their businesses by exploring new value propositions, establishing strategic alliances with innovative players, and developing more insight-driven strategies through data analytics.

Long term, "strategies must focus on transforming the business to stay ahead of emerging risk profiles, new interaction models, changing customer behaviours and IoT's expected disruption of risk selection, pricing and loss prevention," the report notes.

These steps will help ensure that insurers are prepared for a transformed insurance industry that may consist of new insurance models, new types of customers and stakeholders, and entirely new competitors.

Family Rules

Mike Adlem
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(Canada) LLP

The Supreme Court of British Columbia, in reviewing a typical family exclusion contained in homeowner policies, took the rare step of drafting an exclusion that would have been effective in the case at issue. The court's views and language should be of interest to all underwriters of Canadian homeowner policies.

To reduce the potential for collusion, homeowner policies typically contain "family exclusions" that are intended to eliminate coverage for claims by people residing in the same household against one another.

The Supreme Court of British Columbia reviewed a typical family exclusion in the 2016 decision, *Gill v. Ivanhoe Cambridge*, and rejected the argument of the insurer, Economical Mutual Insurance Company, that the exclusion eliminated coverage on the facts of the case.

In doing so, Justice Peter Voith reviewed the law on the topic of family exclusions and took the rare step of drafting an exclusion that would have been effective, which should be of interest to all underwriters of Canadian homeowner policies.

In *Gill*, the infant plaintiff, Gurjeet Singh Gill, who was two years old at the time of the accident, was severely injured at the Metrotown Shopping Centre in Burnaby, British Columbia. The child, who was with his father, fell through an opening in a glass partition near an elevator on the second floor to the ground below.

The infant sued a number of defendants, including the shopping centre owner and the elevator company, but did not sue his father.

Some of the defendants filed third-party claims against the father, alleging the accident was his fault for failing to properly supervise his son.

The father reported the accident to Economical

Illustration by Marc Mones/threeinabox.com

Mutual, which denied coverage to him, citing the family exclusion in its homeowner policy:

"2. Exclusions

a) PERSONAL LIABILITY: There is no coverage in this Section for claims arising from

…

5) Bodily injury to the Insured or to any person residing in the Insured's household other than a Resident Employee…".

INSURER ARGUMENTS

Economical Mutual unsuccessfully argued that the language of the exclusion was clear and unambiguous. The insurer further argued its exclusionary language captured both direct claims, such as a claim that could have been made by the son against the father, as well as indirect claims, such as the third-party claims that were made by some of the defendants against the father.

Both types of claims, Economical Mutual argued, are "claims arising from Bodily Injury to… any person residing in the Insured's household…"

Justice Voith referred to a number of decisions where family exclusions were effective to eliminate coverage, namely the Court of Appeal for Ontario decisions, *Quick v. MacKenzie* in 1997, *Bawden v. Wawanesa* in 2013 and *Allstate Insurance Company of Canada v. Aftab* in 2015.

After reviewing those cases, the judge decided that they were not determinative, noting "the risk inherent in comparing specific clauses or language in different insurance policies, without access to either portions or the whole of those insurance policies…".

The judge went on to consider the drug activity exclusion, the terrorist exclusion and the mould exclusion in the Economical Mutual policy. The court noted that with respect to a number of excluded perils, the insurer not only excluded coverage for loss or damage "arising from" the peril, but also went on to include additional language that removed any doubt about how far the scope of the "arising from" language extended. For example, Economical Mutual's terrorism exclusion stated:

The court noted that with respect to a number of excluded perils, the insurer not only excluded coverage for loss or damage "arising from" the peril, but also went on to include additional language that removed any doubt about how far the scope of the "arising from" language extended.

"This Insurance does not apply… to claims arising from:

…

(2) Terrorism *directly or indirectly, in whole or in part*, or out of any activity or decision of a government agency or other entity to prevent, respond to or terminate terrorism…" [Emphasis added]

Justice Voith wrote that the absence of similar language in Economical Mutual's family exclusion either disclosed the absence of an intent to exclude indirect claims by strangers or, at a minimum, rendered the exclusion ambiguous.

He concluded the father was entitled to coverage, after finding "there is some ambiguity in the language of the Family Exclusion and, in particular, whether that exclusion, which is to be narrowly construed, extends to indirect or third-party claims made against an Insured for bodily injury to another Insured."

Justice Voith noted Economical Mutual could have improved the language it used in the family exclusion to make clear an intent to exclude indirect claims or third-party claims.

He wrote that the insurer could have said there is no coverage for "claims arising from:… (5) Bodily Injury to the Insured or any person residing in the Insured's household, *whether such claims are brought by the Insured, a person residing in the same household or any other person.*"

COMPARING EXCLUSIONS RECOMMENDED

Underwriters of Canadian homeowner policies who wish to exclude coverage for indirect claims and third-party claims, such as those in *Gill*, would be wise to compare the family exclusions in their homeowner policies with the wording drafted by the court and consider tracking Justice Voith's wording.

The *Gill* case also reinforces the need for underwriters to ensure that the wording they use in different exclusions is consistent.

For example, if an underwriter uses powerful language in one exclusion, such as, "This Insurance does not apply to claims arising from [an excluded peril] directly or indirectly, in whole or in part," a court may seize upon the underwriter's decision to use less powerful language in another exclusion, such as, "This Insurance does not apply to claims arising from [an excluded peril]," and conclude that the underwriting intent was for the first exclusion to be interpreted broadly and the second exclusion to be interpreted narrowly.

CANATICS

Canadian National Insurance Crime Services

NEWS FROM CANATICS

Announcements from the newest tool in the fight against organized auto insurance fraud:

Proud to receive Privacy by Design (PbD) Certification from Ryerson University

CANATICS recently received recognition in the form of Privacy by Design Certification from Ryerson's Privacy and Big Data Institute following a 3rd party assessment. This recognition means CANATICS meets the rigorous tests of a globally recognized privacy standard.

Our motto has always been "privacy smart from the start". We're proud to receive this 3rd party confirmation of our efforts.

Partnering with Insurance Bureau of Canada (IBC) for faster results

In January 2016, we began forwarding a subset of our alerts, on behalf of our members, to the Insurance Bureau of Canada. CANATICS is the early warning system for organized fraud detection, and IBC is the industry's investigative body. This partnership will help members identify fraudulent behaviour, and bring the bad guys to justice sooner.

Collaboration and early detection are essential in the fight against organized crime.

Looking ahead…

Over the course of 2016, we will:

- Work to continue to grow our membership
- Increase our sources of data (while always remaining leaders in privacy protection)
- Work with subject matter experts to continue to fine-tune the tool
- Explore expansion into other provinces
- Spread the word about the power of data analytics at conferences such as the National Insurance Conference of Canada and the Canadian Life and Health Insurance Association annual conference

ABOUT CANATICS

Canadian National Insurance Crime Services, or CANATICS, is a non-profit organization focused on fighting insurance crime by providing the industry with superior intelligence derived from analytics performed on pooled industry data. CANATICS maintains an unwavering focus on data quality, privacy and security. Its members represent 75% of the Ontario auto insurance market. **Learn more at www.canatics.ca.**

Heart of the Brokerage

Renée Durepos
Senior Vice President, Keal Technology

Beyond brokers themselves, good and accurate data is the lifeblood of brokerages today. Data is vital to meeting customer needs both today and in the future, meaning that when a broker management system conversion is needed, protecting and maintaining the integrity of that information is essential.

Remembering the era of the old mainframe computer, the numerous rating manuals on brokers' desks and the endless pile of client files likely dates one back to the 1970s.

Much has changed in 40 years, but what has remained the same is the sheer magnitude of data that needs to be managed and retained. This trend, in fact, is increasing.

Fast forward to the 21st century and one would be hard-pressed to find a brokerage that does not understand the importance of data in the broker world. Data is the lifeblood of a broker's business and having a firm grasp of what data can do for the brokerage is crucial. Equally important, though, is the quality of that data.

Brokerages that do not have a pulse on the data built into their respective broker management systems (BMSs) should expect that their competitors certainly do.

The broker landscape is constantly changing, and data is crucial to helping a business chart a successful course. For that reason alone, data integrity is key.

However, the integrity of data may mean very little if a brokerage's current technology solution limits what can be done with that information.

Depending on the growth strategy of the brokerage, there likely comes a time in its life when a switch is inevitable. That may involve moving to a new BMS provider, a decision that should be viewed as a strategic one and one that demands careful consideration of whether or not the provider offers capabilities to help the brokerage best position itself to thrive in the future.

SWITCH CONSIDERATIONS

The idea of a data conversion strikes fear in the hearts of many brokers considering a BMS change. Moving data from one system to another is a huge, sometimes unnerving, undertaking. As such, the task of shifting all client and policy data to a new database takes planning, co-ordination and expertise.

Conversion is a great opportunity to do some data clean-up. Similar to moving into a new house, discarding unnecessary items can make for a smoother move. How challenged that process is will largely depend on the "clean-up" of the data in the existing system.

Surviving a switch is tough, as is making the decision on when to switch.

Bruce Winterburn, vice president of Vertafore, cautions broker principals against waiting for a watershed moment — moving in response to a system crisis is too late. That said, it is possible to move too quickly.

To implement changes before getting buy-in from users — some of whom might be dreading the pain of the switch — can prove detrimental to the process. It is a given that migrating to a new system will cause a disruption to brokerage workflows, but what disruption should be expected and, perhaps more important, what disruption is acceptable?

Steve Anderson, a technology consultant who helps brokerages evaluate and select managements systems, understands that changing systems is a very big deal.

"Most brokers do not give it the consideration it deserves. Then they make a move, didn't research it well enough, didn't know what they were getting into and then, all of a sudden, have major productivity issues," Anderson says.

"They're not getting the benefit they expected or thought they should. Certainly, sometimes that's a vendor issue, but a lot of times it's just unrealistic expectations," he points out.

QUESTIONS TO ASK

The average brokerage will spend an average of 20 to 25 years on its chosen BMS. Clearly, conversion is not a decision to be made lightly, but there are some basic questions that need to be asked when evaluating a conversion partner. Consider the following.

What information gets converted?

Client details, risk and billing information, conversation history, suspense/follow-ups and documents are among the examples of information to convert. A vendor should be able to provide a detailed outline of what will be converted.

A successful conversion will facilitate the transition of all required information to the new system from day one.

Another option, unappealing to some, is to start fresh (or with only partial data) in a new BMS, keeping a copy of the old software on a look-up basis. Key considerations with the approach include expense, efficiency and the possibility of opening up the brokerage to errors and omissions exposures.

What prep work/data clean-up is required?

Conversion is a great opportunity to do some data clean-up. Similar to moving into a new house, discarding unnecessary items can make for a smoother move. How challenged that process is will largely depend on the "clean-up" of the data in the existing system. Once completed, the BMS partner should do the heavy lifting, with the brokerage's role being to validate and advise.

How should the vendor plan and co-ordinate the conversion and implementation?

To foster success, a broker principal must communicate why the change is needed ahead of time, clearly identifying the benefits of implementing a new BMS. Engaging a group of champion employees and getting their buy-in is also critically important.

From there, the BMS conversion and implementation team should take over with a precise plan. The customized project plan needs to be crafted and strictly followed, spelling out in detail what needs to be done, when it needs to be done and by whom.

Weekly meetings with the BMS implementation team can help keep everybody on task and on time.

Migrating to a new system is not only about transferring data; it also involves training on new processes, workflow and procedures. As such, having a ramp-up time in place will help to minimize disruption.

What references are available?

Obtaining references from a BMS provider about recent conversions is not only prudent, it is mandatory. But people should also use their own networks to identify other brokerages that have recently converted.

Consider the following questions: Did data convert correctly? How was the partner to work with? What do brokers know now that they wished they had known before conversion got under way?

Of course, no major change in a brokerage is likely without some recovery period. Users should expect that it will take a bit of time to find their new flow and feel as though the brokerage has fully adjusted to its new rhythm.

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1 Ryan Michel [1] took on duties as president and chief executive officer of Allstate Insurance Company of Canada and its subsidiary companies January 11. Michel succeeds John O'Donnell, now senior vice president with Allstate Insurance Corporation in the United States. Michel has reporting responsibility for the Allstate Corporation's entities in Canada, which include Allstate Insurance Company of Canada, Pembridge Insurance Company, Pafco Insurance Company and Ivantage Insurance Brokers. Joining Allstate Corporation in 1996 as an actuarial analyst, he became part of the insurer's leadership team in 2011 as vice president and chief risk officer of enterprise risk management. In 2014, he was named senior vice president and chief risk officer, and appointed an officer and vice president of Allstate Insurance Corporation.

2 XL Group plc has appointed Nick Greggains [2] as chief executive officer of XL Catlin's Canadian insurance operations. Greggains will also oversee the company's offices in Montreal, Calgary and Vancouver. With 25-plus years of industry experience, he most recently was director of underwriting for XL Catlin's United States operations.

3 Allianz Global Corporate & Specialty SE has announced that effective July 1, Bill Scaldaferri [3a] will be appointed chief executive officer for North America, replacing Art Moossmann [3b], who will step down from the commercial insurance carrier's Board of Management at the end of 2016. Scaldaferri will continue as chief underwriting officer, specialty lines, with responsibility for the aviation, energy, entertainment and marine lines of business, as well as Allianz Risk Transfer, in addition to his new North American role. Before joining Allianz Risk Transfer in 1999, Scaldaferri's employers included Zurich and General Re. Moossmann, for his part, has worked at Talbot Bird & Company, Guardian Royal Exchange and Fireman's Fund Insurance Company.

4 SCM Insurance Services announced in March that its Opta Information Intelligence unit has partnered with Impact Forecasting LLC to offer flood model products to Canadian insurance providers. "Opta will leverage this technology to provide its customers with the ability to quickly identify properties more at risk of flooding at any geo-coded address across Canada," SCM Insurance reports. The model seeks to help insurers better underwrite and manage their riverine and off-flood plain exposures.

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5 Dennis Schembri [5] will serve in Kernaghan Adjusters' newly created role of vice president of Ontario operations. Having more than 35 years of experience in independent adjusting, Schembri founded his own firm in 1993, "which, ultimately, spanned across Ontario with over 50 employees," Kernaghan Adjusters notes. He has also worked for McLarens Canada and Granite Global Solutions.

6 Guardian Risk Managers and Chutter Personal Lines Underwriting Services (CPLUS) will re-brand as Guardian Risk Managers Ltd., with the combined new managing general agent headquartered in Surrey, British Columbia. The teams will continue to provide the same products and customer service currently available to brokers. Guardian offers niche auto, home, commercial property and commercial liability coverage, as well as claims handling. CPLUS offers manufactured home insurance, Alberta and British Columbia motorcycle insurance and recreational vehicle insurance. The coming together of the companies is expected to result in new and enhanced insurance products, territories and services providing greater value to brokers and their clients.

3a

3b

12a

12b

7 Michelle Poirier [7] has been appointed head of sales, Canada for the BrovadaOne division of Willis Towers Watson. Poirier, in the business for more than 17 years, "brings significant experience within the insurer, broker and vendor space and will leverage her extensive background in business development and customer success management to drive value within the channel," reports Willis Towers Watson. She began her career in underwriting and broker management, and has held senior roles with key solution providers within the industry. Towers Watson & Co. acquired New Brunswick-based Brovada, a workflow software vendor, in 2015.

8 Canadian National Insurance Crime Services (CANATICS) and Insurance Bureau of Canada (IBC) have joined forces in the war on organized insurance crime. The collaboration is expected to improve the property and casualty industry's ability to identify and investigate criminal fraud rings. CANATICS will serve as the early-warning system, producing alerts on suspicious activity, while IBC is the investigative body that can confirm if activity is, indeed, fraudulent, by gathering evidence that police and prosecutors need.

9 As of April 15, John Doyle will become president of Marsh Inc., reporting to chief executive officer (CEO) Peter Zaffino and working out of New York City. Doyle will also join both Marsh's executive committee and the executive committee of its parent company, Marsh & McLennan Companies Inc. Doyle will be charged with overseeing Marsh's global brokerage businesses. He most recently served as CEO for commercial insurance at American International Group Inc.

10 Rhea Turchinetz has been named vice president, western region for Creechurch International Underwriters Ltd., while Nancy Brady will assume responsibilities as vice president, professional liability for the managing general agent. Having opened the company's Vancouver office in 2015, Turchinetz's previous roles at Creechurch International include as assistant vice president, technology errors and omissions. Brady joined Creechurch International in 2005 and, in 2011, was named assistant vice president, professional liability.

11 Alberta-based Access Insurance Group has acquired Clarke Insurance Services and Lacombe Agencies. "Access Insurance Group has welcomed all existing Clarke Insurance Services and Lacombe Agencies employees into their family, extending their geographical reach in Alberta," reports the company. It has offices in Edmonton, Stony Plain and Red Deer.

12 Munich Re has announced that Joachim Wenning [12a], currently director of labour relations, will become chief executive officer as of April 27, replacing Nikolaus von Bomhard [12b], who will step down at that time. Wenning will be on Munich Re's Board of Management.

13 Federal transport minister Marc Garneau has given his thumbs-up to an online awareness tool developed by oil and gas association Enform to handle flammable liquid emergencies. The tool, which received funding from the Canadian Association of Petroleum Producers, is meant to address "knowledge gaps identified by Transport Canada's Emergency Response Task Force following requests from municipalities and first responders in the aftermath of the Lac-Mégantic tragedy."

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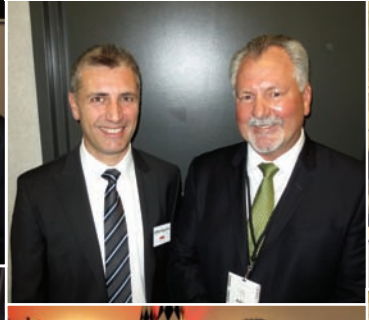
CNA Canada opened its doors to more than 300 brokers at a special **grand opening celebration for its new Toronto Branch and Canadian head office March 2.** "The Toronto branch and Canadian head office relocation affirms CNA's commitment to the Canadian marketplace and will allow us to better connect to and better serve our customers," said John Hennessy, president and chief operating officer of CNA Canada. The company's new space at 66 Wellington Street West is located in the Toronto-Dominion Centre, a LEED Gold-Certified building by the Canada Green Building Council.



GALLERY

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

APPOINTMENT

Stephene Ashikwe

V-NEO is pleased to announce that Stephene Ashikwe accepted the position of Managing Partner – Strategy and Enterprise Business Architecture, effective February 29, 2016.

Stephene Ashikwe is leading V-NEO's Enterprise Consulting Services to the Insurance Industry practice in the Greater Toronto Area. He is recognized nationally for his thought leadership and expertise in assisting financial institution clients with Business solutions and Strategic initiatives.

Stephene specializes in the area of Business Architecture, Sales and Underwriting Strategies for Property & Casualty Insurance (Personal and Commercial Lines), life insurance and reinsurance.

V-NEO is a Consulting Firm that specializes in Property Casualty and Life insurance. V-NEO provides consulting services in Business Enterprise Architecture and IT solutions. V-NEO Leads transformation projects throughout the solution implementation process, from strategy design, selection and planning to delivery and value creation within the organization. Furthermore, V-NEO is a Guidewire Partner Connect Consulting Advantage.

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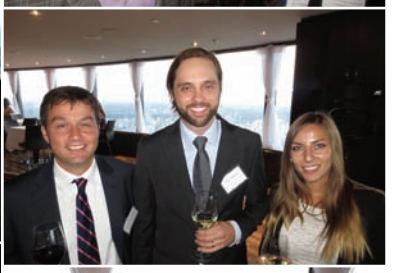
GALLERY

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

LBC Meaden Moore International held its **annual fall cocktail reception** at the CN Tower's Horizon Cafe in downtown Toronto October 8, 2015. Guests enjoyed a chance to connect over a casual cocktail while enjoying the scenic views of Toronto and Lake Ontario from the top of the famous icon.



20th ANNIVERSARY WICC™ WOMEN IN INSURANCE CANCER CRUSADE

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WHAT IT'S ABOUT:

What: Canadian Cancer Society's Relay For Life – the **largest WICC fundraising event in Ontario.**

Why: To celebrate cancer survivors, commemorate those we've lost, and raise money for life-saving research.

Where: Downsview Park.

When: Friday June 17th, 2016 6:00pm – midnight.

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

WHAT YOU DO:

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

Register: go to **www.relayforlife.ca/wicc**

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

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

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

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CIP Society Events & PRO*edge* Seminars

Grand Prairie – Farm Insurance 101	May 3
Edmonton – Don't Let a Natural Disaster Turn into an Insurance Disaster	May 5
Kingston – Property Claims: Behind the Scenes	May 5
Toronto - Auto Insurance Reforms: What it means for you	May 10
Ottawa – Understanding Bodily Injury	May 11
Moncton – Course of Construction/Builders risk Insurance Claims	May 12
Calgary – Asbestos Abatement and Contents Restoration	May 19
London - Auto Insurance Reforms: What it means for you	May 25
Cobden – Underwriting for Brokers	May 26
Kitchener - Auto Insurance Reforms: What it means for you	May 26

ADVANTAGELIVE WEBINARS

Disaster & Emergency Planning
May 5

The Three D's Changing Customer Expectations in the Insurance Industry: Digital, Data, and Demographics
June 2

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GALLERY

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

On February 18, **McCague Borlack LLP** hosted its annual **Winter Fest Celebration** at Alpine Ski Club in Collingwood, Ontario. Beyond the great ski conditions and weather, guests took part in snowshoeing, hiking and therapeutic massages. A great time was had by all.

Risk Solutions

Appointment

Enna Kaplun

Director, Reinsurance Assumed

The Boiler Inspection and Insurance Company of Canada (HSB BI&I) is pleased to welcome Enna Kaplun to the position of Director, Reinsurance Assumed. Enna will undertake senior management responsibility for HSB BI&I's Assumed Equipment Breakdown portfolio across Canada.

Enna's career in strategic management and business development has spanned over 20 years, bringing a wealth of relationship management and strategic leadership expertise to her new role. Enna is a graduate of York University with a Bachelors of Arts and has a post graduate certificate in Human Resource Management (CHRM).

The Boiler Inspection and Insurance Company of Canada, a member of HSB Group and part of MunichRe's Risk Solutions family, provides the industry-leading range of specialty equipment breakdown insurance coverage for business and home. Visit munichre.com/HSBBII.

Munich RE

1866

HSB BI&I

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

On March 17, **RIMS' Québec chapter** hosted Joanna Makomaski as a speaker for its **March conference luncheon**. A room filled with risk management and insurance professionals were enlightened by Makomaski's experience as vice president of enterprise risk management for the Pan Am/Parapan Am Games in Toronto last summer.

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