Canadian underwriter

February 2020

YOUR GUIDE TO INSURANCE SUCCESS. SINCE 1934

TECH REPORT 2020

DATA PROTECTION

CLIENT DATA IS GOLD. HOW THE INDUSTRY IS SAFEGUARDING THE NEW CURRENCY

BOLD PREDICTIONS

Key tech experts show how technology will change the brokers' world

CU INTERVIEW

James Burns

CYBER PRODUCT LEADER SHOWS HOW TO SELL CYBER POLICIES SUCCESSFULLY

+

YOU TEXT FAMILY AND FRIENDS. WHY NOT YOUR CLIENTS?

BROKERS REACT TO BMS PROVIDER CONSOLIDATION

OVERSEAS WORK CONDITIONS: IS YOUR CLIENT EXPOSED?

Canadian underwriter

YOUR GUIDE TO INSURANCE SUCCESS. SINCE 1934

CONTENTS

Volume 87, No. 2 | February 2020

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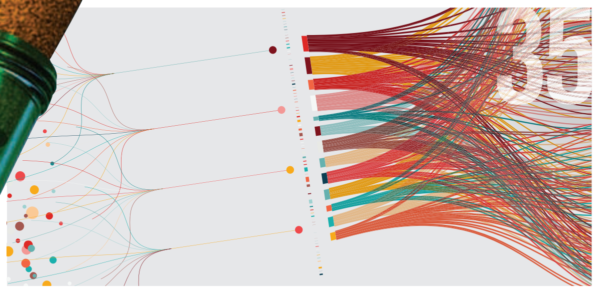
FEATURES



CORRECTIONS
In our December 2019 edition, "Do you know where your data is going?" p 37, we incorrectly spelled the author's name. The correct spelling is Roisin Hutchinson.

Also in our December 2019 edition, "Soaring above the pile," we incorrectly stated "The CIP Society represents more than 17,000 graduates of The Insurance Institute of Canada." The correct number is 18,000.

Canadian Underwriter apologizes for these errors.

CIP SOCIETY

MEMBERS BENEFIT

2020 Symposium

CIP Society

~~Un~~predictable

Thursday, April 16, 2020

Toronto Board of Trade

Featuring inspiring keynote speakers, insightful seminars and our Leaders Unscripted session, Symposium is the premier industry event for GTA's insurance professionals.

This event brings together bright minds to discuss the issues impacting our industry now and in the future.

Choose from the following breakout sessions:

- **Spotting black swans: A strategy for rethinking the unpredictable**
- **The new case for parametric insurance**

Keynote talks by:

Tony Chapman,
TV and Radio Personality
"Stop telling your story. Become part of time. How to get the attention of the people that matter most to you"

Dr. Joy Albuquerque, MD, MA, FRCPC
Medical Director Physician Health Program); Ontario Medical Association
"Health and wellness at work: An oxymoron?"

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Leaders Unscripted

Gain a new perspective on leadership as executives share their personal insights in an intimate group setting

Philomena Comerford, President & CEO/ Principal
Baird MacGregor Insurance Brokers LP & Hargraft Schofield LP

Saad Mered, CEO & Chief Agent
Zurich Canada

Heidi Sevcik, President & CEO
Gore Mutual Insurance Company

Jason Storah, CEO
Aviva Canada

General session featuring the Institute's latest climate risk research

Rethinking resiliency in a period of extreme climate risk

Featuring **Paul Kovacs**, Senior Researcher at *The Insurance Institute of Canada* and Executive Director at *Institute for Catastrophic Loss Reduction*

Panelists:

- **Donna Ince**, CIP, CPA
  Senior Vice-President; Personal Lines, *RSA Canada*
- **Glenn McGillivray**, MA
  Managing Director, *Institute for Catastrophic Loss Reduction*
- **Barbara Turley-McIntyre**, CIP, MEB
  Vice-President; Sustainability & Citizenship, *The Co-operators Group Ltd.*

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MANAGING DIRECTOR,
INSURANCE MEDIA GROUP
Sandra Parente
sandra@canadianunderwriter.ca
416-510-5114

EDITOR-IN-CHIEF
David Gambrill
david@canadianunderwriter.ca
(416) 510-6793

MANAGING EDITOR
Adam Malik
adam@newcom.ca

ASSOCIATE EDITOR
Greg Meckbach
gmeckbach@canadianunderwriter.ca

ONLINE EDITOR
Jason Contant
jcontant@canadianunderwriter.ca

ART DIRECTOR
Ellie Robinson

ADVERTISING AND MARKETING CONSULTANT
Pam Chodda Young
pam@newcom.ca
(416) 510-5122

PRODUCTION MANAGER
Karen Samuels

CIRCULATION MANAGER
Mary Garufi

PRINT PRODUCTION MANAGER
Lilianna Kantor

NEWCOM MEDIA INC.

CHAIRMAN AND FOUNDER
Jim Glionna

PRESIDENT
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CHIEF FINANCIAL OFFICER
Peter Fryters

DIRECTOR OF CIRCULATION
Pat Glionna

NEWCOM MEDIA INC.

5353 Dundas Street West, Suite 400, Toronto, Ontario M9B 6H8
Tel: (416) 614-2200 Fax: (416) 614-8861

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Time to regulate insurtechs

A short time ago, insurers feared insurtechs would disrupt the property and casualty industry.

By "disrupt," people generally meant that insurtechs would compel traditional insurers to go digital, thereby dragging the industry kicking and screaming into the 21st century. In fact, the P&C industry has been adopting new technologies quite willingly and readily for some time.

No, the real threat to the industry is unfair competition brought about by the absence of insurtech regulation.

It's pretty easy for a whiz-bang insurtech to design game-changing gadgets when nothing in the insurance regulations says they can't. We've learned from the Uber example that when insurance regulators knock on the door, insurtechs can always say, "We're a tech company," while clearing their throats and pointing to the P&C insurers down the hall.

Canadian insurers have been more vocal lately about this tilted regulatory playing field. But the call for insurtechs to be regulated seems like a long-term strategy at best. If anyone thinks the insurance industry is slow to respond to things, they should take a look at the glacial speed of regulatory change.

In Canada, the feds are currently looking at insurtechs through the prism of ongoing "open banking" consultations, focusing on partnerships between banks and fintechs/insurtechs. The second consultation phase of that exercise is due to begin later this year.

Meanwhile, the International Association of Insurance Supervisors (IAIS) published a report in 2017 that examines the challenges for insurance regulators during multiple stages of market penetration by insurtechs. This is what the IAIS said about regulatory challenges if the status quo continues: "From a regulatory perspective, [insurance] supervisors will be more challenged in keeping up with technological innovations. Their practices, as well as regulations, may be lagging. However, the lower market fragmentation [as exists today between insurers and insurtechs] may provide opportunities for joint learning in controlled regulatory environments."

In other words, the regulators need to study it a bit longer.

Alas, while they study, what happens? Unregulated insurtechs do rings around the regulated insurance companies. In this case, regulatory inaction is effectively driving marketplace change. And that needs to change. cu

David Gambrill

david@canadianunderwriter.ca

Twitter: @Cdnunderwriter Facebook: canadianunderwriter

perspectives

Why recruitment experts say brokers need to change their image

December 3

The story: People who don't work in the industry have a distorted view of what it's like to be in insurance sales, a speaker said at *Canadian Underwriter*'s Top Broker Summit.

Frank Cain says:

To anyone wanting to enter the insurance business, my advice would be to start with an insurance company, because that's where your knowledge, experience and talents are eventually going to rest as a producing underwriter. One thing is clear – you will never forget your experience with a company for as long as you remain in the business. You will have a much better idea of workflow, claims processes, underwriting strategies, and how various departments look at an application when it reaches a desk. It will teach you, as a broker, that the insurer will not have to send memos requesting basic and fundamental information that was omitted from the application. You may find they will not have to do that to your work, but the message that it will bring home is that time is money and that time and trouble cost more.

Ehsan Rasul says:

Brokers can only blame themselves for the current demise of the broker channel and the image we have portrayed to the public, especially over the last decade or so. We forgot about training and mentoring new and young brokers. Instead we teach them software and systems. We transformed our young brokers into data entry agents instead of ethical professionals. Brokers are an endangered species now, gradually losing market share to direct writers and call centres because we lost our niche and unique proposition. There is still time to wake up and get back to the basics of being a broker and teaching our young brokers, otherwise we will be extinct.

Glenna Ritchie says:

Having just left the insurance industry after 36 years of service, I wouldn't recommend that a young person pursue a career in insurance. Employees in brokerages are overworked and underpaid. With all the mergers going on now, the focus is not on the employees. RIBO needs to oversee the lack of management in the multi-branch brokerages. The insurance industry should go back to review what it takes to retain an employee to make their job more enjoyable. The strongest asset is your employee and the industry doesn't get it.

How IBC is addressing a hard market in condo insurance

January 7

The story: Insurance Bureau of Canada is "engaging" a risk manager who can make practical recommendations to condominium corporations to reduce their risk.

Tracy says

Hiring a risk manager to help condo corporations sounds good in theory, but how helpful are they going to be if the markets aren't quoting the residential realty at all?

Joe Stonehouse says:

For older condos, get rid of the crane toilets from the 1970's. Unbelievably they still exist. Don't allow unit owners to do their own plumbing (dishwashers, water filters, etc.). Hire licensed and insured plumbers. Mandatory replacement of hot water tanks at 10 years old. Water sensors that trigger shut off. These cost about $500; for a 40-unit building, this is $20,000. This is cheap considering the water damage claims. Don't run dishwashers and washing machines when not in the unit (if renting, then advise renters).

Municipalities: another victim of the hard market?

December 9

The story: Joint and several liability is contributing in part to exorbitant increases in municipal insurance premiums, a lawyer said at Insurance Bureau of Canada's inaugural Commercial Insurance Symposium.

Marc Dubois says:

Until proportionate liability becomes the benchmark on which these matters are settled, the situation will not be getting any better. Also, better claims handling and response would be a step in the right direction.

Collisions with power poles on the rise: BC Hydro

December 12

The story: BC Hydro responded to 2,100 accidents involving vehicle collisions with its equipment in 2018 — a 13% increase over the five-year average.

NSIWA Insurance Awareness says:

Something a little different today. Hitting utility lines is not something I knew was tracked, so it is interesting that it is and that frequency is on the rise. Great advice on what to do if you ever are involved in an accident with a power line.

Why even cyber policies might not cover cyber losses

December 13

The story: A Swiss Re director says sometimes even a straightforward cyber policy won't always cover a data breach loss.

@LMVSLaw says:

Never assume you are covered. Period.

2020 Symposiums

Designed by insurance professionals for insurance professionals

Symposium Events are taking place across the country, bringing together our industry's brightest minds for a full day of engaging discussion about the future of our industry. **Save the date for an event near you!**

CIP Society Symposium Events:

Toronto (GTA Symposium)	Thursday, April 16, 2020
Vancouver (IIBC Symposium)	Tuesday, April 21, 2020
Edmonton (IINA Symposium)	Wednesday, April 22, 2020
Calgary (IISA Symposium)	Thursday, April 23, 2020
Halifax (Symposium Atlantic)	Tuesday, May 21, 2020
Cambridge (Symposium West)	TBD, August 2020

To find out more about the CIP Society, please visit:

www.insuranceinstitute.ca/cipsociety

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HIGHLIGHTS **BMS Consolidation** p.12 | **Supply Chain Questions** p.15 | **Big Moves** p.17

BROKER TECHNOLOGY

How brokers feel about BMS provider M&A

Brokers witnessed a number of significant tech vendor acquistions last year. We asked brokers what they thought about it, and here's what they told us

BY JASON CONTANT, *Online Editor*

Broker management system (BMS) providers were busy last year on the mergers and acquisitions front, led by Applied Systems' acquisitions of TechCanary, Policy Works and Indio Technologies.

Applied championed their acquisitions as a benefit to brokers, referencing the larger of the two acquistions in October.

"The broker will now have a complete view of their business, so they can have all the analytics and the action-driven insight that our analytical platform will provide, but now it will be inclusive of that commercial data that will come in through Policy Works," Steve Whitelaw, Applied's vice president of industry and partner relations, said in October.

Another big deal occurred last July, when software-as-a-service provider Acturis Group acquired Zycomp Systems, best known for its Power Broker BMS.

Whenever there is consolidation, discussion usually follows about the impact on choice. "I think that my broker colleagues are all very well-justified in wanting to pay close attention to what happens next, because we don't want to see a situation where there's a monopoly and people lose their power as the consumer," Brenda Rose, vice president and partner at FCA Insurance Brokers and past president of the Toronto Insurance

WILDFIRE RISK | JAN 8
Canada is vulnerable to similar devastating wildfires raging in Australia right now because of climate change, human activity, and a glut of fuel for fires in forests ravaged by pests, said Ed Struzik from Queen's University.

OFFSITE HAZARDS | JAN 8
Federal employers such as banks, airlines, courier companies, inter-provincial trucking, railways and telecommunications are not obligated by law to conduct health and safety inspections of work locations that they don't control, the Supreme Court of Canada ruled.

Council, said in November when asked about BMS provider consolidation.

What is the impact, if any, of all of this consolidation on brokerage operations?

Canadian Underwriter put the question to brokers in a recent poll. Out of 138 responses, about two-thirds of brokers said BMS provider M&A did not affect their operations at all. Of the 34% that said it did, 44% reported a negative impact, 23% said the impact was neither positive nor negative, and 21% said it was positive.

Where brokers most noticed the difference was in their operational planning. "We moved to TechCanary and Applied purchased it and shut it down six weeks after we launched the new management system," said one broker in the survey. "We recently purchased Indio and now Applied has purchased them..."

A second broker said their brokerage was using Policy Works, but then they moved to Applied's Epic. "We made the decision to spend months creating a commercial application and started entering the data from Policy Works to Epic," the broker reported. "When it was announced Applied acquired Policy Works, it felt like months of work was wasted."

In an attempt to avoid these types of administrative hiccups, one broker took the cautious approach: "Was planning on reviewing options to switch," the broker said. "Now holding off again to see how the M&A pans out."

Tech vendors acknowledge the administrative headache of duplicate entry. But in the case of Indio and Applied, the products are complementary, said Applied CEO Taylor Rhodes. Consolidation also helps close this "painful gap," he said. "A broken process full of paper and PDFs, duplicate forms from many carriers that [brokers] have to fill out in a painful way that often asks for all similar information."

SURVEY SAYS...

BMS provider consolidation

Canada's broker management system (BMS) providers have been active in the M&A space over the past five years. Examples include Applied Systems' acquisitions of TechCanary and Indio; Acturius' acquisition of Power Broker, and Vertafore's acquisition of Keal Technology, to name a few. One hundred and thirty-eight Canadian brokers told us how they feel about choice in a consolidating BMS market.

How do you feel about existing choice in the BMS tech vendor marketplace today?

5%	A lot of variety
35%	Some variety
25%	Neutral
32%	Little variety
3%	No variety

Would you like to see more or fewer BMS tech vendors in the Canadian P&C marketplace?

8%	Far more
45%	Some more
42%	Existing is fine
4%	Fewer
1%	Far fewer

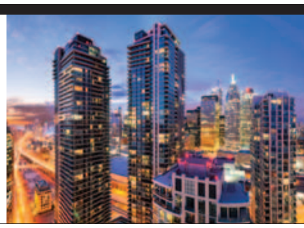
For example, with Indio's solution, Rhodes said, there is a smart, intuitive way for brokers to pre-fill and de-duplicate a lot of these forms in a smart form library. The benefit for the agent or CSR is improved workflow management. "It tells them when a renewal is up, what steps they've taken, where the customer is in returning their form, and really walks them through, in a foolproof way, the entire renewal or application process," Rhodes said.

Asked if consolidation improved their workflow management, brokers were largely neutral (48% of 120 responses), with 24% disagreeing and 21% agreeing.

Many brokers did agree that consolidation will lead to better connectivity between their brokerage and insurers (45% of 120 brokers agreeing, 28% neutral and 16% disagreeing).

Also on the upside, concentration is bringing new players into the market, Rose said, citing the example of U.K.-based Acturis' acquisition of Power Broker. "So, I don't think it's fair to characterize it as all negative." cu

CONDO RISK CZAR | JAN 7
As condo coverage becomes more difficult to obtain, Insurance Bureau of Canada (IBC) announced it is "engaging" a risk manager who can make practical recommendations to condominium corporations to reduce their risk.



LIABILITY MARKET | JAN 6
In a hard market characterized by shrinking returns on several lines of business, "many general third-party liability treaties are ancillary to traditional property treaties and have generally remained profitable for (re)insurers," reported reinsurance broker Willis Re.

FCA Inside Ride

Oct. 17, 2019

Toronto, Ontario

A cool October day couldn't keep more than 130 insurance partners of FCA Insurance brokers from raising money for a good cause. Twenty-three teams of six riders raised money for the Coast to Coast Foundation, which supports kids with childhood cancer and their families. More than $30,000 was raised during the event, which was held as part of FCA's 100th anniversary celebration. Teams were recognized for spirit, costumes, top fundraiser, and distance.

FIND MORE PHOTOS AT

CanadianUnderwriter.ca/gallery

Canadian underwriter

ON THE SCENE

IBC Commercial Insurance Symposium

Nov. 28, 2019

Toronto, Ontario

Insurance Bureau of Canada (IBC)’s inaugural Commercial Insurance Symposium posed some big questions about Canada’s commercial insurance environment: Where are we now? How did we get here? And where are we going? The one-day symposium kicked off with opening remarks from IBC president and CEO Don Forgeron. Throughout the event, attendees heard about emerging issues facing the commercial transportation line (capacity, cross-border exposure, ongoing trade negotiations, and liability losses), the war for talent, and the broker’s evolving role in placing cyber insurance, among other topics.

FIND MORE PHOTOS AT

CanadianUnderwriter.ca/gallery

SUPPLY CHAIN RISK

Overseas working conditions: Is your client on the hook?

Corporate clients who get their goods from jurisdictions with inadequate protection for workers' rights could end up being named as defendants

BY GREG MECKBACH, *Associate Editor*

If your corporate clients do business overseas, the liability they may face if workers are injured or subject to abuse outside of Canada is about to come under scrutiny by Canada's top court. The Supreme Court of Canada is expected to clarify the risk exposure when it releases its ruling in *Gize Yebeyo Araya, et al. v. Nevsun Resources Ltd.*

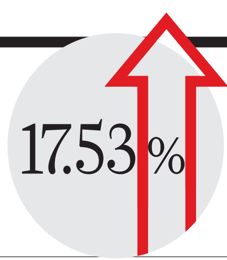
It is not unusual for clients in mining and manufacturing to be named in Canada in class-action suits by non-Canadian workers. In January 2019, the Supreme Court heard an appeal from Vancouver-based Nevsun, which has a stake in a zinc-copper mine in the East African nation of Eritrea. The appeal is not on the merits of the case, but on whether a lawsuit could actually be heard by a Canadian court.

At the time of writing, the top court had yet to release a decision. Once a ruling is made, that might provide some guidance on the liability risk to Canadian companies with supply chains overseas in areas with sub-standard or non-existent protection for workers, Chris Burkett, Toronto-based partner with Baker McKenzie, said in an interview with *Canadian Underwriter*.

In another lawsuit, plaintiffs from Guatemala alleged that security personnel working for Ontario's Hudbay Minerals Inc. subsidiaries committed human rights abuses near a proposed open-pit nickel mining operation.

Allegations against Hudbay have not been proven. In *Choc v. Hudbay Minerals*

TOTAL LOSSES | JAN 3
The frequency of auto total loss outcomes reached 17.53% in the first half of 2019, in part because insurance companies were lowering the bar for declaring a vehicle a total loss, according to Ryan Mandell of Mitchell International.



LIFELABS DATA BREACH | JAN 3
A proposed $1.13-billion class action lawsuit has been filed in Ontario against medical services company LifeLabs over a data breach that allowed hackers to access the personal information of up to 15 million customers.

Inc., released in 2013, the Ontario Superior Court of Justice declined to throw the lawsuit out of court. Hudbay argued it does not have a duty of care to ensure that a subsidiary's commercial activities in a foreign country are conducted in a manner designed to protect those people with whom the subsidiary interacts.

A different case, *Arati Rani Das, et al. v. George Weston Limited*, was tossed out of court. Plaintiffs from Bangladesh tried to sue Loblaw Companies Ltd. in Ontario. Its brands include Joe Fresh, whose clothing was manufactured at the Rana Plaza, an eight-storey factory complex. It collapsed in 2013, killing thousands.

Plaintiffs alleged that Loblaw was vicariously liable for negligence on the part of suppliers and sub-suppliers. But the Ontario Superior Court of Justice dismissed the lawsuit, ruling that a clothing manufacturer operating out of Rana Plaza was neither a subsidiary of the company nor an independent contractor of the sort that could trigger vicarious liability. The ruling was upheld on appeal. The Supreme Court of Canada announced this past summer it denied the plaintiffs' leave to appeal.

"There is a real question mark in Canadian law about whether liability can extend to the end-user in the supply chain," Burkett said, referring to companies who buy goods in developing countries where labour laws are lax, non-existent, or not enforced.

Others say the liability risk is real. "Whether or not a company is ultimately found to be at fault, lawsuits like this are legally complex and require years of litigation," according to regulatory lawyer Yusra Khan.

Khan has advocated for the Canadian government to adopt a law similar to the *California Transparency in Supply Chains Act*. In Canada, draft legislation is in the works but has yet to be tabled in either the Senate or House of Commons. cu

NEW OFFERS

CYBER EXCESS POLICY

Vendor: CFC Underwriting
Target audience: Small and medium-sized businesses
What It Does: Provides small and medium-sized businesses with access of up to $10 million of excess cyber capacity

Offered globally and designed for organizations with up to $1 billion in revenue, the policy provides an automatic reinstatement of the excess limit as standard. "This helps to ensure clients are protected against the increasing likelihood of multiple cyber events during a single policy period," says London, U.K.-based CFC. In addition, the policy features several unique "dropdown" coverages, which, if required, effectively top up coverage provided in the client's primary cyber policy. These include Side A cover for lawsuits against directors and officers arising directly out of a cyber event when their D&O policy excludes cyber claims; up to $1 million of primary cover for theft of funds of senior executive officers; and a top up of the primary limit for wire transfer fraud, a major source of cyber claims. The solution also gives policyholders complementary access to CFC's full suite of cyber risk management tools – including phishing simulations, breach monitoring, incident response templates and more – that can be used alongside the tools of any primary insurance provider.

SONNET GROUP INSURANCE

Vendor: Sonnet
Target audience: Employees of participating companies
What It Does: Provides a home and auto discount to employees of participating companies.

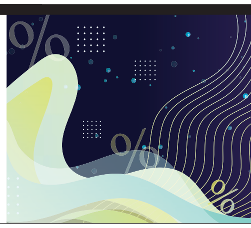
Organizations potentially qualifying for a group insurance discount include companies with 100 or more employees, professional associations, alumni associations, and certain affinity groups. (Sonnet has already signed on Deloitte to offer a discount to its employees across Canada.) Discounts vary based on the risk profile of the employee or member base. There is no limit to how many employees can receive the discount, which also extends to employees' spouses and children under 25. The group discount is in addition to any other discount for which the applicant qualifies, including bundling home and auto insurance. Employers gain access to Sonnet Connect, a network of like-minded brands whose special offers across financial services are aimed to promote financial wellness.

SGI SAFE RIDE APP

Vendor: Saskatchewan Government Insurance
Target audience: Currently only available for consumers in Saskatchewan
What It Does: Automatically determines a consumer's location and lists one-touch calling for all local taxis, and designated driver and rideshare services.

The SGI Safe Ride app allows users to have a number of safe ride options at their fingertips, including rideshare services, taxi and designated driving companies, bus routes, and even their own personally designated drivers list of friends and family. The app automatically determines the user's location and lists one-touch calling options for users that may be impaired by drugs or alcohol. It works on iOS and Android devices. SGI's app has been available since 2012, but the latest technical upgrades mean a faster and easier user experience, plus the addition of current rideshare options now available in some Saskatchewan communities.

REINSURANCE RENEWALS | JAN 2
Reinsurance renewals at Jan. 1, 2020 reflected an "asymmetrical" market, featuring a mixed bag of rate increases or decreases (depending on the specific business line or territory), as well as significant rate increases in the retrocession markets, according to Guy Carpenter & Company.



SECONDARY PERILS | DEC 31
Damage damage due to "secondary perils" such as river floods, torrential rainfall, landslides, thunderstorms, winter storms (excluding Europe), snow and ice storms, drought and wildfires are on the rise, said the latest *sigma* study published by Swiss Re. Globally, Nat Cat losses cost the P&C industry US$56 billion in 2019.

BIG MOVES

MGA CEO joins Brown & Brown

Mark Woodall, CEO of Special Risk Insurance Managers, joins the leadership team of Brown & Brown, a Florida-based brokerage

WHO: **Mark Woodall**

CURRENT ROLE: **President, CEO, Special Risk Insurance Managers Ltd.**

P&C EXPERIENCE: **40+ years**

PROFILE: **Previously a partner at independent adjusting firm Pritchard Woodall, before it was acquired by SCM in 2006. His firm handled 83 total residential losses during Kelowna, B.C. forest fires in 2003. Purchased Sports-Can Insurance Consultants in 2006.**

Mark Woodall, president and CEO of Special Risk Insurance Managers (SRIM) Ltd., is joining the leadership team of Brown & Brown Inc.'s national programs division.

The move follows the acquisition by Brown & Brown of SRIM, a managing general agency based in Surrey, B.C. Woodall will now report to Chris Walker, president of Brown & Brown national programs.

Florida-based Brown & Brown is a brokerage with hundreds of offices south of the border. The acquisition was announced Dec. 9, 2019. As of publication deadline, the deal was expected to close Jan. 20.

In the 1990s, Woodall became a partner at Pritchard Associates, an independent adjusting firm, which changed its name to Pritchard Woodall & Associates. In 2003, Pritchard Woodall handled 83 total residential losses arising from the Kelowna, B.C. wildfire. After Pritchard Woodall was acquired in 2006 by SCM, Woodall purchased Sports-Can Insurance Consultants.

SRIM was formed in 2013 through the merger of Sports-Can and Special Risk Insurance Brokers Ltd. At that time, Special Risk Insurance Brokers was owned by Tom Willie, who is now SRIM's director and chief underwriting officer. Willie is also staying on with the Brown & Brown acquisition.

Dave Partington is the new CEO of Canadian retail property/casualty brokerage operations at Arthur J. Gallagher & Co., the brokerage announced on Dec. 5. Gallagher is the fourth-largest property and casualty brokerage in the world.

Cam Loeppky, senior vice president and chief information officer of Wawanesa Insurance, is now chairman of CSIO's board of directors. He has more than 20 years of experience in the financial services industry.

Heather Legg is chief agent in Canada for Validus Reinsurance Ltd., which announced the establishment of its Canadian branch on Dec. 19. Before joining Validus Re in early 2019, Legg was senior vice president on Aon's reinsurance solutions team and a member of the Canadian leadership team.

SUMMARY

REINSURANCE RENEWALS

Market of multiple voices

WILLIS RE

January 2020 reinsurance renewals showed a market speaking in multiple voices, with a significant variation in pricing and capacity depending on geography, product line, loss record and individual client relationships, Willis Re concluded in its latest report.

Globally in property lines, "sufficient capacity [was] available for buyers at attractive terms," reported *Willis Re 1st View: Markets Diverge*. Reinsurers did not achieve "hoped-for" price increases in property lines for loss-free international catastrophe business because of "a persistent oversupply for international catastrophe capacities."

In Canadian property lines specifically, the primary market experienced hardening across all major lines. Commercial and strata business lines saw 20% rate increases, driven by property losses in recent years, as well as "segmented supply shortages, particularly from Lloyd's syndicates."

A benign loss year in 2019 meant risk-adjusted Cat reinsurance renewals stayed in line with 2019 renewals. Loss-free property risks saw rate increases of between 0% and 10%, while risks experiencing losses saw rate increases of between 10% and 40%.

Property catastrophe coverage on loss-free accounts was anywhere between flat and a 5% increase. For accounts experiencing a loss, property catastrophe coverage increased by 5% to 10%.

In Canada's casualty market (auto insurance, personal accident, and general third-party liability lines), the bright spot was third-party liability treaties, which "have generally remained profitable for (re)insurers," Willis Re reported. "Reinsurer appetite for casualty-related lines of business remained generally stable as reinsurers sought to balance property portfolio exposures."

In Canada, excess of loss reinsurance coverage for accounts without a loss remained flat or increased by up to 5%. For accounts with a Cat loss, rates increased between 5% and 10%.

ALBERTA REVIEWS AUTO | DEC 27

Alberta struck a panel to review auto insurance with a promise not to revisit the recently-scrapped 5% annual cap on auto rate increases. A committee will research and recommend solutions that work for all parties within the existing private system.

TOP WEATHER STORY | DEC 26

The Ottawa River flooding in April topped Environment Canada's Top-10 list of weather stories in 2019. More than 6,000 homes were flooded or threatened in after the river broke water level records by 30 cm. Montreal declared a state of emergency. Two people died, one in Ontario and one in Quebec.

CYBER INSURANCE

HOW TO SELL CYBER

James Burns, cyber product leader with CFC Underwriting, shares his insights on what the industry needs to do to sell more cyber insurance policies.

By Jason Contant, Online Editor

cu | How do successful brokers sell cyber insurance?

They make cyber products relevant to the client by identifying exposures. Some brokers have been less successful in trying to sell the cyber product because the companies to which they were selling didn't necessarily see the exposure as relevant to them. When brokers have taken the approach of selling cyber as a 21st century crime product, when they talk about the potential for modern-day businesses to fall for wire transfers and scams such as that, they tend to have been more successful. That type of exposure seems to be more relevant to different types of industries. For me, it's all about relevance. Brokers should not try to sell a generalist product, in the same way they would to all of their types of clients, because different types of clients have different types of cyber risk.

cu | Traditional cyber policies used to focus on privacy risks for industries like healthcare and retail. Is that still the case?

Healthcare would be much more privacy-exposed than, say, construction because the healthcare industry is collecting relatively high-value data. But cyber is about way more than just privacy. If you explain to your clients that cyber risk exists outside the realm of just privacy, there's much more to talk about; the conversation should become quite a lot more open. The issue we've seen is that, as the privacy market within the U.S. has taken off, brokers and insurers in Canada have used the same talking points to try and articulate what cyber risk is to other clients – clients who don't necessarily have a privacy exposure. While Canada and other territories do have privacy laws, they don't tend to be enforced in the same ferocious manner as U.S. privacy laws. Many clients, regardless of whether or not privacy laws are in place, just don't collect private data.

cu | What are the main areas of cyber risk?

We've seen three main areas of cyber risk: theft of data (privacy), theft of money (cybercrime), and damage to digital assets (system damage and business interruption).

cu | Can you provide an example of an industry with business interruption or cybercrime exposure?

Manufacturers weren't really in that first camp of traditional cyber buyers, because manufacturers don't tend to collect consumer data. For many years, if you were a broker with manufacturing clients, the cyber conversation was shot down because the manufacturer would say, 'We don't collect data therefore we don't have a cyber risk.'

But what we've seen develop in recent years are attacks against manufacturers in which the hackers are not trying to steal data, they're simply trying to freeze the network. If they can freeze a network, it can stop manufacturing operations; that can cause immediate financial loss from a business interruption perspective. Tied in with this, we'll see manufacturers get hit with ransomware attacks whereby the attackers will lock down the systems and demand a ransom in exchange for the systems to be freed up.

cu | How about crime?

Crime is slightly different because crime tends to be relatively industry-neutral insofar as crime involves theft of funds. So businesses will tend to wire funds electronically, depending on whether they need to buy stock, pay vendors, or accept money from clients. Some industries are more exposed than others. A good example is construction. Lots of contractors tend to be involved in building projects for which they are sourcing lots of different materials from lots of different suppliers. They will be wire-transferring money for timber, bricks, and concrete to make sure their job is completed on time. They need to have their materials delivered. Construction is a really good example of where clients may say, 'We don't have a cyber exposure because we don't collect consumer data,' just like manufacturers.

Cyberattacks often involve a human element, so brokers should be looking at this as a business continuity product, as well as from a crime standpoint, not just from a business interruption perspective. If a business has a large sum of funds stolen through wire transfer fraud, they often run into cashflow issues. They need that money back and quickly.

cu | Do you see new service offerings coming down the pipeline, or even changes to current offerings?

I think there has been an over-emphasis on the policy wordings themselves. The wordings are important; they determine what coverage is there or isn't. But we're starting to see brokers become hung up on the nature of the wordings almost at the expense of inquiring with individual insurers about what their cyber claims solutions look like. I think we've seen lots of innovation in the area of wordings and what the actual coverage looks like from a language perspective.

I don't think we've seen insurers invest enough in the infrastructure that needs to sit behind the product in order to fulfill the promise that exists within the policy wording. Take two cyber insurers with very similar products: if a client has a claim, the client experience and outcome could be very different from one insurer compared to the other based on the cyber claim service offered by each insurer.

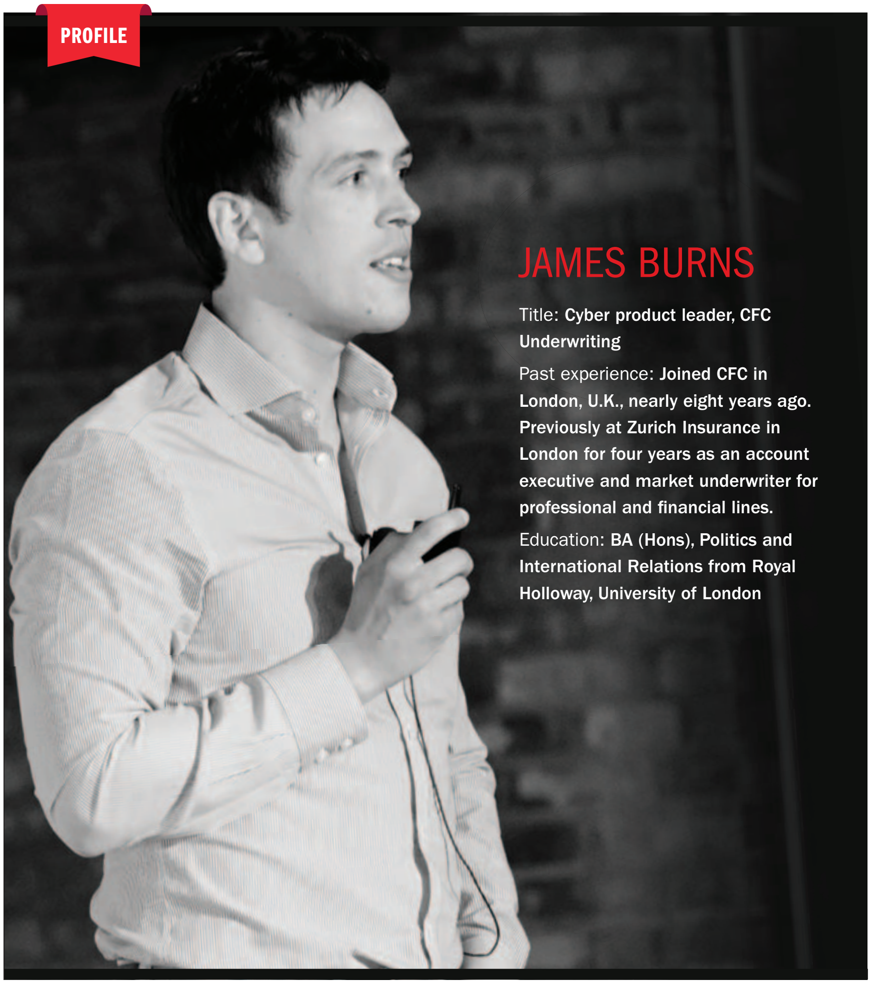
Here is my advice to brokers who are trying to choose their cyber insurance partners: look at the claim service alongside the policy wording, and make sure you are looking at best-in-class policies as well.

cu | How do you get someone to buy something they think they don't need, especially in a hard market, when premiums for other policies are going up?

It's difficult to sell something when people think they don't need it. That does make the insurance discussion more difficult for the broker. As business lines such as directors and officers (D&O) and professional liability start to harden, the client might feel like they don't have the insurance spend for a cyber policy. But that becomes irrelevant if the risk is articulated and it's clear it could end up costing the client so much more if they don't invest in a cyber insurance policy.

Again, keep it relevant. We'd be wary of talking to a small business customer about reputational risks when it might be a less relevant example for them. For that client, we'd encourage brokers to talk about the real claims we see from small customers, and that tends to be theft of funds, social engineering, and ransomware.

If we can make it relevant by explaining the claims are real — if we can articulate to insureds that there are businesses like them who have cyber claims and that they would have seriously struggled without a cyber policy — then the fact that their other premiums have gone up in a hard market doesn't put them off wanting to invest in a cyber insurance policy. At the end of the day, it's going to cost them so much more if they have a cyber claim and they haven't got it insured. cu



PROFILE

JAMES BURNS

Title: **Cyber product leader, CFC Underwriting**

Past experience: **Joined CFC in London, U.K., nearly eight years ago. Previously at Zurich Insurance in London for four years as an account executive and market underwriter for professional and financial lines.**

Education: **BA (Hons), Politics and International Relations from Royal Holloway, University of London**

Canadian underwriter

ON THE SCENE

2019 ORIMS Christmas Lunch

Dec. 5, 2019

Toronto, Ontario

More than 700 insurance professionals attended the Ontario Risk & Insurance Management Society's annual Christmas lunch to celebrate the holidays. For many, it was an opportunity to show appreciation to their clients. ORIMS donated $10,000 to the Daily Bread Food Bank, courtesy of raffle proceeds. Personal care items as part of table centerpieces were sent to the Ronald McDonald House. Susan Meltzer was honoured as an ORIMS emeritus member.

FIND MORE PHOTOS AT

CanadianUnderwriter.ca/gallery

2020 TECH REPORT

Who do you trust?

A client's personal information is gold to the P&C industry, which relies on data collection and analysis to make a profit. A report on how brokers and insurers are working together to safeguard the industry's hot new currency — data.

By David Gambrill, Editor-in-Chief

An Ontario resident approached a direct writer for an auto insurance quote in March 2005. A new customer, the man gave the insurer his name, date of birth, vehicle information and property information. Upon receiving the quote, he took his auto insurance business elsewhere.

Little did he know, the insurer would retain his data for the next eight years.

The customer found out in 2013 when he requested to access his personal information from the insurance provider. The insurer confirmed to him that it had retained his personal information from the 2005 quote. Upon the man's request, the insurer, a subsidiary of a Canadian bank, deleted the personal information from its database.

But the discovery stuck in the craw of the consumer, who filed a complaint with Canada's privacy commissioner. In resolving the complaint, the insurer explained that its records management system and retention periods were set by its parent organization, the bank. Under the bank's policy, a seven-year retention period applied to records such as declined or withdrawn insurance quotes, as well as to records related to declined and withdrawn applications for other bank products (e.g., credit cards, loans, mortgages, etc.). The purpose of retaining the data was to substantiate a lack of bias or discrimination in the approval or declining of a product, the insurer said.

But the consumer couldn't understand why his information had not been deleted after seven years, as per the bank's policy. He also didn't understand why a seven-year retention period would apply to personal information collected for an insurance quote that is valid for only 60 days.

Canada's privacy commissioner sided with the complainant. The insurer thus narrowed its retention period for auto quotes to three years, reflecting standard fraud prevention requirements. By November 2014, the insurer's system automatically deleted each month all auto quote records after three years.

Problem solved, right? Not so fast...

Data collection remains a hot – and sensitive – topic in the industry. As data becomes the next hot currency akin to gold, a type of confidence game is developing: Can the industry be trusted with a consumer's private information?

Whose information is this, anyway?

Discussion about data always boils down to where the information came from in the first place, insurers and brokers say. "'Whose information is it?' That's the question," says Brenda Rose, vice president of FCA Insurance Brokers. "It's the customer's information. It's not the insurer's and it's not the broker's information. It's only ours in our role as representatives of the customer. We are custodians of that information because that's where our duty lies, legally. When we are sharing information with the insurer, we are doing so on behalf of the customer."

Based on this fundamental understanding, the Insurance Brokers

> "We don't need more regulation, but we might need more transparency around how information is being used and what it's being used for."

Association of Canada (IBAC) prepared a report in 2014 on appropriate data usage. IBAC CEO Peter Braid summarized the essence of the report saying that IBAC "supports PIPEDA fair information principles."

In an email to *Canadian Underwriter*, the Office of the Privacy Commissioner of Canada reiterated that the *Personal Information Protection and Electronic Documents Act* (PIPEDA) outlines 10 principles of fair information practices, including:

- Using or disclosing personal information only for the purpose for which it was collected, unless the individual consents, or the use or disclosure is authorized by the act.
- Keeping personal information only as long as necessary to satisfy the purposes.
- Putting guidelines and procedures in place for retaining and destroying personal information.
- Keeping personal information used to make a decision about a person for a reasonable time period. This should allow the person to obtain the information after the decision and pursue redress.

In addition to supporting these and other PIPEDA principles, Braid says, IBAC believes "consumers' consent for direct or indirect use or disclosure of their personal information must be explicit and must not be assumed by default."

Transparency

Is the industry making clear the purposes for which it collects consumer data?

"We don't need more regulation, but we might need more transparency around how information is being used and what it's being used for," Rose says. "What's evolving is the use to which people can put the information. If a carrier collects information and all they do is generate a quote with it, that's fine. If they then try to use it to do some kind of analysis and learn something about this client and then come back to the client in some way that was not intended by the customer, that's when it's crossing the line."

If a client doesn't know how insurers are using the data, then it's difficult to know whether the consumer has given the insurer consent to use that information for the purpose to which it is put.

"I think there's a bit of a grey area in the industry as to whether explicit or implied consent is required for certain activities," says Colin Simpson, CEO of Insurance Brokers Association of Ontario (IBAO). "One example is marketing activities. If you as a consumer have gone in to get a quote from an insurance broker, have you then opened yourself up for any company to which you have provided this quote to market directly back to you again? To me, the answer is no."

Another ambiguity comes out of conflicting contractual terms – both within and outside the P&C industry — that define personal and commercial information and retention policies differently, as Simpson points out.

"In Motor Vehicle Reports [MVRs, which show an Ontario customer's driving history] and AutoPlus Reports [which show auto claim history], for example, the collection of the data held in those two reports are governed by MTO [Ministry of Transportation Ontario] rules and regulations, which are quite different than industry norms," Simpson says. "Most [insurance] company contracts with brokers will state that you have to retain all information on a client for seven years. But if that client leaves the brokerage, you've got 30 days to destroy the personal data in an MVR or AutoPlus, so there are conflicts we have resolve within our industry to make sure we are all on the same page."

Issues around data collection have more to do with just regulation and compliance, Rose says. There's also the data security issue.

"If you are a brokerage or a carrier, and you are retaining all kinds of information, everything you retain is a security hazard," she says. "If you are breached and a bad actor then has access to it and abuses it, then you now have a responsibility or a liability. You have to weigh the need for retaining [the information] for self-protection – to prove why you made a decision – versus a potential risk if you get hacked."

Privacy and security are fundamental data issues, to be sure. But perhaps the greatest sensitivity around the use of consumer information cuts to the core of the trust between brokers and insurers. This, above all, is a distribution issue.

"It comes down to broker-carrier relationships," Rose says. "If, as a broker, I shared information with a carrier and then subsequently found out they were sharing that information with someone else because they weren't successful at obtaining the business with us, then I would not be able to trust that relationship. The vast majority of carriers are careful about this and, before they start talking about a file with a different broker, they require authorization from the insured."

Confidence game

Privately, brokers have told *Canadian Underwriter* data collection stories that make them nervous. The underlying fear is that insurers are using client data supplied by brokers to establish a direct relationship with clients, thus cutting brokers out of the action.

Several have queried insurers' attempts to collect personal information such as a client's email address, for example. "Where companies cross the line is when they insist on sharing of email addresses," Rose says. "[Such] companies believe that for retention, they need to get between us and the client. They are trying to build a direct relationship with the client rather than go through the broker."

The issue of sharing email addresses came up late last year, when brokers made reference to a strategy outlined in Intact's *2018 Annual General Report*. In its report, Canada's largest insurer made known its desire to be actively digitally engaged with three out of four of its customers by 2020.

Intact stresses that it's voluntary for clients to provide their email addresses. "Our current business practices regarding email communications to customers remain unchanged," an Intact spokesperson tells *Canadian Underwriter*. "Customers have a choice if they want to provide their email address. For example, customers may choose to share their email in order to receive various correspondence from us, like updates on claims."

The company went on to say that "we appreciate brokers' concerns about the protection of customer information. We are committed to protecting customers' privacy, especially when it comes to the collection and use of their personal information. We have updated the language in our broker agreement to reinforce this. Brokers can expect to hear more from their business development teams about this over the coming months."

To be clear, brokers are not singling out the activities of individual companies when they discuss data collection; their concerns are industry-wide. When asked about what brokers are saying about data collection, Insurance Bureau of Canada (IBC), the trade association representing Canada's P&C insurers, took no position on the matter, because broker distribution issues fall outside of its mandate.

That said, insurance companies are well aware of the brokers' sensitivity around data collection. The issue about whether brokers can trust insurers not to use consumer data in a way that will harm the broker channel came up last October at the IBAO annual convention. Insurers on a CEO panel expressed surprise that brokers would harbour any suspicions about such a matter.

> "Data itself is just becoming a more important asset in the industry. At the end of the day, you are down to asking: 'Are we doing what we need to do to protect consumers?' It's an evolution of our business model."

"I guess the question would be, why would you [insurers] do that?" Bob Tisdale, president and CEO of Pembridge Insurance Company, asked rhetorically at the IBAO Convention. "Why would you take data that your broker has given you and then turn it around and use the data against the broker?

"There will be a lot more usage of data to help brokers acquire customers, and help them understand where the best risks are, and the characteristics that create the best risks, the best loss ratios, and the best retention. We've done a lot of work on helping brokers understand the lifetime value of the customer; how likely that customer will be to retain; and how much profitability will be in the customer over time. That's where the focus is; not on how to cut the broker out. If we did that, you would stop supporting us."

Louis Gagnon, president of Intact Financial Corporation's Canadian operations, noted at the IBAO Convention that Intact sold 20% of its business through the direct channel a decade ago. Now the percentage is down to 10%, implying that more of Intact's business is done through the broker channel.

"We've invested \$7 billion in the broker channel over the last 10 years," Gagnon said at the panel. "Tell me how much I stand to lose if I do stupid things like using your data to promote my own goods? I want you to know, we want to use the data for the right reasons in the channel from which the data came.... There is a fear in this world of data, that we will use data in a way that is not proper. Like Bob [Tisdale] was saying, if that happened, we would be dead."

Some of the brokers' misgivings are based on misunderstandings, which points to the need for greater clarity within the industry about data collection and retention policies. In Ontario, IBAO is trying to gather insurers, regulators, tech vendors and other stakeholders around a table to make sure a consumer's data is protected.

"It's in all of our interests to ensure that consumers are protected when they come to our industry," Simpson says. "We're going to get everyone around the table and have a discussion, understand what the issues are, and see if we can come up with some resolutions. As an industry, if we don't do this, the regulators will enforce something on us, which might not be as palatable as what we could come up with ourselves. If we can come up with processes and procedures that protect consumers, hopefully the regulators can support it....

"Data itself is just becoming a more important asset in the industry. At the end of the day, you are down to asking: 'Are we doing what we need to do to protect consumers?' It's an evolution of our business model. If we can do this before the horse leaves the barn, it might be a bit easier." CU

EMERGING TRENDS

TECHNOLOGY OUTLOOK 2020

What major technology trends do you foresee in the property and casualty insurance industry in 2020? What new technologies will be on the brokers' radar? We put these questions to a number of tech experts; their responses will inform your strategic thinking about tech.

By Greg Meckbach, Associate Editor

If you are not thinking about artificial intelligence (AI), changing the way you engage with customers, or getting better insights into the data that insurers have on your clients, you can bet that some of your competitors will be.

AI use will continue to progress in 2020, industry watchers predict. AI applications include natural language processing, automating labour-intensive tasks, and deciding which of your clients are too risky to underwrite, to name a few. You may have already run across this when placing commercial risks: if you are not thinking about AI, the decisions the computer makes could come as a surprise.

We put the following two questions to vendors, brokers and consultants: What major technology trends do you foresee in the property and casualty insurance industry in 2020? What new technologies will be on the brokers' radar? Here is what they told us.

Ralph Chapman

Vice President, Financial Services
IBM Canada

There is this whole concept of improving customer engagement and experience.

We are finding that in some instances, the turnaround time is going from days to minutes – getting quotes, getting approval, process it, and you're done. A lot of insurance companies are starting to realize that they've got to pick it up. They are seeing threats from other market entrants with non-traditional business models – folks like Amazon, for example. So there is definitely some disruption going on.

Some are deploying what we would call artificial intelligence virtual assistants. In that scenario, you are taking the personal interaction out of the process, at least initially. You are making it more efficient and making it more self-serve from a client perspective. Your clients can ask questions, file a notice of loss, check on payments or claims status, get quotes – all of the things that would normally involve human interaction and taking a lot of time from start to finish.

These processes are becoming automated because insurance companies will have the ability to leverage these cognitive platforms. That's a trend we are seeing.

Chris Cornell

National Sector Leader, Insurance
KPMG Canada

Brokers are trying to get better insights into the data that insurance companies have, such as telematics, for example.

It is conceivable that a broker would look at a client's driving data, gleaned from telematics, and then call the customer and say something like, 'If you change your driving behavior this way, you might get an opportunity for a better discount.' As a broker, you would have the information available to you in terms of what the carrier is providing, but you are relying largely on the information from a historical perspective.

If driving patterns or things of that nature are available to you from an insurance carrier, better access to that information can provide the broker with a better opportunity to improve the underwriting experience for the customer. In addition, the broker would be aware of how customer behaviour is potentially influencing their underwriting experience, and ultimately the premiums on the policy. Obviously, however, there are privacy matters.

Denise Garth

Senior Vice President, Strategic Marketing, Industry Relations and Innovation
Majesco

Leading-edge technologies are going to change insurers' traditional processes.

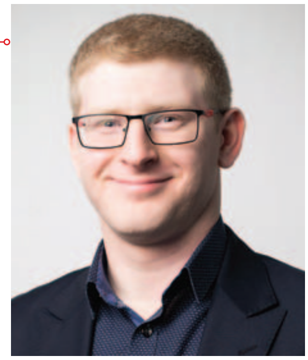
Traditionally, a client would submit an application. The underwriter would rate it, give the client a quote, and, if the client agreed, the policy would be issued. You bill it, you collected the premium on it, and then you collect a claim.

That linear process is not necessarily how real people live, nor does it reflect how a business operates. It doesn't really allow for engagement of the customer – whether it's a person or a business – in an innovative or digital way. New, leading-edge technologies could help create a customer experience to engage customers on a regular basis – not just when you quote them, bill them, or handle a claim.

We are going to see an intensification of that going into 2020. I don't see it stopping any time soon.

Ron Glozman

CEO, Founder
Chisel AI



As profit margins shrink and customer expectations rise, finding new ways to automate high-volume, repetitive manual tasks will be key for brokers.

Successful brokers will adopt intelligent workflows, powered by AI and natural language processing, to automate and digitize time-consuming, error-prone manual processes such as checking an application, submission, quote, and binder against a policy. These new technologies will pinpoint errors and omissions in seconds. They will bring new operational efficiencies, mitigate a broker's errors and omissions (E&O) exposure, and accelerate the time it takes to issue a policy, thereby freeing up skilled knowledge workers to focus on what matters most – serving customers and growing the broker's book of business.

In the coming year, you'll see P&C insurance brokers and carriers doubling down on insurtech investments. Digital transformation initiatives will delve deeper into the back offices of the insurance companies, making the industry much more customer-centric. Market and competitive differentiation will no longer be based on product or price, but rather on customer experience.

Susan Johnston

Managing Director, Financial Services
Accenture Canada

Customers will be directed by insurers towards self-service digital channels, heightening the importance of customer relationship management platforms, multi-source data profiling, and predictive analytics for determining purchase patterns, needs and changes.

Insurers are now looking at how to position themselves to optimize their use of social, mobile, analytics and cloud platforms to meet the quality of service delivery that their customers expect. This expanded set of tools is also opening up the use of non-traditional partners and platforms, as companies seek to enhance their market reach.

Michael Loeters

Senior Vice President, Commercial Insurance and Risk Management
Prolink

Board Director
Centre for Study of Insurance Operations

Insurers are starting to invest in AI for underwriting. This is so new to the industry that I think it's going to take us a few years to figure it out. In 2020, for the first time, we are definitely going to see a much greater influence of this technology.

For brokers it's going to be quite an adjustment. This will be especially true in instances when a broker thinks a client is a good risk, and yet the application gets rejected by the computer – and even the underwriter doesn't know why. This happened to one of my clients, who was ambiguously declined. I called the underwriter to understand why, and [the underwriter] admitted to me that she never saw the submission.

A recent report predicted 80% of underwriting will be done through AI and machine learning within the next couple of years. This will potentially reduce the number of underwriters by 50%; humans will only look at applications that end up in the "exception" pile. That's going to be an interesting dynamic: now you are going to have insurers fighting over a much smaller piece of the pie.

Insurance Institute

Congratulations to the class of 2019: GTA

When life happens, it's good to know there are more than 18,000 Chartered Insurance Professionals (CIPs) working in the property and casualty insurance industry throughout the country.

CIP Graduates
Dorothy Aarons
Cristina Abaza
Oyindamola Adebayo
Akeem Adesoye
Hussein AL Shihabi
Christina Allen
Christopher Aloussis
Ibrahim Asadullah
Shawn Asafov
Justin Ashman
Krzysztof Augustynowicz
Christopher Ayers
Jennifer Babatunde
Kayalvizhi Balasubramaniyam
Jennifer Bang
Ayaz Bangash
Lauren Barber
Michelle Barnes
Carlton Barrons
Farouza Bawah
Danielle Beauvais-Milley
Tasleema Beeharry
Nadira Beete
Andrei Belik
Matthew Benaim
Maria Beneventano
Ryan Bennett
Michelle Berlin
Nicole Besse
Saghav Bhanot
Ashka Bhatt
Morgan Bonner
Val Bosiaga
Claire Bourgard
Shad Bowen
Natalie Bryans
Matthew Bryson
Lorna Bumanlag
Xavier Burgos
Taylor Butler
Tremaine Cadogan
Graeme Campbell
Maria Carbajal Jimenez
Alisha Cardoso
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Sarah Catherwood
Jennifer Cefai
Francesco Cesareo
Cassandra Chan
Herdeep Channi
Steven Chanthaboury
Chun Yee Michelle Che
Brandi China
Wendy Chiu
Jonathan Choi
Heytasha Chotee
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Nicolas Chow
Tennille Christian
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Jonathan Huynh
Julia Iaccio
Mary Iacobucci
Ali Imran
Saima Jabeen
Luke Jan
Alina Jawaid
Andrew Jeeves
Gowthigaa Jegatheswaran
Tamar John
Matthew Johnson
Leeann Johnston
Cris Jose
Prashant Kamath
Sunny Kang
Harveen Kaur
Christine Kerr
Gina Khajotia
Safwan Khan
Hukam Khan
Rubaiya Khan
Hannah Kim
Tanisha Kishan
Arana Kiss
Zdravka Kovatcheva
Julia Kremleva
Evgeny Kryzhanovskiy
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Nancy Liu
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Paul Macaraeg
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Daria Majewska
Michael Malapira
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Marisa Martinello
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Anthony Santos
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Gurpreet Sawhney
Caitlin Scaiff
Ashley Scandlan
Alana Scherrer
Christopher Scotchmer
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Michael Shepherd
Margaret Sherwin
Sujatha Shetty
Victor Shiwgobin
Francina Sikkema-Smolders
Hardeep Singh
Cezar Sion
Trisha Sirju
Evelyne Sirois-Carey
Amanda Sisman
Tonya Sitney
Jeffrey Slasor
Crystal Smiglicki
Kristyne Smith
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Aramide Sodeinde
Shyam Somasekharan Nair
Tara Speight
Robyn Sproston
Balesh Srivastava
Matthew Starr
Mila Stepanoski
Duane Stephens
Amanda Stevenson
Sandra Stifani
Jeremy Sugden
Ida Tallerico
Yuen Ying Tam
Christina Tamse
Diane Taylor
Carling Taylor
Kathleen Te
Cindy Hui Jiun Tham
Laura Tibando
Lindsay Tobin
Lachlan Todd
Dreisller Torres Palomino
Claudia Travica
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Michael Venner
Emily Vernon
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Trevor Wade
Rosemary Wales
Nargess Walizadeh
Kal Watts
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Stacy-Ann Willocks
Justin Wilson
Cecilia Yuen Sze Wong
Jeff Wong
Danielle Woodcroft
Natasha Wray
Thomas Wright
Yijoo Yeo
Wen Kang Ken Yu
Ronnie Yuen
Bahja Yusuf
Daila Zarins
Qi Zhou
Darko Zolotic
Eric Zorn
Robert Zuker

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Becki Carlson
Shamin Khan
Brad Neal
Judi Pay
Cody Steeves

FCIP Graduates
Philip Cheung
Courtney Irwin
Sarah Madill
Tia Milnes
Raj Mohindra
Anna Mosenkova
Alfred Yacoub

GIE Graduates
Syeda Ali
Bayrem Assal
Belinda Braithwaite
Kristin Crawford
Gabrielle Desjarlais
Sarah Elagha
Savannah Ferguson
Rachel Flynn
Claudia Forgas
Monika Gizur
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Meagan McQuaid
Michael Najda
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Sarah Orford
Sukanya Pujari
Khalil Rebeiz
Monica Sood
Lauren Wells
Ricky Yeung

IARD Graduate
Kouamé Nadège

ICP Graduate
Tania Lutz

Risk Mgmt Graduates
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Huda Ansari
Ibhade Arebamen
Russell Austin
Carlton Barrons
Leticia Bezerra
Tarik Brahimi
Maria Caracostidis
Cindy Carroll-Tinker
Francesco Cesareo
Robin Chatterjee
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TEXTING

Sending out an SMS

Your clients likely have cellphones and use them to text. What's stopping brokers from communicating with clients using the technology they want?

By Adam Malik, Managing Editor

There's a powerful tool at the fingertips – literally – of every business to communicate with their clients, but few are taking advantage of it: text messaging.

Yes, the short messaging service (or SMS, the technical term for text messaging) can be a powerful tool for brokers. Customers want to communicate with businesses via text but businesses are dragging their feet.

EZ Texting, a texting software company, found that small businesses are missing out on opportunities like promoting products, generating leads, and making sales – all of which would help grow their business – by not texting their customers. Almost 70% of customers told the company in a survey that they want to connect with businesses via text, but only 13% of the organizations in the survey reported that they are in fact texting their customers.

According to the Canadian Radio-television and Telecommunications Commission, the regulatory agency for broadcasting and telecommunications, there were 31.7 million mobile subscribers in Canada in 2017. That suggests 87% of Canadians owned a cellphone (and 78% owned a smartphone). Between 2014-17, Canadians sent and received an average of 513 million text messages daily.

"We find that the majority of the customers prefer text message communication for reminders, versus older communication methods such as phone calls, letters or emails," says Scott Irwin, technical director of Brokerlink Software Inc., a software solutions provider for auto insurance in British Columbia. The company has offered an automated texting and email reminder service called BCautorenew for the last six years. Brokers in the province use the software to send customized and personal text and email reminders when a policy is expiring.

Its emergence is reminiscent of email. Businesses were slow to adopt the method because, they rationalized, who would want to communicate through an elecronic message when you could call them? Nowadays, the phone is quite literally right there in your client's pocket, only it's not a phone call they want – it's a text.

"Text messaging is less intrusive than phone calls," Irwin adds. "A phone call can occur during a very inconvenient time. A text message, on the other hand, can be read and replied to when it is the most convenient for the customer."

Texting is quick and virtually guaranteed to be read, according to EZ Texting, which reports that nearly 100% of all text messages are read; half of them within three minutes of arriving. Greg Kruk, partner at Toronto-area brokerage Sentinel Risk Insurance Group, attributed that to the intimate nature of a text message compared to the informality of an email.

"There's more of a personal touch with text," he explains. "If you have a text relationship with your broker or insurance company, it seems to be a bit more intimate than email. It's usually a one-on-one communication over text."

In contrast to a canned email that reads "Dear valued customer," a text message is more specific to the client's personal situation. Basically, it's not spam, says Adam Mitchell, president of Mitchell & Whale, a brokerage in Whitby, Ont.

"Your cellphone doesn't have a spam bucket. It's not currently inundated with a lot of other spam," he said. "People are paying way more attention to SMS than they are to their email. I don't know about you, but I can't keep up with my email. But I text almost everyone back and certainly read most everything [that is texted to me]."

> "I just think it's a foregone conclusion. Everybody has a cellphone; everybody can text. It's now a legitimate standard form of communication in our modern day."

It's easy to miss an email, less so for a text. "From our experience, we find that customers prefer text message because it is faster and more convenient," Irwin says. "The average inbox these days has too many unread messages and the reminder email can be easily lost or overlooked. There is a reason why people text more than email for short messages."

However, Kruk warns, a customer's text message inbox may one day resemble his or her email inbox. "The problem is, if every business starts dealing with the clients through text, it's just going to divert the problem to SMS messages as opposed to email," he says. "That would be my opinion – people want text because they might only get a dozen texts in a day, so they're not going to miss one."

Therein lies the future challenge for text messaging. It's a great tool now because it's not widely used. But once it is, then what? It's all about staying on top of the latest technologies, Irwin advises. "In the future, something different and better will most likely come along and become more popular than texting," he says. "Brokers should constantly keep track of what technologies are available to best meet current preferences."

That's not a problem as far as Mitchell is concerned. Texting shouldn't be a brokerage's only form of communication with customers. It's simply another tool at a broker's disposal.

"Would you ever give up email?" he says. "It's the same sort of thing now with texting. I just think it's a foregone conclusion. Everybody has a cellphone; everybody can text. It's now a legitimate standard form of communication in our modern day."

There's a time to use text and a time to use email, Irwin says. "A text message should be short and concise. The message cannot have the same amount of content as an email or a letter."

Brokers need to keep in mind that they can't do everything by text, like binding coverage. A text, Irwin stresses, is for fast and simple communication. "Customers can ask questions via text and receive answers almost instantly."

But data can be collected via text, such as the make and model of a car, leading up to binding a policy, Kruk says. Brokers can then send a quote back via text. Or it may be the contact information of a lawyer when buying a house.

"You can collect photos of ownership, accidents and houses," Mitchell adds. "You can chat back and forth about when you can connect."

Kruk cautions that brokers need to be careful about privacy concerns. "It's hard to send private information over text," he says. "You're not going to send claims information or stuff to do with court cases."

Plus, there are limitations around what can go through text. Some things, like cancellations, must be done through registered mail. Given "how litigious it's becoming in Ontario, we're making sure our documentation has all the I's dotted and T's crossed," Kruk says. "With text conversations, it's hard to make sure that's being done."

Still, Mitchell encourages all brokers to get on board. "I really think it's being over-thought. No one says, 'How dare you text me?'"

Furthermore, Mitchell says, you can carry on multiple text conversations at one time, as opposed to being occupied by only one phone call at a time. "I think it's as much to do with being available to our customers as how they would like to communicate with us," Mitchell added. "If they would like to chat on Facebook Messenger, text, whatever, we want to be there to receive it and respond."

Canadian underwriter

ON THE SCENE

PuroClean Canada Annual Conference

Nov. 13-15, 2019

Halifax, Nova Scotia

PuroClean Canada celebrated its 10th anniversary at its annual conference in Halifax. The restoration company has spent the last decade focusing on finding great people, establishing values, creating culture, building reputation and creating a business to model to deliver on its promises, president Gordon Gamble told attendees. Apart from owners, strategic partners and exhibitors attended the event. Next year's conference will be held at Blue Mountain Resort in Collingwood, Ont.

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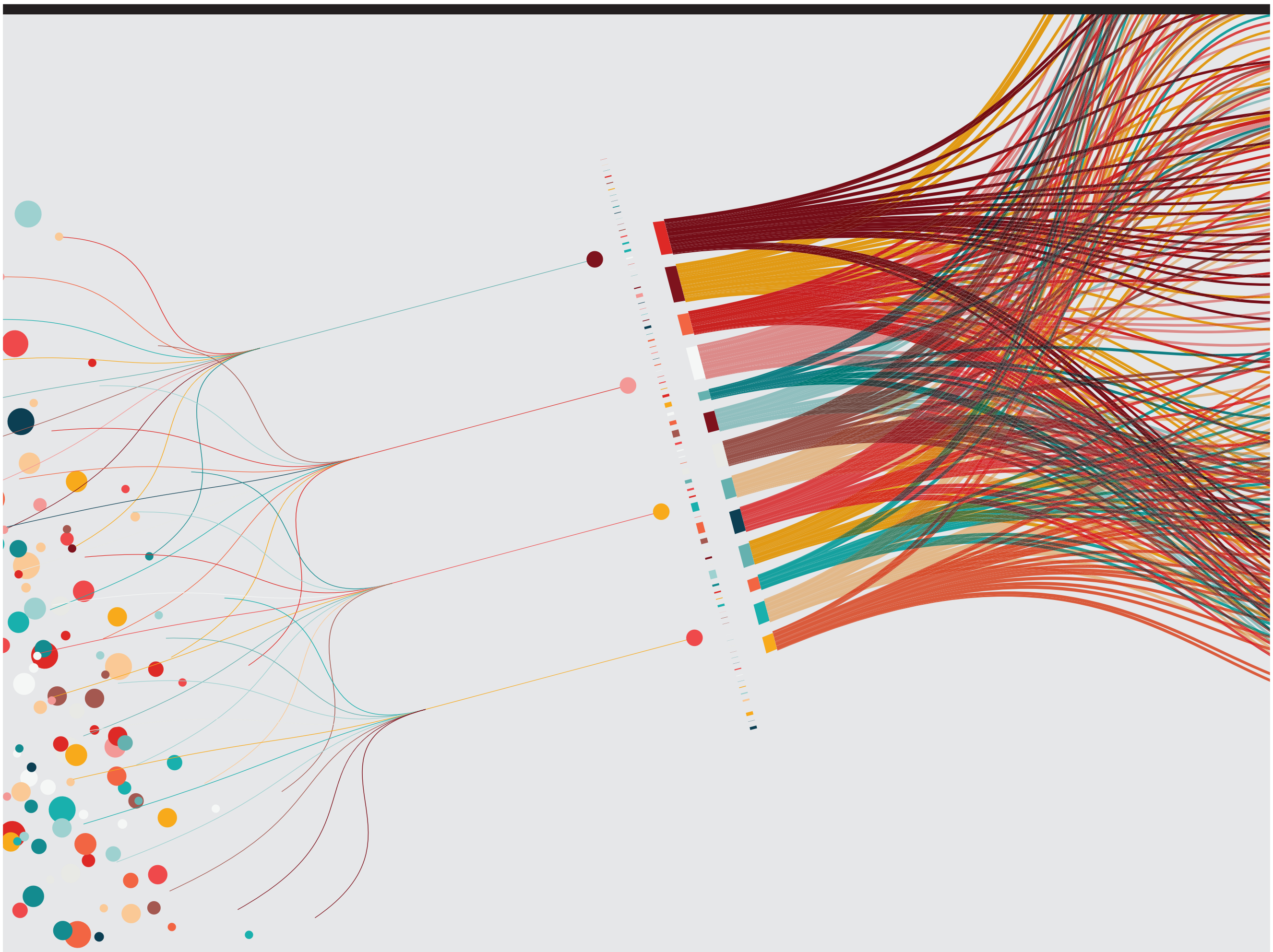

DIGITAL TRANSFORMATION

Driving connectivity

Brokers looking to achieve better connectivity with their insurer partners should focus on two core areas of their business

BY STEVE WHITELAW, *Vice President, Industry Relations, Applied Systems*

Rapid digital transformation is underway in the insurance industry, and automating a broker's business in two key areas is vital — distribution (e.g. the quoting process) and servicing.

As we all know now, digital technology has created a different kind of insurance consumer, one who expects immediate access to information and real-time customer service. It's now critical for brokers to leverage technology to automate the exchange of information between brokerages and insurers.

The collaboration of all industry stakeholders — including standards bodies, working groups, software providers, insurers, and brokers — is essential to create connectivity and data exchange solutions that drive efficiency throughout the entire policy lifecycle.

Let's delve into how further automation in the areas of distribution and servicing will enhance the value proposition for the independent broker channel, thus ensuring that brokers provide the right product and service at the right price and time.

APPOINTMENTS

Stephanie Russell

Transatlantic Reinsurance Company (TransRe) is pleased to announce that Stephanie Russell will be the new Chief Agent for Canada, with effect from March 31, 2020.

Stephanie has over 15 years' of experience in the reinsurance and insurance industry. She joined TransRe in 2015 to lead the local actuarial team and was promoted to Appointed Actuary in 2016. During this time, she has been involved in many aspects of the business operations. Stephanie has a BScE from Queen's University in Applied Mathematics and Mechanical Engineering. She is a Fellow of the Canadian Institute of Actuaries (FCIA) and a Fellow of the Casualty Actuarial Society (FCAS).

Following Cam MacDonald's retirement, Stephanie will continue to foster and develop TransRe's relationships within Canada's insurance industry, while providing the best possible service and support. She intends to promote the adoption of new and innovative solutions to help grow the market, and make an important contribution to TransRe's future success.

The TransRe family thanks Cam for his 30 years of service, and we offer our very best wishes for the future.

TransRe
We value risk.

> Efficient digital connectivity between brokers and carriers is essential to enhance the core value proposition of the independent broker, which is to provide access to product range, insurer choice, and localized personal advice.

Distribution

Consumers expect choice and transparency in insurance. The presentation of qualified quotes with supporting advice is central to the sales process and broker value proposition. Comparative rating software enables brokers to provide accurate quotes in real time to meet consumer demand for timely and comprehensive service.

Real-time comparative rating automates quoting by absorbing rating data from multiple insurance companies directly to the broker's system. Brokers can pull any needed reports and validate and answer insurer questions, all while presenting clients and prospects the best policy options. Using real-time comparative rating, brokers showcase the advice and value of working with an independent broker, providing a complete picture of the insurance covers available.

The shift to data-driven processes, like comparative rating, is dependent upon the adoption of data standards. These are efficiently managed and maintained by the Centre for Study of Insurance Operations (CSIO), and provide a consistent basis for collecting and documenting policy information.

Without using data standards to populate industry forms, brokers and insurers must resort to inefficient and more expensive ways to respond to different proprietary forms.

CSIO is now driving the industry-wide initiative for data standards in commercial lines. It is critical for all stakeholders to adopt industry standards in order to promote further tech innovation.

Servicing

Automated servicing enables insurers to deliver information directly into a brokerage management system and vice versa. Automation enables operational efficiencies and improved productivity for the brokerage and insurer.

The ease of doing business created by automated servicing is critically important in broker operations. For example, single-sign-on with insurers creates a seamless and secure integrated link between the brokerage management system and an insurer's extended customer-facing solutions; it also provides direct access to policy and claim files and activities for transactions with insurers.

Through automated servicing based on data standards, brokerages can use digital solutions to meet consumer expectations efficiently. Policyholders, brokers and third parties can send first notice of loss, for example, and receive critical policy and claim-related information from their insurers, including personal and commercial lines eDocs, liability certificates (eSlips), make claim and billing inquiries, and more. Data drives processes, regardless of how the consumer wants to engage. Using CSIO data standards and digital technology, brokers will have more time to advise, service and sell to clients.

The Data Exchange (D/X) Initiative, driven by the Insurance Brokers Association of Canada (IBAC)'s working group, is providing a forum for BMS vendors and insurers to collaborate in delivering this vision. This initiative has allowed for the creation of CSIO standard-compliant broker transactions with insurers across multiple platforms in real time, including first notice of loss, claims inquiry and premium inquiry. During this journey, partial steps will be the reality as capabilities are built. Collaboration, cooperation and an assumption of positive intent are critical in moving forward.

For brokers, it is crucial to consider their insurer connectivity options. They need to take advantage of new business opportunities that will allow them to thrive in today's marketplace of innovation and changing consumers. Efficient digital connectivity between brokers and carriers is essential to enhance the core value proposition of the independent broker, which is to provide access to product range, insurer choice, and localized personal advice.

Technology continues to transform the insurance landscape. Brokerages that embrace the possibilities of becoming a digital brokerage through connectivity will be best positioned to grow and thrive in this new era. CU

Steve Whitelaw is vice president of industry relations with Applied Systems and is based in Mississauga, Ont. He has more than 20 years of senior leadership experience in the property and casualty insurance industry.

BY THE NUMBERS

Canada's Nat Cat risk: Where we stand globally

The Global Climate Risk Index (CRI), developed by Germanwatch, uses data from Munich Re's NatCatSERVICE to quantify the impact of extreme weather events, both in terms of fatalities as well as economic losses. The countries ranking highest are the ones most affected by extreme weather and "should consider the CRI as a warning sign that they are at risk of either frequent events or rare, but extraordinary catastrophes," Germanwatch says.

Top 10 countries in the world facing Nat Cat risk

Ranking 2018 (2017 Ranking)	Country	CRI Score	Death Toll	Deaths per 100,000 inhabitants	Absolute Losses (U.S. dollars)	Losses per unit of GDP in %
1 (36)	Japan	5.50	1,282	1.01	$35.8 billion	0.64
2 (20)	Philippines	11.17	455	0.43	$4.5 billion	0.48
3 (40)	Germany	13.83	1,246	1.50	$5.0 billion	0.12
4 (7)	Madagascar	15.83	72	0.27	$568 million	1.32
5 (14)	India	18.17	2,081	0.16	$37.8 billion	0.36
6 (2)	Sri Lanka	19.00	38	0.18	$3.6 billion	1.24
7 (45)	Kenya	19.67	113	0.24	$708 million	0.40
8 (87)	Rwanda	21.17	88	0.73	$93 million	0.34
9 (42)	Canada	21.83	103	0.28	$2.3 billion	0.12
10 (96)	Fiji	22.50	8	0.90	$118.6 million	1.14

DEAL TRACKER

Latest acquisition news & activity

Special Risk Insurance Managers Ltd. $ Brown & Brown Inc.

Special Risk Insurance Managers Ltd., a Langley, B.C.-based managing general agent, has been acquired by Brown & Brown Inc. of Daytona Beach, Fla.

SRIM will operate as part of Brown & Brown National Programs.

Staying on with Brown & Brown are SRIM president and CEO Mark Woodall and Tom Willie, SRIM's director and chief underwriting officer.

Brown & Brown reported US$2 billion in commissions and fees in 2018. In its 2018 annual report, Brown & Brown said it had 286 locations in 42 states. In addition to its Surrey head office, SRIM has locations in Vancouver, Winnipeg, Markham, Ont., Bedford, N.S., and Vulcan, Alta.

Lifemark Health Group $ AssessMed

Lifemark Health Group (LHG) has acquired Mississauga, Ont.-based AssessMed, which provides independent medical examination services to auto insurers.

AssessMed serves auto insurers, personal injury law firms, life and health disability insurers, provincial workers' compensation boards, and employers.

Lifemark has more than 225 locations in Canada. It offers both medical assessments for insurers as well as rehabilitation services, including physiotherapy, chiropractic and return-to-work services.

AssessMed president Don Kunkel said in a blog post that there would be no customer service or operating procedure disruptions.

OMERS $ Riverstone UK (owned by Fairfax)

Ontario Municipal Employees Retirement System (OMERS) has agreed to buy 40% of RiverStone UK, Fairfax Financial Holdings Ltd.'s runoff group in Britain, for more than half a billion dollars, Toronto-based Fairfax announced.

The Fairfax RiverStone Group runs legacy and run-off insurance businesses and portfolios. At the end of 2018, it had US$3.8 billion of gross insurance liabilities under management.

OMERS was one of Fairfax's partners when Fairfax acquired the majority of Allied World Assurance Company Holdings AG in 2017. At the time, OMERS kicked in about $1 billion, initially taking a 21% interest in Allied World.

In addition to its stake in Allied World, Fairfax also owns Northbridge, OdysseyRe, Brit PLC, and Crum & Forster, among others.

The deal is subject to regulatory approval.

ALBERTA MARKET

WHICH BUSINESS LINE HAS TAKEN THE BIGGEST HIT?

How would you characterize the hardening commercial market right now? We put the question to Scott Treasure, CEO of Edmonton-based Treasures Insurance and Risk Management Inc., a founding partner of the Excel Insurance Group.

– As told to Greg Meckbach

It is not a hard market in the fully traditional sense.

In times past, you had a situation in which a market would say, "We are not dealing with anything in this particular field." Now, there is more information at underwriters' fingertips. So now, if the story-telling is right, if the underwriting and risk management story is put forward to the carrier, there's more of an ability to find a home for clean risks.

Given this caveat, the current hard market started in a few lines. Commercial realty was hit early. That market includes large condo buildings and multi-unit buildings, which are now at a tough point. The commercial realty sector was extremely competitive for a long time, and the overarching push had been market share. But this line of business is susceptible to all of the little things that have challenged property for a while. Water damage in those spaces can be a big deal. People are stacked up on top of each other, so the problems literally cascade. The loss ratios in that space are extremely difficult to deal with. Now we are getting down to brass tacks on things and the reality is, the commercial realty space has been underwater on the claims side for a while. The rate has been below where it should be for some time now. The correction has been particularly harsh.

In general, there was some serious competition that went on in P&C insurance. We obviously had rates that were held low for a while, and now the stop has been removed. CU

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$1.9 billion

in insured losses over 2018 due to severe weather across Canada

Source: Insurance Bureau of Canada, 2019

$30 billion+

per year spent across the P&C industry to manage and respond to fraudulent activity

Source: Insurance Information Institute, 2017

$70 vs. $520

in average costs for maintenance and repair of one GMC vehicle (2007 vs. 2014)

Source: Consumer Reports, 2017

60%+

steady increase in housing prices in large Canadian cities such as Vancouver and Toronto, from 2010 to 2016

Source: CMHC, 2018

$5.2 billion

per year on average claimed for home insurance in Canada from 2010 to 2013

Source: Insurance Bureau of Canada, 2015

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