Canadian underwriter

March 2020

YOUR GUIDE TO INSURANCE SUCCESS. SINCE 1934

COMMERCIAL INSURANCE

CONDO CRISIS

HOW WE GOT HERE, AND HOW TO GET OUT OF THIS SCARY PLACE

INSURING MR. PLOW

Why it's so hard to find coverage for snowplow operators in Canada

CU INTERVIEW

Nathan Rose

UNVEILING THE NEXT-GENERATION CYBER POLICIES

+

WHICH IS THE HARDER MARKET? PERSONAL OR COMMERCIAL?

LEVERAGING TECH TO FIND QUALIFIED TALENT FOR YOUR BUSINESS

BROKERAGES BUYING INSURTECHS: WHEN PARTNERSHIPS ARE NOT ENOUGH

Canadian underwriter

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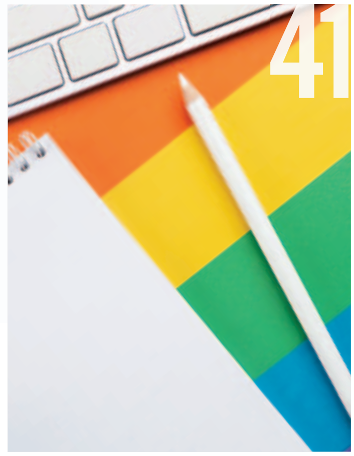
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Aviva
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Insurance
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Protecting the fun side of life
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Sound and fury

Who will decide the epic battle going on in B.C. over public v. private auto?

A Battle Royale is going on right now in B.C. for the hearts and minds of drivers in one of Canada's Top 3 auto insurance markets. It's an age-old, epic political debate about which is better — public or private auto insurance? (See our poll results on Page 12.)

In the left corner of the political arena, we have the reigning champion, the Insurance Corporation of B.C. (ICBC), an auto insurance company owned by the provincial government. The Crown corporation is endorsed by the Insurance Brokers Association of B.C. (IBABC).

In the right corner, we have the challenger, Insurance Bureau of Canada (IBC), the association representing Canada's private home, auto and business insurers. They are endorsed by the opposition B.C. Liberal Party, which has proclaimed it is at least open to the idea of making ICBC compete with private insurers for the province's basic auto insurance product. (Note that the party has said this before and changed its mind.) Such a change would be predicated on the Liberals winning the next provincial election, which will be held on or before Oct. 16, 2021. I am not going to predict the winners and losers in this epic struggle. Consumers will do that at the ballot box.

That said, the debate is an important one. And it would be nice if it prompted a broader discussion of how auto insurance is manufactured and delivered across the country generally. Which systems work? Which systems don't work? Can the best parts of auto insurance in one area be tweaked to work in a different jurisdiction?

Some on social media contend that the debate about public v. private auto insurance is in fact a red herring. In today's hard market, they argue, claims costs are too high for both public and private insurers alike. *All* Canadian auto insurers need to find a way to reduce their claims costs — pronto.

The P&C industry needs to sharpen its focus on two fundamental things right now:

- endorsing ways for Canadians to drive safely; and
- finding ways to keep repair costs down despite the car manufacturers' drive to produce bigger, more technologically-advanced cars.

The rest, to quote Faulkner, is all sound and fury, signifying nothing. CU

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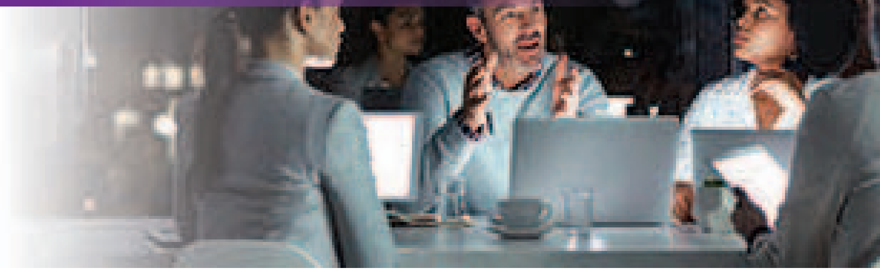

Navigating the grey areas of business ethics

Gone are the days where corporations had the power to do everything they could as long as it was legal, to maximize shareholder profit. Back then, companies did not need to have a larger purpose, or take on any responsibility to make the world a better place. Today is different.

The business case for ethics

Purpose is being integrated into companies' business objectives, and they are increasingly stepping up by showing more accountability to their employees, to customers and to society at large. Companies today are also adapting to the impact of technology on corporate reputation. In today's information age, a company's performance and internal policies can all be publicly available, and fair game for scrutiny by customers, prospective employees and partners. In such an environment, business ethics are more important than ever before, because all it takes is one breach to alienate a company's stakeholders.

Research from the Institute of Business Ethics (IBE) suggests that companies with a clear commitment to ethical conduct consistently outperform companies that do not have such codes in place. Ethics don't just yield a higher degree of stakeholder satisfaction; they impact a company's bottom line.

Demystifying the grey areas of insurance

Insurance is a topic that can mystify most, so it's all the more important that sound ethical sense is at the foundation of insurers' and brokers' decision-making, in order to earn and maintain customer trust. The addition of mandatory ethics training by the Registered Insurance Brokers of Ontario (RIBO) to its continuing education curriculum is a testament to the growing importance of this topic for brokers.

RSA has been a long-time champion of the broker channel, and education has been a core focus of the insurer's investment in the channel. When ethics training was made a mandatory requirement by RIBO, the insurer saw an opportunity to step up and add this content to its already-robust continuing education offering.

"We work closely with our broker partners on an ongoing basis to identify emerging areas of focus, to ensure our continuing education offering helps them navigate the increasingly complex regulatory environment they face today. We see our role as preparing brokers to address customer queries about the impact of the changing landscape on their coverage and premiums," says Julia Carr, vice president of broker marketing and communications at RSA Canada. "We strive to always have our finger on the pulse of the industry, so we recognize that ethics is an increasingly important topic in insurance, given the nature of the role that insurers and brokers play for customers."

Topics covered in the ethics webinar developed by RSA include the business case for good corporate ethics, the identification of ethical dilemmas, the ethical issues within the context of insurance, and the nature of the conflicts that brokers face in their day to day jobs.

How brokers can stay in the clear

"There are several instances of brokerage operations where ethical issues can come into question, from conflicts of interest and gifting policies to disclosure and confidentiality. And these issues are particularly important in the context of brokerages making a concerted effort to hire younger talent, where old school and modern perspectives could clash," says Dave Mahr, a partner at ALTA Consulting, a key contributor to the RSA ethics webinar. "Instilling a culture of ethics has to be led from the top and bought into from the ground up. For a business to considered above board, ethical reflection has to be incorporated into day to day operations – from sales calls and training to internal dialogues and corporate decision-making."

Given the increasing value that millennials in particular place on corporate purpose and transparency, it is in corporations' best interest to have checks and balances in place to ensure their operations are conducted ethically and responsibly, if only to secure their current and future workforce.

"The ethics webinar we developed was built to reflect real-life examples and content input from broker participants in the 2019 edition of our signature leadership program, Making Partner. Our goal is for participants of the ethics training to be able to effectively mitigate potentials conflict between their overall obligation to their customers and employer," added Carr.

> "Brokers face ethical dilemmas every day in insurance, whether they are conscious of it or not. Learning how to make the morally right decision is not always black and white. Navigating the grey is critical for brokers."

perspectives

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Your client's vehicle is damaged by a massive pothole. Is it covered and is the city liable?

January 15

The story: A municipality can be held liable for damage caused by a pothole. But it's very difficult to succeed with a pothole claim against the city, a personal injury lawyer says.

Frank Cain says:

One of the more compelling reasons given for why a municipality is not liable for pothole damage to vehicles is that the municipality did not create the pothole – Mother Nature did, by the expansion and contraction of water under the road. No different than lightning striking a curbside tree and part of the tree falling on and damaging a parked vehicle. The city may own the tree, but no action of the city's caused the damage.

Peter Martire says:

I've subrogated against municipalities successfully for damages caused by potholes. The municipality is responsible for keeping the roads safe and free of anything that can cause damage. Although the window for notifying and recovering from the municipality is very small (two weeks), it does not mean you can't successfully get compensated. Also, municipalities have scheduled road maintenance, which means they should know the condition of the roads they're maintaining. If you hit a pothole and damage your car, the accident will be held as an "at-fault" unless successful recovery from the municipality can be achieved. Your insurance company should be doing everything possible to recover. Anything less could be considered "bad faith."

Why business interruption worries Canadians more than cyber

January 14

The story: Business interruption and cyber incidents are linked; the latter could lead to the former, says Linda Regner Dykeman, Allianz Global Corporate & Specialty's chief agent in Canada.

Carla A.L. Martin says:

I agree with Regner Dykeman. Cyber and business interruption are linked. You shouldn't have one coverage over the other. Company brand and reputation damage is high since we are doing business globally now.

Why this P&C consultant is not convinced we're in a hard market

January 21

The story: P&C consultant Phil Cook is not convinced the industry is currently in a hard market, which, he says, can only be properly identified with the benefit of hindsight.

Douglas Morrow says:

I agree with Mr. Cook. To be clear, the past year (2019) saw only a correction in commercial rates — a catch-up after 10 years of flat or declining pricing, depending on class. These are the 20% increases that brokers have had to explain and that clients have been asked to accept. The arguments make sense. In 2019, clients were asked to pay current rates for coverage that are fair from a material perspective; they still have the savings from the past decade in their pockets. As we move into 2020, and beyond to 2021, we will see how this plays out. Given this correction to what should now be profitable results, will carriers risk losing good business to competitors by continuing to increase rates across the board (a hard market stance)? Or will carriers flatten the increases for their best clients?

Where did that slip-and-fall liability reform bill land?

January 9

The story: It's not clear whether a legislative committee in Ontario will hold hearings on Bill 118 before winter ends. The bill makes it easier for clients to defend themselves against lawsuits from plaintiffs who say they slipped and fell on ice.

Marc Dubois says:

Seems to make perfect sense and there are no viable reasons why this shouldn't be proclaimed, except that common sense rarely prevails.

No insurer-based new home warranty system for this province

January 6

The story: The Ontario government was considering an insurer-based model for new home warranty, but the current provincial government said it is maintaining the status quo.

Marshall Leslie says:

The government spokesperson said: "Our consultations found that a private insurance model risks diminished consumer protection, higher costs for warranty coverage, decreased government oversight, and increased costs for Ontario's small builders." All of which is true.

declarations

HIGHLIGHTS **Public v. Private Auto** p.12 | **Brokers Buying Insurtechs** p.15 | **Big Moves** p.17

RECRUITMENT

Talent war goes high-tech

How carriers and brokerages are leveraging tech to overcome their Number 1 threat

BY JASON CONTANT, *Online Editor*

Competition for talent remains fierce in the commercial insurance space in Canada, with brokers and carriers starting to leverage technology to help tackle the challenge.

"We're seeing some commercial brokerages put increasing emphasis on [non-traditional approaches] and getting more digital-savvy and plugging into different ecosystems than they traditionally would to hire talent," said Mukul Ahuja, partner and financial services and insurance leader at Omnia AI, Deloitte Canada's artificial intelligence practice. "So, less relying on friend and family networks and specific programs they would typically go after, or carrier partners they work with."

Instead, brokerages are trying to "ensure they have capabilities and talent programs in place that help provide a pathway for producers," Ahuja said during Insurance Bureau of Canada's (IBC) first-ever Commercial Insurance Symposium in Toronto last fall. And the key objective for brokerages is to let prospects know about these initiatives.

If commercial brokerages are getting more competitive and delibrate in their recruitment efforts, that's because the war for talent has become the Number 1 "external threat" facing brokerages, according to Deloitte's recent commercial insurance market insights report, which surveyed IBC's broker and carrier contacts to get a comprehensive view of the

HISTORIC B.C. RAINSTORM | FEB 3
Local states of emergency were declared in areas along the south coast of Vancouver Island after a storm triggered flooding and landslides. The week-long storm dropped more than 900 mm of rain – more than the average annual rainfall in four major Canadian cities.

B.C. TAXI INSURANCE | JAN 31
B.C. taxi drivers soon will be able to purchase the same kind of insurance available to the ride-hailing industry. That includes coverage for taxi drivers based on the per-kilometre distance travelled with passengers in their vehicles, according to the province's transportation minister.

industry. The survey included brokers with commercial books valued between $5 million and $600 million, and carriers with commercial books between $7 million and $3 billion.

Brokers and insurers both identified "talent quality and availability" as the top external pressure they faced.

"The talent pressure continues to take hold in this particular space and everything else from that perspective is secondary or tertiary in the minds of commercial brokers," Ahuja said during the panel discussion, *State of the Industry: What's Driving the Commercial Insurance Market?* "That is the Number 1 external pressure that they're dealing with: How do we train the producers, the relationship managers, and the service providers of the future in this complex area?"

On the carrier side, insurers are relying on "increased emphasis and investment in areas like innovation, digital, advanced analytics and big data amongst the carriers to try and attract and drive talent into those businesses and showcase the interesting and dynamic side of the industry, much more so than ever before."

This may mean heading up labs, collaborating with incubators, or working with insurtechs, Ahuja said. "These are some of the levers that organizations are pulling on to try and understand the true dynamics of the industry and the exciting opportunities ahead."

In the claims and underwriting space, there are questions about how to bring in young talent and transfer the underwriting expertise of senior underwriters, added panellist Greg Bubela, manager of strategy and operations consulting with Deloitte.

"I know a lot of companies are worried about succession planning, especially on the carrier side," Bubela said. "Obviously with the implementation of new technologies — being able to automate some of these underwriting rules, and being able to put a lot of that knowledge into the system — you're actually seeing the onboarding process for young talent being much quicker. And so the talent gap is eventually going to close as we start to be able to automate and bring technology in a bit more."

The war for talent is certainly very real, said Deloitte partner Mario Iacobacci, who leads the firm's economics and asset advisory team. As an economist, Iacobacci looks at the labour market. While there should be incentives for companies to invest in "labour-reducing technologies," because there's a return on investment by doing so, Deloitte isn't seeing that happen, Iacobacci reported.

To make investments, there has to be confidence in returns over a period in time "and maybe there isn't that confidence," he said. "But that's certainly the direction it's pushing in. For firms that are maybe facing these constraints, this war for talent, you would expect they would be looking at some of those sources of mitigation [e.g. automation]." cu

SURVEY SAYS...

Public v. private auto insurance

Almost two-thirds (63%) of Canadian P&C insurance professionals believe the entire country should have a single business model for auto insurance. But when 952 poll respondents from across Canada told us which model they preferred – public, private, or a hybrid mix between the two – the results depended on where they lived.

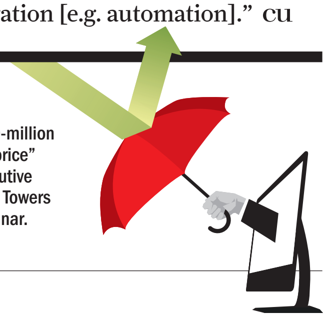
REGIONAL BREAKDOWN

Which auto insurance system do you prefer?

Region	Public	Private	Hybrid Public/Private
British Columbia	42%	32%	26%
Ontario	15%	59%	26%
Alberta	16%	67%	17%
Quebec	5%	10%	85%
Prairies (Saskatchewan/Manitoba)	55%	20%	21%
Atlantic Canada	17%	77%	6%

DIRT BIKE COVERAGE | JAN 30
Echelon General Insurance Company has asked Canada's top court to review a case in which the court found that accident benefits were payable to an Ontario insured who was injured while riding a dirt bike out of province.

RISING CYBER RATES | JAN 30
"The awesome time of buying $600- to $800-million worth of cyber insurance for a very, very low price" is starting to come to an end, Tom Srail, executive vice president of the cyber risk team at Willis Towers Watson, reported during an Advisen Ltd. webinar.



MERGERS AND ACQUISITIONS

Tech partnerships

Does Aon's recent acquisition of CoverWallet signal a trend towards brokerages buying insurtechs?

BY GREG MECKBACH, *Associate Editor*

It's trendy for brokerages to partner with insurtechs, but it's debatable whether more brokerages will do what Aon PLC did recently — buy an insurtech outright.

Aon closed its acquisition of CoverWallet Inc. in January. The New York City-based insurtech provides online quoting and binding for commercial clients. It's a licensed agent in the United States that also provides technology to other brokers selling to small and mid-sized commercial clients.

"Only a few brokerage firms have acquired or made investments in insurtech startups so far," Laviva Mazhar, an investment analyst with Montreal-based Luge Capital, told *Canadian Underwriter*. "That said, we are seeing an increasing number of brokers partnering with insurtech startups, which may eventually lead to investments or acquisitions."

Investment from insurers and reinsurers is a growing trend for insurtechs, said Mazhar. She cited Munich Re Ventures' investment in Next Insurance as one example. Munich Re recently announced it provided $250 million in investment capital to Next Insurance, which places coverage online to small U.S. businesses. Its offerings include a "real-time" certificate of insurance verification and a portal where clients can do things like add additional insureds and update policy or payment info.

Before agreeing to buy the company, Aon partnered with CoverWallet in Australia in early 2019 and made a strategic investment in the company, Mazhar noted.

"There is a lot of activity going on right now in the brokerage community as it relates to insurtechs," said David Kerr, Kitchener, Ont.-based technology consulting partner for Deloitte Canada, commenting in general and not on any particular deal.

NOVEL VALUE-ADD | JAN 29
Insurers participating in an innovation lab are exploring the possibility of consumers buying or leasing vehicles directly from an insurer instead of going to an auto dealership, according to Sven Roehl, co-founder of Cookhouse Labs in Toronto.

SHOVELLING OUT | JAN 28
The Canadian Armed Forces wrapped up their mission in Newfoundland and Labrador after helping the provincial capital recover from a historic blizzard. A mid-January winter storm, with Category 2 hurricane winds, dumped more than 76 cm of snow on St. John's in a single day.

But much of this activity is around using an insurtech product or service, not buying the insurtech, he said.

Many brokerages lack the capital they would need to buy an insurtech outright, Kerr said in an interview. "Brokers out there need to be very aware of their place in a changing marketplace and look for opportunities to improve their value to their customers, and so insurtech solutions could be an option," Kerr said.

Both managing general agents and retail brokerages are interested in differentiating themselves from the competition and serving their clients better. "More forward-thinking brokerages and collections of brokerages are evaluating what I would call digital brokerage offerings or insurtechs...to do things like online quote and bind; to do a degree of online servicing," Kerr said.

When considering partnerships with or acquisitions of insurtechs, it's important to consider whether the tech under consideration is able to do things that a traditional broker management system can't do, Kerr explained.

"If I am doing quote-and-bind, with an insurtech as an example, can I do the billing part or not? What kind of client management is included in that? In what form is the data, such that I can get it to the insurer? There are a number of questions around integration and scope of functionality that are important ones to consider as they go down this path."

Some brokers might want to use technology from two or more insurtechs, with each offering different pieces.

"The opportunities are marvellous for brokers to consider how to increase the amount of capabilities they have in-house through the use of discrete insurtech solutions," Kerr added. "They shouldn't have to shy away from that, but they do have to do their due diligence around the scope, the functionality and the benefits they get from that." cu

NEW OFFERS

INSURANCE FOR HOME MAINTENANCE EXPERTS

Vendor: **Duuo**
Target Audience: **Home maintenance experts**
What it Does: **Provides insurance for those using the HeyBryan app**

Vancouver-based HeyBryan, an app that connects home maintenance experts to homeowners who need help with small tasks around the home, has partnered with Duuo, The Co-operators' digital insurance brand. Duuo will develop a custom, easy-to-use insurance product that HeyBryan will be able to offer to the home maintenance experts using its platform. HeyBryan has taken several initiatives to ensure a safe and secure experience for its customers, including payment processing through the app and an in-depth expert screening process. HeyBryan's partnership with Duuo is a further step in its commitment to deliver a secure environment for its customers. Development of the product began in January; further details about the partnership and launch date will be revealed in the coming months.

D&O LIABILITY INSURANCE

Vendor: **Beazley**
Target Audience: **Directors and officers**
What it Does: **Provides a suite of products for non-United States domiciled clients**

Specialist insurer Beazley has introduced a flexible suite of directors and officers' (D&O) liability insurance, providing multiple options to meet the needs of organizations and senior individuals. For example, the suite offers a single policy to cover the organization and its directors; it also offers policies to meet the specific needs of individuals. Included is a "Side A Difference in Conditions (DIC) policy," which insures individuals when their employer does not indemnify them. The cover responds either: a) when limits on the underlying D&O cover are exhausted, or b) when an underlying insurer refuses or fails to pay a claim within the correct timeframe. A pared-back wording helps explain to brokers and clients exactly what the policy covers. The Side A DIC policy follows the primary wording and features three key areas where cover differs:

- no fixed time limit for claims notification;
- reasonably incurred defence costs are covered;
- the only exclusion relates to matters of conduct by the individuals concerned.

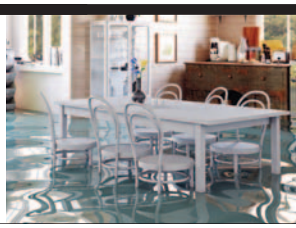
The policies offer limits of $25 million.

LEGAL EXPENSE INSURANCE

Vendor: **Wawanesa**
Target Audience: **Wawanesa's commercial policyholders**
What it Does: **Makes DAS Legal Protection's legal expense insurance available to Wawanesa's commercial clients.**

Wawanesa Mutual Insurance Company has announced a partnership with DAS Legal Protection to protect the mutual insurer's commercial policyholders when they encounter unexpected legal events. The partnership makes legal expense insurance available to Wawanesa's suite of commercial property and casualty products. The comprehensive coverage launches in 2020 Q1 for new Wawanesa commercial policyholders, and 2020 Q2 for existing commercial clients. Legal expense insurance offers policyholders financial protection against legal expenses and provides general legal assistance for any legal matter. Covered insured events include contract disputes, employment disputes, tax audits, and many other common legal events a business owner can experience.

FEDS ON FLOOD | JAN 27
Three years after Canadian brokers urged the federal government to establish a backstop for residential flood losses, Ottawa says it is still "premature to speculate" on a government-run flood insurance program for Canadian homes at high risk of flood.



PRAIRIE ROAD SAFETY | JAN 27
Fewer people were killed on Saskatchewan's roads last year than in any other year since records began in the 1950s, according to Saskatchewan Government Insurance (SGI). Preliminary statistics indicate 71 people were killed in collisions in 2019. The province's 10-year average is 140 road fatalities.

BIG MOVES

Leadership change at BMS vendor

Pat Durepos is leaving Keal Technology, the broker management system vendor he sold to Vertafore

WHO: **Pat Durepos**

FORMER ROLE: **Leader, Keal Technology**

P&C EXPERIENCE: 49 YEARS

PROFILE: **Joined Keal Technology in the 1990s as a minority shareholder before Keal bought CGI Group's BMS business. President of IBAC in 1985. Bought New Brunswick-based brokerage Victor Durepos General Insurance (later Alliance Assurance) in 1971.**

Those under the age of 50 are not old enough to remember when Pat Durepos started his insurance career.

Durepos, a past president of the Insurance Brokers Association of Canada (IBAC), is leaving Keal Technology, the broker management system vendor announced in January. Pat Durepos and his daughter, Renee Durepos, sold Keal to Vertafore in 2016.

At Keal, Pat and Renee Durepos were leader and senior vice president respectively. They are succeeded by Dimitrios Argitis, Keal's new vice president and general manager.

"Having completed the goal of transitioning Keal from a family-owned company to a leader in the insurtech space, the Dureposes are moving on from Keal to usher in a new wave of innovation and growth," Keal said in a press release.

Pat Durepos started his career in 1971 in his home town of Grand Falls, N.B. That was when he bought Victor Durepos General Insurance. He served in 1977 as president of the Insurance Brokers Association of New Brunswick and as president of the organization now known as IBAC in 1985. He joined Keal in the mid-1990s as a minority shareholder. Keal later acquired CGI Group Inc.'s broker management system division.

He is a two-time winner of the Ernst & Young Entrepreneur of the Year award.

Transatlantic Reinsurance Company (TransRe) will have a new chief agent for Canada when Stephanie Russell succeeds Cam MacDonald on Mar. 31. Russell will report to Ken Brandt, president of Transatlantic Holdings Inc.'s Americas business.

Stéphane Massie is now the new president and CEO of Montreal commercial brokerage Vézina assurances Inc., owned by Marsh & McLennan Agency. Until this year, Pierre and Patrice Vézina were both co-president and co-CEO of the company.

Dewan Karim was recently appointed senior associate within 30 Forensic Engineering's transportation safety group. Karim has a masters of applied science degree in transportation safety from Ryerson University and a masters of engineering in infrastructure planning from the University of Tokyo.

SUMMARY

CLIMATE RISKS

The next 10 years

INSURANCE INSTITUTE OF CANADA

Canada will become warmer, wetter and stormier over the next 10 years. For the Canadian property and casualty insurance industry, that could:

- potentially double the annual insurance claims payouts for severe weather-related catastrophe events (perhaps up to $5 billion a year);
- increase liability exposure for insureds, as corporations and individuals held responsible for global warming are sued; and
- create new financial risks that may result from the transition to a low-carbon-based economy.

These potential new risks emerging from climate change are identified in The Insurance Institute of Canada's new report, *Climate Risks: Implications for the Insurance Industry in Canada*, released in February.

The report focuses on the next 10 years. During this period, the industry is expected to see revenue growth based on the evolution of coverage for flooding, wildfire, severe wind and other climate-related risks. This assumes the industry continues to keep pace with further increases in severe weather damage claims.

But the report includes "a warning that prospects over the next 50 to 100 years are not clear."

The insurance industry could continue to adapt successfully to climate change if decisions are made by major emitters and policy leaders over the next decade to stabilize the global climate within 25 years, the report says. "This is possible, but unlikely."

In contrast, "a business-as-usual approach to greenhouse gas emissions would result in dangerous warming of the climate, resulting in severe weather damage by the end of the century that would be uninsurable. This is also possible, but unlikely."

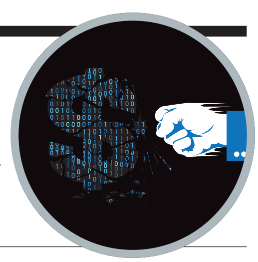
To respond to climate risk, the report recommends that the industry embrace opportunities to offer coverage for enhanced climate risks; tell communities proactively how the industry is handling the risks; and to share industry knowledge to help others mitigate risks.

CYBER RISK | JAN 21

The threat of a cyber incident was a distant concern for companies around the world just seven years ago — it ranked 15th back then on a list of major business concerns, according to the annual Allianz Risk Barometer report. Today, it tops the list.

STANDALONE CYBER | JAN 20

Insurers are making progress on 'silent cyber' (transferring cyber risk from general policies to cyber-specific policies), James Burns of CFC Underwriting reported. But they still need to clarify the intent of standalone cyber policies, which cover non-physical cyberattacks that damage a company's intangible assets.



CYBER POLICIES

THE FUTURE OF CYBER

Nathan Rose, a senior underwriter with Burns & Wilcox, shares how emerging trends in cyber will lead to untapped business opportunities.

By Greg Meckbach, Associate Editor

cu | What are the biggest challenges brokers face when selling cyber coverage?

Policy language is still the biggest hurdle faced by most of our insurance brokers, specifically around cyber. A lot of markets are playing catch-up with each other and trying to broaden their coverage to match other carriers' extensions. It becomes a very confusing landscape.

Probably the biggest challenge in 2020 is going to be terrorism cover as it relates to cyber. Some policies are silent on terrorism. Some actually exclude it. Some say as long as it's a cyber event, it's included.

Another emerging issue is invoice manipulation cover, which is an evolution of funds transfer fraud. It essentially means that if a legitimate invoice is intercepted by fraudsters and the client pays money to the incorrect recipient, that would be covered.

Social engineering is another biggie. It's included under most policies now. It's a big exposure. It's the area with the most claims activity. We have seen widely varying appetites, where it was included in wordings with very big limits, and most markets decided to scale back their appetite.

cu | Why is policy wording important when it comes to social engineering?

Within that social engineering bracket, a significant challenge will be funds held in escrow, which is one of the latest iterations of social engineering exposure. With social engineering, a criminal misleads the client into believing that they are a legitimate payee when in fact that person is a criminal. But what if those funds didn't belong to the client in the first place? If it's actually money the client is holding on behalf of someone else, then those are funds held in escrow. So if the client is duped and pays those funds to the wrong person, the client is at risk of the rightful owner suing the client. This would not necessarily have been covered under earlier social engineering but we have always thought that it should be. So that's now something to which we have turned our attention. We think it's vital to have that in the policy wording if it's an exposure for your client. A policy should provide both first and third-party cover for this exposure. This can be an exposure for title agents and real estate brokers. It should be reviewed and underwritten on a case-by-case basis.

cu | Aside from coverage, what are some add-on services that brokers should look for from cyber insurers?

A major component to look for is legal consultations. We see more carriers building pre-emptive legal consultations into their product. This is true risk management advice, not just at the point of a claim or after a claim, but in advance of that — a free hour to speak with legal counsel and talk about security measures they have and their information technology network structure. These guys will say, "These are some of the risk management considerations you need to be paying attention to."

cu | The federal government made it mandatory to notify people affected by a privacy breach. Did you notice an increased demand for cyber coverage after that?

I did not. It's fantastic for us that you have this regulatory framework there. It makes sure that notification happens in a timely manner. But in terms of demand for cyber insurance, I don't think it caused the surge that some expected. Most policies include voluntary notification of breaches as standard. In December, we were still aware of policies in which this was not the case. Essentially, the change to the privacy law means that if a client's system is breached, then the client must notify all of the affected individuals. But there are certain, very rare scenarios in which they would not be mandated to do so. This type of scenario wasn't always covered by a lot of policies. We think it's prudent that clients go out of their way to notify the affected individuals anyway, just to encourage good risk management. We owe a lot to the broker community for driving awareness of cyber exposures.

cu | When you talk about voluntary notification, what was excluded in the past?

It's similar to product recall. The government might mandate that you have to recall a product, but there might be certain circumstances in which you know the product needs to come back even though the government had not mandated it at that time. The same goes for cyber. You might have had a breach and you are not actually required to notify the affected individuals, but we don't want the absence of coverage to be a barrier to you doing so.

cu | When it comes to breach notification, what are some potential sources of confusion?

The thing that confuses a lot of people is the definition of personally identifiable information (PII). The number of personally identifiable records that a client holds is one of your main criteria for underwriting cyber exposure. Because when you are talking about the breach notification costs, the number of potentially affected individuals is your measure of exposure in that area. We find brokers are asking, 'If you hold multiple records for the same person, are those included in the total number of records?' There is no consistency in the market for how that should be defined. I do know that causes a lot of headaches. The number of individuals for which records are held is the easiest piece of data to quantify. We try to make the client's life easy by saying, "You know roughly how many customers you've got, you know how many employees you've got, so that is your PII count." Whereas some insurers insist that if you have five policies on one insured, you record that as five separate pieces of PII.

cu | What do underwriters look for to determine the level of a client's cyber risk?

The real basics are firewalls, anti-virus programs and, obviously, malware detection. You are looking to ensure not only are they there, but are they regularly updated? It's like having a fence on the perimeter of your property. It's only good as long as it has not been tampered with and there are no holes in it. So you have to regularly check to make sure it's actually up to speed and correct. We also look for multi-factor authentication. It's not there in 100% of scenarios at the moment, but in our mind, it's invaluable as far as cyber insurance goes. It's not infallible. It still can be breached. Claims experience is obviously important. Insurers don't necessarily avoid those clients who have had claims – especially speaking about cyber. Those who have had claims are going to be aware of where their exposures are. So that's not a bad thing necessarily. It means we can actually identify what went wrong and query what mitigation steps they have put in place. cu

PROFILE

NATHAN ROSE

Title: **Senior Underwriter, Business Development Specialist, Burns & Wilcox Canada**

Past experience: **Started as an insurance technician at Xchanging Insure Services in 2006 before moving to Chesterfield Insurance Brokers in 2007. Appointed to his current role in 2017 after serving as head of professional indemnity and liability at Chesterfield.**

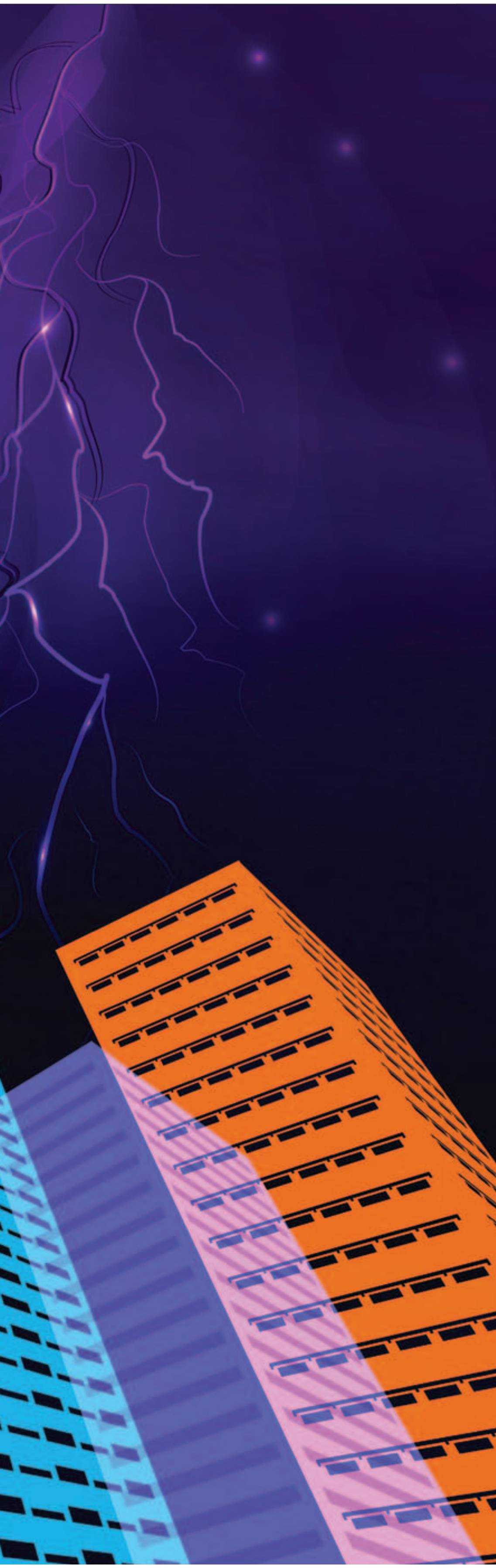
Qualifications: **Associateship of the Chartered Institute (ACII) in the United Kingdom.**

COMMERCIAL PROPERTY

CONDO COVERAGE CRISIS

How market pressures and climate issues are combining to reduce the availability of insurance to condo corporations

By Jeff Buckstein



Despite their growing popularity as the housing unit of choice for millions of Canadians, condominium corporations across the country face serious headwinds in their efforts to secure sufficient insurance at a reasonable cost.

"It's a classic supply-versus-demand issue," says Peter Kennedy, Toronto-based senior vice-president and national director of the real estate practice for Aon in Canada.

Demand for condo insurance is increasing. Canadians appreciate the relative affordability and lower maintenance requirements of a condominium compared to a detached home. Government officials like condos for their efficiency in helping to address the affordable housing crisis and limit urban sprawl. Condo corporations include duplexes and four-plexes, thus making the total size and value of the industry difficult to track. Still, sources contacted for this story observe that condo corporations in Vancouver, Montreal and Toronto are getting bigger and more valuable to replace, requiring more insurance.

But current market conditions facing insurance companies are forcing them to reduce the limits they can put up, Kennedy says. That's limited the supply of capacity available for condo insurance.

The increase in demand and decrease in supply has resulted in serious difficulties for risk managers and brokers alike. In a softer market (characterized by lower premiums and more coverage), an insurance company might cover the entire limit of, say, a $100-million condo insurance account, according to Jeff Schaafsma, manager of risk management for the City of Surrey, B.C. But in a challenging market like this one, they might only cover for $40 million, so brokers may need to find additional layers of insurance for their clients.

"We're seeing insurers pushing premium increases and deductible increases across the board due to poor insurance industry results," Kennedy says. "Condominium corporations are just one element of that." In some jurisdictions, Jason Rivait of Miller Thompson LLP wrote for Mondaq, "it has been reported that [condo insurance] premiums have risen 780%." B.C. brokers report seeing some condo deductibles increase from $25,000 to $250,000 or even $500,000.

This is in sharp contrast to previous condominium market conditions, which provided rate reductions and deductible concessions in favour of clients. A period of competition in the market suppressed rates for an extended period of time, said Chuck Byrne, executive director and chief operating officer of the Insurance Brokers Association of British Columbia. But over the past 18 months, the pendulum has shifted the other way. "Improved circumstances for clients and worsening circumstances for insurers over time led to this point where the insurers were eventually unprofitable and not willing to take it anymore," says Gareth McDonnell, the Vancouver-based national practice leader in BFL Canada's real estate division.

Insurers select the risks they want to insure based in part on how much they anticipate paying out in claims costs. Due to an escalating number of condo claims, some insurers have withdrawn from the market. Others are willing to stay but only with radically different terms, McDonnell elaborates.

Impact of climate change

Multiple factors, including some beyond the control of condo corporations, have conspired to a hard market in commercial property real estate lines, experts say. Aside from a tough insurance market generally, climate change has led to water losses affecting condo buildings.

"Tough market conditions have led companies to re-evaluate their risk appetite for writing new business by having more discipline in commercial underwriting," says Rob de Pruis, the Edmonton-based director of consumer and industry relations for Insurance Bureau of Canada's (IBC) western region. "We don't have a lot of control municipally, provincially or even federally over some of these impacts on commercial insurance."

In addition, "global climate change concerns amongst institutional investors have likely resulted in some flight of capital to safety from the insurance world," Byrne said. "This has impacted global insurance capital, resulting in more difficult reinsurance renewal terms for most of the primary markets in Canada, and forcing insurers to adjust."

Between 1983 and 2008, insurers in Canada were paying out an average of about $500 million annually for severe weather losses. Between 2009 and 2018, that average more than doubled to over $1 billion annually. In 2018, it spiked upward to about $2 billion, de Pruis said.

Certain areas of Canada have a more pronounced risk exposure to natural catastrophes: Earthquake risk in British Columbia and parts of Ontario/Quebec, for example, or floods and severe hail conditions in parts of Alberta. Also, severe winter conditions across most of the country present seasonal risks that often result in freezing and burst pipes, for example. These risks are magnified in a multi-unit condo building.

McDonnell noted that insurers' ability to cater to condos in catastrophe-exposed areas of Canada have become increasingly difficult. They are spending more on Cat reinsurance, which further squeezes the margins within the condo segment.

What's more, specific conditions germane to condo corporations make them potentially riskier to insurers.

"Water damage is one of the biggest sources of property insurance losses for condominium corporations," Kennedy said. "Toilets overflow. Sinks back up. The washer or dishwasher connection comes loose. Pipes burst in the building. Whatever the case may be. And when you have an overflow on the 10th floor, the water can run all the way down to the bottom floor. So you have a larger loss for the condominium corporation."

These buildings have a notoriously high frequency of claims. "In general terms, we see condos having more than a 30% chance of a claim each year," McDonnell said. Newer buildings are being completed to higher standards, he added. That, along with the increased cost of labour and materials, is contributing to a higher average claim cost today.

Geographic location, replacement cost, repair and maintenance procedures, and past record of claims all influence condo rates. Quotes generally take into account a five-year loss history, "so if a condominium corporation had a very poor five-year loss history, they're going to have more challenges," says

Advocating for change

Industry representatives are working hard with carriers to develop innovative solutions to meet the needs of their clients, said Rob de Pruis, the Edmonton-based director of consumer and industry relations for Insurance Bureau of Canada (IBC)'s western region.

IBC has established a national commercial insurance task force to reach a clearer understanding of the difficulties facing condominium corporations and owners in obtaining insurance, and to develop recommendations to assist with the long-term sustainability of commercial insurance across Canada.

The group recently announced it would hire a risk manager to address condominium insurance coverage and assist condominium corporations having trouble acquiring insurance. The recruitment process is now underway.

"We're hearing a lot of stories in media and random comments about affordability and availability," de Pruis says. "We want to help the condominium corporation understand what actions they could be taking or maybe stop doing to help improve that risk. We recognize the seriousness of this issue and we're working with all stakeholders to make sure condominium corporations can obtain the necessary insurance at an affordable price."

The Insurance Brokers Association of British Columbia (IBABC) is advocating for legislative change that will stabilize coverage access and affordability for unit owners as well as condo corporations, says Chuck Byrne, the association's executive director and chief operating officer in Vancouver.

"We are in discussions with government about a limitation on what kind of loss assessment individual unit owners can be assessed by the condo corporations," he said, pointing out that Alberta put in a $50,000 limit recently. "I think the market here could use something along those lines."

Furthermore, a standardized unit definition would be beneficial to clarify, for insurance purposes, what constitutes the common part of the building and what belongs to the individual condominium unit owners. That way, insurance can be tailored to meet those responsibilities. This could be properly worded in legislation or by regulation, Byrne says.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> "Water damage is one of the biggest sources of property insurance losses for condominium corporations. Toilets overflow. Sinks back up. The washer or dishwasher connection comes loose. Pipes burst in the building. Whatever the case may be."

Kennedy. "Each property is assessed on its individual merits, and then the insurers decide if that's something within their risk appetite to insure or not," de Pruis said.

Condominium corporations tend to be price-sensitive; they frequently shop their coverage around to find a lower-cost alternative. Although containing costs is important, Kennedy says, this strategy prevents condo corporations from developing a long-term relationship with one insurance company. A good relationship is important: If a condo corporation builds up credit during the good years in which no claims were made, this might help keep their rates in check during the challenging years.

Addressing insurer's risk concerns

From the insurer's point of view, a central issue is that while condominiums have high values, their deductibles are very low compared to commercial and industrial properties of similar values.

For example, Schaafsma says, "a condo complex might have a $2,500 deductible, whereas a similar commercial or industrial valued complex would probably have a $25,000 or $50,000 deductible." Small deductible values for condos don't adequately reflect the high frequency of claims, particularly in the water damage area, he adds. "I think a lot of underwriters want to get this frequency of smaller losses off their books."

Given the current hard market cycle, Kennedy believes condo corporations will need to assume greater risk in the form of higher deductibles. The very low property insurance deductibles experienced in past years will not continue in the future, he predicts.

In addition to mitigating the risk of major losses like fire, condo corporations will also need to prevent the higher-frequency claims for lesser amounts, such as for sewer backups and pipe ruptures, Schaafsma said.

Experts also stress the importance of undertaking good risk management practices.

"If you rely on insurance as the primary method of reducing the impact of losses without attempting to reduce the frequency or impact through a risk management program, you will forever be paying higher premiums," Schaafsma warns.

Aon has developed risk management policies and procedures for its condominium corporation and property manager clients. This includes highlighting potential exposures and assisting clients in managing their buildings' risks more effectively, Kennedy says. "The key thing that I think brokers and the insurance industry can bring to bear to the condominium corporations is helping them best manage their risk to reduce the likelihood of a loss and/or the severity when there is a loss."

Condo corporations and owners can help minimize claims through strong maintenance programs and by ensuring the building infrastructure remains in good repair, including maintaining age-appropriate plumbing, windows and roof systems, says McDonnell.

Technology is blossoming to help combat water damage claims, he adds. For example, water detection and shut-off systems will automatically turn off the water in units if unusually high levels of water are detected.

Wake-up call

The insurance industry risks significant harm to its reputation with consumers and regulators because of the high condo premium rates across the country, which could contribute to a lack of affordable housing, Byrne says.

"This is extremely volatile and represents a wake-up call to the industry to start thinking very clearly about what they have to do to keep government from intervening in an aggressive way," he says. Over-regulation can impose real costs in a free market, he adds, including the potential risk that some insurers may opt to exit the market altogether.

"We need behavioural change, likely using a carrot-and-stick approach," says Byrne. "I think consumers and condo corporations have to get their heads around very significant discipline around mitigation of loss. [And] insurers have to be very serious about offering significant discounts to condo buildings and unit owners that take steps to mitigate against water damage loss."

The growing number of condos being built in Canada is creating an increasing demand for condo insurance just as the supply [of condo insurance capacity] is shrinking, McDonnell says.

Consequently, "it's now up to the brokers to go and find out new capacity to bring that supply of insurance back up," he adds, noting that brokers are sourcing new and innovative ways to find capacity, including looking to unconventional channels such as insurers and reinsurers based in the United States and/or Europe.

A healthy global economy relies on the ability of insurers to meet their financial obligations in the event of large global losses, Schaafsma says.

"While the pricing pendulum has swung too far in the opposite direction, one would hope that it settles to a range that is both reasonable and sustainable from a global funding perspective." CU

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MARKET CONDITIONS

When is hard actually hard?

Canadian brokers assess the current market in commercial lines, noting the contrast with what's happening in personal lines

By Sarah Cunningham-Scharf

Debate rages on as to whether the insurance industry is truly facing a hard market, or whether it is merely working its way through a pricing correction. Complicating the analysis is that the issues facing personal auto and property insurers are different than the ones facing the commercial lines market.

Seen at the view from 50,000 feet, both personal and commercial lines markets are experiencing tough times. Several major insurers have reported combined operating ratios (CORs) in excess of 100% over the past couple of years as they continue to struggle with climbing claims costs in both personal and commercial lines.

However, many in the industry insist that this market cycle isn't truly hard (yet). Pointing to the industry's overall COR of 97% in 2017 and 99% in 2018, they note that the P&C industry is still making a profit, albeit barely. Capacity is still available, suggesting that insurers are raising rates to correct for premium deficiencies during the past soft market cycle. In other words, this is simply a "market correction," not a true hard market, in which no profit is to be made for several years and no capacity is available.

Commercial brokers seem more likely to make the case against a hard market. They note the challenges in commercial lines are more nuanced than in the auto insurance market, for example, which is in need of regulatory reform across the country. In contrast, some commercial lines segments are more problematic than others, and many of the pricing issues are self-inflicted. And while auto and property started the move towards higher pricing awhile ago, a tough commercial market is just beginning. Marsh reported an 8% increase in commercial pricing across its global client base in 2019 Q3. That figure increased to 11% in 2019 Q4, the ninth straight quarterly increase and the largest since the brokerage started its survey in 2012.

Hard? Difficult? Correcting?

Industry analysts have tossed around many words to decribe current market conditions, each with different meanings. For veteran industry consultant Phil Cook, the proper terminology is important. He's not convinced it's a hard market, mainly because such a determination can't be made without the benefit of hindsight. "It's very difficult to say in the first year of a hard market that you're in a hard market, because it only really becomes apparent after one, two, or three years that this is the beginning of a hard market," the chairman of Omega Insurance Holdings Inc. said in January at the Insurance Institute of Canada's *Industry Trends & Predictions: 2020* breakfast in Toronto.

But for Kevin Neiles, chief marketing officer and president of Western Canada at Gallagher Canada, this is indeed a hard market. "If it's a correction, it's [correcting for] prob-

> "Because the supply and demand on commercial is still pretty good, insurers don't have the luxury of overlaying personal lines and commercial lines. The pricing and the positioning is very independent."

ably 16 or 17 years of softening rates. When it's that significant, I would have to describe it more as a hard market."

Rates were soft [decreasing] for several years because, as Nathan Richmond, global placement leader at Marsh Canada, puts it: "Historically, there's been a lot of competition, and therefore a lot of pressure on organizations for top-line growth and market share." A second factor leading to soft rates was "a tremendous amount of capacity, especially from [Lloyd's of] London," Neiles says. "They came into the market, guns a-blazing, and became the largest commercial insurer in Canada." But when you combine insurer competition with "the size and number of Cat losses that we've had in Canada, and the increased cost of claims across the board," as Neiles observes, "you've got a significant imbalance between cash coming in the door and funneling out." Fast forward to 2018, he adds, and Lloyd's "started to exit as they realized that there was no profitability."

The patchwork correction

Today's hard market in commercial is "about the profitability challenge," Richmond says. "The fact that "a number of the major insurance companies around the globe since 2017 have been running an excess of 100% COR [is a] very different circumstance to previous hard markets." To get their CORs back on track, insurers are reducing their exposure to claims by "reducing their capacity to 20%, 30%, or 40% of what they previously offered, in some cases," Neiles reports. "We've seen five-fold increases in premiums, large increases in deductibles, and insurers pulling out altogether."

Another unique feature of today's market cycle is its patchwork nature. "In 2003, it was an [overall] 20% increase in the market. That's 'harder' than today, which is averaging out to between 6% and 10%," says John Chippindale, vice chairman of Hub Ontario and the brokerage's Canadian chief marketing officer. "But some [segments] are getting [between] 50% and 100% [hikes]," thanks to better, more specific data analyzing the risk profile of individual classes.

To get to a COR below 100%, "many of the insurers are 8% to 10% off-base," says Chippindale. "How do they make that up? Seventy percent of customers are going to get 6+% [increases] and 30% of [customers] are going to get 50+%."

The segments seeing the biggest premium hikes are those exposed to the biggest risks. So, while commercial segments like retail and most professional services lines are staying fairly level, commercial realty and commercial auto — especially policies covering third-party passengers, like taxis — are being hit hard, according to Chippindale. Lisa Giannone, managing partner of BFL Canada's Montreal office, says she's seeing price hikes "in more difficult sectors like forestry, long haul transportation, mining, the heavy industrial markets as well, manufacturing."

Neiles describes unique features of this market cycle that are unprecendented. "We're seeing scenarios where clients are unable to get cover," he says. "We've had to beg and plead to fill coverage. We've had to reduce coverage in certain areas to get the capacity that we need. I've been in the business for 33 years now. I have never seen it like this."

What's worse: Personal or commercial?

Ask a broker about the state of Canadian personal lines, and the discussion inevitably turns to the challenges insurers face in auto.

"Auto rates are filed with the government, and there's a lot of politics behind that," says Caroline Mills-White, senior vice president and national director of Aon personal lines arm Affinity. "They can only raise the rates so much. Once that's hard on our insurers, it becomes difficult on brokers."

Thankfully, some personal auto rates have been approved. In about 18 months, Chippendale says, those premiums will flow down to the insurer's bottom line.

Though both personal and commercial lines are in a crunch, insurers don't consider their fates to be intertwined. "Because the supply and demand on commercial is still pretty good, insurers don't have the luxury of overlaying personal lines and commercial lines," Chippindale says. "The pricing and the positioning is very independent."

Insurers have to navigate two very different paths to return to profitability in both commercial and personal lines. "The rabbit hole that personal lines has gone down is all but dictated by regulators," Neiles says. "It's partially outside of insurers' control. If you get enough rate, it can be fixed. It's a lot more smaller exposures."

But the commercial lines rabbit hole is worse, Neiles says, because it's "something the industry did to itself by chasing rates down." That said, he believes it will be easier for commercial insurers to return to profitability. "Through better underwriting, limiting their capacity, and getting higher rate, [commercial insurers] can get themselves out of the hole more quickly," Neiles says. "Personal lines insurers couldn't really do it unless you get out of [the space] all together."

Unfortunately, insurers won't return to profitability in commercial lines anytime soon, according to Giannone. "I think 2020 will still be a difficult market and then going into 2021, we'll see some relief, some capacity coming in." CU

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SNOWPLOW INSURANCE

SNOWED UNDER

Canada gets a lot of snow. So why is it so difficult to find snowplow insurance in this country?

By Naomi Grosman

An increase in slip-and-fall claims has put pressure on insurance premiums for snowplow operators, which has left some contractors struggling to remain in business.

Dave Fraser, owner of DHF Contracting in Oshawa, Ont., says his business, which employs up to 25 people, was a hair's breadth away from closing down in November when his insurer said it would no longer underwrite the snowplow portion of his business, which accounts for 70% of the contractor's revenue.

When shopping around for new insurance, he found that premiums had skyrocketed well past the usual annual price inflation. "My broker notified me that my [former insurer] wasn't insuring snowplow operators and I was quoted a new, ridiculous price — from $16,000 a year to over $60,000," Fraser says, adding that he would still have the same $5 million in liability coverage. "Nothing changes except the price."

He found a new broker who specializes in insurance for landscaping businesses. At $52,000 a year, his new premium was slightly less expensive than the previous quote; still, it was a major departure from the rates he was quoted during his previous years in business.

Broker Stephen Halsall says not only have some insurers stopped underwriting snowplow operations, the ones that are still in the market have a longer list of requirements and specific areas they won't underwrite. "It's tough for people who work in those industries," says Halsall, owner of Saint John, N.B.-

based All Coverage Insurance. "Whatever you are snowplowing, too much responsibility gets thrown on the operators. We expect perfection but have to realize it's winter and no one can monitor sidewalks all day long."

In the summer months, Fraser's company does landscaping, swimming pool maintenance, and other related projects. But that's the easy part of the business from a cost-of-insurance perspective. "Because of all the slip-and-fall claims, it's the snowplowing part of the business that is killing us and the insurance companies," Fraser says.

Indeed, slip-and-fall claims are the biggest liability on the shoulders of snowplow operators, Halsall says. "[Insurers] are not worried about vehicles hitting property or other vehicles, although that happens," he says. "The biggest [risk] is slip-and-falls and how it relates to [maintaining areas] with sanding and salting after they do the job. How much responsibility can you shift to the contractor, with all the freezing and thawing and different storms we have?"

As fewer carriers underwrite snowplowing operations, there may come a time when insurers no longer want new business, Halsall warns. "Insurers may reach a tipping point. There's no magic solution. They can't write business that is unprofitable. But as the blame [for slip-and-falls] gets shifted to contractors, it will continue to be a problem."

Intact Insurance uses caution when underwriting snowplow operations, a company representative told *Canadian Underwriter* in an email. "We pursue best-in-class operations within our underwriting parameters," the company states in its email. And, with the exception of Quebec, the company "has a 'Snow Removal Operation Questionnaire' for this purpose, as we may consider snow removal contractors depending on the type of vehicles and type of area being worked on. Intact focuses on those who are committed to this operation and have a proven track record."

Increased slip-and-fall litigation has changed the game, Halsall contends. "Everything is getting busier, cities are growing, and more claims are brought forward to look for compensation from another party. There were many cases of slip-and-falls in the past...where people would never pursue legal action. Now it's more the norm."

Coverage for operators clearing public areas is the toughest insurance to procure, says Gary Hirst, president and CEO of Toronto-based managing general agent CHES Special Risk. "A lot of big corporate entities that have public places in need of snow clearing have extremely onerous contractual conditions that pass on all liability to snow-clearing contractors," he says. "That is driving an enormous number of claims, culminating in markets pulling out of the sector."

Personal injury awards are higher, which is reflected in the insurance premiums. "In the past, people would slip and fall and walk away with a bruise," Hirst observes. "Injuries are more severe now. And the legal system makes it easier to make an injury claim."

In some instances, only a verbal agreement exists between the property owner and snowplow operator, leading to arguments over liability. For example, a landlord will require snow to be cleared but won't pay for salting or de-icing, which can lead to hidden ice patches.

"Where there are [verbal] agreements, there are arguments," Hirst says. "There are an enormous number of disputes between two parties."

Snowplow operators that do buy insurance are usually contractors with substantial revenue, Hirst explains. The smaller guy is being pushed out of the business. And in this difficult market for snowplow operators, risk management will play an increasingly important role.

"Insurers will look at the way snowplow operators are managing risk," Hirst says. "If an operator has a contract with a landlord who has a car park, for example, is the operator checking the property in the summer and autumn, and alerting the landlord of maintenance problems? Insurers need those types of logs."

Snowplow companies should undertake a number of risk management practices, Halsall recommends. For example, they should keep driver logs, ensure equipment maintenance, and management should provide project supervision and follow-up. "Risk management is a key factor and underscores the professionalism of the contractor you are dealing with," he says. "It's an advantage and the best ones will have an easier time finding insurance."

Tony DiGiovanni, executive director of Landscape Ontario, a professional association of 2,800 landscaping companies, of which 700 run snowplowing operations, said the situation is so dire that a special members' meeting was called at

> "Insurers may reach a tipping point. There is no magic solution. They can't write business that is unprofitable. But as the blame [for slip-and-falls] gets shifted to contractors it will continue to be a problem."

the association's recent conference. "We called an emergency meeting because I was getting many calls a week from snowplow operators in a panic about the insurance situation," DiGiovanni says. "We had six contractors talking about the issue, what they are doing about it, and how to mitigate risk."

Some contractors have reported laying off staff, and all are having trouble finding insurance, DiGiovanni says. So much trouble, in fact, that members are considering establishing either an insurance co-operative or captive insurance company to remedy the situation.

The association has encouraged members to lobby their local MPPs to pass Bill 118, which would change the *Occupiers' Liability Act* to give the victim of a slip-and-fall accident 10 days to put a defendant on notice of an intent to sue. That doesn't mean a plaintiff has only 10 days to file a statement of claim in court, notes Doug Downey, PC MPP for Barrie-Springwater-Oro-Medonte. Ontario has a two-year deadline to file a lawsuit.

Fraser says he keeps an airtight logbook to produce risk management documentation for insurance purposes. Also, he wants to ensure he has the right documentation in place to defend against a lawsuit.

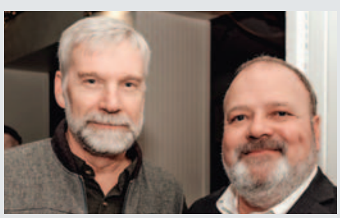
Fraser hasn't heard of any snowplow operations shutting down due to a lack of insurance, but the likelihood of new operators entering the business is slim to none, he says. "[Businesses] are paying through the nose for insurance with doubled or sometimes quadrupled insurance premiums. Nobody new is getting into the snowplowing business because they are not getting insurance — you wouldn't think that would be the case in Canada." CU

The Big Mingle

January 21, 2020

Toronto, Ont.

Hundreds of claims professionals, independent adjusters, and industry suppliers met at The Fifth Social Club in downtown Toronto for the annual Big Mingle event, hosted by Blouin Dunn LLP and 30 Forensic Engineering. The evening was filled with food and drinks, offering attendees the chance to network and socialize with key industry colleagues who were in town attending a pair of related claims conferences.



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MARKETING CAMPAIGNS

Hitting the target

How data, strategy and technology can help you drive growth from your existing cutomer base during a hard market

BY ROBYN CROLL, *VP, Goose Digital*

Brokers seeking growth during the hard market should explore using digital solutions to help drive additional revenue from existing customers.

Cross-selling products to ensure customers are properly covered, automating renewal communications to maximize retention, or marketing a self-service app are all examples of marketing to drive growth, increase retention and optimize efficiencies. Yet, most brokers are not currently investing deeply into customer marketing programs. Of those that are, few are doing so in a proactive and planned way necessary to realize their full potential.

Data, strategy and technology are key to unlocking this potential. They are also often the main reasons why brokers don't have these types of campaigns in-market. Let's take a closer look at each.

Data

The key to success lies in leveraging broker management system (BMS) data, powered by a well-planned strategy and the right technology. BMS data can drive many marketing initiatives, enabling campaigns to reach the right audience, with the right cadence, and with the right message. In most instances, email will be the channel of choice; effective emails rely on relevant and personalized messaging.

For example, using a customer or business name allows for personalized subject and address lines. Segmenting by policy type enables relevant cross- sells and upsells.

> Brokers with a strategy-driven approach are able to prioritize initiatives, have roadmaps and long-term direction for campaigns. They can also often work more efficiently when tackling complex projects. Strong strategies dictate tools and tactics.

Triggering messages based on expiry date powers renewal flows at a cadence relevant to the individual and their coverage. Occupation, business type, or geography help tighten value propositions around specific benefits. Using an assigned producer or CSR as the sender or signatory makes the overall message that much more personalized.

Customers expect this level of personalization from their brokers. However, accessing the right data is challenging. Most brokers don't end up pursuing these marketing initiatives as a result. Those who do are able to connect with audiences better, leading to revenue growth and improved customer satisfaction.

Strategy

Successful marketing initiatives require a good strategy. For customer marketing, that means identifying opportunities focused on growth, retention and improving internal efficiencies, and tying them back to key performance indicators that measure outcome and business impact.

Will a monoline cross-sell campaign bring in more revenue than marketing cyber products to commercial customers? Does an automated renewal flow free up more internal resources than increased adoption of a self-serve portal? Planning how the programs will be deployed, managed and measured requires careful consideration. The right blend of knowledge and experience is crucial to success.

The primary role and expertise of a broker is managing risk. Building a marketing strategy can be daunting and time-consuming. Put these two realities together, and that often results in customer marketing initiatives falling to the bottom of a broker's priority list. Frequently, such initiatives aren't even implemented.

Brokers with a strategy-driven approach, however, are able to prioritize initiatives, create roadmaps, and prepare long-term direction for campaigns. They also work more efficiently when tackling complex projects. Strong strategies dictate tools and tactics.

Technology

Having a data plan and a strategy is half the battle. The next challenge becomes figuring out how to build, execute, monitor and measure an effective, professional and efficient marketing plan. That's where marketing automation platforms (MAPs) come in.

Best of breed MAPs integrate BMS data to power campaigns with personalization and segmentation. The platforms maximize efficiencies with automated nurture campaigns, which enable follow-up emails to non-openers of cross-sell campaigns, right-timed reminders for renewal flows, and multiple benefit-driven emails to drive self-service portal usage, among other things. They also help with inbox placement (or email deliverability) and adherence to best email practices such as compliance to Canada's Anti-Spam Legislation (CASL) and subscription management.

Many brokers are unfamiliar with the power of MAPs and aren't aware of their potential to drive growth (along with awareness, lead generation, lead management and more) without adding resources. The promise of marketing automation is to help do more with less. This is a must-have technology.

Brokers who understand the need to integrate data, strategy and best-of-breed technology platforms are more likely to realize the growth potential with their existing customers. Increasingly, they are partnering with vendors who bring the required expertise to the table to bring their marketing strategies to life.

Predictions for the hard market continue through 2020, but it won't last forever. Brokers who are taking this year to build a foundation for growth, retention and internal efficiencies will be far ahead of the game compared to their competitors when it's 'go time.' cu

Robyn Croll leads the customer insights and data analytics practice at Goose Digital, a full-service digital marketing and marketing automation agency specializing in the insurance industry.

BY THE NUMBERS

Consumer Complaints

The General Insurance OmbudService (GIO) — an independent organization that helps Canadians resolve disputes or concerns with their home, auto or business insurers — keeps track of the types of complaints it gets every year. Generally speaking, consumers are more likely to complain about claims. But if the hard market can be measured by consumer dissatisfaction, take a look at the spike in the number of affordability, availability and policy cancellation complaints in 2018-19.

Consumer Calls by Area of Concern (5-Year Trend)

Area of Concern	2014/15	2015/16	2016/17	2017/18	2018/19
Claims	2,342	2,066	2,242	2,447	2,992
Policy Cancel/ Non-Renewal	477	476	476	455	672
Coverage/ Policy Rating	454	438	432	433	421
Affordability	100	75	54	64	327
Administration/ Billing Problems	175	185	214	200	215
Availability	98	98	98	91	177

Source: GIO Annual Reports 2015-19

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P&C WORKPLACE DIVERSITY

LGBTQ: More than just letters

Discrimination persists in workplaces against the LGBTQ community. Being more welcoming can boost your competitive positioning

BY DEXTER MORSE, *Director, International Air Transport Association*

Workplace diversity has been in vogue for some time now. However, many companies are still grappling with what this means for their organization. Highlighting the importance of workplace diversity and including it as a priority in a talent management strategy remains a challenge.

Let's get a few facts and figures out of the way first. LGBTQ is the acronym commonly used to address the lesbian, gay, bisexual, and transgender and queer/questioning community. Although LGBTQ statistics are hard to find, surveys indicate that 1.7% of Canadians between the ages of 18 and 59 are gay or lesbian, and an additional 1.3% are bisexual.

A growing number of countries now recognize same-sex marriage and civil partnerships. The Canadian government amended the *Human Rights Act* in June 2017 to outlaw employment discrimination based on gender identity and expression.

A 2019 LinkedIn survey revealed that 70% of LGBTQ professionals believe they have no senior LGBTQ leaders to look up to. This affects whether people will identify as LGBTQ at work.

As of 2018, 93% of Fortune 500 companies have non-discrimination policies in place that include sexual orientation. Eighty-five percent have non-discrimination policies that include gender identity. Many companies also provide other benefits (49% include domestic partner benefits and 62% include transgender-inclusive benefits).

So while substantial strides have been made in recognizing LGBTQ issues, more than 53% of LGBTQ workers hide their identity at the workplace. This identity struggle has detrimental effects on their health, happiness and productivity, as well as on business talent retention and leadership development.

Research by the Canadian Centre for Diversity and Inclusion found that 30% of LGBTQ employees in Canada report experiencing discrimination in the workplace. Compare that to only 3% of non-LGBTQ employees. Thirty-three percent of LGBTQ and 21% of non-LGBTQ employees report that they have witnessed workplace discrimination.

Straight colleagues frequently have a double-standard approach to LGBTQ issues in the workplace. A U.S. Human Rights Campaign Foundation report found that 81% of non-LGBTQ respondents indicated that their co-workers "should not have to hide their identity." However, 70% of the same respondents indicated that talking about sexual orientation in the workplace is "unprofessional."

LGBTQ professionals are looking for role models. A 2019 LinkedIn survey revealed that 70% of LGBTQ professionals believe they have no senior LGBTQ leaders to look up to. This affects whether people will identify as LGBTQ at work. Twenty-eight per cent of professionals who are currently closeted say they are concerned that colleagues will judge them if they come out. Research by Vodaphone and Out Now in the UK revealed that 83% of respondents would prefer to work for an employer that has visible LGBTQ leaders, friends, allies and supporters.

Openly LGBTQ corporate leaders are rare. In 2018, Beth Ford became the first openly gay woman to run a Fortune 500 company as CEO of Land O'Lakes. Other prominent gay role models include Apple CEO Tim Cook.

LGBTQ in insurance

The insurance industry, often regarded as old-fashioned and conservative, has some great success stories to tell.

Inga Beale, the first female and openly bisexual CEO of Lloyds of London, was instrumental in the launch of Pride@Lloyds, an internal LGBTQ employee resource group. She has supported the LGBT Insurance Network and done much to change the culture at Lloyds.

AIG UK's chief operating officer, Geoff Godwin, is the executive sponsor of the AIG's UK LGBT Employee Network, which provides education and support for LGBTQ employees and allies. He is responsible for the company's UK induction process, which includes two specific sessions on diversity and inclusion.

Openly lesbian Angela Darlington, group chief risk officer at Aviva, has championed LGBTQ rights by sponsoring Pride events.

The benefits

An organization with a diverse workforce can draw on the variety of talent and different perspectives employees bring to their jobs. It can improve the company's adaptability, enhance its ability to provide services to diverse audiences, and inspire employees to think beyond their own experiences and push their boundaries.

DEAL TRACKER

Latest acquisition news & activity

McDougall $ Provenance and Asselin

McDougall Insurance and Financial is expanding in Ontario. The Belleville-based brokerage acquired Asselin Insurance Brokers Ltd. of Penetanguishene on Jan. 8. The day before, McDougall acquired Provenance Insurance Services Ltd., which has brokerage offices in North Bay and Sudbury.

Provenance does business as Knox Hutchison Insurance Services (North Bay), Municipal Insurance Services (North Bay), and Dynamic Insurance Brokers (Sudbury).

As a result of the deals, McDougall is up to 36 offices in Ontario.

In Penetanguishene, Rene Asselin (grandson of Romeo Asselin, who founded the brokerage in 1943), will continue to run the office. Provenance owner George Hutchison will also stay on with McDougall after the merger.

Hub $ RHC

Hub International now has nine new brokerage offices in southeast British Columbia with its acquisition of RHC Insurance Brokers Ltd. and RHC Insurance Brokers (Cranbrook) Ltd. RHC has two offices each in Nelson and Castlegar. It also has offices in Cranbrook, Trail, Rossland, Grand Forks, and New Denver.

RHC places auto insurance with Insurance Corporation of B.C., as well as home, business, watercraft, home-sharing and pet healthcare. CEO Tammy Darough will assist Hub International in an advisory role to ensure a seamless transition.

Archway $ Groom

Archway Insurance of Amherst, N.S., has new locations in southwestern New Brunswick with the recent acquisition of Groom Insurance Limited. The deal brings the number of Archway locations in Nova Scotia and New Brunswick to 32.

Archway's president, Gina McFetridge, is a past president of the Insurance Brokers Association of Nova Scotia.

Both McFetrridge and Archway CEO Michael Stack were finalists in Ernst & Young's Entrepreneur of The Year award program in 2019.

OIAA 2020 Claims Conference

January 22, 2020

Toronto, Ont.

Independent adjusters from across the province gathered in Toronto for the Ontario Insurance Adjusters Association (OIAA)'s 2020 Claims Conference at the Metro Toronto Convention Centre. A tradeshow offered attendees the opportunity to network with existing and potential partners, while education sessions focused on emerging trends in the claims transformation journey, property claims, and the threat of cybercrime. Select photos provided by OIAA and Zsuzi Pal Photography.

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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)	Thursday, August 20, 2020

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

www.insuranceinstitute.ca/cipsociety

CIP SOCIETY

MEMBERS BENEFIT

> Research by Vodaphone and Out Now in the UK revealed that 83% of respondents would prefer to work for an employer that has visible LGBTQ leaders, friends, allies and supporters.

Companies with inclusive, supportive environments have better reputations and branding. They draw better candidates for open positions and retain top talent longer. People who feel secure in their workplace, supported by policies that promote acceptance and positivity, will be more loyal, more focused on their jobs and less distracted and stressed. Ultimately, this means the organization will function better across the board, with greater efficiency and increased profits.

CREATING AN INCLUSIVE ENVIRONMENT

It's a matter of RESPECT. Here's how you can do it.

Recruit

Targeted recruitment campaigns should be pursued, job advertisements should welcome LGBTQ applicants and recruiters should discuss diversity and inclusion at interviews. All new staff should be invited to inclusion and diversity networking talks.

Engage

LGBTQ and allies should be present in all levels of the organization, including top-tier management. Establish mentoring programs that match participants across genders, races, ages and sexual identities. To be effective, there must be "buy-in" from senior leaders on this initiative. Research by the Boston Consulting Group revealed that less than four in 10 LGBTQ employees consider their organization's senior leadership team to be committed to diversity and inclusion.

Spread

Share information and news about LGBTQ issues on social media, the internet, ads and public displays. For example, pharmaceutical giant GSK adorned their UK headquarters with massive rainbow flags and organized several Pride-focused events at its London office. But beware: Some companies have no diversity and inclusion policies in place, thus making their support appear like tokenism.

Promote

Create a zero-tolerance harassment policy. Make it clear that employees will be disciplined or fired for wrong-doing. Encourage victims and those who have witnessed inappropriate behaviour to come forward and report it.

Encourage

Hold discussions about diversity. Establish proactive diversity programs that involve the entire organization. They should include diversity and inclusion training and advocate for more inclusive language. Discuss with employees of various genders, sexualities and gender expressions about what would help them to feel more included.

Conduct

a risk assessment to identify priorities for action and highlight strengths and weaknesses within the organization. Review the appropriateness and language of internal policies. Focus on explicitly including non-traditional families; creating an inclusive dress code that avoids gender stereotypes; and review internal communication for language and imagery that tacitly assumes heterosexual families and relationships as the "norm."

Toast

Celebrate your successes. Whether it's meeting goals or milestones, LGBTQ meetings that have taken place, or the promotion of LGBTQ business leaders, recognize such achievements. cu

Dr. Dexter Morse is director of industry risk management and insurance at the International Air Transport Association (IATA) in Montreal.

PROFESSIONAL DEVELOPMENT

WHY INSURERS ARE TRAINING IN DESIGN THINKING

Canadian P&C professionals have approached Cookhouse Labs, an industry innovation hub, to help with staff training. Cookhouse co-founder Sven Roehl (pictured here) and Ibeth Ramos, Cookhouse's program manager and innovation coach, explain why.

– As told to Jason Contant

We provide all different kinds of training, and there was one that insurers really pushed for: Design thinking. This involves developing an understanding of the people for whom we're designing our products or services.

You can go anywhere in the world for design training. What we do at the lab is focus training on how to solve insurance-specific problems. When we do our two-day training, we always choose a topic that will be useful for insurance companies.

A few members have their own innovation departments and tell us that they have already done design thinking, but they are struggling to put it to use. We allow them to come and practice what they have learned in a safe environment. They can implement all creative methodologies, not just a specific one. The more they expand their knowledge, the more they are able to do themselves a service; the more they allow themselves to be truly creative.

It's not like one methodology is good for everyone. Harvard has a design thinking course. For them, one challenge was that everybody had different questions about how Harvard's methodology applied to their specific industry backgrounds — from government agencies, to teachers, to doctors.

Now we offer training for the insurance industry. We had a session a few weeks ago in which a couple of insurance companies and universities were trained on design thinking, focusing on how to change customers' negative perception of insurance.

Cookhouse Labs is not about building solutions that are ready to be used in the market. The incubator is for the industry to come up with its own ideas based on a shared IP-approach. Our ultimate goal is to make insurance better by providing all the skills and knowledge that an insurer needs to become an innovation anticipator. CU

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