Canadian underwriter

May 2020

YOUR GUIDE TO INSURANCE SUCCESS. SINCE 1934

COVID-19

LESSONS LEARNED

HOW TO UPDATE YOUR BUSINESS CONTINUITY PLAN TO PREPARE FOR THE NEXT PANDEMIC

BROKER GROWTH

How small and mid-tier brokerages can compete with Canada's largest alpha houses

---

CU INTERVIEW

Dave Partington

GALLAGHER CANADA CEO SHARES HIS THOUGHTS ON A TIGHTENED MARKET

+ HOW THE PANDEMIC ACCELERATED BROKERS' DIGITAL CONVERSION

WHAT THE AON-WILLIS DEAL MEANS FOR CANADA

A GUIDE ON STAYING CONNECTED WHILE EVERYONE WORKS FROM HOME

Community is Bigger Than Cancer
Join WICC for

PROUD PARTNERS SINCE 1996

wicc™
WOMEN IN INSURANCE CANCER CRUSADE
wicc.ca

IN SUPPORT OF
Canadian Cancer Society

This year, we have reimagined Relay For Life into Relay At Home – a new, fun and interactive way for you to Relay online from the comfort of your home and respect physical distancing. Participants of all ages are welcome to attend this online event.

Donations will support people living with cancer during the COVID-19 pandemic.

When
June 13 from 7 – 9 p.m. ET

Where
Visit **relayforlife.ca**. It's easy and free to join

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

Register today at **relayforlife.ca**
Questions? Contact **carrie.brown@intact.net**

WICC appreciates the continued support of its National Sponsors and ibao (Insurance Brokers Association of Ontario) – an Ontario Community Partner.

AIG · AppCentrica · Belfor Property Restoration · Canadian Underwriter · On Side Restoration · NFP · Chubb · Wawanesa Insurance · Informco · McKellar Structured Settlements · Liberty Mutual Insurance · Roar Engineering · Travelers · economical Insurance · Crawford · Northbridge Insurance

Canadian underwriter

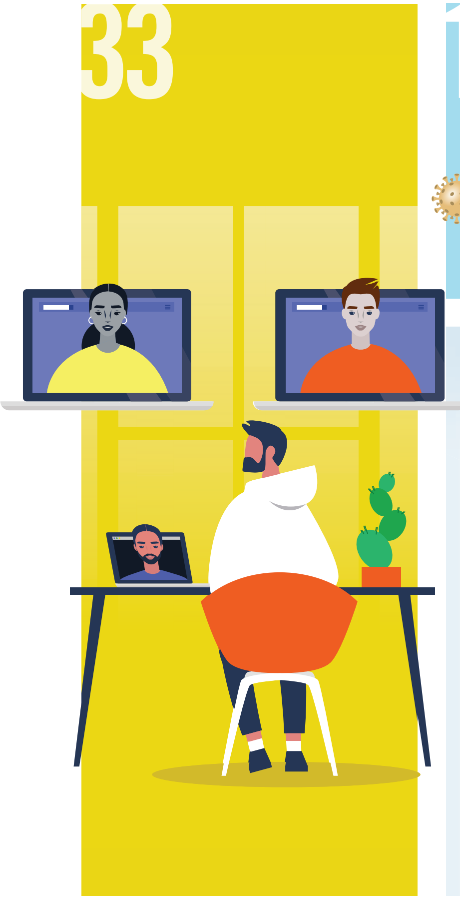
CONTENTS

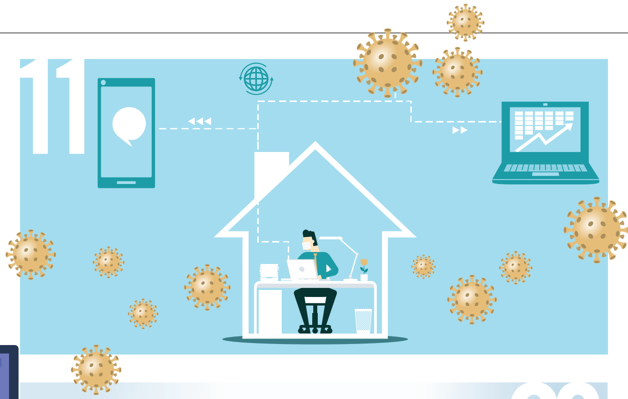
Volume 87, No. 5 | May 2020

YOUR GUIDE TO INSURANCE SUCCESS. SINCE 1934

CANADIANUNDERWRITER.CA

FEATURES


33


11


28


15

Canadian underwriter

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
Joe Glionna

VICE PRESIDENT, PUBLISHING
Melissa Summerfield

CHIEF FINANCIAL OFFICER
Trish Saltys, CA, CPA

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

Canadian Underwriter is published twelve times yearly
by NEWCOM MEDIA INC.

Subscription Rates: 2018 Canada
1 Year $51.95 plus applicable taxes • 2 Years $75.95 plus applicable taxes
Single copies $10 plus applicable taxes, except $49 plus applicable taxes for July issue featuring annual Statistical Guide.

Elsewhere
1 Year $71.95
Subscription Inquiries/Customer Service
Mary Garufi (416) 614-5831
mary@newcom.ca

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

Return undeliverable Canadian addresses to:
Circulation Dept.
Canadian Underwriter
5353 Dundas Street West, Suite 400, Toronto, Ontario M9B 6H8
Tel: (416) 614-2200

ISSN Print: 0008-525 ISSN Digital: 1923-34

Funded by the Government of Canada | Canada

MEMBER CANADIAN BUSINESS MEDIA ASSOCIATION · Alliance for Audited Media

The Biggest One

How the industry will survive a global pandemic

At the time I write this, just under 2 million people around the world have been infected with COVID-19, the disease caused by novel coronavirus, and more than 123,000 people have died from it. In Canada, as of Apr. 14, just over 26,000 COVID-19 cases have been confirmed, with 823 deaths reported.

Shortly after the World Health Organization declared COVID-19 a global pandemic on Mar. 11, governments across the world, including in Canada, started shutting down travel and businesses to slow the spread of the virus. By Mar. 15, brokerages and insurers were already well underway sending their employees home to work remotely. But as social distancing drags on, perhaps for as long as six to eight months, and as the economy buckles, it remains to be seen what the long-term effects of COVID-19 will be.

The P&C insurance industry is built to withstand large-scale disasters. Insurance pros are prepared to be there for their clients in times of dire need. But this may be the first time the industry has had to help all Canadians, all at once, through a truly global catastrophe. This, quite frankly, is not "business as usual," even for the property and casualty insurance business.

For a relationship-based industry like insurance, dark days lie ahead. There are no industry events in which to share knowledge and learn from one another. Personal contact with clients is highly discouraged, as we are all ordered by governments to stay home and keep at least two metres apart from one another. Many Canadians have lost their jobs and their businesses, and the economy is shutting down all around us. We're all hoping the health care system doesn't shut down as well.

These are scary times. More than a few veteran industry professionals have told me, "It's like we are living in a movie." A dystopic movie, to be sure, and it's all playing out very quickly. Meaningful, honest and truthful communication is critical now, both within the industry and between the industry and the public. Talking to each other — be it by phone, video, or text — is how we will work out solutions to common problems. This is how the industry has weathered major crises before, and it's how the industry will help their clients – and each other – through to the end of this pandemic as well.

Stay healthy everyone. And keep talking. It's working. CU

David Gambrill

david@canadianunderwriter.ca

Twitter: @Cdnunderwriter Facebook: canadianunderwriter

RSA

The impact of the aging workforce and technology on claims talent

In an industry that is beginning to see quick adaptation to incoming technology, the long-term effects of automation, image technology and artificial intelligence on day-to-day work life are exciting, but need to be considered from all angles. Colin Asselstine, Director of Claims Subrogation, Salvage & Vendor Management at RSA, sheds light on how increased automation and new technology is changing the required skill sets for those working in insurance and the butterfly effect on the claims sector overall.

The effect of automation in APD

Some of the non-complex lines of business, such as Auto Physical Damage (APD) insurance, are undergoing a significant transformation, due in large part to automation. This change will bring continued opportunity to improve the customer experience, however, the shift will pose a challenge for industry talent in the long run. “APD has been the traditional starting point for training new claims professionals in the industry. Most entry-level graduates start in APD, moving up into property, bodily injury (BI) or accident benefit (AB) claims adjudication. If we erode part of the employee intake process at the APD level, we’re cutting into our traditional talent pipeline across the entire industry and not allowing talent to learn at a pace that will allow them to succeed. The talent model needs to change,” Asselstine says.

Technology taking over the tasks traditionally assigned to industry newcomers, combined with the aging adjuster workforce, poses an industry challenge. What can be done to tackle this talent gap before it’s too late?

The human element is still critical

The industry is looking at digital evidence via technology that allows adjusters to get eyes on-site without a physical visit, as well as various tools to capture and quantify damage (e.g. drones and 3D cameras) to provide claims context. However, while these measures can be effective for cosmetic damage, we just aren’t at the point where technology alone can predict the extent of hidden damage to a car or a home. “AI may help us narrow the number of decisions we need to make. However, we still rely on the human expertise of experienced appraisers and adjusters to apply judgement to certain situations and determine when it is a case of a repair or total loss,” adds Asselstine.

As the number of required APD adjuster roles decreases due to automation, the roles will evolve to be more customer centric. In adapting to this evolution, training and hiring for skill sets that will improve the customer experience during a claim will be a key area of focus.

“We need to ensure adjusters are getting the experience they need in order to develop the expertise that our customers rely on them for, that can’t be replicated by technology today. In order to do that, we need to ensure we’re building a sustainable pipeline of talent so that our industry continues to have skilled workers with the right training for years to come.”

Education is a priority

RSA is well known in the industry for its commitment to continuing education for brokers and employees. The insurer is now doubling down on that educational offering – with an internal focus - in order to cross-pollinate its employees with key skills that will set them up for success as an adjuster. “Being a successful adjuster involves a number of skills – both hard and soft. One way in which we are bracing against the talent gap on the technical side is by hiring people from other industries with complementary skill sets for a career in claims,” adds Asselstine. “A key area of focus for claims training is emotional intelligence, since claims adjusters often deal with customers during challenging times. This alternative recruitment strategy can help shrink the timeline to train someone for a career managing complex claims and help fill the workforce gap caused by increased automation.”

An industry-wide problem

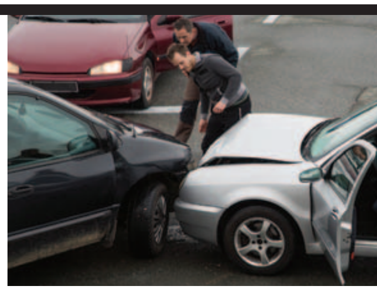
While Asselstine represents one key national insurer, he notes that this is an industry-wide issue that requires insurers to come together, especially as claims get more complex.

“We need to ensure adjusters are getting the experience they need in order to develop the expertise that our customers rely on them for, that can’t be replicated by technology today. In order to do that, we need to ensure we’re building a sustainable pipeline of talent so that our industry continues to have skilled workers with the right training for years to come,” concludes Asselstine.

perspectives

canadianunderwriter.ca | company/canadian-underwriter | @CdnUnderwriter | canadianunderwriter

What a ‘made-in-Alberta’ no-fault auto insurance regime would look like



March 13

The story: A no-fault auto insurance system in Alberta would remove costs from the system and also make physical damage repairs happen a little quicker and more efficiently, says the CEO of the Insurance Brokers Association of Alberta.

Steve Kendal says:

I agree we should get proper treatment and care, but I also want the bad driver who hurt me pay me for my pain and suffering. That is why we have the court system to figure that out. Why should bad drivers be allowed to get away with hurting others and not pay for the victim’s pain and suffering? Just so they can save a few bucks in insurance? That sounds very unfair.

Michael MacNeill says:

I don’t get how cash makes a difference to the pain and suffering of someone injured. Maybe a trip to Hawaii with the proceeds of a $20,000 lawsuit? Does that make the pain go away? The “bad drivers” do not pay the “victims” — their insurer does. Let’s make sure the injured people get proper medical attention and rehabilitation, and cut back on court costs and litigation.

Theo van Besouw says:

It is obvious that the insurance system needs to be fixed, but what is missing is: Why are there not more rigorous measures taken against people who cause accidents? Why do people who have a clean driving record for decades have to pay for those who repeatedly forget to keep their distance from the vehicle in front of them? It would benefit everyone if repeat offenders are faced with a steep (let’s say double) rate for each accident they cause. That would go to the root of the problem.

Commercial brokers remind industry about emergency ‘hold covered’ protocols

March 19

The story: At the beginning of the COVID-19 pandemic, brokers and carriers turned their minds towards extending policy renewal dates and flexible payment options for consumers.

David Edgar says:

This should be made a statutory condition to be read into every policy immediately.

COVID-19: A brokerage’s guide to working from home

March 17

The story: Ontario brokerage Mitchell & Whale is recreating the office environment in their employees’ homes — right down to sending the office chair home with their staff.

Aaron Nantais:

This is not a COVID-19-specific issue, but rather a business continuity issue that should have been ready to go regardless of the type of emergency. Given the thousands of clients that brokers care for, I hope brokers have learned to be better prepared for the next emergency. Our team was ready and waiting and our team executed the plan flawlessly. Congrats to all of my team for an amazing job!

Jason Jenkins says:

When I got a BlackBerry in 1999, people laughed at me. When we set up remote work years ago, people laughed at me. The average sheep doesn’t like change, even for the better.

Linda Colgan says:

Likewise, we at Bryson are seamless in our day-to-day activity. Prepared and fully operational.

Politicians debate merits of insurer-based new home warranty

March 12

The story: Tarion Warranty Corporation, Ontario’s home warranty program, will have a new mandate to resolve claims as soon as possible, provincial politicians confirmed recently.

FAIR Association says:

Aren’t private insurers already involved in Tarion through underwriting? Like all insurance products here in Ontario — hard to figure out it seems — but we all know who makes the big money and it isn’t the people trying to fix problems.

Barbara Captijn says:

So this is new? Tarion “to resolve claims as soon as possible?” So previous mandate was to drag their feet as much as possible? Who’s the new watchdog? Same. Broken Tarion, still broken.

Barbara Captijn says:

I believe @AvivaCanada and other insurers finance ‘Tarion bonds’ to builders via Tarion. So, to my understanding, they indirectly provide what Tarion doesn’t.

declarations

BROKER VALUE PROPOSITION

COVID-19 operations

How the brokers' pandemic response accelerated their conversion to digital, thereby enhancing their value to consumers

BY DAVID GAMBRILL, *Editor-in-Chief*

Some Canadian brokers may long for a return to simpler times — a utopic future in which the novel coronavirus runs its course through the body politic, and then all of us return to our offices and resume operations like things were before COVID-19.

But Kenny Nicholls, president and CEO of Western Financial Group, one of Canada's largest brokerages, isn't among those who pine for a return to the status quo. In fact, he believes working remotely from home during the pandemic will shape the brokers' future long after the coronavirus is gone.

"I don't know what the new norm will become after all of this subsides," Nicholls told *Canadian Underwriter* in mid-March, soon after the federal government started telling people to work from home to slow down the spread of COVID-19, the disease caused by the coronavirus. "The world is going to be very different. But we will have learned a lot of lessons from this. A lot of the way business was conducted prior to COVID might ending up looking very different."

How so?

"I think [the brokers' response to the pandemic] will allow us to provide these self-serve options [to consumers] while still allowing people to have access to experts and making sure that, at any point

DENTAL COVERAGE | APR 2
Aviva Canada is standing by its pandemic coverage included in TripleGuard, a customized, unique, one-of-a-kind insurance product for Canadian dentists. The insurance company promised guidance to dentists who want to submit claims arising from government orders shutting down non-essential service.

ECONOMIC STORM | APR 1
Canada's P&C insurance industry will likely not experience significant underwriting losses overall, but financial volatility due to COVID-19 will affect investment portfolios in the short-term, global credit ratings firm DBRS Morningstar said in a new report.

in their journey, consumers have an expert behind them to make sure they have the coverage they need," Nicholls said.

Before the World Health Organization (WHO) declared COVID-19 to be a global pandemic on Mar. 11, many within the industry pondered how to offer to consumers digital self-service alongside the broker benefits of choice, advocacy and advice — all key elements of the broker value proposition.

The rapid spread of COVID-19 into Canada quickly shut down that academic debate. Twelve days after WHO's declaration, provincial governments across Canada ordered the closure of all "non-essential" businesses. In Ontario and Quebec, as in other provinces, insurance was listed as an "essential service," and thus exempt. However, as of press time, the vast majority of insurance professionals in Canada are working remotely from home.

An Internet meme posted on LinkedIn by Ontario broker Adam Mitchell, president of Mitchell & Whale, is telling: A picture shows a multiple-choice question that asks: "Who led the digital transformation in your company?" The answers are: "A. CEO. B. CTO. C. COVID-19." A red circle appears around the answer C.

But even if it took a global pandemic to expedite the brokers' pivot to digital services, many brokers feel the outcome will showcase their value.

"We feel that the new norm will reinforce the value of the broker and the need for an insurance expert for most insurance transactions out there," Nicholls said.

He added that the emergency circumstances led to brokers offering insurance "in such a way that we don't have to meet face-to-face, but we can do it using a variety of other options. I hope that would be the new norm."

For example, during the pandemic, Western Financial unlocked a new way to connect with its clients digitally that they hadn't used prior to the pandemic.

"One of the great innovations we had is a form for quoting on our website," Nicholls said. "We realized it could be used as well to allow customers to communicate with us, if for some reason they could not communicate with us in any other way. We've assigned it an additional triage team.

"We are open for quotes; we are open for business. Through this form, we are fielding various questions from customers, or people who are not our customers but who may not be able to reach out to their brokers." CU

SURVEY SAYS...

P&C industry's biggest pandemic concerns

Two weeks after the World Health Organization declared COVID-19 a global pandemic, *Canadian Underwriter* asked its readers: 'What are your biggest concerns right now?' More than 300 respondents picked among 10 given options. (Numbers don't add up to 100% because they ticked multiple options.) Here's what they said:

Managing the needs of clients who may not have the means to pay premiums (or who may want to cut their contracts short)	51%
A global recession, and what that will mean for your business	51%
Impact of layering a pandemic on top of hardening market conditions	46%
Counselling clients who have lost/are worried about losing their jobs/businesses	35%
A natural catastrophe occurring during the midst of the current environment	34%
Business continuity planning (e.g. managing your business during self-isolation)	30%
Lack of information around pandemic-related or other coverage options	28%
Calming clients down	21%
Finding opportunities to grow your business	19%
How to sell to customers remotely	14%

EXTENDED HARD MARKET | APR 1

Pricing relief offered to Canadian businesses absorbing a financial hit from the pandemic could ultimately prolong the hard market, Intact's CEO Charles Brindamour said. "It is responsible to pause [price increases] and make sure we help customers in that environment."

DEFENDING CYBERSECURITY | APR 1

While dealing with IT issues related to working from home during the COVID-19 pandemic, employers should equip and train their staff to be vigilant against data breaches during this time, Gowling WLG warned. Periods of upheaval present a golden opportunity for cybercriminals to hack into a company's network.


Business Solutions
That Work
Online Certificates of Insurance in
30
SECONDS
Contractors is an area where we excel – and for good reason. We have comprehensive coverage for a wide range of operations making it easy to find the protection your customers need. Certificates of insurance can be created online in seconds to help them land the jobs they want right away.
Want to ensure your customers are covered from all angles? Make sure to add our contractors' E&O to the mix.
Speak with your Business Development Manager or Commercial Lines Underwriter today to learn more.
GORE MUTUAL
GO FORWARD
goremutual.ca

Become a National Sponsor Today!

Since 1996, WICC has raised

$17.5 million

across Canada

These funds support cancer research and education, improve the lives of those affected and help put an end to cancer.

Talk to us about becoming a national sponsor, and support groundbreaking research that will help so many Canadians. Learn more about national sponsorship benefits at **www.wicc.ca**

Thank you to our Platinum NATIONAL SPONSORS

AIG · AppCentrica · BELFOR PROPERTY RESTORATION · Canadian Underwriter · CHUBB · Crawford

economical INSURANCE · THE GUARANTEE · INFORMCO People Making Technology Work · Liberty Mutual INSURANCE · McKellar STRUCTURED SETTLEMENTS

NFP · Northbridge Insurance · ON SIDE RESTORATION · ROAR ENGINEERING · TRAVELERS · Wawanesa Insurance

MEGA-MERGER

Ripple effects

How will the deal between Aon and Willis Towers Watson affect brokers in Canada?

BY JASON CONTANT, *Online Editor*

In what's being billed as the largest deal ever for the global insurance industry, London, U.K.-based commercial brokerage Aon plc announced in early March its intention to acquire Willis Towers Watson for nearly $30 billion in an all-stock transaction.

If the deal closes as expected during the first half of 2021, subject to regulatory and shareholder approvals, the definitive agreement will create a combined equity company value of about $80 billion.

Aon shareholders would own approximately 63% of the company (which will go to market under the Aon brand), while Willis Towers Watson shareholders would own approximately 37%. Shares would be exchanged at a fixed exchanged ratio based on closing prices on Mar. 6.

Industry professionals and observers told *Canadian Underwriter* they were not surprised by the proposed deal when it was announced Mar. 9.

"I think the writing has been on the wall for some time, even prior to the rumoured acquisition of Willis by Aon of about a year ago," Glenn McGillivray, managing director of the Institute for Catastrophic Loss Reduction, said on the day of the announcement.

"I felt that it was only a matter of time before Willis was acquired," McGillivray said. "With Marsh & McLennan acquiring JLT almost a year ago, this gave impetus to this deal."

He was referring to Marsh & McLennan's acquisition of Jardine Lloyd Thompson Group plc, a US$5.6-billion deal that closed Apr. 1, 2019.

Kent Rowe, president of the Insurance Brokers Association of Canada, said that while the proposed deal was considerable, it wasn't overly surprising. "M&A activity in our business, on the insurer and broker side, is something we've all become accustomed to," he said. "Many brokers are on the acquisition trail seeking to acquire volume, technology, operational efficiency, sales capabilities and talent from a staffing perspective."

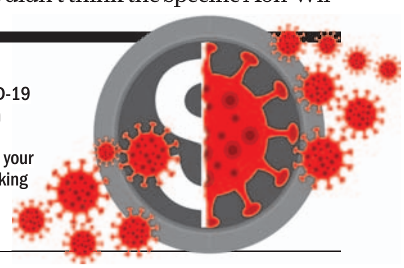
Rowe didn't think the specific Aon-Wil-

PRICE OF POLITICS | MAR 31

Legislative proposals in New Jersey, Ohio, and Massachusetts to force insurers to pay for pandemic business interruption coverage retroactively could cost the nation's P&C insurers between $220 billion and $383 billion *per month*, the American Property Casualty Insurance Association reported.

PANDEMIC PRICING | MAR 31

Intact Financial Corp. is responding to the COVID-19 pandemic by dropping commercial premiums on a case-by-case basis if the client's risk has gone down, CEO Charles Brindamour said. "If sales in your businesses are down dramatically, if you are parking [your] fleets, and so on, we will adjust your risk profile to [take this] into account."



lis deal — which appeared to take a back seat in the news cycle after the emergence of the coronavirus pandemic — would have much effect on Canadian brokers. That said, brokers are likely taking a look at these kinds of deals more broadly and wondering how they may affect their businesses. "The great thing about deals like these is that inevitably it gets people thinking about how they can compete and thrive," said Rowe. "I think that's a good thing for brokers in Canada."

A former reinsurance executive in Canada spoke anonymously to *Canadian Underwriter* in exchange for a candid opinion. He thought the deal could potentially redistribute key reinsurance talent within Canada, or it could also prompt a "white knight" entity in the United Kingdom or the United States to establish a new Canadian operation. Also, a reinsurer could bulk up its existing Canadian operations with talent shaken loose after the Aon-Willis merger.

The source noted what the regulators do with the deal is key. Regulatory authorities will be determining whether the operations of the two reinsurance entities will be allowed to become one without running afoul of restrictions on market concentration. "If the reinsurance side [of Willis] is allowed to just move over and become one [with Aon's], then things are very interesting around the world."

Angus MacCaull, communications analyst with Nova Scotia-based brokerage AA Munro, stressed that while he's not a regulatory expert, he believes that these types of mega-deals will affect the regulatory environment in Canada.

"I think brokers — especially smaller ones — compete with giants like this by advocating for market and industry regulation that reflects the Canadian context," MacCaull said. "It has to be open enough to participate in global growth and strong enough to stay rooted here." cu

NEW OFFERS

WATER LEAK MITIGATION TECHNOLOGY

Vendor: **Eddy Solutions**
Target Audience: **Construction clients**
What it Does: **Provides clients with real-time insights and visibility to mitigate leaks and floods on construction sites and property.**

PCL Construction has joined forces with Eddy Solutions to use technology to protect project sites from the increasing threat of water damage. The partnership will merge Job Site Insights — PCL's cloud-based smart construction platform that provides a single-pane view into all aspects of work at a jobsite — with smart water monitoring and leak-mitigation technologies. Clients will have real-time insights and visibility to mitigate leaks and floods effectively. "This partnership will allow us to bring our water damage monitoring solution to a completely new setting," said Travis Allen, Eddy Solutions CEO, in a press release. Water damage is one of the biggest risks to construction sites and property, a factor in nearly 60% of all real estate claims, PCL reported.

SCOPE OF WORK DOCUMENTS

Vendor: **30 Forensic Engineering**
Target Audience: **Restoration contractors**
What it Does: **Helps insurance industry partners address the need for cleaning and disinfection in a COVID-19 world.**

30 Forensic Engineering has developed scope of work documents to help restoration contractors across Canada address the need for cleaning and disinfection during the COVID-19 pandemic. The firm has implemented a confirmatory sampling process in order to issue clearance for cleaned and disinfected work areas. It will conduct clearance surface sampling, which consists of adenosine triphosphate (ATP) bioluminescence testing and analysis. The scope of work is based on guidelines and information from: Canadian Food Inspection Agency; Provincial Infectious Diseases Advisory Committee; Centers for Disease Control and Prevention; National Institute of Health; U.S. Food and Drug Administration; and U.S. Environmental Protection Agency.

INSURANCE FULFILLMENT PLATFORM (IFP)

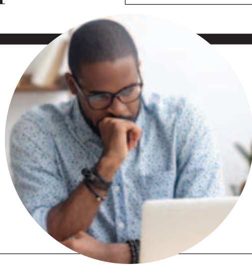
Vendor: **Awywi Insurance Services Ltd.**
Target Audience: **Partner insurance companies**
What it Does: **Offers customers full-service insurance without charging commissions**

Awywi uses the latest technology to break down traditional distribution, cutting friction that adds costs, complexity and service failures. Using artificial intelligence and robotic process automation, customers get:

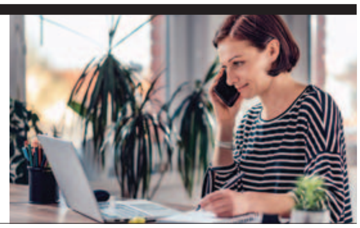
- lowest prices;
- ability to quote and purchase insurance in real-time from multiple companies;
- insurance matched to the customer's own risk profile;
- easy, real-time policy changes as required; and
- 24/7 access to personal and commercial lines, as well as travel, health or life insurance.

The product offers customers the convenience of managing all their insurance products in a personal policy wallet, including quotes and policies. It is automatically remarketed every year to ensure the best product fit and price. IFP insurers get advance features like intelligent fraud prevention, touchless bespoke document processing, and Awywi-only comparative analytics on quoting and campaign effectiveness.

INDUSTRY FEARS | MAR 30
Canada's fragile economy is keeping everyone in the P&C insurance industry awake at night, according to a *Canadian Underwriter* poll. Just over 51% of 317 industry respondents said their biggest concern was a global recession, and what that will mean for their P&C business.



WORKING REMOTELY | MAR 27
About 85% of more than 300 industry professionals polled by *Canadian Underwriter* reported being either satisfied or very satisfied with how their business continuity plan responded to the COVID-19 pandemic. "Working from home is working," as one respondent put it.



BIG MOVES

Can-Sure founder resurfaces in B.C.'s MGA market

P&C veteran Jeff Hart heads up Vailo Insurance Services Ltd., a recently-launched managing general agency

WHO: **Jeff Hart**

CURRENT ROLE: **Founder and CEO, Vailo Insurance Services Ltd.**

P&C EXPERIENCE: **26 years**

PROFILE: **Founded Can-Sure Underwriting Ltd. in 2003. Held a variety of roles at Can-Sure, including managing retail broker and insurer relationships, oversight of underwriting facilities and programs, and developing overall vision and strategic direction.**

Jeff Hart, who founded Can-Sure Underwriting in 2003, has co-founded another Vancouver-area managing general agent.

Hart is now CEO of Vailo Insurance Services Ltd., a start-up MGA based in Port Moody, about 25 km east of downtown Vancouver.

Vailo's offerings include builder's risk, umbrella liability, equipment breakdown, environmental, management and professional liability insurance, among others.

"Being a start-up allows us to re-imagine how we engage with the market without being tied to legacy systems and processes. We're being very intentional about how we set up our operational structure to provide us with a competitive advantage," Hart said in a press release announcing the launch of Vailo.

Can-Sure was acquired in 2014 by Beacon Underwriting Ltd., an MGA owned by Hub International Ltd. Beacon announced Hart's departure from Can-Sure in early 2017.

In addition to Hart, Vailo's management team includes chief operating officer Tommy Truong and chief underwriting officer Bruce MacKinnon. Truong was vice president of Can-Sure Underwriting from 2006 until 2018. Vailo says its strategy includes thoughtful automation, strong partnerships and deep data analytics.

Mark Feader is now with BFL Canada as managing vice president for the Saskatchewan region. He was a Saskatoon-based client executive with Marsh. Feader still works in the city, heading BFL's recently-opened first office in Saskatchewan.

CNA Canada named Terri Mason-Benjamin to vice president of marketing and distribution for Canada. She will oversee CNA's marketing, communications and broker distribution initiatives. She was previously assistant vice president for cyber and professional liability.

Tina McAvella is now Sovereign Insurance's vice president of underwriting and risk engineering. She was most recently the commercial specialty insurer's vice president of product manufacturing. McAvella has more than 30 years of experience in the industry.

SUMMARY

BUSINESS INTERRUPTION

Cost of insuring a pandemic

American Property Casualty Insurance Association

New Jersey, Massachusetts, and Ohio have all introduced proposed legislation that would force insurers to pay for some business interruption claims for COVID-19 retroactively, a move that the American Property Casualty Insurance Association (APCIA) says could cost the nation's P&C insurers between $220 billion and $383 billion *per month*.

To put this into context, the "total surplus for all of the U.S. home, auto, and business insurers combined to pay all future losses is roughly only $800 billion," APCIA noted in a lengthy media statement.

APCIA noted that U.S. P&C insurers handled 3-million claims during the 2005 hurricane season, which included Hurricane Katrina. But for COVID-19, if the legislators' proposed bills were to go through, insurers could be on the hook for more than 30-million claims from U.S. small businesses.

APCIA said its estimates are based on an analysis of publicly available data sources, including from the Bureau of Labor Statistics (employment, wages), ISO, and the *Houston Chronicle* (average revenue and profit).

"Many commercial insurance policies, including those that include business interruption coverage, do not include coverage for communicable diseases or viruses such as COVID-19," APCIA said. "There are some who are calling for actions that would retroactively rewrite existing insurance policies to add new risks to the promises that were made to insurance customers. These types of proposals could have dramatic repercussions for families, individuals, motorists and businesses, potentially compromising the financial ability of insurers to meet their existing promises….

"Any action to fundamentally alter business interruption provisions specifically, or property insurance generally, to retroactively mandate insurance coverage for viruses by voiding those exclusions, would immediately subject insurers to claim payment liability that threatens solvency and the ability to make good on the actual promises made in existing insurance policies."

PANDEMIC BUSINESS LOSSES | MAR 27

Given widespread pandemic-induced business losses, the P&C industry is looking at ways to avoid high volumes of potential business interruption notices of loss (pandemic is often excluded from coverage). "The IBAO is asking business clients not to flood insurance companies with claims at this time," the Ontario brokers' association advised.

RELIEF PITCHING | MAR 25

Canada's national broker association issued an open letter to its insurer partners calling for flexible payment options and emergency coverage extensions for clients in need, as well as support for single-office brokerages disabled by an outbreak of COVID-19 requiring staff isolation.

COMMERCIAL INSURANCE

WHERE TO FIND GROWTH

Dave Partington, appointed in December as CEO of Gallagher Global Brokerage — Canada, explains how firming market conditions bring new opportunities for commercial brokers.

By Greg Meckbach, Associate Editor

Editor's note: This interview took place three weeks before the World Health Organization declared COVID-19 a pandemic.

cu | There seems to be a consensus that we're in a hardening market. What are you observing in commercial P&C pricing?

It's a very tough market right now for three reasons: Rates are increasing significantly in most lines; it's not easy to get capacity for some of our larger risks; and insurers are changing their appetite on a regular basis. All of that creates a lot of challenges for our clients. In some instances, it is about higher pricing and the need to refine their budgets. For some clients, there are genuine insurance availability concerns. For some segments, like snow removal and residential realty, there are real challenges to finding coverage.

cu | What does this mean for underwriters and, ultimately, brokers?

Underwriters are putting greater focus on risk management and loss control now. So if clients want to get coverage at a competitive price, they really need to demonstrate that they are managing their risk effectively. That creates challenges for our clients and for us as brokers. It's a lot of work and a lot of stress for our people. However, brokers are doing a tremendous job managing clients' expectations and getting them the right insurance coverage. It's really hard work, and it's also an opportunity.

One thing you see in these market conditions is the quality of the broker. The leverage and market access of a broker makes a big difference to clients in this market. It's tough times on a day-to-day basis, but there are also a lot of opportunities coming through the door as a consequence of the market conditions.

cu | How do brokers show their value?

There are two opportunities. One is an opportunity for the best brokers out there to demonstrate the difference they make. It's very satisfying from a professional perspective when you can show that you really know your stuff technically; that you know your markets; and that you know your clients and their operations.

The second opportunity is a lot of new business activity. A lot of businesses are inevitably frustrated by the increases they are seeing. That creates a lot of phone calls and opportunities to write new business. If a business gets bad news from its existing broker, that client may want to test whether it is getting the best service and the best program.

We spend a huge amount of time with our clients trying to project into the future what the market is doing, to allow them to: 1) budget correctly; and 2) demonstrate their risk management quality and develop their program structure. So maybe the price goes up by 10%. Maybe that could be mitigated by changing the amount of insurance that they purchase or changing their deductible levels. Good brokers are out ahead of that, making sure that their clients are in the best possible position to mitigate the impact of a very tough market.

cu | What are some coverages that small businesses tend not to consider?

I am very proud of the coverage we as an industry provide to small businesses. I think we do a good job of providing packages that cover our clients when an insurable incident occurs. That said, I think there is definitely an issue with cyber. Too few small businesses are buying cyber coverage, and typically that's because they think cyberattacks happen to big businesses. And we are increasingly seeing that, whether it's ransomware attacks or whether it's social engineering, small businesses are being targeted. We actually had a small bakery client decline cyber coverage from us six months ago. They recently had an incident — a six-figure ransomware attack — and they were not covered. The cost of buying that policy would have been $1,500. These are real-life examples. This is not theoretical. Cyber coverage still needs to be sold.

cu | Some property managers use sensor technology to detect leaks from pipes and other problems that could cause damage. What trends are you noticing in the area of risk mitigation?

Specifically related to water sensors, we are seeing insurers either requiring those to be in place or providing incentives for sensors to be put in place in the private client sector and for some commercial properties. I think this is a pretty interesting part of our industry right now. Whether it's water sensors, automatic shutoff valves or wind sensors, a whole bunch of new technologies are being applied to the insurance landscape. These are ultimately going to reduce the frequency and severity of losses. This is good for clients and good for insurance companies.

I think if you walk around a lot of the insurtech conferences and meetings these days, there are some great partnerships forming between technology companies with great solutions and insurance brokers and companies. And that excites me in our industry right now: It allows us to provide even better solutions to our clients to reduce losses and therefore to reduce the total cost of risk.

cu | What are the issues in commercial auto these days?

Commercial auto is tough. I would point specifically to trucking, where we're in the most difficult insurance market we've had in maybe the last 15 to 20 years. It is really driven by insurer profitability and the fact that insurers have, over an extended period of time, not made enough money in trucking. That creates real challenges for our trucking clients. They are seeing significant increases in premium.

In some cases, there is an inability to get insurance in the way they have previously purchased it. In addition to dealing with increased insurance premiums, the trucking industry is also facing the issue of attracting and retaining drivers. They're having to pay a lot more for their drivers. They're having to be innovative about where they can find drivers to recruit. And they're having to put in place different and potentially very attractive benefits programs.

So on the P&C side, trucking is a big focus for us and something on which we are working hard to mitigate the cost of insurance. Gallagher Benefits Services is also doing a lot of work to help trucking companies with attracting and retaining drivers. It's obviously a very challenging sector, but it's quite an exciting sector, too, because we can help provide solutions for two of the most significant problems facing trucking firms right now.

cu | How is the industry doing in terms of making commercial insurance processes easier to use and converting over to electronic format?

I think most brokers and insurance companies have removed paper. Where I think the Canadian market is maybe lagging others around the world is around electronic communication between the broker and the insurance company. I still see too many emails and documents flying around between the two. You end up with multiple data entry points, which increases complexity and increases confusion within that transaction.

I think there is an ability to automate a lot of that work by using systems that talk to each other. There are systems that allow single point of entry of the data and then that data is used the whole way through the transaction. cu

PROFILE

DAVE PARTINGTON

Title: **CEO, Gallagher Global Brokerage Canada**

Past experience: **Held leadership positions at Marsh and Towergate before joining Gallagher Heath in Britain in 2012. Moved to the United States in 2014 to be president of small business for Gallagher.**

Education: **Bachelor of Science in Environmental Biology from the University of Wales. Associate of the Chartered Insurance Institute.**

PACICC is pleased to announce the election of three new Members to our expanded Boardof Directors. We welcome:

Mr. David MacNaughton
Independent Director
Mr. MacNaughton is President of Palantir Technologies Canada and is based in Toronto. He previously served as Canada's Ambassador to the United States of America from 2016 to 2019 and possesses an extensive background in both corporate leadership and public policy.

Mr. Christian Fournier
Insurer Director
Mr. Fournier is Senior Vice President and Chief Operating Officer of La Capitale Financial Group and is based in Quebec City. A Laval-trained actuary, he has more than 25 years of property and casualty insurance experience.

Mr. Brian Esau
Insurer Director
Mr. Esau is President and CEO of Red River Mutal and is based in Altona, Manitoba. A CPA, he has served in his current role for 12 years and previously served as Chief Risk Officer for a regional credit union.

Re-elected to our Board for additional terms are:

Glenn Gibson (Chair), former CEO of Crawford Canada (Independent Director)

Bruce Thompson, former Supervisor – OSFI (Independent Director)

Lynn Oldfield, President and CEO AIG Insurance Company of Canada

Andrew Cartmell, President and CEO Saskatchewan Government Insurance

Heather Masterson, President and CEO Travelers Canada

Pete Walker, Chief Technical Underwriter Aviva Canada Inc.

David Oakden, former Chief Actuary – OSFI (Independent Director)

Martin Beaulieu, Senior Vice President and Chief Risk Officer, Intact Financial Corporation

Alister Campbell, President and CEO PACICC (Ex Officio)

PACICC is the industry-funded, non-profit resolution authority for Canada's Property and Casualty (P&C) insurance industry. PACICC's mission is to protect eligible policyholders from undue financial loss in the event that a Member Insurer becomes insolvent. The Corporation works to minimize the costs of insurer insolvencies and seeks to maintain a high level of consumer and business confidence in Canada's P&C insurance industry through the financial protection it provides to policyholders.

BUSINESS CONTINUITY

THIS IS NOT A DRILL

Since mid-March, Canada's P&C industry has been working from home and social distancing to slow the spread of the novel coronavirus. What have we learned so far that will help us prepare for the next pandemic?

By Canadian Underwriter Staff:
Jason Contant, Greg Meckbach, Adam Malik and David Gambrill

Battle stations, everyone. This is not a drill. Repeat: This is not a drill.

COVID-19 has infected the world, and P&C organizations are not immune to the impact of the novel coronavirus. But a proper, well-rehearsed business continuity plan can help organizations inoculate themselves against a pandemic's most harmful effects.

At the beginning of January 2020, in what now feels like a century ago, the World Health Organization first heard reports from China about the outbreak of the novel coronavirus. Three weeks later, there were 314 confirmed global cases of COVID-19, the disease caused by the novel coronavirus. As of Apr. 15, there were about 2.1-million confirmed cases of COVID-19 worldwide — including approximately 27,000 cases in Canada — and about 128,000 deaths globally (more than 903 deaths in Canada as of press time).

WHO declared COVID-19 to be a global pandemic on Mar. 11, 2020. Within two weeks, most of Canada's property and casualty insurance professionals were working remotely from home, responding to calls from the country's public health officials to prevent the spread of the virus so that the nation's health care system would not be overwhelmed.

Canada's P&C industry, which includes about 200 insurance companies and at least 1,770 brokerages, employed 128,300 people in 2018, according to information published by Insurance Bureau of Canada and the Insurance Brokers Association of Canada. That's a lot of industry employees working remotely from home. But by most accounts, the transition was completed quickly, efficiently and effectively.

At the time of writing, the virus hasn't yet reached a fever pitch. Three days into April, public health officials in Ontario predicted it might take between 18 months and two years for the pandemic to fully run its course. To forecast the economic impact of shutting down businesses to prevent the spread of COVID-19, Canada's Parliamentary Budget Office assumed social distancing would remain in effect until August 2020.

So, as the pandemic drags mercilessly forward, and with the global economy on the brink of a major recession, the question becomes: What has

> "Many organizations' business continuity plans don't address responses to pandemic risk or to worst-case scenarios in general, and those are being shown as very large omissions now."

COVID-19 taught us so far about business continuity planning in the pandemic age? How should we update our business continuity plans to prepare for the next pandemic?

Always be prepared

The pandemic is teaching P&C professionals, as well as their business clients, that it's a good idea to have a business continuity plan.

"Certainly, a better-prepared company, a more resilient company, will be better-positioned for any unexpected event and will perform better, relatively speaking, during this pandemic," says Eric Jones, vice president and global manager of business risk consulting at FM Global.

The thing is, Jones adds, "many organizations' business continuity plans don't address responses to pandemic risk or to worst-case scenarios in general, and those are being shown as very large omissions now. Additionally, pandemic-related policy decisions are being made by local, state and federal government officials in real time in reaction to the virus, making it difficult for businesses who lack business continuity plans. The types of lockdowns and stay-at-home edicts have varied greatly across the globe, for example."

Research from Gartner indicates that fewer than 30% of Fortune 2000 companies have fully developed business continuity plans, observes Raymond Monteith, HUB's senior vice president and practice leader in the area of organizational resilience.

"Certainly, in the midst of the event is not the time to begin preparing a continuity plan, so those organizations with limited or no plans in place are experiencing significant disruptions to their operations," Monteith tells *Canadian Underwriter*. "They are forced to make difficult and sometimes urgent decisions they have not planned for and are unprepared to make."

Chad Leibel, CEO at Leibel Insurance Group in Edmonton, says his brokerage was inspired to draw up a plan after seeing the impact of natural disasters on Alberta communities in Slave Lake (2011 wildfire), Calgary (2013 floods), and Fort McMurray (2016 wildfire). Should one of his offices be affected by a catastrophe, he says, "we needed to make sure that service levels remain high and people are answering calls to help out our customers in times of need."

But a pandemic is no ordinary disaster, as the Canadian P&C industry is learning. The aggressive social distancing required to slow the spread of the virus has shuttered businesses, and the flow of supplies has been disrupted everywhere. Demand surge is turning out to be a major issue for businesses across Canada, particularly as the duration of the pandemic drags on.

"Generally, I think people associate business continuity plans with isolated events — floods, fire, also earthquake," says Colin Simpson, CEO of the Insurance Brokers Association of Ontario. "And so, if you are at a bigger brokerage, for example, you may have multiple offices and part of your business continuity plan may be to revert to a different office. But in a situation like this, where [a pandemic] potentially affects the whole country, all at the same time, within a very quick timeframe, it certainly pays to have your planning in place."

And so, what should a good business continuity plan have in place?

Communications

First and foremost, you need to establish communication trees to communicate internally within the organization. This can be done very quickly, Simpson says, and it involves figuring out whom to call when something needs to be decided. "What is the path for remaining connected when you all disappear to your home environments?"

But it's not just a matter of communicating internally. You have to connect with the external world as well — including government agencies, suppliers, insurance carriers and broker partners.

"When it comes to these big scenarios, you need to get guidance from beyond the walls of your organization,"says Kareem Sadek, Toronto-based partner in the risk consulting practice at KPMG Canada. When it comes to a large-scale disaster such as a pandemic, risk managers need guidance from government and to keep in touch with local authorities who can guide them on how to react, says Sadek. "That linkage is faulty in many organizations."

Communication with suppliers is also essential — and preferably before the crisis arises. "A lot of companies after this pandemic situation will take a look and say, 'OK, who are our key suppliers?'" predicts labour and human resources lawyer James Fu, a partner with the law firm Borden Ladner Gervais. He cites telecommunications firms or other service suppliers as an example. "Have that discussion beforehand to say, 'We understand that in a pandemic situation your services may be in high demand, or there may be products that are not available. Is there at least a point of contact to whom we can reach out in that situation so that we can try to ensure the availability of services or supplies for ourselves; so that we can service our customers?'"

Since the effects of the pandemic on the global supply chain shift rapidly,

> "But in a situation like this, where [a pandemic] potentially affects the whole country, all at the same time, within a very quick timeframe, it certainly pays to have your planning in place."

it's important to make decisions based on the latest data available, says Chris Snider, interim head of risk services at Zurich Canada.

"One lesson learned [from COVID-19] so far is how conflicting information can have an impact on how some organizations have made decisions about their supply chain," he says. "If you are following the advice of scientific organizations and understanding where the virus is moving, you can then use that information to solidify your supply chain."

Emergency response team

Another lesson emerging from COVID-19 is the need for an emergency response team, representing all aspects of the business. The goal is to identify the go-to people who can make sense of the available critical information. It's similar to having an executive committee that can make decisions quickly, as Fu explains.

For example, Western Financial Group has a specialist committee made up of 300 people who played a key role in setting up the brokerage's 1,900 employees to work from home. "We call them a dedicated service team," says Western CEO and president Kenny Nicholls. "They basically have a mandate to support all of our frontline people. We have IT specialists, marketing and digital specialists, communications specialists, HR specialists, and finance specialists."

After Western first started to think and talk about closing its branches to walk-in traffic, "it took us about 24 hours to put everything in place," Nicholls says. "And that includes providing people with playbooks. Early in the morning, before [our brokerages] opened, they had a complete list of instructions of what to do."

Employee health checks

In a pandemic situation, Fu says, checking on the health of staff is crucial. How will companies handle an employee diagnosed with COVID-19?

"I think this pandemic has really shown the utility of having those plans set out in place," he says. "What [will] the policies and procedures be once someone is identified with an infectious disease? How will you contact the customers? How will that contact happen internally? What will happen with the other employees who may have been exposed? Is it self-isolation? Self-monitoring? Those are the types of things that I think have come to fore."

Cross-training

COVID-19 has the potential to disrupt smaller brokerages and businesses disproportionately based on size and geography, as the Insurance Brokers Association of Canada noted in an open letter to insurers.

"A real pandemic in the rural areas, depending on their local resources [e.g. capacity and proximity of local hospitals], would negatively affect certain brokerages more than others," Simpson tells *Canadian Underwriter*. "I think the smaller brokerages may be at a risk of their whole teams getting sick if we can't stem the pandemic quickly. If you are on a bigger team, you may be able to sustain a higher level of sickness in your staff before you end up at a critical point where you have to ask for help. It's a scale piece."

And that's why cross-training should be a part of any business continuity plan. "We realized we need to have certain roles cross-trained," Leibel says. "If our accountant goes down and is sick for a while, someone is trained to take over that role. We can't go a month without transacting policies or accounting. We need to pay bills and collect that money as well. Without that, it could severely affect the business and the general workflow of the business."

Digital operations

Today, IT is the engine of any business, wherever the employees work. But it's one thing to have a few employees working from home on any given day; it's quite another when a vast majority of Canadian workers are all operating from home. The strain on bandwidth for both teleconferencing and digital services has been noticed. There have been many tales of dropped teleconference conference calls and some have noted that residential internet service is slower than business internet service.

There is a difference, says Michael Strople, president of Toronto-based telecommunications carrier Allstream. Most residential internet service plans are "asymmetrical," meaning the speed at which data is transferred *to* the home is much higher than the speed at which data is transferred *from* the home.

Note that a "bit" per second is a standard measure of how fast computers can send data to one another. A megabit per second is one million bps.

"You will get quoted the downstream number [e.g. the speed at which data is transferred to the home], so you have 50 [megabits per second] down, but you may find you only have 10 Mbps up [e.g. transferring data from the home], and that's the nature of how most residential services are delivered," Strople explains. "Typically, a business connection is required to be symmetrical, in that they will push data up as fast as they pull data down." He cites Zoom, Webex and other conferencing products as an example.

Aside from having a good internet connection, Leibel says, working from home requires an Internet Protocol (IP) phone environment, which does take time to establish if it hasn't been done already. "All these phones need is internet," he says. "You could be in Tuktoyaktuk, NWT, or anywhere — just plug the phone in and it works. Previous to that, if you don't have IP phones, you don't have that flexibility."

Leibel also preaches the importance of tech redundancy in case of server crashes or other system failures. "We moved over to a full cloud server infrastructure," he says. "The reason why is because we used to have servers [but] if the server goes down, you could be down days or a week. By having these cloud servers, there is no downtime. If a server dies, we have multiple servers. It just automatically shifts people to the other servers. They're not even on-site so that's important to us."

Leibel's brokerage has even gone so far as to have two internet service providers. "We have 200 Mbps of fibre with Telus, which is quite high," he says. "But if that were to go down, we have Shaw as a back up to kick in. So there again, we're not going to experience any downtime."

After the pandemic has run its course, expect the P&C industry to review some of the stresses placed on its paper-based business processes, Simpson says. For example, issuing paper cheques at a time when we are all supposed to be social distancing from one another.

"I think we in the industry still suffer from not being quite up-to-date on some of our processes, like electronic transfer of funds," he says. "There are barriers to getting this stuff in place, one hundred percent, but we do need to be able to do things electronically. So, you might find that these priorities for businesses start to shift to accommodate that [in a post-COVID business continuity plan]."

Prepared for the next pandemic

Everything that P&C professionals are learning live, in real-time, during this pandemic should find its way into their organizations' updated business continuity plans after COVID-19.

"What people should be considering right now is that this is a real event and when an organization comes out of this, they should be taking it seriously," says Snider.

"We should not just be wiping our brow and saying, 'Whew! Man, we made it through that.' There has to be an action plan and organizations should start thinking about their supply chain. How did it perform during this event? And how would it perform during the next event?"

An updated business continuity plan should review the performance of all aspects of the organization's performance, including the supply chain, so that the business will be better prepared for the next time. And there will be a next time, Simpson cautions. After the SARS virus in 2003 and COVID-19 now, it would be unwise to think a global pandemic could never occur again.

In an ideal world, businesses would have already battle-tested their business continuity plans in some form of an exercise or drill. Strople says his company conducts at least one trial run each year to test the business continuity plan in a crisis situation (pandemic is included in the Allstream business continuity plan).

And in this instance, COVID-19 has brokers such as Laura McQuarrie, marketing director at Gillions Insurance (based in Fort Frances, Ont.), as well as many other Canadian businesses, thinking about advanced preparation.

"I think revisiting that business continuity plan has definitely been brought to the forefront," she says.

"It's one of those things where you think, 'Oh, yeah, we should make sure we have this,' but then it gets put to the backburner as other things take priority throughout the year. But I think revisiting this when [the pandemic] is done and making sure it's up to date [is going to be a priority]." cu

BROKER GROWTH

Narrowing your focus

In a hard market dominated by large players, small and mid-sized commercial brokerages face an existential choice: Specialize — or risk extinction.

By Sarah Cunningham-Scharf

In the midst of a hard market, going after general commercial business is a "recipe for disaster" for small and mid-sized commercial brokerages, say P&C insurance brokers.

"If you're a generalist, it's getting tougher and tougher because of appetite and capacity limitations that we're seeing among a lot of the insurers," explains Kevin Neiles, chief marketing officer and president of Western Canada at Gallagher Canada. "If a small broker is specializing in a certain area, they have greater opportunities for organic growth."

That's because smaller brokerages can meet the minimum volume requirements of their insurer partners by focusing premiums in a couple of areas. Big firms with "1,500 people employees can specialize in nine, 12, or 15 different areas. When you're 20 [to] 90 employees, you can't do that," says Michael Loeters, senior vice president of commercial insurance and risk management at mid-sized brokerage Prolink. "You have limited money, time and resources."

The days of the generalist brokerages are over, says Loeters. "The only way you can compete is to specialize. It's not about the volume of your brokerage. It's about how much volume you have with really specific underwriters within your key markets."

In addition to spreading your volume and markets too thin, Loeters adds, generalist brokerages that spend their time on too many industry segments at once risk that they won't do any of them well.

Steven Van Halst, Aon's executive vice president of Western Canada and national director of risk control services, agrees. "If you're a regional broker, it's very hard to have the scale to build deep content expertise if you're doing a D&O policy for a restaurant in the morning, a construction policy for a mid-sized contractor in the afternoon, and then trying to get a complex claim solved for a financial services firm," he says.

Here's why — and how — specializing can help small and mid-sized brokerages grow their business in today's tough climate.

Align with carriers to develop your niche

To specialize successfully, you need a plan. "Figure out, 'What do I know about? Who do I know? and, Where are my customers going to come from?'" suggests Brenda Rose, partner and vice president at Toronto-based mid-sized brokerage FCA.

Loeters recommends analyzing your current book of business to identify common verticals. Next, take a look at the markets to which you currently have access, and then pick up the phone. "Have a meaningful conversation with the commercial lines manager at every one of those insurers and ask, 'Where is

> "The carriers thought, 'They're getting big accounts, they're growing. We should invest time in these people.' That was the only thing we could do to get carrier support and new markets as needed."

it that you as an insurer want to grow? What are the classes of business at which you really excel, and in which classes of business do you want to grow?'"

During these conversations, check to see if any of your existing business matches up with the insurers' appetites. "You're looking for overlap — contractors, for example," Loeters says. "Then you [ask yourself]: 'Is there enough of that business in this marketplace in which I operate for me to make a living? Is the marketplace big enough, and is there something I can offer in that industry that's unique from everybody else?'"

Don't put down the phone. As the market hardens and reacts to the fallout of the COVID-19 pandemic, insurers' appetites are constantly changing, says Greg Belton, executive chairman at HUB Canada. You need to stay up to date.

"You could waste a lot of time getting the details on a risk and sending it out to every carrier you have," he explains. "The carrier could be going, 'Don't these people know we don't write this kind of risk?' You really have to invest the time to understand the risk appetite of the carriers."

Neiles agrees. "The last thing you want to find out is a carrier can't provide the same capacity they could previously. Really understand appetites and restricted classes insurers will not entertain. It comes down to asking those very direct and specific questions."

Don't have a strong relationship with carriers?

If you don't have someone to call at your insurer partners, building up business in your niche can help you attract their attention. When Belton launched his brokerage 20 years ago (which was subsequently acquired by HUB in 2008), insurers didn't take him seriously. "They said, 'Who are you guys?'" he recalls. "We just put our heads down and thought the only thing that we have control over is to get out there and write new business."

He eventually landed two big accounts: Toronto's biggest sports and entertainment venue, Rogers Centre (still called the SkyDome at the time), and a large vehicle leasing company.

"That started us on the idea of specializing in auto leasing and entertainment," Belton says. "The carriers thought, 'They're getting big accounts, they're growing. We should invest time in these people.' That was the only thing we could do to get carrier support and new markets as needed."

Prolink used a similar strategy, specializing in professional services verticals. Loeters says focusing on one or two specific lines of coverage "allows us to concentrate our volume and our relationships with a handful of key insurer partners. It gives us the same benefit as if we were a 900-person firm."

Once you build your expertise and grow your volume, carriers are "going to know you and trust you," Loeters says. "You know what you're talking about. You always give them the right information, which makes the underwriter's life really easy. And you'll be able to get anything done that an alpha house would." In contrast, he points out, generalist commercial firms aren't "putting any significant amount of volume with any particular insurer, and you're not having any regular interaction with any particular underwriter. It doesn't get you any benefits."

Rose feels the same way. The most vital benefit of concentrating premium volume, she says, is that it allows FCA to stand out and "compete with [big] shops on a level playing field. While the national shops can leverage their volumes with insurers, they're dealing with the same insurance companies that we are."

However, the brokerage-insurer relationships look different between large alpha houses and small or mid-sized brokerages. The Aons, HUBs, and Gallaghers of the world deal with the C-suite at insurers — but Rose says developing relationships with underwriters is equally helpful.

Get to know "all the construction underwriters or wind farm underwriters — people who are specialized in [your niche] on the insurer side," she advises. "Then you can have that one-on-one conversation, and the underwriters get to know you."

Especially during a hard market, underwriter relationships are vital, says Van Halst. "There's a finite amount of market capacity and human capacity. If you get 20 submissions and you bind one or two of them, think about the cost for the underwriter to assess that. If we can be sure we know what their targets are and increase that ratio of success, it's better for everybody."

The right strategy for growth or acquisition

If your end goal is to sell your brokerage, specialization can enhance your appeal, according to Neiles. A brokerage like Gallagher "has a much bigger appetite for a commercial broker that will do a lot more in fewer areas and develop that niche," he says. "We're looking to see what unique things they do. That's a way that a small broker can flourish — and maybe the only way."

Whether you're looking to be acquired, or grow organically by focusing on a niche, Loeters says, "I firmly believe being the best at it is the only way you will be successful." CU

handbook

HIGHLIGHTS **By the Numbers** p.34 | **Deal Tracker** p.34

PANDEMIC RESPONSE

Operating efficiently during COVID-19

How to keep relationships, both internal and external, strong in today's reality

BY STEVE WHITELAW, *Vice President of Industry and Partner Relations, Applied Systems*

COVID-19 brings uncertainty for individuals and businesses. It creates demand for all-new service levels, as well as organizational angst about how to work in an expanded remote working environment.

Our industry has found itself at the front line of this outbreak. Brokerages are navigating exposure to the same operational threats as other businesses in their community; at the same time, they are supporting local businesses and policyholders in this time of need.

Small and medium-sized businesses are the foundation of our communities; they have been the hardest hit by the current pandemic. Half of small businesses have reported a drop in sales due to COVID-19, the Canadian Federation of Independent Business said on Mar. 17. One-quarter of them believed they would not survive another month if the outbreak further cut their income.

These businesses will be looking to their independent broker to help navigate future risks as they evaluate survival strategies and future operating risks.

While many aspects of life will continue for consumers, economic uncertainty will contribute to a shift in behaviour. Consumers will be looking for guidance as they question their personal and business future, and they may need access to coverage rates and critical documents to navigate uncertain times. It is more important than ever before for Canada's broker channel to evaluate how it will be there for consumers when they need advice and safeguards for the future.

Here are a few strategies we encourage you to consider as part of your business continuity plan to ensure the highest level of customer service, especially during the COVID-19 outbreak.

Keep your workforce connected

Digital brokers are harnessing technology to manage the customer journey regardless of location. Many brokers had to begin working from home before their home offices (or living rooms) were fully equipped. To provide effective advice, brokers require flexibility and remote access to the information they are accustomed to accessing while in the office.

Browser access to the brokerage management system through the cloud keeps employees securely connected to critical applications and up-to-date client and policy information using virtually any connected device, enabling them to reach and service clients at any time. The duration of the current social distancing measures is not known. This is a perfect time, therefore, to optimize operational processes enabled by broker management systems to accommodate this new way of working.

Keep connected to your insureds

It is critical to be accessible during uncertain times and to keep channels of communication with consumers open. Digital technology is available to support service both with and without face-to-face interaction.

In the current environment (and in the future), self-service customer portals and mobile apps will enable consum-

BY THE NUMBERS

Projected economic impact of COVID-19

Canada's Parliamentary Budget Officer (PBO) recently put together a scenario analysis of how COVID-19 could potentially affect the national economy and budget deficit.*
The projections are based on two assumptions: 1) social distancing to slow down the spread of COVID-19 would last six months (until August); and 2) OPEC countries would not limit oil production.

Projected Economic Impact

Real GDP** Impact in 2020:	-5.1%
In 2020 Q1:	-2.5%
In 2020 Q2:	-25%
In 2020 Q3:	0%
In 2020 Q4:	+5%

Unemployment Rate in 2020:	12.4%
In 2020 Q1:	7.2%
In 2020 Q2:	14.8%
In 2020 Q3:	15%
In 2020 Q4:	12.7%

Projected Financial Impact

Budget deficit in 2019-20:	$26.7 billion
Budget deficit in 2020-21:	$112.7 billion
Projected federal debt-to-GDP ratio in 2020-21:	38.1%

* The PBO noted this was not necessarily the most likely scenario.
** Real GDP growth rates are expressed as quarter-over-quarter at annual rates.

DEAL TRACKER

Pandemics and M&A

No-touch deals

Social distancing may make it more difficult to hold meetings, but that should not stop your company from completing a merger or acquisition.

"A good deal can get done. I suspect it may take a bit longer," said Georges Pigeon, Montreal-based deal advisory partner with KPMG Canada, who has led more than 100 mergers and acquisitions in the financial services sector.

"The challenge will be in having meetings. I think, to an extent, that virtual meetings, calls and presentations can happen."

Pigeon made his remarks about a week after the World Health Organization declared the COVID-19 virus a global pandemic. At that time, many Canadian firms told their employees to work from home where possible; governments advised people not to leave their homes unless necessary.

"The (M&A) processes that were ongoing when the crisis really hit don't need to be stalling," he said. "I think a lot of the parties at play are quite conscious that deals don't get signed overnight."

Investigative Risk Management $ Prism Investigation

Investigative Risk Management (IRM) has acquired Prism Investigation, a Waterloo, Ont.-based firm with clients in the insurance sector.

Prism's services include social media investigations, which the company says can help insurers uncover evidence of fraudulent claims.

By locating a person's online presence, claims staff may be able to confirm acts that contradict someone's claims of employment limitations, Prism says. They can also verify someone's employment, determine when something happened, and reveal someone's associates.

Toronto-based Investigative Risk Management's services include investigating insurance claims, workers compensation claims, corporate intelligence, workplace investigations and civil litigation, among others.

"We are pleased that IRM has been able to acquire such a top-calibre company," Investigative Risk Management CEO Brian Sartorelli said of Prism in a release.

ON THE SCENE

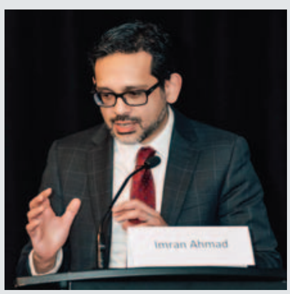
NetDiligence Cyber Risk Summit

Feb. 20-21

Toronto, Ontario

NetDiligence's sixth annual Cyber Risk Summit in Toronto provided insights on new trends in the Canadian cyber insurance market. The two-day event featured more than 60 speakers at the forefront of privacy liability and risk management. Hundreds of professionals from the cyber insurance community and beyond heard sessions about underwriting large and small risks, a 2019 claims and losses update, business email compromise and wire fraud, silent cyber and more.

Photos supplied by NetDiligence



FOR A LIST OF UPCOMING EVENTS, GO TO

CanadainUnderwriter.ca/events

ers to inquire, access and manage their policy documents whenever they need them. Integrated with your brokerage management system, the portal syncs all activities by the customer in real time so that you are always kept up-to-date with your customers, even during uncertain times. A customer-facing mobile app takes these capabilities even further and puts them in the palm of your customers' hands.

Keep your business momentum

Let's face it, our industry is riddled with paper. One particularly paper-heavy process is applications and renewals — and yet these processes cannot stop when people are working remotely from home. As we re-define the nature of working remotely, this process needs to become as digital as possible to continue functioning efficiently.

Managing renewals and communications by mail requires significant on-site administration and overhead. Using technology such as digital smart forms for commercial lines applications will make the application process easy and stress-free for insureds. Traditionally, this process would take several days and meetings to complete the application. However, you can offer a more digital approach and give your customer one less thing to worry about.

Additionally, e-signature tools reduce to a fraction of the time the traditional process of having the consumer either come into the office to sign a document or to wait for the application to be mailed. It is too much hassle and potential stress to have to print, sign, and scan an application. Instead, allow the insured to sign their application forms electronically.

Fear of the unknown can cause people to panic, and remote work can feel isolating. People want to feel connected and protected during uncertain times. We have heard countless stories from brokerage leaders finding new ways to keep in touch with their team and their customers. The more brokerage teams feel connected, the better equipped they will be to address the needs of their customers effectively, especially during the unprecedented global pandemic that we face today.

Digital technology enables new ways of doing business and serves as a forum for brokers to navigate uncertain times together, so they can ultimately safeguard their most important assets: Relationships with loyal customers and employees.

Be safe. Be well. CU

Steve Whitelaw has more than 20 years of technology leadership and industry relations experience in the Canadian P&C marketplace.

peer to peer

PANDEMIC STRESS

CALM IN THE STORM

Living and working during a global pandemic is new to everyone. The executive team of Edmonton-based Leibel Insurance Group shares their best advice about how to work from home successfully.

– As told to Adam Malik

Leibel Insurance Group's executive team includes: CEO Chad Leibel (left); chief technology and communications officer Rob Barros (centre); and chief operating officer Travis Murray (right).

Create a routine. That's the first thing you want to establish when you work from home.

The COVID-19 pandemic has changed almost everything, and everyone is making adjustments to cope. But having that routine gets you off on the right foot.

Start by getting dressed every morning in your typical office attire. When we work from home on a random day, sweatpants are an easy go-to. That's fine for a day or two, but getting fully dressed every morning helps maintain that feeling of being at the office.

Don't sleep in. It's tempting to think that you can get an extra hour of sleep knowing you don't have traffic to fight through on your commute down the hall or wherever you've set up your home office. But sleeping in can creep up on you. You'll sleep in a little more and a little more unless you create that routine of getting up at the same time every day.

Also, add this to your routine: Reach out to a colleague every morning. It can be by phone or email. Just stay connected. It's fine if they don't respond right away. You want that regular communication with people you used to see everyday to avoid feeling isolated.

It's important to plan out your whole week ahead of time. Schedule any meetings or appointments early on. It's easier to follow a routine if you have a schedule. It can really help plan your week out and give you something to look forward to.

Remember to find a quiet space and stick to it throughout the day. If you have kids at home or other family members, find an area where you can close the door and separate yourself from them. You want to make sure you're comfortable at home, and that starts with having a routine. CU