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November 18 2019

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IBAO offering commercial education

THE INSURANCE Brokers Association of Ontario has launched a new commercial insurance certificate program aimed at filling an education gap for younger brokers training in that line of business.

Brett Boadway, the IBAO's chief operations officer, said that the association members had identified a need for commercial lines education.

"In Ontario, commercial insurance is a broker business — 95% of commercial insurance is sold through brokers," she said.

"Our membership had said a lot of commercial lines expertise is contained within a seasoned demographic. There is no common body of knowledge on how to be an expert commercial broker — it is mostly passed down through mentorship."

She said the membership said they need a foundational base to enable brokers to prepare to sell commercial insurance.

The 15- to 20-hour certification course was launched in late October and is completely online, allowing students to progress at their own convenience, Ms. Boadway said.

She said the course is rooted in the mentorship aspects of the sector.

"There are other commercial insurance courses out there but the difference is ours encourages the learner to find mentors within the industry and their brokerage," she said.

"The course has video components with brokers telling their stories and sharing examples, going back to the theme of mentorship and encouraging students to find mentors in the industry."

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Brokers concerned with MPI's online plan

MANITOBA brokers and the province's public insurer are still at odds over how consumers should be served online — with a decision on the matter still up in the air.

Earlier this year, Manitoba Public Insurance announced that it is considering an online service delivery model and those details were discussed during recent public utility board hearings for MPI's 2020 auto rate application, which wrapped up earlier this month.

Grant Wainikka, CEO of the Insurance Brokers Association of Manitoba, told *Thompson's* that their members are not opposed to moving some services online but they are concerned over how this will be done.

"MPI favours a model where consumers will interact with them directly and we believe that any online offering should be broker-based unless both MPI and IBAM (brokers) can agree on some specific services moving to an online direct model," he said.

"Manitobans are being asked to accept that service delivery should be shifted from the small business sector in local communities to the bureaucracy (and) that growing the involvement of a public monopoly in service provision will somehow increase choice, lower costs and enhance customer service."

He said MPI's preferred model would pit the insurer against brokers in a fight for the

consumer, which needn't be the case.

He said examples from other lines of insurance show that it is possible to have an online sales process without undercutting the broker.

"Brokers conduct business online and insurer partners empower and support their distribution channel so that they can improve service to customers," Mr. Wainikka said.

"Brokerages embrace the evolution of service delivery to online and mobile platforms and brokers want to be part of MPI's online transformation. But we believe the local independent broker should be central in the process, which is the case in

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Quebec relaxes rules to handle flood of claims

THE QUEBEC regulator has again temporarily relaxed rules to allow out-of-province insurance adjusters to help with a record number of claims stemming from the severe windstorm and heavy rain that knocked out power to almost a million homes earlier this month.

The Autorité des marchés financiers said that until Jan. 5, adjusters who are licensed in other provinces and adjusting firm employees known as supernumeraries will be able to process claims in Quebec. Individuals who have held a claims adjuster certificate in Quebec for at least five out of the last seven years will also be able to join an adjusting firm.

"Quebec experienced an exceptional weather situation on Oct. 31 and Nov. 1, which resulted in a significant number of claims," the AMF said earlier this month.

"These quickly reached a record number that is more than double the usual number. As a result, the number of claims adjusters is not sufficient to meet the needs of all victims."

As it did last April following a flood of claims caused by melting snow and rising rivers, the regulator has relaxed its adjuster rules with several restrictions. A firm must still be responsible for the supernumeraries' activities; a supernumerary who is an employee of a firm or an out-of-province claims adjuster who has not been

authorized to act as a claims adjuster for at least five of the last seven years may not act at a location where a loss has occurred and must act under the direct supervision of a Quebec-certified claims adjuster; supernumeraries' firms must carry proper liability insurance and each supernumerary has to be assigned to a claims adjuster who will take charge of the file after Jan. 5. And the value of claims that can be handled by employees over the phone has been increased to \$7,500 during the exemption period.

ALSO THIS WEEK

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THOMPSON'S WORLD INSURANCE NEWS

P.O. Box 1027
Waterloo, ON N2J 4S1

Phone 519-579-2500

Email mpub@rogers.com

Internet www.thompsonsonews.com

THOMPSON'S is published Mondays 42 times per year from the second week in Sept. to the second Monday in July, except during the Dec. 25/Jan. 1 holiday season, by First News Publishing Inc.

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EDITORIAL

TONY THOMPSON (1931-1999)

Founder

MARK PUBLICOVER

Publisher / Manager

CAITLIN GAUDET

Staff Reporter

(416) 553-3602

ecgaudet@gmail.com

SHANE McCUNE

Daily Editor

(250) 890-9252

coastwords@yahoo.ca

LOUISE PEVREAL

International Editor

011 44 7905 468 457

louise@gdiyup.co.uk

National Library of Canada

ISSN 1481-8361

Canada Post Publications Mail Agreement Number 41294056 Return undeliverable Canadian addresses to: Thompson's World Insurance News P.O. Box 1027, Waterloo, ON N2J 4S1

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NOV. 18, 2019 — Vol. 32, No. 8

New commercial lines course taps experience

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Roger Hacala, president of the Toronto Insurance Council, an advocacy group for Toronto-area commercial insurance brokers, said that while there are some commercial education options out there, regulatory oversight is lacking.

He noted that when a broker takes the Registered Insurance Broker of Ontario certification exam, there is no commercial component.

"Commercial insurance education has been more about the industry sourcing out education and being more resourceful in finding other avenues to educate brokers because it has not been a regulatory requirement," said Mr. Hacala, national practice leader of financial and professional services at commercial insurance, risk management and employee benefits consulting firm BFL Canada.

"Ideally, commercial insurance education should be a regulatory-driven process to say whether people are qualified," he added. "I think that there is great way to have knowledge come from the outside . . . rather than people chasing to

find ways to get that (education)."

He said there is a talent shortage overall in the insurance industry and that gap is probably most pronounced in the commercial insurance broker sector — despite there not being anything specific prohibiting a university or college graduate starting his or her career as a commercial insurance broker.

"The recruitment process has started to pick up over the last decade but it's still not at the level where people can walk into the commercial insurance broker job," Mr. Hacala said.

IBAO's Ms. Boadway said their new course is based on the experience and knowledge of its commercial insurance members and is designed for people who have some experience as a broker.

"The general flow of an insurance career is to get licensed and then a majority start in personal lines (before) transitioning into commercial lines," she said. "Commercial lines is so different. Brokers usually need some experience under their belt before effectively transitioning to become an outstanding commercial lines broker."

Insurers choose Uniban for auto glass claims

THIRD-PARTY administrator Uniban Canada said it has signed partnership agreements with nine major Canadian insurers for management of their automotive glass claims.

Among the new partners are Aviva Canada, Economical Insurance, Edge Mutual, Unica Insurance and RSA Insurance.

Uniban Canada has provided third-party administrator services in Canada since 2005.

"We are honoured that so many of Canada's leading p&c insurers have selected Uniban to simplify and accelerate their claims process procedures in a secure and efficient environment in order to offer customers the most favourable claims experience," Uniban Canada CEO Marc Desmarais said. "Helping our clients achieve their

strategic objectives is our focus and we continuously build out our suite of products and services to support that mission."

With the addition of the nine new partnerships, Uniban Canada will process more than 13,000 additional automotive glass claims each month. The company said it has processed more than 1.3 million glass claims since 2005.

Uniban's service includes bilingual call centres, real-time audit functionality and centralized billing.

Jeff Cowan, director of national auto claims at Economical, said Uniban has helped make the auto glass claims experience run smoothly for its clients, "while allowing us to realize significant gains in areas such as cost containment and supplier performance management."

Storm expands into Quebec with Axxium deal

NOVA SCOTIA's Storm Insurance Group has made its first foray into Quebec with the acquisition of Montreal-based broker Axxium Assurance Inc.

"This opportunity now makes us one of Canada's few national independent insurance brokers with full operations in all four regions; Atlantic, Quebec, Ontario and West," Storm president Jamie Reid said last week.

The acquisition is Storm's third this year, following the purchase of Burlington, Ont.-based Wardell Insurance in January and Edmonton-based Sheppard Insurance in May.

Storm's holdings also include A.P. Reid Insurance in Atlantic Canada and Ontario, managing

general agency Agile Underwriting Solutions, digital broker Zipsure.ca and group insurance specialist MyGroup Home and Auto Insurance.

The Axxium acquisition brings the group's overall employee count to 95. Former Axxium owner Sébastien Valav has joined the Storm group and will help drive expansion in Quebec and the rest of Canada in partnership with Timothy Branson, the group's eastern region VP.

"We are proud to join the Storm Insurance Group after 10 years of existence," Mr. Valav said. "This will allow Axxium to explore new opportunities while continuing its growth strategy. We will now have more tools, greater capabilities and a broader range of services to offer our customers."

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MPI online plan sparks concern

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every other public auto jurisdiction in Canada," Mr. Wainikka said.

But who decides whether and to what extent MPI can sell insurance online is unclear, he said.

"We are hopeful that the PUB now has an understanding of the serious impact a government direct model will have on consumer protection, choice and service.

"We are also concerned about the impact a government direct model would have on the competitive landscape."

He noted that the brokerage industry contributes 2,600 jobs and \$238m to Manitoba's economy, which would be impacted if MPI's direct-to-consumer model is approved.

Meanwhile, the government-mandated MPI and IBAM conciliation process to negotiate an agreement regarding future service delivery strategies has still not begun, Mr. Wainikka added.

The process will look at future insurance delivery options and, once completed, the conciliator will present their findings to the provincial government.

Gloria Desorcy, executive director of Consumers Association of Canada Manitoba, said that organization feels it is important that the province evolves with marketplace changes but still keep in mind what's important for consumers.

"We heard from brokers about the difficulties (online services) might put them in from a business perspective and we recognize that the insurance industry is an evolving beast and that it may be that current models aren't going to work in the future," she told *Thompson's*.

"It may be that those things need to evolve along with the marketplace, but the principles for consumers need to be maintained.

"First of all, good value for money. Making sure that what we're paying for is bringing us what we need as consumers at a reasonable cost.

"Secondly, accessibility. In a place like Manitoba, where the majority of the population lives in Winnipeg, there are still consumers living in rural and remote areas and are currently being potentially underserved.

"Maybe it's also time to check out toll free phone lines."

Ms. Desorcy said choice is also an issue.

"Many consumers want the opportunity to renew through a broker and many want the opportunity to renew online."

Number of RIBO licenses at all-time high

THE NUMBER of Registered Insurance Brokers of Ontario licensees are at an all-time high and expected to continue to rise, the president of the self-regulatory body says.

Speaking at RIBO's annual general meeting earlier this month in Toronto, Scott Bell, partner at AP Insurance Brokers in Hamilton, said the upward trend in broker registration required the adoption of a new membership system, which is underway.

"The number of examinations written increased by 13% over the last year, suggesting that the growth in RIBO licensees will continue for the foreseeable future," Mr. Bell said.

"The upward trend in broker registrations required a more modern scalable membership system and will ultimately afford RIBO approved efficiencies including enhanced online functionality."

He said some implementation glitches occurred but nothing out of the ordinary for such a large systems change.

"Full implementation remains our primary focus and we are confident we are laying the necessary groundwork to meet the needs of stakeholders for years to come," Mr Bell said.

Meanwhile, this past year RIBO conducted a review and revision of certain qualification

and regulation practices and procedures, including new conduct requirements, he added.

"We issued an updated code of conduct handbook to reflect the recent modernization of both (the RIBO Act) and regulations," he said. "This important update reminds our licensees of their responsibilities under the code of conduct and their duty to understand and serve their customers' insurance needs."

RIBO also added a new ethical skills category to its continuing education requirement, a new minimum of three hours of technical courses and a maximum of two personal skills hours, he said.

Mr. Bell said the current hard market environment has been challenging for brokers and highlights the importance of treating customers fairly.

"Many brokers have found themselves struggling between meeting exceptions of markets and the best interest of their clients," he said. "Brokers are not salespeople — they are risk advisers. It's their role to understand circumstances and to make recommendations accordingly, regardless of how difficult markets may become. RIBO and customers expect brokers to prioritize customers' interests over anyone else's."

Brokers can't rely on 'generational' clients

THE BROKER channel can no longer rely on 'generational' clients, especially when insurers' marketing dollars are increasingly being spent on advertising the direct channel, the incoming president of the Insurance Brokers Association of Ontario says.

Joseph Carnevale, managing director of sales and partner at Concord-based Brokers Trust Insurance Group, said it is too often the case that children inherit their parents' way of buying insurance.

"That was true for my generation and I suspect for the generation previous as well but times have changed and today direct writers and agents preach all day long to anyone that will listen," he said at the association's annual convention.

He said brokers can't continue to rely on "haphazard" ways of acquiring clients.

"We need to be methodical and aggressive in our efforts to educate the public on the

benefits of using a broker," Mr. Carnevale said.

"When people know what we do and how we do it, they choose us."

He said IBAO's digital marketing campaign has been successful, especially in reaching millennials, and it is challenging people's perception of insurance brokers.

He said it is important that IBAO members are aligned with that messaging and next year — 2020 will be the IBAO's 100th year in operation — will be a good opportunity to highlight the importance of brokers.

"We need to embark on an aggressive, outward-focusing campaign in our hundredth year," Mr. Carnevale said.

"It's a perfect opportunity to showcase what we can do for our clients and communities we serve. It needs to bring together brokerages and communities in a co-ordinated way — aligning messaging would achieve an even greater impact."

CSIO finalizes small contractor info standard

THE CENTRE for Study of Insurance Operations said its commercial lines working group has finalized a standard set of questions required for underwriting small contractor new business submissions.

"This seamless interaction and structured data will enable CSIO members to automate aspects of commercial insurance underwriting while also advancing real-time quote function-

alities," the centre said last week.

It said brokers can now approach multiple markets for a quote with the same information, reducing the amount of double-entry and freeing up their time to spend on higher value-client activities.

The working group is also working to establish standard underwriting questions to quote cover for small retail and professional services.

Toronto identifies need for cyber security program

THE CITY of Toronto has identified the need for a cyber security program to stave off the growing threat of cyber attacks.

Its council adopted recommendations from the audit committee, based on reports from the city's auditor general and chief technology officer, that direct various city agencies and corporations to provide cyber security enterprise risk assessments and direct the chief technology officer to take on a variety of oversight, support and assessment initiatives for some of the city's enterprises.

The auditor general highlighted that municipalities across Canada have been victims of cyber breaches and that it has raised concerns in this area before.

"The auditor general's reports highlighted to city management that insufficient preparation to manage cyber threats is widely considered to be one of the most critical operational risks facing the organization," the report said. "Since 2016, none of the recommendations . . . have been fully implemented but work is underway."

The auditor general said, in order to improve security, the city must make changes to staff behaviour as it relates to cyber security, it has to fix technical issues and implement a cyber security-focused culture shift.

Speaking recently at the Insurance Bureau of Canada's regulatory affairs symposium, Louisa Garib, legal counsel at the Office of the Privacy Commissioner of Canada, said in the year since mandatory breach notification came into effect, OPC has identified human error as the leading cause of cyber breaches.

She said human errors range from employee snooping to falling victim to social engineering tactics from bad actors.

Mandatory breach notification requires organizations to report to the OPC how personal information is safeguarded, notify affected individuals about the breach and keep records of the breach.

She said that breach severity is measured against the principle of 'real risk of significant harm,' but since mandatory notification came into effect, organizations seem to err on the side of caution when it comes to reporting breaches. The OPC has received 600 reports in 12 months.

"We have seen a rise in reports of breaches that affect a relatively small number of people, even breaches that affect one person," Ms. Garib said. "That is a distinct trend that we noticed this past year differing from when reporting was voluntary."

She said overzealous breach reporting was expected in the first months after it became mandatory and that is expected to subside.

Municipalities waking up to cyber risk

MUNICIPALITIES' appetite for cyber risk management and appropriate insurance programs has increased in the last number of years, an underwriting specialist at managing general agent Frank Cowan Company says.

Stephanie Resendes, who specializes in public entity casualty and cyber risks, said municipalities are interested in cyber risk mitigation and insurance — but usually not until hearing reports of cyber attacks on other municipalities.

"Municipalities have now acknowledged that the information they store on their systems is very valuable to their operation and also extremely valuable to cyber criminals," Ms. Resendes told *Thompson's*.

"In fact, municipalities have become a target because of the sensitive and valuable information they store.

"Citizens hold municipalities to a higher standard so it's important to them that they protect their reputation."

According to Toronto's chief technology officer, last year the city established a formal cyber security program and uses best practices from the Canadian Centre for Cyber Security, which includes recommendations to purchase cyber insurance that, in addition to liability coverage, includes incident response and recovery activities coverage.

Ms. Resendes said municipalities should not rush to purchase cyber insurance.

Unlike typical commercial risks that only have one network and focuses on one type of operation, municipalities have several different operations and systems that could be interconnected, she said.

"Cyber exposures may involve shared networks as well as numerous contractual arrangements within their own organization and with outside organizations," Ms. Resendes said.

"They can be extremely complex and need to be underwritten thoroughly to ensure (underwriters) understand the exposure including contractual obligations."

Ontario brokers — young ones in particular — are showing an interest in learning more about cyber risk, said Brett Boadway, chief operating officer of the Insurance Brokers Association of Ontario.

She said the IBAO has held numerous cyber-focused educational sessions in the past and the topic might be included in the association's curriculum next year.

"There is a desire among brokers to understand how to better sell cyber insurance and the topic is very popular among the younger demographic," Ms. Boadway said.

"Young brokers want to learn how to better sell cyber insurance, they understand the importance of it and are having a hard time convincing clients of its importance."

Confidence in ability to handle risk falling

CYBER concerns are escalating around the world, but cyber confidence is falling, broker giant Marsh says in a new report.

"As new technologies add complexity to organizational risk profiles and the threat environment escalates, cyber risk has become an enterprise-level risk that demands ownership at the highest level of the organization," said Tom Reagan, U.S. cyber practice leader at Marsh.

"To effectively manage the risk and build cyber resilience, it is imperative for organizations to adopt a rigorous risk management framework that includes planning, training, response rehearsal and performance improvement, as well as risk mitigation and transfer."

The 2019 Marsh Microsoft Global Cyber Risk Perception survey found a strong dissonance between the view of cyber threats as a strategic risk, and the tactical methods most organizations use to manage them.

Half of the survey respondents said the benefits of new technologies such as AI, the Cloud, the Internet of Things and blockchain are compelling enough to override any cyber

risk concerns — but there is uncertainty about what those risks are.

Also, few companies assess those risks after adopting new technology.

Supply chain risk is twice as likely to be perceived as a one-way risk, rather than a shared risk and responsibility, while many organizations are not confident in their ability to prevent or manage third party risk, the survey found.

Cyber regulation and industry standards are not viewed as effective in helping organizations manage cyber risk, but there is a strong appetite for government help in combating nation-state cyber-attacks.

The report says that the speed at which digital technologies evolve and disrupt traditional business models keeps increasing, while at the same time, cyber risks seem to be evolving faster and faster.

"Cyber risk has moved beyond data breaches and privacy concerns to sophisticated schemes that can disrupt entire businesses, industries, supply chains, and nations, costing the economy billions of dollars and affecting companies in every sector."

Amphibious homes could cut flood risk

CANADA could become the first country in the world to have a building code for amphibious construction if a University of Waterloo architecture professor has her way.

Elizabeth English was the guest speaker at last week's Lowes Fund breakfast seminar held by the Insurance Institute in Toronto. She has been working on a strategy that allows houses to temporarily float when water levels rise and then settle back to their normal footprint when the water recedes.

"If we're going to pick a fight with Mother Nature, we're going to lose," Ms. English said.

"So we might as well develop systems that work with the water and let the water be our friend."

She said she believes insurers will find major benefits in amphibious building, but realizes that there is a suspicion of unproven techniques.

She is currently working on demonstration projects with the support of the National Research Council in Canada.

Ms. English's approach to creating amphibious housing involves three elements.

The first is adding buoyancy using materials that will allow the building to float when the water arrives. That buoyancy can be created with anything from polystyrene blocks to repurposed plastic barrels. The second step is to add a vertical guidance system that keeps the house from moving sideways and ensures it returns to its usual footprint when the water recedes. The third element is a substructure that ties everything together.

Ms. English is founder of the Buoyant Foundation Project, which works to develop amphibious technologies for affordable

housing and for retrofitting existing homes.

She has training as an architect and civil engineer and was working at the Louisiana State University Hurricane Center when Hurricane Katrina devastated the state in 2005. Her work at that point was focused on wind debris damage, but her experiences on the ground after the storm convinced her that water damage was a much bigger concern than wind in the case of large storms such as that.

She was frustrated by the U.S. federal authorities' response to the storm. The Federal Emergency Management Agency was telling people in New Orleans that they would only get flood insurance payouts in future if they elevated their homes.

Ms. English thought that wasn't a workable situation for most people and decided that, with her background in engineering and hurricane research, she could come up with a better solution than putting houses up on stilts.

Although much of her work is motivated by social justice efforts to keep people in their homes, she realized she needed to do economic analysis to convince governments and insurers that her system was superior to other methods of flood risk mitigation.

She conducted a loss avoidance study that showed retrofitting a building to be amphibious rather than doing permanent static elevation cost less than half as much.

Flooding is a major issue for the insurance industry in Canada, with flood-related losses now exceeding fire and theft as the main source of property insurance claims. And the problem is getting worse, exacerbated by climate change and building development that inhibits flood water drainage due to a loss of green space.

AMF clarifies that digital proof of auto coverage is allowed

THE REGULATOR in Quebec has clarified that drivers in the province are permitted to carry electronic proof of insurance for auto insurance.

Unlike in other provinces such as Ontario and Alberta where a move to electronic proof had to be approved by regulatory or legislative means, there were no official regulations about the actual medium of delivery for proof of insurance in Quebec.

In that province, the auto insurance act only specifies what information should be listed and doesn't lay out the requirements of format, including medium or colour.

In a notice released earlier this month, the Autorité des marchés financiers confirmed that — with the growing use of electronic documentation — many consumers are interested in their certificate of auto insurance being available in electronic as well as in paper format, and that there is no regulation preventing that.

The notice comes after efforts to clarify the issue by the Insurance Bureau of Canada in Quebec this year. After realizing that its members were becoming more interested in offering electronic proof of insurance to interested customers, the IBC decided to make sure that all stakeholders in the province were interpreting the law in the same way.

At IBC's request, Quebec's Ministry of Public Safety sent a letter to all of the police services in the province to confirm that insurers were allowed to issue electronic proof of insurance.

The bureau wanted police to be aware that they would see more drivers showing proof on their phones, and confirm that this is not a contravention of regulations. The IBC also wanted to remind insurers of the current laws and regulations that ensures protection of personal information need to be upheld with electronic documents.

"It brings Quebec on par with other provinces where insurers can use it," said Pierre Babinsky, director of communications and public affairs for the IBC in Quebec.

"But technically it's a non-event because it was never forbidden. We just wanted to make sure that everyone saw the situation the same way we did.

"We felt it was important because the one who would be inconvenienced, if not everyone was on the same page, would be the consumer. If a driver gets a ticket and has to fight it in court, that's a lot of inconvenience. So to prevent all that we did our homework and made sure everyone was informed."

Drivers in Quebec can still request a paper copy of their insurance.

Study highlights driver safety disconnect

THERE IS A wide gap between how Canadians perceive themselves as drivers and the reality of how they drive, according to a new study by the Angus Reid Forum called the 'Onlia Safety Index.'

In one example of the disconnect, the study found that 88% of drivers would give themselves an A or A+ grade for their driving skills, while at the same time 80% admit to speeding because of an "inadvertent lead foot."

Other driving faults that were commonly self-admitted in the study were road rage (30%) and not regularly checking blind spots (20%).

Transport Canada statistics back up the finding that most accidents are caused by human error and therefore preventable.

The study was commissioned by digital insurance agency Onlia, which offers tech-driven safety products, including an app that

coaches and rewards Canadians for driving safely, provides digital car and home insurance and on-demand roadside assistance.

Onlia's app uses a coaching approach that prompts drivers to develop safer driving habits. It also creates a driver score based on analysis of how the driver is behaving, which has found that even more people are breaking rules than admitted to it in self-reporting.

Pieter Louter, Onlia Canada's CEO, says their data shows the app is improving driver safety.

"We see a trend of improvement in their average overall score over six months of using our app, and that is music to our ears, bringing us closer to our commitment of making Canada a safer place for everyone.

"By coaching and rewarding Canadians for safer driving, our hope is to make Canada's roads the safest in the world."

Supply chain risk complexity poses challenges for insurers

SUPPLY chains have become more and more complex and interdependent as national economies become more interconnected in a global economic system.

And as that complexity has grown, so have the challenges of insuring those supply chains, a new report published by Lloyd's and AIR Worldwide says.

Titled 'Hidden Vulnerabilities in Supply Chain Risk,' the report examines how infrastructure failure on one side of the world can create catastrophic supply chain losses on the other, and lays out a five-step risk modelling framework to evaluate business interruption risks caused by supply chain failures.

The study cites The World Trade Organization's estimate of the global trade in merchandise in 2016 to be worth around \$14.5 trillion, most of which is moved through international supply chains. Disruptions at any point in the supply chain can cause problems for any company that relies on the products that are moving through it.

It also points out that supply chain disruptions can be triggered by natural disasters such as floods and fires or human-caused issues such as political unrest and cyber attacks. These disruptions costs billions in revenue losses for companies each year and those losses are growing.

According to the study, a scarcity of historical claims data and the evolution of new threats makes it difficult for insurers and risk managers to quantify a supply chain's risk.

The report recommends a process to quantify contingent business interruption risk, which it claims can be applied to any type of business. The plan involves creating a large database of international product suppliers and calculates the risks at various stages of the supply chain using historic and probabilistic events.

"To overcome the lack of information, the supply chain model leverages industry exposure, international trade data, and recognised product relationships to design default networks that are representative of individual industries," the authors say.

"The default networks can then be used to calculate the expected impact for an entire industry, and market share information can be used as a reliable first order approximation to arrive at losses to businesses."

The study warns that using qualitative methods to measure supply chain risks is an oversimplification that can lead to an underestimation of risk. It says advances in data mining and machine learning now allow an alternative system that can create quantitative models to analyze and measure supply chain risk from the past, present and possible future events. Using this system would allow businesses to transition from reacting to disruptions in the supply chain to managing risk proactively.

"Closing the protection gap before the next catastrophic supply chain disruption is pivotal for businesses and communities to stay resilient against emerging vulnerabilities and intangible aggregations."

The first step in the modelling framework is to define the industry.

For example, a car manufacturer would be in the auto industry and its final product would be cars. Then all of the constituent parts required to make that product would be identified. At the end of this step, all of the product groups that the company relies on would be hierarchically mapped and a list of all possible suppliers of those products would be identified.

The second step is to define the network by combining named suppliers and procurement data from the insured using the product flow map created in step 1. This allows invisible parts of the insurer/insured supply chain to be identified and hidden correlations to be captured.

The third step is to calculate the initial seed disruption for the perils for which the insurer might be interested in offering coverage. The insured's portfolio is run through various peril models using historical and probabilistic events.

Next, the seed disruption that was calculated in step 3 is propagated through the supply chain network that was constructed through steps 1 and 2. Calculations are performed to estimate and aggregate the impact of disruptions. This allows insurers to identify potential risk hot spots and tailor their policies to suit their risk appetites.

The final step is to calculate the product value at risk (PVaR) by multiplying the disruptions in days calculated in step 4, by the annual revenue of the target company. The resulting PVaR from the supply chain risk model can be used for policy structuring, industry benchmarking studies and reserving.

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Nov182019

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THOMPSON'S WORLD INSURANCE NEWS
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*THOMPSON'S weekly is published **42** times per year from the second Monday in September to the second Monday in July, except during winter holiday season.

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Court rules against insurer in vandalism case

A NOVA SCOTIA Supreme Court judge has ruled in favour of a marine engineering firm in its dispute with Intact Insurance over costs related to vandalism that left a Canadian Coast Guard ship half-submerged at its Sambro Head repair yard.

Sometime overnight on Nov. 16 and 17, 2018, someone entered the Canadian Maritime Engineering property and cut through two metal cables securing a repair cradle holding CCGS *Corporal McLaren* in place.

The vessel, which was at the slip for regular maintenance, ended up partially underwater. Water damage resulted. As a result of the damage, CME could not deliver on its contract with the Canadian Coast Guard and the government sent letters to the Dartmouth-based firm notifying them of breach of their responsibility.

The government said it was "entirely incumbent" on CME that it "immediately restore" the vessel to the state it was in before the damage. And later the government sent CME another letter, stating:

"Further, CME continues to be negligent, exhibiting indifference in conducting any timely repairs and returning the vessel to Canada in a satisfactory state."

CME notified Intact, which included up to \$10m coverage for third party liability, that the yard had suffered an incident of "suspected vandalism."

But Intact wrote back that the vandalism was a "malicious act," which would be specifically excluded from coverage.

At that point CME took Intact to court, seeking an order against Intact for legal defence costs, a declaration that CME has the right to its own legal counsel to defend itself from Canada's claim and whatever further costs the court decides.

Justice James Chipman, in a written decision this month, noted that Canada has not launched legal action yet, but can do so within two years of the original incident.

Upon receipt of "demand letters," the judge wrote, CME "seriously and forthwith passed them on to Intact, requesting that their defence costs be paid.

"In my view, they accordingly acted as a reasonable insured," his decision said.

He also wrote that from his research, the term "vandalism" does not have a single, universal meaning and may not require malice.

"Accordingly, in all of the circumstances, I must conclude that the suspected vandalism is not excluded by the policy exclusion."

Canada also alleged that CME was negligent in failing to maintain 24-hour security at the site, said the judge.

"Accordingly, I am of the view that the alleged negligence gives rise to an independent duty to pay defence costs even if 'suspected vandalism' is excluded from coverage."

The judge also granted CME's request to hire its own lawyer to represent it, noting that Intact would have an incentive to "direct CME's defence in a manner that (would) . . . trigger the exclusion."

As of presstime, the identity of the person or persons who cut the cables was not known.

Economical cuts losses in third quarter

ECONOMICAL Insurance has reported its net loss for the third quarter was down almost \$26m from the same period last year due to lower underwriting losses and higher investment income.

It posted a net loss of \$7.6m for the latest three-month period, compared to \$33.3m in the red for the same quarter in 2018.

"Our combined ratio improved almost eight points from last year's elevated level, reflecting relatively benign weather experienced in most parts of the country during the third quarter, and the benefit of our actions," president and CEO Rowan Saunders said.

"The solid underlying performance of our personal property and commercial businesses and continued improvement in Sonnet were partly offset by an elevated personal auto claims ratio.

"We have taken meaningful rate action in our auto book designed to address our existing rate deficiency in the near-term.

"Overall, the improvement in results further builds confidence that we are steadily returning Economical to profitability."

Economical reported an overall combined ratio of 106.2% for Q3 2019, down from 114.1% for the period last year.

Its underwriting loss was \$36.8m, compared to a loss of \$79.4m in Q3 2018. The company said the underwriting improvement was driven in part by a \$26.4m reduction in catastrophe losses, which led to an improvement in the combined ratio of 4.8 points. It said the improvements also stemmed from the impact of its ongoing turnaround actions, and a decrease in the impact of its strategic investments.

The insurer's gross written premiums for the third quarter of 2019 increased by \$3.7m, or 0.6%, compared to the same period last year. Personal lines premiums were up 5.7% from a year ago, driven by Sonnet and its broker personal property business.

Economical said its commercial lines premiums fell 14.8% due to the ongoing impact of its turnaround plan.

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Hub acquires W.R. Carey

BROKER network Hub International has acquired another Canadian employee benefits consulting firm. It announced earlier this month that it has purchased the assets of Winnipeg-based W.R. Carey Corp. Founded in 1981, Carey Corp. Provides a range of benefits programs including benefits plan consulting and group retirement services. Bill Carey, an actuary, along with the rest of the employees of Carey Corp., will join Hub International Manitoba. It is the fourth Canadian employee benefits-related firm purchased by Hub this fall.

CSIO certifies insurer

TORONTO-based Northbridge Insurance is the first large commercial carrier to gain certification of compliance from the Centre for Study of Insurance Operations, the p&c industry's association of insurers, brokers and software providers. The certification recognizes that Northbridge uses standardized CSIO coverage codes instead of custom codes in their data download to brokers. CSIO's certification of compliance was launched in 2017 and is available to all insurer members. There are now 22 insurers who have achieved certification.

Accident cover launched

ALLSTATE Benefits is now offering group accident insurance. The coverage picks up where provincial health insurance and group benefits plan leave off, providing cash benefits directly to the insured, regardless of any other insurance they may have. The new cover is available for employers and their employees throughout Canada. Group accident insurance provides protection for routine and catastrophic accidents. It pays benefits for home health care or long-term care services, home or vehicle modification and more.

Safety idea rewarded

ALLSTATE Insurance Co. of Canada has announced the winner of a contest promoting driving safety. Dave Peixoto of Nepean, Ont. won the Allstate Takes Action contest with his idea of educating drivers in his community about how to better use roundabout intersections. Allstate has created an online information graphic and educational videos on roundabouts and safe driving after partnering with National Hockey League player Jean- Gabriel Pageau of the Ottawa Senators, police officers and traffic experts and local Allstate agents for the project.

YMCA gains new funding

THE YMCA of Simcoe/Muskoka has received a \$10,000 donation from the Gore Mutual Foundation, in partnership with Howard Noble Insurance Brokers in Collingwood, Ont. The funding will help support healthy, active living in Simcoe, Muskoka and Parry Sound by providing financial assistance for children, adults and seniors to participate in YMCA programs. "At Noble Insurance we aren't just insurance specialists, we are parents, friends and neighbours and have been a proud part of the Georgian Bay community for almost 80 years," said Shelley Vermeersch, the brokerage's managing director.

Lloyd's revamps structure

LLOYD'S has announced that it is simplifying its governance structure by merging its two existing boards into one next year. It said it will be merging its Franchise Board, which currently has responsibility for the day-to-day running of the market, into its council as of June 1 to form a single 15-member governing body. The new council will be made up of six nominated members, six members elected by the market and three executives. Lloyd's said the market will be invited to participate in an election process next spring.

ICA approves new code

THE INSURANCE Council of Australia board has approved a new general insurance code of practice after an extensive review. The code sets out standards that are above and beyond legal requirements and aims to anticipate and meet consumer expectations. ICA board president Richard Enthoven said: "We now have provisions for customers experiencing vulnerability, including a requirement for signatories to have a policy to support people affected by family violence and provisions for customers experiencing mental health conditions."

Finder opens T.O. office

AUSTRALIAN comparison website Finder is launching a Canadian unit in Toronto and has already inked partnerships with BMO, Amex, Fairstone, TD Bank and Mogo. It said in a statement that it "will continue to bring more partners on board with a focus on mortgages, insurance and digital banking products." The company, with more than 400 employees in 80 countries, now has six employees working in the Toronto office.

Gender pay gap reduced

THE GENDER pay gap at the Chartered Insurance Institute has been almost halved in the two years since organizations in the U.K. began publishing figures on the subject. The CII said it had a pay gap of 28% in April 2017. By April of this year the gap had shrunk to less than 15%. During the last two years, the institute has re-evaluated roles to address the historic unfairness towards part-time workers, it has trained managers to recognize and overcome unconscious biases and encouraged social networks within the organizations to support people as they take on more responsibility.

Building design studied

SOME OF the most cutting-edge and innovative developments in building design are on display at the Building Research Establishment near Watford, England. Members of Airmic, the U.K.'s association of insurance and risk managers, recently visited the centre to study pilot versions of a new building that will be adapted to support individuals with dementia. The flood resistant building will feature 'ZED pods,' which are low-cost, super-efficient micro-homes that will sit above car parking spaces and therefore require no extra land.

Travel cover vital for EU

BREXIT MAY be on hold, but Brits planning to visit the EU risk facing financially crippling bills, research commissioned by the Association of British Insurers and the British Insurance Brokers' Association suggests. Nearly a quarter of 2,000 adults surveyed said that they had no plans to take out travel insurance before their next visit to the EU, with 18% undecided if they would buy coverage before their trip. The associations warned that travel insurance remains vital when going to the EU.

Home-share hosts polled

HALF OF home-share hosts surveyed in the U.K. reported that they have had items stolen from their properties by paying guests. A new poll by insurer Aviva involved interviews with 1,000 people who rented their homes and 1,000 people who have stayed in home-shares in the U.K. The results indicated irritations on both sides. Of those who have let out properties as home-stays, three out of five people have experienced some sort of unpleasant incident involving guests.