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October 21 2019

# THOMPSON'S WORLD INSURANCE NEWS

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## Tannas and Fortress targeting niche areas

SCOTT Tannas, the founder of Western Financial Group and appointed senator from Alberta, is officially entering the insurance business again.

This time he is CEO of Fortress Insurance, previously owned by its sole client, the Alberta franchise holder for Budget Car Rental company.

"We're approved now through the regulatory processes in all provinces except B.C."

Fortress is awaiting the next meeting of the Financial Institutions Commission, soon to be the Financial Services Authority, hoping for B.C. approval. In the meantime, the company is underwriting policies in Alberta, Saskatchewan and Manitoba.

"Other than the auto policies — we have a big fleet policy with

our partner, which is the folks that have the Budget Rent-A-Car franchise in Alberta — we're writing subscriber (commercial) policies for the next two or three years.

"Our objective for the first number of years is trying to be useful by being a subscriber of policies where stronger, more sophisticated companies are leading and we are just providing extra capacity."

There have been many changes in commercial insurance in recent years, particularly with the growth of cyber threats.

And that is an area that Mr. Tannas prefers to leave to bigger companies.

"Our plan is to try and find some very niche areas where we can make a difference and build

some expertise — but that's not out of the gate," he said.

"Out of the gate we just want to build capacity, build understanding and get some volume underneath us that would allow us then to make some investments in special areas.

"But we have zero interest in becoming huge. We want to be a small, nimble regional player."

Mr. Tannas' former company, Western Financial Group, was sold to Desjardins Financial Corp. in 2011 and it is now owned by a subsidiary of Wawanesa Mutual Insurance. He founded Western Investment Co., a publicly traded private equity firm, in 2015. Until now it had invested in the areas of windshields, care homes, dairy products and consumer retail.

## Technology transforming adjuster role

IT WON'T BE long before insurance adjusters are no longer needed for smaller claims, an executive at Allianz Canada said.

Speaking at the Canadian Independent Adjusters Association's claims summit earlier this month in Toronto, the company's head of claims, Bernard McNulty, said technology is — in some circumstances — rendering adjusters irrelevant.

"We have high value specialists, those who do mining and heavy manufacturing losses and I think those will always be safe and play a significant role," he said. "But I think there is a band of adjusting needs that will go away in time."

"I can't imagine how many insurers right now are sending out an adjuster for a \$10,000 loss and I think that threshold will go up and up and in five years I don't think we will be sending out adjusters for \$100,000 losses."

Pat Van Bakel, CEO of Crawford and Company Canada, said there are many adjuster-insurer processes that can be eliminated to free up money to spend on claims — irrespective of their size.

He said there is often a mismatch between the size of a claim and the amount of resources needed to service it.

"I think there are ways for us to be collaborative to create an added value service in the (claims) process regardless of whether it's a \$5,000 claim or a million dollar claim."

*Continued on page 4 ►*

## FSRA introduces modified file and use system

ONTARIO'S new regulator has introduced principles-based changes to the application process for private passenger auto insurance rates that establish a modified file and use approach.

The Financial Services Regulatory Authority of Ontario, which had identified streamlining the auto insurance rate regulation process as one of its priorities for 2019-20, said the new system will reduce the regulatory burden and create better outcomes for consumers.

The regulator said it has developed — in collaboration with an advisory group that was established earlier this year — several principles that will form the basis for its approach to auto insurance rate regulation.

The principles include consumer focus, sustainability, transparency

and disclosure, simplicity, responsiveness and innovation.

"FSRA will evaluate how insurers use these principles in their businesses as part of its monitoring of the auto insurance system," the regulator said in a guidance document released earlier this month.

FSRA said it will consider standard filings under the new modified file and use system only if they meet certain conditions:

- The proposed overall rate level change must be less than or equal to 5%, calculated on a capped and uncapped basis;
- The standard filing's proposed changes must not result in a rate increase of more than 15% to any one customer at renewal (insurers may use capping to meet this requirement), and
- FSRA must have approved a

major filing within the last three years.

The regulator said an insurer may submit standard filings as frequently as required, provided that the cumulative combined overall rate level change for all approved standard filings does not exceed 5% in any 12-month period and also that the cumulative combined effect of all approved standard filings does not result in a rate increase of more than 15.0% in any 12-month period to any one customer at renewal.

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### ALSO THIS WEEK

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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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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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OCT. 21, 2019 — Vol. 32, No. 4

## Alberta brokers welcome CAIB equivalency

BROKERS in Alberta can now have their Canadian Accredited Insurance Broker designation recognized by the province's insurance council as an equivalent to existing licensing exams.

Insurance Brokers Association of Alberta CEO George Hodgson said the association has been working on achieving this for almost six years.

Because the Alberta Insurance Council's licensing exam was notoriously difficult to pass — the pass rate was between 35% and 40% — this development is likely to attract people to the broker channel, he said.

The CAIB program pass rate is about 60%, which is similar to other professional development programs, and involves multiple and written choice questions whereas the AIC licensing exam is multiple choice only, he added.

"The low pass rate of the AIC exam created difficulties, especially in smaller communities, where brokerages have a smaller pool of talent to draw from," Mr. Hodgson told *Thompson's*.

"A brokerage may have only had one applicant, put that person through the licensing course only to

have them fail. It was a big problem and there are an estimated approximately 100 open positions in the province at any given time."

He said the exact process to have the CAIB recognized instead of the AIC exam has yet to be ironed out.

He said provinces that allow equivalencies do so by various methods ranging from an application to province-specific CAIB exam addenda and it's too early to say what the AIC will require.

He said exam equivalencies, an end to the 5% rate cap on auto insurance premiums, and the approval of electronic proof of auto insurance — all on the list of IBAA's auto insurance task force's list of priorities — have been approved in the span of a few months.

"Those were the big ones and now we are going to be focused on administering the exam equivalencies," Mr. Hodgson said. "There is still more work that needs to be done on the auto product itself to make it a more viable product but now we are going to focus on how we administer this latest win."

## CBN planning to launch best practices arm

THE CANADIAN Broker Network consortium is looking to expand its reach by launching a best practices arm in the new year.

The group of nine national brokerages has been focused primarily on recruiting larger firms to its executive group of founding members.

Managing director Lorie Phair said the new best practices group will provide an opportunity for smaller companies to join CBN.

She said details of the expansion have yet to be ironed out.

"We're planning to launch this in the new year and are expanding membership with various firms now and mapping out a new business model. It will be national as well — we want to be in the Atlantic provinces, Western Canada and Ontario."

She said the best practices group will be able to share resources with all of CBN's members.

"Aside from industry intelligence and benchmarking, there are financial resources — access to capital to support members in the perpetuation of their firms."

Ms. Phair said CBN was originally focused on recruiting commercial insurance brokerages but shifted its focus to innovation-focused businesses in both commercial and personal lines.

"We are more about innovation and are looking for firms that see what they can get out of a peer group but also what they can contribute."

She noted that being part of a network of brokers helps in the current market where resources are in short supply.

"It's all about relevance now," she said. "Brokers need good, solid and profitable relationships with carrier partners and the challenge is maintaining relevance with our partners."

## FSRA seeking members for new consumer panel

THE FINANCIAL Services Regulatory Authority of Ontario is seeking members for a new consumer advisory panel.

The regulator said last week it is seeking members who can provide consumer-focused insights to help it understand and deliver on Ontarians' expectations of its services and policies.

It is also seeking public input into the panel's terms of reference.

The deadline to submit input or a membership application is Nov. 14.

"The financial services sector is undergoing

significant change and this heightens the need for regulators to understand and protect the public interest," FSRA said.

"Consumer expectations for choice and services are high, driving new technologies, business models, products and services."

FSRA said it is committed to ensuring that consumer input and perspectives inform our regulatory direction and decisions. It said the new panel will help FSRA protect the rights and interests of consumers and safeguard public confidence and trust in Ontario's financial institutions.

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## Ontario auto rates continue to rise

AVERAGE auto insurance rate filings for private passenger vehicles approved in Ontario have increased for the eighth consecutive quarter.

The Financial Services Regulatory Authority of Ontario said last week that 26 insurers representing more than 80% of the market had rate changes approved in the third quarter with an overall average increase of 2.6% when applied across the total market. This follows average increases of 1.99% in the second quarter, 2.7% in the first quarter and 3.35% in the fourth quarter of 2018. The fourth-quarter increase was the largest in almost eight years.

Some of the province's largest auto insurers had significant increases approved in the third quarter, including Travelers-owned Dominion of Canada (+15.47%), Economical Mutual (+6.2%), Unifund Assurance (+6.03%), Aviva Insurance Co. (+5.41%), Wawanesa Mutual (+5.02%) and Allstate Insurance Co. (+4.5%).

The director of consumer and industry relations at the Insurance Bureau of Canada told *Thompson's* last month that new features designed to make driving safer appear to be leading to more accidents and more expensive car repairs.

"Drivers are putting too much faith in technology, thinking they will be safe and not focused on the road," Pete Karageorgos said.

"The technology is not meant to replace driver attention, so maybe there is too much distraction."

### Ontario private passenger auto rate filings approved July 1 – Sept. 30

(2018 market share % in parenthesis)

Allstate Ins. Co. of Canada (5.35)	4.50
*Allstate Ins. Co. of Canada (5.35)	0.00
Aviva Ins. Co. of Canada (6.00)	5.41
Belair Ins. Co. Inc. (4.85)	0.00
*Certas Direct Ins. Co. (2.98)	0.00
*Certas Home and Auto (9.29)	0.00
Chubb Ins. Co. Can. (0.42)	6.28
Coachman Ins. Co. (0.20)	7.50
Commonwell Mutual Ins. (0.47)	0.12
Co-operators General Ins. (5.52)	6.20
Dominion of Canada Gen. (4.18)	15.47
Economical Mutual Ins. Co. (6.82)	6.20
Farm Mutual Reinsurance Plan (1.78)	3.50
Heartland Farm Mutual (0.33)	4.75
Intact Ins. Co. (8.09)	0.00
Northbridge General Ins. (0.73)	10.32
Novex Ins. Co. (1.00)	0.00
Optimum Ins. Co. (0.18)	7.00
Pafco Ins. Co. (0.32)	0.00
Pembroke Ins. Co. (1.77)	4.00
*The Personal Ins. Co. (4.32)	0.00
Primum Ins. Co. (1.50)	-0.15
Security National Ins. Co. (6.57)	0.04
TD General Ins. Co. (1.70)	-0.20
Unifund Assurance Co. (3.09)	6.03
†Unifund Assurance Co. (3.09)	2.58
Wawanesa Mutual Ins. Co. (3.25)	5.02
Zenith Ins. Co. (0.48)	-0.04

\* — Rating rule changes only

† — Annual rate filing impact

## Policy for non-vehicle owners updated

QUEBEC's regulator, the Autorité des marchés, has introduced a new standalone auto insurance policy for drivers who don't own a vehicle.

The Quebec Automobile Insurance Policy Form No. 2 is designed for drivers who use a vehicle that belongs to a third party.

It has been introduced following collaboration between the regulator and industry group Groupement des assureurs automobiles that started in May 2018.

Susanne Braun, auto insurance policy analyst at GAA, told *Thompson's* that similar coverage had already existed but needed tweaking to apply to the modern day consumer.

"In Quebec the (coverage) existed at least since 1978 and other provinces have similar (coverages).

"With the revision of the form we went a bit further in having it a complete, standalone policy. Before you had to refer to a vehicle owner's policy."

She said that with the evolution of car sharing there are many more drivers who no longer purchase cars and are more likely to use borrowed, rented or shared vehicles.

Policyholders are also covered when they borrow cars in the U.S. or other provinces where bodily injury can be more costly than

in Quebec.

The new version of the policy was released earlier this month and how insurers choose to sell it is up to them, Ms. Braun said.

"It could be a year-long policy or short term but it is up to the insurance company that offers the product.

"When the AMF makes a request to review a policy we work in a committee with members from the industry, so there is an interest for the product and how things are evolving with the sharing economy — it is something we know consumers want."

Ms. Braun said the new policy is written in plain language and published with graphics to make it easier to understand for policyholders.

"It's another step toward something a little more modern which we hope will answer to consumers' needs."

On behalf of its insurance company members, the GAA works to guarantee access to auto insurance, streamline claims settlements, ensure fair rates and educate consumers.

It was established in 1978 under the direction of the Quebec government for auto insurers to develop ways to improve damage insurance coverage.

## New filing process hailed as more flexible

► Continued from front page

Insurers are prohibited from changing territorial definitions or introducing new rating models under the modified file and use approach.

FSRA said it will send an acknowledgement when an insurer has successfully submitted a filing, provide notice within five business days that a filing is eligible and complete and it will notify the insurer of its decision within 25 business days after submission of the filing.

If the regulator does not provide notice of a decision regarding a standard filing within 25 business days, it will consider the filing approved and will provide notice of approval.

FSRA said it may require an insurer to submit a major filing in place of a standard filing, or reject a standard filing outright, for any reason before the deemed approval date.

In either case, FSRA said it will provide the rationale for its decision in writing.

Ryan Stein, the Insurance Bureau of Canada's executive director of auto insurance policy and innovation, said the new standard filing rate process will provide insurers more opportunity to compete on price — and, in turn, positively impact consumers.

"This is a lot more flexible process for rate change," he said last week.

"From the insurer perspective it is positive but most importantly it's positive for auto insurance customers."

He said that prior to the changes, insurers sometimes would have to wait months for a price change — regardless of the size.

He said the differentiation between complex and simpler auto filings is important.

"FSRA is no longer treating each filing the same and is recognizing that there are different degrees of requests — some that will require more looking into and others that warrant a quicker approval," Mr. Stein said.

"Filings with under 5% rate change can proceed through this more flexible, shorter process and there will be more opportunity to compete."

The IBC and member insurers were observers on the FSRA working group that formed the basis for its auto insurance rate regulation.

Mr. Stein said the industry was unanimous in its will to proceed with the new standard filing process.

"The industry wanted a more flexible rate regulation process and IBC believes that this is positive for Ontario drivers, gives more opportunity for companies to compete and innovate and that it will be beneficial for consumers."

## More advisory roles expected in future

AS TECHNOLOGY continues to impact the insurance-buying experience, the industry will need to fill more advisory roles, attendees heard at the Canadian Independent Adjusters' Association claims summit earlier this month in Toronto.

Trevor Buttram, manager of career connections at the Insurance Institute of Canada, said underwriting, fraud detection, and pricing sectors of the insurance industry are expected to be significantly affected by technological changes, according to the industry's demographics research.

He said as technology evolves so too do consumer expectations, and that is where advisers have a role to play.

He said the industry needs to meet consumers where they are and answer their questions when and where consumers want, whether quoting prices or processing claims.

"What kinds of tools and resources does (the industry) need and how does the expertise of the those involved change so we can service that need if things are becoming more automated?" Mr. Buttram said.

"Often it's about stepping into that more trusted adviser role and being able to provide a concierge experience, being able to explain why insurance is required, how it functions and being more a subject matter expert than ever before."

He said as technology continues to evolve, customer service is expected to be a key differentiator and what distinguishes one organization from another — and it is important to understand that when making recruitment decisions.

"New entrants will be key in introducing new technology, perspectives and new ways of doing things to be able to provide service to our clients," Mr. Buttram said. "Although we may have all the technology in the world we still need to be a people driven business and foster those relationships."

## Adjusters looking for ways to integrate tasks

► *Continued from front page*

"The reality is that the person on the other end of that claim is still looking for an experience and that experience is still very tailored to their own circumstance," Mr. Van Bakel said.

He said segmenting and triaging claims needs to happen — and can happen — but it's complicated and costly.

"I think as an industry we have to get better at that," Mr. Van Bakel said. "There are a lot of friction costs in the system, things that are done the same way as 30 years ago."

He said adjusters spend time, for example, dictating reports, transcribing and sending it to

## Large disasters can present opportunity

HAVING A BRAND associated with large-scale disasters could be seen as an opportunity for companies to prove their value, attendees heard at this month's Canadian Independent Adjusters Association claims summit.

Bernard McNulty, head of claims at Allianz Canada, said brand risk needs to be acknowledged when insurers underwrite new risks and high exposure projects.

He noted for example that Allianz is heavily involved in cannabis producers' directors and officers coverage, and — outside of Canada — the substance is not as socially accepted as it is here.

The pipelines and mining projects it underwrites are also a risk to the brand, he said.

"Imagine being associated with a company accused of significant disasters — it's a concern," Mr. McNulty said.

"We are very concerned about those risks and what implications to the brand are."

Fellow panellist Lovel Vining, senior VP and claims leader at Marsh Canada, said any disaster is a chance for an insurer implicated to redeem its brand.

"To the extent that an insurer is involved

in the cleanup or remediation, potentially they have a brand issue because they are associated with a certain company," Mr. Vining said.

"If you as a claims person take that situation, turn it around and deal with the individuals that have been affected, clean up — do whatever you can do to make it right — it enhances your brand and also helps restores the brand of your client."

Patrick Barbeau, senior VP of claims at Intact Insurance, said even without large-scale disasters, every brand is at risk nowadays.

He said consumers are more critical than before and information travels faster than it ever has.

"One of the brand challenges is ensuring there is not a gap between how you position your brand and what you claim to be and your actual delivery," Mr. Barbeau said.

"It's impossible in claims to have customers 100% satisfied — sometimes you find good ways to say no — but it's still something that people will not necessarily fully understand, so that gap between brand promise and delivery is the big challenge these days."

## Diverse career options hailed as an asset

IT COULD be easier to recruit new talent to the insurance arena if employers emphasized the industry's track record of diverse career opportunities, an insurance educator at Humber College in Toronto has suggested.

Speaking at the Canadian Independent Adjusters Association's claims summit earlier this month, John McNeil said that — unlike other industries such as the paralegal profession — students educated in insurance management have a much higher likelihood of being hired out of school.

"Paralegals can't even get a work place-

ment," said Mr. McNeil, co-ordinator at the college's insurance management program. "But students considering a role in insurance have multiple offers waiting at the end of their course — that is the greatest selling pitch."

He added that focusing on the humane side of insurance is also an attractive factor for prospective recruits.

"It's a matter of demystifying the industry, and telling different stories and claims stories are the most exciting ones because there is human will behind them — claims stories captivate you," Mr. McNeil said.

"When I ask students in their first three weeks what discipline they want to get into, about 50% will say claims, the rest say underwriting and we are working on (introducing) brokers right now."

This could be especially important given that all sectors are increasingly looking to recruit employees to fill data and analytics-related roles.

Fellow panellist Natasha Reichen, VP of operations at career resource website Talent-Egg, stressed that the insurance industry is looking to fill the same positions as other financial services.

"When talking about data and analytics, a lot of business decisions — if not all — are based on numbers," she said. "Data is being collected all the time and is being utilized across all industries."



# Maintaining bank sales ban remains a priority for IBAC

EVEN THOUGH the separation of banking and insurance will be upheld in the federal Bank Act until 2023, raising the profile of that and other issues important to brokers is an ongoing process not to be ignored ahead of today's election, the CEO of the Insurance Brokers Association of Canada says.

Last year, the crucial wording prohibiting banks from selling p&c insurance in their branches was upheld as part of a regular review of federal financial services legislation.

Peter Braid said brokers' success in federal advocacy is rooted in relationship-building with MPs in their ridings.

He said it is noteworthy that the next financial services legislation review falls in the same year as the next scheduled federal election.

"With this upcoming election there will be a new crop of MPs whom we need to educate about issues and reconfirm their support," Mr. Braid said.

He noted that it is the government's prerogative to adjust the review period of the Bank Act but he expects that it will take place as expected.

"And IBAC and insurance brokers don't only focus on the Bank Act, we have a wider scope of public policy concerns which necessitates that the advocacy process needs to be ongoing," Mr. Braid said.

He said IBAC wants to help keep the profile of flood coverage and distracted driving issue raised in Ottawa.

He said the government is aware of an overland flood insurance protection gap but that message also needs to be conveyed to consumers.

"Brokers have a crucial role to play in talking to clients about overland flood and minimize the protection gap."

Mr. Braid was the Conservative MP for Kitchener-Waterloo between 2008 and 2015. During that time he was appointed by then-prime minister Stephen Harper as parliamentary secretary for infrastructure and communities and was the founding chair of the insurance caucus on Parliament Hill.

He said the caucus, which at the time only had Conservative MP members, was an opportunity for those interested in insurance issues or had an insurance presence in their communities to come together.

Meanwhile, new IBAC president Kent Rowe has begun his year-long tenure heading up the national association and intends to build on the foundation laid by his predecessors.

"I want to build on the good work — notably being strong in advocacy," said Mr. Rowe, VP of commercial insurance at Wedgwood Insurance in St. John's, N.L.

"We've done a good job managing relationships with all stakeholders and politicians with our key messaging, continuing to advocate for broker and consumer interests."

He said IBAC will continue to work to raise the profile of natural hazards such as flooding and earthquakes and is also aiming to promote awareness of the dangers of distracted driving.

Mr. Rowe has been involved with IBAC for five years but his involvement with the Insurance Brokers Association of Newfoundland goes back 12, which eventually led to his appointment as association president in 2015.

"Being president of IBAN gave me a strong foundation and perspective for this role," Mr.

Rowe said.

"Being familiar with ground level issues keeps you in tune to what is going on nationally, then taking on a role such as this I'm aware of the pressing issues and able to address them more thoughtfully."

He said soon after joining IBAN he realized he wanted to be involved in national advocacy.

"During my time at IBAN I came to realize that this is important work and I want to do my part to give back," Mr. Rowe said.

## ANNOUNCEMENT

### RETURN OF LIQUIDATION DIVIDENDS TO PACICC MEMBER COMPANIES

#### FINAL NOTICE

Recently, the Property and Casualty Insurance Compensation Corporation (PACICC) returned almost \$21 million in liquidation dividends to 140 member companies following the resolution of seven historic insolvencies, including: Beothic, Canadian Millers', Canadian Universal, GISCO, Hiland, Markham General and Ontario General. The pro-rated balances repaid to each member company for each insolvency were confirmed by an outside accounting firm.

PACICC has been unable to return a portion of liquidation dividends (totalling \$78,046.57) to 14 companies that PACICC has not been able to contact, including: Arrowpoint Capital; British Aviation Insurance Company Ltd.; Canadian Premier Life Insurance Company; Centennial Insurance Company; Claimspro; Constitution Insurance Company; Interior Savings Insurance Services Inc.; London and Midland General Insurance Company; Lumbermens Underwriting Alliance; Pool Insurance; Providence Washington Insurance; Security Insurance Company of Hartford; Specialty National Insurance Company; and Utica Mutual Insurance Company.

If you have information that could assist PACICC in returning funds to any of the above companies or their successors, please contact: Ian Campbell, Vice President, Operations, PACICC, 20 Richmond Street East, Suite 210, Toronto, Ontario, M5C 2R9, [icampbell@pacicc.ca](mailto:icampbell@pacicc.ca).

Any liquidation dividends remaining unclaimed after 18 months will be transferred to PACICC's Compensation Fund to assist insurance consumers in future.

*PACICC is the resolution authority for Canada's property and casualty insurance industry. In the unlikely event of an industry insolvency, PACICC assesses member companies in order to respond to policyholder claims of the insolvent insurer. An account is established to balance claims payments made to affected policyholders against monies that PACICC receives from the insurer estate as a creditor. PACICC refunds excess liquidation dividends to member companies when those funds are no longer needed to support the insolvency.*



PACICC

## Cyber risk requires layers of protection

CHANGING attack techniques and increasing complexity with ransomware has made it imperative for businesses to implement multiple layers of preventative measures to mitigate potential incidents, a Chubb VP has warned.

"By regularly backing up data files and securing those backups offline, properly educating employees, investing in state-of-the-art security and antivirus software, and purchasing a comprehensive cyber insurance policy, businesses can be better prepared and protected no matter the threat," said Anthony Dolce, VP and cyber lead for Chubb North America financial lines claims.

He was commenting on the release of the latest edition of Chubb's 'Cyber InFocus Report,' which addresses ransomware.

Ransomware is a type of malicious software that typically encrypts a victim's data or network accessibility to data so that the victim cannot use it for their ongoing business and operational functions. To decrypt the data or environment, the perpetrator usually makes a ransom demand in the form of a cryptocurrency, such as bitcoin, in exchange for a decryption tool.

Chubb said its data shows ransomware attacks for 2019 are outpacing the total number of incidents in 2018.

"Ransomware is not new, but has evolved over time," said Michael Tanenbaum, head of Chubb Cyber North America.

"In today's environment, the impact of a

company's system becoming inoperable can result in severe and long-term disruption for a business.

"Some ransom demands have grown to the six-and seven-figure range, so it is critical for businesses to understand the increased sophistication of ransomware, what procedures and systems need to be in place to mitigate the risk, and what solutions they need to protect themselves should they experience an attack."

Chubb said that over the first three quarters of 2019, the manufacturing sector accounted for 23% and professional services 30% of the total number of ransomware incidents reported by its clients.

The insurer noted that manufacturing companies are more likely to be targeted because of their need to quickly restore operations. And it said professional service firms, which rely heavily on email, are often affected because of vulnerabilities associated with phishing attacks.

However, Chubb warned, "ransomware can affect any company, regardless of size or industry."

It said malware claims, which include ransomware, have risen to 18% of all cyber claims in 2019 from an average of 12% over the past five years.

Chubb said ransomware has accounted for 40% of manufacturers cyber claims in 2019 thus far. Ransomware accounted for 23% of cyber claims for smaller businesses — those with revenue less than \$25m — so far in 2019.

## 'Silent cyber' among emerging concerns

A STANDARD, centralized approach to cyber risk assessment across multiple lines of business can enhance management understanding of portfolio risk, the global cyber practice group leader at Willis Re says.

Mark Synnott noted in his blog recently that exposure to "silent cyber" — potential losses arising from coverage under insurance policies not specifically designed to cover cyber risk — is of increasing concern to regulators, boards, management and chief risk officers.

Beginning Jan. 1, Lloyd's will require all first-party property damage policies to clarify whether cyber coverage is affirmed or excluded.

For liability and treaty reinsurance, the same requirements will come into effect in two phases during 2020 and 2021. These actions were in response to the U.K.'s Prudential Regulation Authority requirement that reinsurers in the U.K. reduce their unintended exposure to non-affirmative cyber risk.

Mr. Synnott said several factors are driving these concerns. He cited the growing dependence on digital technology, noted the whole world is "one catastrophe zone" and said the breadth of cyber exposures is challenging reinsurers.

"We think the scale and complexity of the problems posed by silent cyber necessitate that the CRO initiate discussion of a strategic group-level approach to managing this risk."

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## Airmic chair aims to change perceptions

ATTRACTING and retaining young talent — with new ideas and energy — is vital for any industry, but especially for risk and insurance.

Tim Murray, new chairman of the U.K.'s association of insurance and risk managers, Airmic, told *Thompson's* that today's fast-changing and complex risk environment demands creativity, diversity and new thinking.

And he said the next generation will be key to achieving this.

"Risk and insurance as careers have a huge amount to offer the younger generation: challenging, varied, complex and increasingly influential to the strategic thinking of business," Mr. Murray said.

"However, not enough young people know this, and we must do more to explain the attraction of the industry's holistic appeal.

"We need to explore all avenues for career entry, including apprenticeships, greater visibility at schools and universities (across multiple disciplines), and push ourselves hard to improve the profession's historical image."

He said risk management is challenging, diverse and rewarding and it's frustrating that the profession is often perceived as staid or transactional.

One of his main aims as chairman is to change this.

"Risk management has an image problem. Most people don't know what risk management is, or they mix it up with insurance which they view as purely transactional.

"They don't understand the amazing opportunities that are out there. We need to shout about it."

## World heritage protection guide offered

A GUIDE to help the insurance industry protect UNESCO world heritage sites has been released by the UN and the World Wide Fund for Nature in partnership with several international insurers and associations.

Titled 'Protecting our World Heritage, insuring a sustainable future,' the guide builds on the launch last year of the first insurance industry statement of commitment to protect world heritage sites.

The authors say the new release provides practical guidance for insurers on how to prevent or reduce the risk of insuring and investing in companies or projects whose activities could damage world heritage sites, particularly in relation to sectors such as oil and gas, mining and large-scale hydro power.

Other sectors cited in the report include logging, fishing, agriculture, plantations and large-scale infrastructure such as pipelines, roads and mega-ports.

World heritage sites are recognized for their beauty, global significance and/or biological diversity and the important economic, social and environmental benefits they provide. Among them are 'natural' world heritage sites, which provide vital resources such as food and water, and contribute significantly to economies through jobs, tourism and recreation.

Canada is currently home to 20 world heritage sites, including the Rocky Mountains, the Rideau Canal and the town of Lunenburg, N.S.

The authors note that natural world heritage sites deliver critical environmental benefits such as stabilizing soils, preventing floods and capturing carbon, "all of which increase our resilience to the most harmful impacts of a warming climate."

They say almost half of all natural world heritage sites are threatened by industrial activities and large infrastructure developments — which may cause irreversible damage.

"Too many world heritage sites are threatened by unsustainable development or large-scale infrastructure," said Ernesto Ottone, UNESCO's assistant director-general for culture.

"We believe the banking and insurance sectors can significantly contribute to protecting these outstanding places by ensuring that their portfolios avoid projects which could impact them."

So far there are no Canadian signatories to the insurance industry statement of commitment to protect world heritage sites.

Current industry participants include Germany-based insurance giant Allianz, France's SCOR, several companies and organizations from Brazil and representatives from Greece, Hong Kong, Japan, Mexico, New Zealand, the Philippines, Switzerland and the U.S.

"We believe the new guide is a significant step forward in making the protection of world heritage sites a market standard," said Patrick Raaflaub, group chief risk officer at Swiss Re.

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## LOOKING AHEAD

OCT. 23 - 24 — **Ins. Brokers Assn. of Ontario** *Annual conv.*, Toronto, Sheraton Centre.

NOV. 12 - 13 — **RCCAQ** (Quebec brokers association), *Annual convention*, Quebec City.

NOV. 13 — **Insurance Institute Lowes Fund Breakfast**, Toronto, National Club.

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## Alarming behaviour with cannabis cited

MANY ONTARIO drivers are hopping behind the wheel too soon after consuming cannabis, results of new research suggests.

CAA South Central commissioned a study conducted by Dig Insights in late June that surveyed 1,510 Ontarians between the ages of 19 and 70 who had a valid driver's license.

The auto club said that extrapolating the results suggests roughly 1.2 million Ontario drivers have, at some point, driven high after consuming cannabis.

It said 72% of the survey respondents reported waiting three hours or less to get behind the wheel and that 27% said they were feeling very or somewhat high when they did.

"We know that driving under the influence of cannabis affects your ability to drive safely and increases your risk of getting into a crash," said Teresa Di Felice, assistant VP of government and community relations at CAA SCO.

"The research has shown us that young Canadians are more at risk of a vehicle crash even five hours after inhaling cannabis."

CAA said the research also shows that more than half of Ontario drivers who use cannabis are 'poly-users,' meaning they typically pair cannabis with another substance.

Alcohol is by far the most common substance paired with cannabis, the auto club said.

It warned that cannabis-infused edibles are another option that may further complicate matters when it comes to drug-impaired driving.

The survey found 12% of non-users indicated they were very or somewhat likely to try edible cannabis products after it becomes legal.

"It is crucial to continue to explore and understand what impact the legalization of edibles may have on Ontario's roads," Ms. Di Felice said.

"If Ontarians choose to consume edibles, they should be aware of its delayed psychoactive effects and the impact on their ability to drive."

## Poll finds homeowners lack quake awareness

INSURERS are aiming to raise awareness of earthquake risk and have released the results of a recent poll that shows only 8% of Quebecers believe their home is exposed to damage from such an event.

The Insurance Bureau of Canada commissioned the study from Montreal-based research firm SOM Inc. and released the results to coincide with the annual 'Great ShakeOut' event held last week in B.C. and Quebec. The annual event presents an opportunity to practice how to be safe during big earthquakes and review emergency preparedness plans.

The IBC said the Quebec poll found that 33% of respondents mistakenly believed that they are insured for earthquake risk, while only 4% of policyholders actually have coverage for the risk.

"These results are worrying when we know that Quebec has already experienced strong magnitude quakes and that the risk of a new one is only too real," said Pierre Babinsky, IBC's communications and public affairs director. "The impact would be significant for the citizens affected and for the Quebec economy."

## IBAO broadcasting panel

THE INSURANCE Brokers Association of Ontario will be broadcasting this week's annual convention CEO panel live on the internet. The panel is hosted by Pete Tessier, a former broker and past president of the Insurance Brokers Association of Manitoba, and features CEOs from Economical Insurance, Intact Insurance, Pembroke Insurance, RSA Canada, Travelers Canada and Wawanesa Insurance. The panel takes place Oct. 24 starting at 2 p.m. and the internet broadcast costs \$130 for the first IBAO member viewer and \$55 per additional viewer. Non-members pay \$260. For information and to register go to [ibao.org/convention](http://ibao.org/convention).

## CatIQ upgrades platform

CATASTROPHE analyst CatIQ has upgraded its subscriber-only platform to include a series of data feeds from external sources including radar and cloud cover, earthquakes, hurricanes, water levels, wildfires, and significant weather outlooks. Visualization tools of pre- and post-catastrophe information and the Industry Exposure Database are also part of the platform enhancements. CatIQ will be offering an internet tutorial for its subscribers on Oct. 30.

## British motorists unclear on post-Brexit protocol

MILLIONS of British motorists appear to have an alarming lack of awareness of the legal requirements to drive in the EU after Oct. 31 if there is no Brexit deal in place.

New consumer research commissioned by the British Insurance Brokers Association and the Association of British Insurers shows that many motorists do not realize that they must carry a 'green card' — a hard copy document validating auto insurance — if Britain exits the EU at the end of the month without a deal.

In the research, 2,000 adults in the U.K. were asked what they believed was legally required to drive their car in Europe after Oct. 31. More respondents believed it was a legal requirement to have European breakdown cover (49%) than to have an auto insurance green card (45%).

Only around 35% of people said that they had heard of the auto insurance green card. Awareness was significantly higher among those aged 65 and over, at 59%, compared to 20% for those aged 18-24.

"If we leave Europe without a withdrawal agreement there are certain reciprocities that we will not continue to enjoy," BIBA executive director Graeme Trudgill said. "One of these is the benefits of driving in the free-circulation zone without vehicle insurance checks. This research confirms what we suspect — those driving to Europe could be caught unaware."

The situation highlights the importance of having adequate travel insurance, said Pam Quinn, the BIBA's head of communications.

"We are currently planning some Brexit seminars to help insurance brokers prepare, covering matters such as regulation, employing European nationals and continuing to help European customers."

## Mitigation funding urged

THE AUSTRALIAN Prudential Regulation Authority has called for substantially greater investment in natural disaster mitigation to keep p&c insurance available and affordable in northern Australia. Premiums in cyclone and flood-exposed parts of the country's north have risen sharply over the past decade compared to the rest of Australia, raising concerns that some households and businesses may soon be unable to afford cover. Hundreds of millions of dollars are spent on disaster funding in Australia each year but only around 3% is directed to mitigation and prevention, the authority said.