



The CIP Society
Ethics Series

Reaching Out

The CIP Society
Insurance Institute
of Canada

The CIP Society represents more than 17,000 graduates of the Insurance Institute of Canada's Fellow Chartered Insurance Professional (FCIP) and Chartered Insurance Professional (CIP) Programs. The CIP Society, through articles such as this, is working to bring ethical issues to the forefront and provide learning opportunities that enhance the professional ethics of all insurance professionals.

Suppose a change in regulation affects many of a broker's clients. How much effort should brokers expend on notifying insureds of potential coverage gaps?

Good communicators will reflect on messages they deliver and will concern themselves that they were being understood as intended. Did the message "hit home"?

Comedians wonder if their jokes "landed"; teachers concern themselves that "learning is happening" during their lessons. These scenarios are played out every day in the regular course of business.

A broker was directed by the provincial regulator to inform his clients about a statutory change that would affect all policies. Clients could select a course of action to amend their policies in light of these changes. Alternatively, they could take no action and, thus, tacitly accept the changes.

This process is known as negative option selection. In this case, the broker determined that for the sake of efficiency, he would send each client a

notice by email and another by regular mail. This meant the broker complied with the regulations.

But how would he determine his clients understood the important message they had received? The impact of the policy changes might never be known to his clients unless they submit a related claim, and this could create hardship to clients who are not sufficiently advised in advance.

Is it ethical to simply do the minimum in these cases, or should the broker go further to ascertain that the message was received and understood?

Gerry De Lauro

Senior Vice President, Personal Insurance
Hub International

Customer-centric brokers are always thinking about the impact of coverage changes on their clients in advance of the changes coming into play and consider opportunities to go above and beyond the minimum. Often, the changes that come into play are both complicated and not easily understood or obvious to policyholders.

A good broker takes the time to interpret policy changes in a way that is clear to policyholders.

In the scenario, if the broker elects to amend coverage to the benefit of the clients, he should employ a proactive communication plan to en-

sure his clients are properly informed. Proactive communication in its basic form starts with emailing (and/or mailing) a simple explanation of the changes to clients around the time of renewal. A one-page summary is best, with bulleted points explaining why the broker is increasing coverage above and beyond what is required by regulation.

The communication should be easy to read and provide clear direction to the client should he or she wish to remove the cover or speak to someone further about its merits.

The broker's customer service team should also proactively engage in conversation with clients about the new cover should a client call in or email about its value or need. This requires that the team be correctly trained on the new changes so team members can speak with confidence. The point is not to shy away from bringing up the changes.

The broker could also reach out to a random subset of his or her client base to ensure they received and understood the communication. They could simply call or deploy an email with a few simple questions. This practice tests the original communication and demonstrates to the client that the broker's intent is to be customer-centric. The feedback from this proactive reach-out could then be played back to the team or be used to tweak the one-page communication.

Cari Donaldson

Vice President, Customer Insights, Experience and Distribution

Saskatchewan Government Insurance (SGI)

In this situation, although the broker is fulfilling minimum regulatory requirements by notifying clients of the change in statutory conditions, he is failing to fulfill an advisory role by failing to re-evaluate the appropriateness of each client's coverage in light of the change.

Placing the onus on the client to read the communication, interpret it, understand the implications and then contact the broker if he or she decides that additional coverage is needed is, at best, very poor servicing of the policy.

The possibility of a client not realizing

that coverage was changed until time of a denied claim is risky for the broker. Such an incident could be costly to the broker's reputation both with clients and insurers. It could also be risky for the broker's errors and omissions insurer because in this type of scenario, it would be very difficult for the broker to demonstrate that a client had even read the notice, let alone



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understood and accepted the change.

The broker should ensure that all clients either understand the additional risk they are accepting by not amending their respective policies, or that they are fully informed of different coverages and policy options available to them to cover off the additional risk. This would require that the broker discuss the regulatory change with each client in light of each client's individual circumstances.

It may not always be feasible for the broker to discuss the change with each

client prior to the change taking effect. If this is the case, assessing which clients are most likely to be impacted by the change and following up with them in priority order would be a sound approach. The discussion gives the broker an opportunity to demonstrate value to the client by providing information and advice, and potentially to provide additional coverage that better meets needs.

In the shorter term, the broker could consider using survey technology or other means to record a client response to the notice, rather than assuming that silence equals acceptance of additional risk.

In this case, the broker has not fulfilled the obligation to provide the best possible advice and insurance coverage without ensuring that each client understands the options available that best address his or her situation and risk appetite, the additional cost to maintain the same coverage they had before the change, and the potential risk they face by declining the additional coverage.

This obligation is certainly not met by simply sending a notice and assuming that clients who do not respond are comfortable with the change.

Marcus Snowden

Coverage Counsel

Snowden LLP

Doing the minimum for efficiency's sake is not enough to meet the ethical obligation to keep clients reasonably informed. Here, the broker has elected to communicate in two different ways — by email and by regular mail. Neither form of communication guarantees either that the client has received the message or that the client has comprehended the importance of the content.

Given the chosen methods of communication, the broker should highlight the importance of reviewing the change, along with the deadline. This should be highlighted in the subject line of the email and also on the outside back flap of the mailed envelope to be as conspicuous to clients as possible.

The broker might also consider using social media to the extent that his or her client base is responsive in this arena,

but the content must be carefully managed to ensure privacy is protected.

Rather than relying on the default option if no response is received, the best practice should also include a follow-up campaign by letter and email. In the event that the broker receives a “return to sender” or “undeliverable” response, he or she should make a reasonable effort by telephone or social media to update the address before sending, requesting a reply acknowledging receipt.

The message should concisely and clearly warn the client that taking no action by the deadline date may result in a default choice which affects the client’s best interests for coverage. That warning should be highlighted, using one or a combination of underlining bold or italic text.

Keeping a running record of the clients who have responded may permit better management of, and efficient follow-up with, those who have not.

Overall, the broker should keep in mind that, apart from being efficient about meeting his or her ethical responsibility to clients, the communication presents a business opportunity to be in contact with each client. Depending on the timing for renewal, the communication is for both a legitimate statutory update on the specific coverage in question and more broadly to update the client’s risk management profile.

If it is combined with the renewal discussion, the efficiency is realized while conveying a breadth of knowledge to the client. Otherwise, it is an extra opportunity to learn and keep current about each client and stay ahead of the curve when renewals are later discussed.

THE FINAL WORD

Professionals in the industry are bombarded with various messages throughout the day — emails, phone calls and old-fashioned mail — each one competing for attention. As receivers of those messages, it is sometimes hard to discern which one is worth the time to acknowledge and read. Knowing this, brokers should pay extra attention when communicating with clients on important changes, especially when those

changes will have an effect on individual policies, alter the nature of the contract, and a client’s expectations at claim time.

In this situation, the broker can employ a number of methods to ensure that the communication is received by his clients. When sending the message by email and regular mail, the broker can flag it as urgent, and ask for confirmation of each client having received, read and

understood the nature of the statutory change and the effect it will have on his or her policy. In this way, the broker will ensure that the clients are not surprised further down the road in the event of a claim. The broker can use the change as an opportunity to educate the clients, to demonstrate the broker’s knowledge and expertise, and to position himself or herself as a trusted professional. ☐

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