

Institute explores new trends

Economy looms large for Canada's insurers

A CHANGING landscape and evolving trends are bringing new challenges for p&c insurers — and also new opportunities, professionals at an annual event last week in Toronto heard.

Philip Cook, ceo of Omega Insurance Holdings, stressed at the Insurance Institute's 10th industry trends breakfast that insurers are not "trendsetters but rather trend-bettors."

So instead of contemplating the events of just this year, Mr. Cook took a look at the industry forecast for the next 10 years.

"There is economic uncertainty," he said. "Our economy has been flat and will remain so."

He suggested that due to the stagnant economy, mergers and acquisitions will be inescapable in the insurance landscape moving forward.

Neil Parkinson, audit partner and national leader of insurance at KPMG, said at the breakfast that he agreed mergers and acquisition will remain on the horizon, but he wonders whether recent changes to the value of the Canadian dollar will affect those transactions.

"With the lower Canadian dollar, will our p&c insurers be more affordable as business propositions?" Mr. Parkinson asked.

"It might have been harder for people who are taking Euro- or U.S. dollars and buying Canadian assets when the Canadian dollar was riding high."

He said the Canadian dollar might become valuable and that

can have an effect on merger and acquisition transactions.

Both presenters agreed that there is still a lot of uncertainty in the auto insurance sector and while the past year has offered some clarification on the matter of the 15% rate reductions, the industry needs more.

"In 2014 we got some clarity but not something that we liked very much," Mr. Cook said. "And what is coming is the reaction to that clarification."

Mr. Parkinson said that while "there is still concern about auto insurance, there is hope that there will be a reasonable approach in terms of creating the right conditions (for lowering rates)."

Internationally, different problems have emerged, mainly in the fact that the insurance industry is not covering all the catastrophes that they could.

"There are \$75-trillion in GDP and we insure \$5-trillion of it," Mr. Cook said. "That's a small percentage and it doesn't take a rocket scientist to realize that money is going to follow that opportunity."

He noted that economists predict that insurers should have a 10% penetration into the global GDP but at present, are currently at 6%, and only 2.5% in emerging economies.

"When we look at the 10-year projections we need to be careful we don't marginalize the industry and hand everything over to the government."

Alberta broker exams reworded

► *Continued from front page*

"Then the probationary period kind of takes care of that," Mr. Hodgson said.

He noted each brokerage has its own business culture, and a sales approach that works in one might be unsuitable in another.

"It doesn't mean that one is right or one is wrong."

Data analyst Perry Lin, the man in charge of exams at the insurance council, confirmed that soft skill questions were introduced for the first time last April.

He stressed that the revised questions, like the originals, came

from general council members — i.e., industry veterans — not from council employees or government bureaucrats.

The council heard the industry's concerns. Last month it rolled out new exams for all three classes of licence — general, adjusters and life. But they still cover the same turf.

"So everybody starts over again, and everybody has three attempts," Mr. Lin said.

"I wouldn't say we're making the questions easier. They reworded some questions . . . the levels of difficulty aren't changed."

SUSTAINED COMPLIANCE SOUGHT:

FSCO shifting to outreach

CONTINUING to foster a positive and productive co-operation with insurers and other regulators remains a priority at the Financial Services Commission of Ontario for 2015.

Anatol Monid, executive director of the licensing and market conduct division at FSCO, said that the emphasis in 2014 was to ensure that health service providers were up to speed with new billing practices which were introduced as a component of Bill 15.

"As of Dec. 1, health service providers had to have a licence issued by FSCO and invoice and receive payments directly from auto insurers for specific listed expenses in connection with the Statutory Accident Benefit Schedule," Mr. Monid said.

"We've provided and processed applications for 3,000 health service providers, which represents about 95% of the total dollar volume of health claims through automobile insurance.

"So we really believe that we have people covered under this new program."

He noted that due to this success, FSCO will shift its focus towards industry outreach, raising awareness of the new regulatory regime to sustain ongoing compliance.

"Our primary undertaking will be through education-oriented, onsite examination for service providers, which will be selected on a random and targeted basis," Mr. Monid said.

In the auto sector, FSCO will continue to ensure that companies treat claimants in a fair manner. He noted that in 2012, a four-year market conduct program was started.

"The program has evolved into requiring auto insurers to file annual attestations about their clients and issues, questionnaires to ensure compliance and undertaking onsite examinations of auto insurers to assess their responses to the questionnaires and how they conduct their business."

He said that in 2015, insurers can expect an added component to assess how they are "supporting compliance through health service providers given the new licensing regime."

And, to date, there have been no penalties imposed because of non-compliance.

"Our relationship with the p&c industry is positive and focused on creating a stable marketplace," Mr. Monid said.

"We all have an interest in treating customers fairly." FSCO will carry on working with other Canadian regulators in 2015 to continue to promote and co-ordinate regulatory activity on the national level.

"(We) share information to actively identify emerging trends and risks and to look for harmonized approaches," Mr. Monid said. "Many Canadian insurers have a connection with the international marketplace so it's important that we co-ordinate our work with other regulators in this context."

One of the Canadian Council of Insurance Regulators initiatives that FSCO is involved with in the p&c area, is to review property insurance wordings and disclosures related to natural disaster coverage.

"CCIR's overall strategic plan for 2014-17 is consumer focused and we look forward to contributing to those strategic priorities as well," Mr. Monid said.

"Our primary undertaking will be through education-oriented, onsite examination for service providers, which will be selected on a random and targeted basis."