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Alarming lack of cyber know-how cited

A LACK OF education and talent are key factors that are leaving many Canadian companies at risk of cyber attack, a specialist in the sector warned last week during an event in the CatIQ Connect quarterly seminar series.

"Canadian organizations seem to be unprepared at a basic hygiene level," said Greg Markell, president and CEO of MGA Ridge Canada Cyber Solutions.

He said that means they haven't taken simple security measures to protect against cyber attacks. And he noted only about 20% of organizations have cyber insurance.

And while the number of organizations buying cyber cover is going up, so are the costs of the losses.

"If it's $3 out for every $1 taken in, that's an unsustainable pattern for insurance," Mr. Markell said.

"Rate (increases) alone will not solve that. It needs to be underwritten, too.

"It needs to be modelled and it needs to be a bit more predictable."

He said there needs to be more money spent to train and attract talent to improve cyber security, cyber-related underwriting and even law enforcement.

"We need to fund our cyber security community. We need to fund our law enforcement and intelligence community and we need to take it seriously."

A lack of training and education leads to the same types of security mistakes being made over and over again, said Judith Branham, managing director at Aon.

"We need to educate our executives and board of directors, etc., to know what questions to ask."

Questions, she said, such as whether the organization has an incident response plan in place or if it's using multi-factor authentication.

The general population also needs to be better educated about the risks of cyber crime, said Neal Jardine, senior general adjuster, cyber practice leader for North America at Crawford and Co.

Facility aiming to harmonize rating rules

FACILITY Association is working on several projects to harmonize its systems and create consistency across the country.

Facility was established by the industry to ensure that auto insurance is available to higher risk drivers who are unable to obtain coverage in the competitive market. It is funded by the compulsory membership of all auto insurers in the provinces and territories in which it operates.

The organization is now in the middle of a major project to harmonize its underwriting rating rules for non-private passenger vehicles, including commercial vehicles, inter-urban vehicles, motorcycles and ATVs, Facility president and CEO Saskia Matheson said during a recent online presentation hosted by the Insurance Institute of Canada.

"When you need to rate a piece of business, it should not be a piece of scholarship to figure out how to get the price for the business you're submitting to Facility Association," she said.

Once the rules are more consistent, Facility will be able to move forward with automation and program rating for non-private passenger vehicle business and create an online rating engine, she added.

Facility is also working on harmonizing its risk sharing pool across the country.

The RSP provides coverage for 'grey' private passenger risk — drivers that may meet regular insurers underwriting guidelines, but still present higher-than-average risk.

All of the RSPs except Alberta's — which is unique and has no limit — will move to a straight 5% of the company's book that can be pooled, Ms. Matheson said.

There will also be no more difference between vehicle classes in all provinces.

"(That means) no more of Ontario keeping 15% of the risk on the company books," she said.

"It streamlines the programming and the rules."

P&C industry m&a activity expected to remain strong

MERGER and acquisition activity is expected to remain strong in Canada's insurance brokerage, benefits and underwriting industries in the near future.

Professional services firm PricewaterhouseCoopers Canada says in its 'Mid-year Canadian M&A Industry and Market Trends' report that consolidation of distribution has accelerated in the last six months, driven by the need to achieve scale and digitization.

"During the course of the pandemic, it's been fascinating to see how quickly organizations have moved from defensive tactics to offensive m&a strategies," Domenic Marino, national deals leader and partner at PwC Canada, said in the report.

"Deals that were put on hold are coming back to market and net new sellers are taking advantage of the shortage in deal supply and near record high valuations, bringing deal volumes back to pre-pandemic levels."

Mergers and acquisitions will play a key role in the economic recovery and in many organization's strategies, he added.

The pandemic has accelerated the pace of digital transformation in this sector, which has traditionally been resistant to change, the report says.

Historically high valuations are bringing more vendors to the p&c market, while buyer demand remains strong from strategic carriers and traditional aggregators.

The shift to digital transactions across the financial sector during the pandemic has forced financial services companies and regulators alike to evolve, and allow for e-signing contracts, integrated point-of-sale finance solutions and digital binding of insurance, PwC says.

That pressure to digitize has driven the increase in m&a's and partnerships between incumbents and technology companies.

"M&A can be a tremendously powerful tool to create value, but it's all about how you execute the opportunity and the level and quality of the information and planning," said Sean Rowe, PwC Canada's deals markets leader and value creation leader.