September 27 2021

THOMPSON'S WORLD INSURANCE NEWS

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Alberta set to introduce DCPD in 2022

ALBERTA is set to introduce direct compensation property damage to its auto insurance system on Jan. 1, 2022.

DCPD automatically covers auto repair bills after an accident and pays the insured directly when they are involved in a collision that is not their fault.

It is being introduced as one of several reforms to the province's auto insurance system that came out of advice given by the auto insurance advisory committee, which was created by the government in 2019 as part of efforts to bring down rates in the province.

Alberta is one of the last jurisdictions in Canada to adopt DCPD, said David Mulyk, executive director of pension and insurance policy at the government of Alberta, during last week's Alberta virtual symposium presented by the Insurance Institute of Canada.

There are two main benefits to DCPD, he said. First, consumers will find the process of making a claim simpler and more streamlined.

Second, insurers will be better able to predict the costs of future claims. That's because the system will include vehicle rate groups in setting premiums, which are based on the make, model and year of a vehicle along with the likelihood that type of vehicle will be in an accident.

As a result, premiums will be priced more specifically to each driver based on their particular risks.

It is expected that 42% of drivers in the province will see their rates fall as a result of the change, while 43% will see an increase.

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Another BI class action case fully certified

AN ONTARIO judge has fully certified a class-action lawsuit against Aviva Insurance Co. of Canada by policyholders who incurred business interruption losses as a result of COVID-19.

The $300m suit by Nordik Windows Inc. was originally filed a year ago but Aviva objected to its conditional class action status. The ruling earlier this month by Justice Edward Belobaba of the Ontario Superior Court gave the legal action, also filed by Hangar9 Studios Inc., Cash and Carry Inc. and Real Food for Real Kids Inc., full certification.

"I had no doubt about full certification because if the current plaintiff, Nordik Windows, was found not to be a suitable representative plaintiff . . . three other proposed co-plaintiffs were being advanced in any event," Justice Belobaba wrote, adding that he was "frankly surprised by defence counsel's resistance" to the class-action status.

He said the main action to follow would hinge on the court's interpretation of several key words and phrases, such as 'outbreak' or 'required by law to be reported to government authorities.'

The judge noted that Aviva had argued that the advice or recommendations of a public health authority is not 'an order of civil authority' and therefore covered by the policy.

That, he said, would be determined at trial.

"Here, at certification, it is enough if the plaintiff can establish an arguable basis for the interpretation that is being advanced," Justice Belobaba wrote.

"In my view, it has done so."

It was the third class-action suit of its kind against Aviva. Suits by the Denturists Association of Ontario and the Royal Canadian Legion were previously certified.

According to the Canadian Press, law firms representing the Nordik plaintiffs said about 28,000 Canadian businesses purchased the relevant Aviva policies.

But Aviva's lawyers say the company denied coverage on the basis that the policies "do not provide cover for global pandemics."

S&P warns catastrophe risk is understimated

REINSURERS could be underestimating their exposure to natural catastrophe risks by 33% to 50%, analyst S&P Global Ratings said last week.

That's because reinsurers are modelling an insured industry loss of US$150bn at a one-in-20-year or one-in-30-year return period whereas S&P assesses that size of loss is much more likely to happen in a one-in-10-year period.

It said the underestimation adds up to 91% of the sector's buffer above the 'AA' capital requirement.

Therefore, reinsurers may need to increase the amount of capital they hold for catastrophe exposures by US$21.7bn in aggregate for the industry, S&P said.

It said that while reinsurers have increased their efforts to incorporate climate change in their decision-making process — particularly in risk management, exposure management and pricing — many companies are facing difficulties implementing climate change considerations robustly.

"Unmodelled risks and the inherent difficulties in attributing extreme events to climate change create the risk that climate change may not be fully reflected in catastrophe modelling, particularly in the short term," the analyst said.

S&P said 71% of reinsurers responding to a recent survey said they consider climate change in their pricing assumptions but only 35% said they include a specific component of the price allocated to climate change.

It said that reinsurers may consider that the effects of climate change will not be felt for some time, and that — at present — the ability to annually re-price most property policies provides them with some insulation.

"However, there is clear scientific consensus that climate change is already influencing the frequency and intensity of extreme weather — and therefore, insured losses — today," S&P said.

"If reinsurers are not properly accounting for the impact of climate change in their catastrophe modelling and pricing today, it could lead to significant unexpected volatility in their earnings and capital, resulting in pricing corrections that could have implications for the cost of reinsurance purchased by primary writers, thereby hitting their profitability and risk profiles as well."

Alta. looks to allow captives

ALBERTA is considering allowing the creation of captive insurance companies in the province.

The move is in response to difficulties the energy sector is facing in finding coverage due to a hard commercial market and a withdrawal of capacity due to global insurance companies' environmental social and governance policies that are designed to reduce their carbon footprint, said David Mulyk, executive director of pension and insurance policy at the government of Alberta, during the Alberta virtual symposium presented by the Insurance Institute of Canada.

A captive insurer is wholly owned and controlled by its insureds. It insures the risks of its owners and the insured benefits from the captive insurer's underwriting profits.

The government is working with industry stakeholders who are knowledgeable about captive insurance to create a proposal that would enable the creation of captive insurance legislation in the province, said Mr. Mulyk.

"Captives can provide additional insurance capacity for Alberta's energy sector, although the legislation will be available to all companies and all sectors," he said.

"It would add to the expertise and diversity of the Alberta-based finance sector."

He said legislation to enable the creation of captives in the province could be introduced this fall.

Personal touch still best with hiring, panel says

TECHNOLOGY has facilitated the integration of new employees doing remote work, but personal interactions are still key.

That was the consensus during a recent panel discussion at an Alberta virtual symposium hosted by the Insurance Institute of Canada.

Westland Insurance had more than 100 new employees join its head office over the past year, said Keri Fraser, chief people officer at Westland Insurance, and many of those have never actually set foot in the office.

In order to ensure the company was building strong connections with those employees, Westland focused on how technology could not just create efficiencies, but also show that the company cared, she said.

The company provided video tours of the physical office space so that new employees would feel familiar with the space when they eventually came to the office.

Westland also started surveying new employees 60 days after they join, in order to get a sense of how the 'onboarding' process is going.

"It's a really helpful way of showing us ways that we could be creating a really personal touch," Ms. Fraser said.

At SGI Canada remote work technology has levelled the playing field for new employees, said president and CEO Andrew Cartmell.

In the past, new employees would attend a two day in-person introduction to the company that was known as SGI 101.

That worked well when the company operated only in Saskatchewan, but as it expanded into other provinces, it became too complicated and expensive to bring every new employee to attend in person.

SGI was forced to redesign its orientation process when COVID hit, and that change means every new employee has the same virtual integration experience.

"Insurance is a relationship business and so in-person is always preferable to telephone or virtual meetings, but virtual is a pretty good second best these days," Mr. Cartmell said.

"I think our world has changed permanently and regardless of what happens in the future, a lot of what we've learned in this virtual environment will continue."

Some worry cyber risk may not be insurable

CYBER coverage is an area of enormous concern for both business leaders and insurers in Canada, several experts agreed at analyst A.M. Best's Canada Insurance Market Briefing.

Claims ratios for cyber were around 120% in the last year, said moderator Sridhar Manyem, director of industry research for A.M. Best, kicking off a panel discussion about the subject.

"There are a number of insurers and reinsurers that worry whether some (cyber business) is even insurable," said Matt Wolfe, president of AON reinsurance solutions Canada.

"If you look at a cataclysmic, systemic cyber event that infects hundreds or thousands of policyholders and losses in the billions, I don't know."

He said he was optimistic that the insurance industry will decide to invest in understanding the exposure rather than excluding it, adding that creating solutions is good for policyholders, businesses and the insurance industry.

"I believe cyber will continue to be a meaningful part of the evolving specialty lines industry," he said.

"I am hopeful that we can provide relevant solutions to our clients, but it is a very, very challenging segment."

A recent IBM Canada survey of government and business IT decision makers corroborated that view, finding that 93% are concerned about security risks and the impact of cybercrime in Canada.

The survey was conducted among 250 IT decision makers in Canada from Sept. 2-10.

Just 65% of respondents said they feel the country is sufficiently prepared to respond to a large-scale attack.

Insurers can offer deductibles

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Roughly 15% of drivers will see no change, said Laurie Belfour, executive director of Alberta's Automobile Insurance Rate Board. Of those seeing an increase, 33% will see increases of less than 15%, she said.

The province is also allowing insurers to offer deductibles, which would reduce premiums but leave the driver on the hook for paying a deductible even if they are not at fault for a collision.

Drivers would have to opt in to having a deductible and that has proven unpopular in other jurisdictions, including in Ontario where nearly all drivers choose the zero deductible option, she said.

The Insurance Institute, along with the Insurance Bureau of Canada and the Insurance Brokers Association of Alberta, is holding a series of educational sessions to help prepare insurance industry members for the change.

Events will be held throughout the fall, and details can be found at the Insurance Institute website.

Condo rates expected to rise

CONDO insurance rates are still rising in Canada, continuing a years-long trend that will likely last through the first half of 2022, according to LowestRates.ca.

The recent increase in building materials is likely one reason for rising rates, according to the rate comparison site's most recent 'Home Insurance Price Index.'

Condo premiums are skyrocketing in B.C. and Alberta with an increase from the first to second quarter of 2021 of 22% and 10% respectively.

Rates rose 2% in the same period in Ontario, but were up 8% compared to the previous year.

Along with more expensive building materials, a higher volume of costly claims as a result of extreme weather events has contributed to the increased rates. One industry executive said low interest rates also mean that insurers are not seeing significant returns on their investment revenue, which means they've been forced to make more money on underwriting profit.