Drilling for Clients

Who’s Book Was It?

Crash Course
New Tool for Brokers to Help Clients in a Crunch
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Broker Beware
Disclosing Material Information
Pembridge, A Strategic Partner for Independent Brokers

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Bob Tisdale
President and Chief Operating Officer Pembridge Insurance
It’s hard to believe that I am already half way through my presidency. It has been a very interesting six months and I am looking forward to the time I have remaining.

We have already started president’s tour meetings with members. I appreciate the input we have received as we begin work on our next three year strategic plan. Your thoughts about the where the industry is headed, and the impact this will have on brokers and your association, has been invaluable. I urge the members of local councils that I haven’t had the opportunity to visit yet, to please come out and provide us with your thoughts. Notices of upcoming meetings are posted on the IBAA website, your best source for all things IBAA!

In the October 2011 issue of The Ontario Broker, there was an article by IBAO Chairman Brian Yetman that caught my eye. The article entitled “Brokers wasting thousands on insurer paper processing” related to the transfer of e-documents between insurers and brokers. This is a national issue and worthy of some discussion.

Currently, a majority of brokers are manually retrieving PDF files from individual insurer portals and attaching them to their respective client files. This labour intensive exercise is both time consuming and costly for brokers. If one broker staff member spends 20 percent of the week or five hours doing this at a salary cost of say $100, the annual cost to the brokerage is $5,000. Now multiply that by the 600 member offices in Alberta, and IBAA members will have collectively spent $3 million dollars to retrieve e-docs.

So why bother doing this? Downloading and storing these e-docs on a broker’s server will eat up memory. The documents are stored on the insurer’s server and accessible through their portal. If brokers need to obtain one, they can simply go and get it. By law, we are required to retain documents for seven years, so if you need a declaration page to go to court, no problem. Right?

But what if Insurer A is purchased by Insurer B? I have heard that this will occasionally happen! The acquiring Insurer B will quickly migrate the policies of Insurer A to its system and then decommission the legacy system of Insurer A. This is a cost-effective practice. Part of the reason for the acquisition in the first place is reduced costs. Quite often companies do not retain the historical data of an acquired company at a policy level. If you don’t have it in your office, you aren’t going to be able to get it.

Another situation might be the cancellation of a broker/company arrangement. I’m pretty sure that once the contract expires, access to e-docs would not be an option.

Here are some facts about an industry solution to this costly problem that are readily available.

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Message from the President

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Did you know that you can purchase a terabyte of storage space for your server for about $250? I'm told this storage space can hold up to 1.3 million policy images in a PDF format.

Did you know that your existing CSIO daily download has the capability to transmit the e-docs and automatically attach them to your individual client files within your broker management system?

Last year CSIO developed the standards to accomplish this. In July of this year, SGI, Mastercom and Power Broker proved the technology works. Currently Applied, CSSI and Keal are working to incorporate these standards into their respective BMS systems. IBAC sent a white paper supporting this standard and requesting insurers adopt it. While SGI is the only insurer to build the technology, Pembridge and Intact have confirmed support for the initiative. Where are the other insurers and BMS vendors?

The power of brokers is the grassroots lobbying effort that we effectively use with our provincial and federal politicians. It is now time for us to use this skill with our insurer partners and BMS vendors.

I call upon all members, owners, managers and broker staffs to contact their insurers, tell them how important this issue is to us and request that it be moved to the top of their respective IT priorities list. The "people power" required to make this happen is quite low and this technology will drive efficiencies for both brokers and insurers and help us all to compete with the banks and direct writers in providing exceptional service to our customers.

In closing, I want to take this opportunity to wish you all a safe and happy holiday season and a prosperous New Year.

I love talking with Karen Rutherford; I always learn something new (more like ten things). But, more than the opportunity to benefit from her obvious expertise, it’s her unbridled passion for the insurance industry and her ability to communicate her knowledge in a clear, thought-provoking and energized manner that I find appealing. As Lorne Rye (IBAA past president and participant in Karen’s “Drilling for Clients in the Oil & Gas Industry” seminar) said, “The woman is a born teacher.” My interview with Karen forms the basis of this issue’s cover story, “Drilling for Clients” on page 6.

Speaking of education … in addition to updates from IBAA’s director of professional development on page 36, you’ll find a list of insurance brokers who’ve achieved their CAIB, CCIB and CPIB designations. Kudos to all of graduates on your impressive commitment to your profession and clients. The “strength in numbers” mantra is the foundation of all associations and in this issue, three of your industry leaders provide examples of this concept in action.

• “Message from the President” (page 3) – Dean Bailey urges members to talk to BMS vendors and insurance companies about solutions to reducing the time brokers spend retrieving e-docs.
• “The Advocate” (page 28) – IBAA CEO George Hodgson gives examples of how, together, IBAA members have put some marks in the win column lately.
• “Viewpoint” (page 38) – IBAC president Dale Rempel celebrates the positive outcome of brokers’ efforts across Canada to extend the intent of the Bank Act to prohibiting the sale of insurance directly from bank websites.

The Survey Says …

Thank you to the over 500 IBAA members who responded to our reader survey; your input will help shape the content of your magazine in the future. We’ll publish more results in the next issue but I wanted to share this news immediately: over 50 percent of respondents said The Alberta Broker was their number one reading priority, more than double that of any other trade publication.

The next issue will also include one of my favourite features: profiles of the “Making a Difference” winners. I’ll be putting together the article about these fine brokers and brokerages in December, which is always such a great way to amplify the giving spirit of the holiday season.

On behalf of all of us here at The Alberta Broker, we hope you have a joyful holiday season, and wish you good health and prosperity (how ever you define it) in 2012!
When it comes to protecting your reputation, you may find us surprisingly fierce.

With over 30 years of serving the Canadian broker market, we’re the most experienced provider of professional liability coverage. Yet it’s not just our longevity in the market that may surprise you; it’s our commitment. As more than 20,000 insurance brokerage firms across North America have discovered, we’re fiercely committed to protecting what matters most – your business, your financial assets and your reputation. As in everything we do at Swiss Re, risk is our raw material; what we create for you is opportunity.

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Alberta IS energy. With one in six Albertans employed directly or indirectly* at one of the thousands of businesses that comprise the oil and gas (O&G) industry, this is no overblown statement. There are billions at stake in manpower, equipment and product — billions that need to be safeguarded with insurance. Much like the industry it targets, pursuing insurance business in the O&G sector is a risk-reward proposition.

* Source: Government of Alberta, Energy
With so much business opportunity in the O&G sector, IBAA commissioned insurance industry expert, Karen Rutherford, to develop a seminar that would offer brokers tools to go drilling for clients. IBAA’s director of professional development, Lori Bartlett, tapped into her previous experience as a broker to identify the seminar’s goals. “I’ve been a broker new to commercial so I felt it would be very beneficial to teach a new broker how to assess the risk, create a submission that would make an underwriter want to deal with me on the risk, and then create a proposal for a client that would ultimately make me stand out from the rest and therefore result in the sale,” says Bartlett.

In March 2011, 22 brokers from across Alberta participated in the two-day seminar that offered a unique component in addition to classroom instruction — a field trip to visit Wel-Can, a business that primarily provides welding and fabrication of oilfield equipment. “The ideal would have been to go out into the field but safety and training requirements such as WHMIS precluded this. So I picked a business that was exclusively supported by oil and gas, but at a shop location,” explains Rutherford.

“The idea of being able to go on site and lay eyes on the business and be able to talk authentically to prospects,” was the main reason Jason Ley, a commercial producer at TIG Insurance, signed up. Fellow young broker, Mitch Holst of Saunders Insurance, was also attracted to the “reality education” approach, looking to the seminar to provide “…confidence that you would know what you’re talking about.”

Seasoned brokers such as Brown & Ward’s Lorne Rye also took part. “Oil and gas is a pretty large industry in our region. I didn’t have much (O&G) experience and didn’t feel comfortable advising those clients on their insurance.” In the face of fierce competition for the O&G insurance business for which he believes the right markets and in-house experience are necessary, Rye’s current intention is to focus more on cross-selling to “the smaller service guys” who are already personal lines clients.

Whether it’s the small operator or the medium-sized business you want to pursue, Rutherford stresses the importance of knowing who all the different players are that come and go from the worksite (and how something happening to one can affect the others up and down the line). This knowledge enables brokers to better understand the client’s liability exposure and the broker’s business opportunities.

“For each rig working (currently over 500 in Alberta) there are a whole pack of service providers to make it happen — from snow hauling, to site prep equipment moving, mechanical techs, hot shot deliverers, welders, camp caterers, etc., just to name a few,” says Rutherford. “There are 7000 contractors working for Husky Oil in Western Canada alone,” she adds, painting a picture of the scope of the opportunity.

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So, where to begin? “You need to be willing to understand the business. Check out industry-related websites (see page 7). Find people in the industry who are willing to talk to you and ask lots of questions. Take the IBAA seminar. Find an association and find someone who will talk to you there. Consider joining an association and attending its events like golf tournaments and trade shows to make contacts. Read their publications.” Set out to identify potential clients that Rutherford defines as “someone who is small enough that he likes to deal local, large enough to make you money.”

And then there’s ISNetworld, the online contractor management database of health, safety, procurement, quality and regulatory information that exists to meet governmental record keeping and owner-client requirements. It’s a reality of life for contractors and suppliers in the O&G industry and for their insurance brokers as well. While many brokers, and their clients, bemoan what can be a frustrating process of inputting insurance information into the database, the fact remains that brokers who learn the system, and can help their clients navigate it, are in an advantageous position.

After researching the industry and targeting potential clients, next comes preparation for the first meeting. “You have to have a strategy,” Rutherford advises. “Ask yourself, ‘What do I need to say or do in order to make me more attractive than their current provider?’” Possible answers include:

- Be the best ISNetworld inputter ever.
- Bring value-added services to the table with some of your markets e.g., fleet management or HR management resources.
- Offer a claims process guarantee.
- Raise service standards such as going to markets every two years and presenting the best four options.

Rutherford adds, “Why only go in with one option and leave it up to your client to seek others from your competitors?”

The idea is to walk into the presentation armed with an arsenal and then set out to find out what is this client’s hot button. “It’s never about the money,” Rutherford contends. “It’s all about their perception of value for the money.” She outlines an approach to probe for opportunities to differentiate yourself from your current insurance provider.

“He’d spent over $10 million in insurance over the last few years and would not know his insurance broker if he ran over him.”

So, when your broker gave you this fleet management program to help ensure the safety of your fleet and your drivers, did that work for you? “Either the client will say he doesn’t care about it (in which case, move onto your other strategies), or his broker provided the service and he’s happy or the broker didn’t offer the service and he’s intrigued. Your goal is to find out where he’s irritated so you can soothe him.”

Identifying the prospect’s “yes triggers” is only half the battle. Next comes the long process of gathering information, preparing submissions to underwriters and putting together a proposal for your prospect all to get, as what Jason Ley reminds, “a chance at getting that account or piece of business.” To mitigate your risk, Rutherford advises you determine the client’s willingness to change providers by asking him for a commitment. If I do all this and if I invest fifty hours to prepare a proposal (includes underwriters’ time) would you be able to change from your current broker? Can you make a tough decision?

When the IBAA seminar attendees took the field trip to Wel-Can, the lessons from the classroom came alive. “Several (students) realized how easy it is to do commercial if you actually see the client and that it’s way more fun than sitting at your desk all day,” reports Rutherford. She noted that some veteran brokers realized that they weren’t being aggressive enough for business because they hadn’t seen all the risks. Rutherford says that some brokers fall into the order-taker trap, relying on the client to tell them what they need. “Since the client hasn’t taken an insurance course or training, that kind of seems silly.” Her point is echoed by Rick Smith, Wel-Can operations manager, who says that his broker provides value, “By explaining what we need for proper coverage. At times, we have a lot of our customers’ expensive equipment on site and we’re not always thinking of the risk.”

Smith’s statement underscores the fact that O&G is an active, dynamic business. Equipment is leased or purchased to match the jobs at hand and coverage needs to be adjusted — adjustments that often lead to accounting nightmares for the business — a common complaint of theirs about dealing with insurance. Purchase orders are issued by the client each time a change

Seminar Take-Aways

“Not all CGLs are the same. The inclusions, exclusions, especially with O&G, there is a lot of detail to delve into so that you can ensure the client has the proper coverage.”

— Mitch Holst, Saunders Insurance

“The coverages that would be needed for an O&G risk was an eye-opener.”

“The proper format for a risk submission to an underwriter.”

— Jason Ley, TIG Insurance

“The importance of making sure that you’re getting the proper documentation from the client so that you can secure the right business interruption risks. You don’t want to underinsure and you have to be able to explain why the dollars are higher.”

“You better bring your A-game.”

— Lorne Rye, Brown & Ward Insurance
is made (e.g., the purchase of a floater). Most clients receive an invoice from the broker that doesn’t show a running balance, so the figures don’t jive with P.O.s requiring the client’s accounting department to try to figure out what’s going on. The solution is an easy one, Rutherford contends: a simple copy and paste from the BMS provides the brokers’ information that the client needs.

Once you’ve got the account, a broker needs to work to maintain it, says Rutherford. “Be responsive and ensure your staff is able to deliver. Your client calls you and to get on a jobsite, he needs a cert. You better drop everything and get it done in an hour. Otherwise you cost him time, money and reputation with his clients.” She also advises to see your client at least once a year “when you don’t have your hand out.” She recounts the story one business owner told her, that “He’d spent over $10 million in insurance over the last few years and would not know his insurance broker if he ran over him.”

As to whether one should target a segment or type of service provider, Rutherford believes it’s easier to gain referrals to businesses that a client deals with as opposed to those it competes with. Hey Steve, who built all those custom tool boxes for your fleet? They’re impressive. I’d like to meet him … goes the imaginary conversation. This tip delivered an “a-ha” moment for Mitch Holst. “We hadn’t thought about that approach to gaining referrals and have started applying it to all types of accounts.” Since the seminar, he’s also started getting more familiar with ISNetworld and has been building a comparison chart of company wordings (based on the one Rutherford provided at the seminar).

Pursuing an O&G book is not without risk. It demands a lot of time to research the industry, develop contacts and prepare proposals — all before the client says yes. Jason Ley points out that once you land that large account, there’s also the risk of losing it and the subsequent impact on your total book and income. So, while he still intends to pursue O&G accounts in the future, he first wants to build up the department so they have the manpower to go after the business. As a brokerage owner, Lorne Rye also sees the potential impact on loss ratios and contingent profit in the event of a claim, which he points out will tend to be rather large in this high-stakes industry. “You need a lot of these accounts to protect your loss ratios; like all insurance, it’s about spreading the risk.”

But, like the O&G business itself, great risk can come with great reward. Rutherford points out that “If you wrote twenty large and twenty not-so-large accounts, that’s all the business you need to write.” She concedes it will take some time. “If you want to learn and work hard, the rewards are significant. You only need to meet one stranger and make him your ‘friend’ and build business from there.”

While the rewards can be lucrative, the big picture, Rutherford concludes, is about more than money. “It’s all about the fun — learning about their businesses, their challenges, their views on everything from WCB and taxes to family and business. That’s what connects you to the world.”
From the Superintendent
Mark Prefontaine

Collaborative Effort

Alberta Finance and IBAA Help Brokers Help Clients

Every year in Alberta, over 112,000 motor vehicle collisions occur. As a result, approximately 27,000 Albertans are injured. The experience of being in a collision is a very stressful and at times confusing situation for the parties involved. That stress is compounded if there is damage to the vehicles or injuries to the people.

As members of IBAA, you are often the first point of contact for consumers, and your due diligence is required to represent your clients’ insurance needs. The primary role of the Superintendent of Insurance at Alberta Finance is to protect policy holders from undue loss, contribute to public confidence and promote consumer choice, fairness and competition in the marketplace.

Knowledge that we may take for granted regarding motor vehicle collisions is not always communicated clearly or in a timely manner to consumers. Consumer education is needed to facilitate public knowledge of the steps to take following an automobile collision.

Alberta Finance and IBAA have, therefore, joined in a collaborative effort to empower Alberta consumers through education and awareness by creating an information brochure for use when someone is in a motor vehicle collision.

The brochure:
• offers guidance in stressful situations involving automobile collisions;
• informs consumers of their rights and responsibilities;
• helps drivers meet the collision reporting requirements of insurance providers and police services; and
• provides a list of the essential steps to follow after a collision, including a collision worksheet that helps drivers to remember the types of information they need to record at the scene of an auto collision.

The brochure, entitled What to Do after a Collision, is available to all IBAA members to purchase and supply to their clients (see page 15 for details – Ed.). In drafting the brochure, Alberta Finance and IBAA used information from a number of sources:
• Government of Alberta (GOA): Alberta Justice, Alberta Transportation, Service Alberta, the Automobile Insurance Rate Board and GOA compliance officers;
• Alberta legislation and regulations on auto collisions;
• Tip sheets compiled by regulators or insurers in other jurisdictions; and
• External stakeholders including but not limited to IBAA, law enforcement agencies and representatives from the legal and insurance professions.

Alberta Finance and IBAA encourage all brokers and insurance companies to distribute the brochure to policyholders. We believe that this consumer education will help insurers with their risk management and claims processing.

For more information on the brochure, contact IBAA. For other consumer education materials, please visit the Alberta Finance website at www.finance.alberta.ca and click on “Insurance” and “Information for Consumers.”

MARK PREFONTAINE
Superintendent of Insurance, Alberta Finance
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In a recent Ontario case, an insurance brokerage sued two producers who left to join another brokerage over ownership of their book of business. Gentech Insurance Ltd. (“Gentech”) is a relatively small brokerage in Ontario which is owned by two owner-operators, Muir and Haring.

Gentech offers business insurance products of all types with a concentration on insurance for the hospitality industry, including restaurants, bars, hotels and motels, bowling alleys and similar businesses.

According to its owners, Gentech’s standard arrangement with its producers consists of two elements: division of commissions and shared ownership of the producer’s book of business. Gentech’s standard approach is to split commissions 50/50 with its producers. In relation to ownership of the producer’s book of business, the standard Gentech arrangement is likewise 50/50. This means that Gentech is considered to be a 50 percent owner of the producer’s book of business while the producer owns the other 50 percent. If a producer wishes to leave Gentech and take his or her book of business, the producer must purchase Gentech’s 50 percent interest at fair market value. If the producer retires, leaves the business or dies, Gentech will similarly purchase the producer's 50 percent interest at fair market value.

One of Gentech’s producers was Martina. Martina had previously worked for Gentech as a customer service representative but had left Gentech to join Marsh Canada as a producer. In 2005, Martina met with Muir who proposed that Martina rejoin Gentech as a producer. With respect to commissions, it was agreed that Martina would receive a minimum draw of $70,000 based on 80 percent of gross commissions in Year 1, 70 percent of gross commissions in Year 2 and 50 percent of gross commissions in subsequent years. This guarantee was to expire once Martina surpassed a threshold of $140,000 in annual gross commissions.

With respect to the book of business, Gentech asserted that the parties’ understanding was that the book of business Martina developed would be owned 50/50. At the time he joined Gentech, Martina had no book of business to bring with him. Gentech was, therefore, prepared to bring him aboard, pay him a guaranteed draw, and a higher proportion of commissions during his initial years, and share its expertise, custom products and connections with underwriters and insurance markets while Martina developed a book of business that would be jointly owned. However, Martina denied any discussion or agreement regarding shared equity or ownership of his book of business. Two draft agreements were prepared by Gentech’s lawyer and provided to Martina but never signed and it was left on the basis that Martina was going to consider the documents further.

The other producer was Diamantouros. Both Diamantouros and Martina had worked together as producers at Marsh Canada. They kept in touch after they left Marsh Canada, Martina to work at Gentech and Diamantouros to work at Murray Hoffman Insurance Brokers. Unlike Martina, Diamantouros had developed his own book of business before coming to Gentech.

There was no dispute that Gentech and Diamantouros had agreed to a 50/50 split of gross commissions generated by his book of business. They disagreed on whether Gentech and Diamantouros would become 50/50 owners of his book of business after he joined. Diamantouros was never asked to sign a written agreement.

The relationships among Gentech, Martina and Diamantouros initially proved to be mutually beneficial. By the end of 2008, Martina’s gross annual commissions had grown to $209,590 and those of Diamantouros were $179,710. Nonetheless, by late 2008, Martina and Diamantouros were exploring other options. They ultimately agreed that they would leave Gentech and join Diamantouros’ former brokerage, Murray Hoffman Insurance Brokers. They negotiated from Hoffman a higher commission split in their favour, 60/40. They decided they would leave on January 21, 2009, because their monthly commission payment for December 2008 was due to be paid by Gentech on January 20, 2009.

Martina and Diamantouros gave no advance warning or notice to Gentech of their upcoming departure. On January 20, 2009, Muir left on a planned trip to Scotland. On the afternoon of January 21, 2009, with Muir overseas in Scotland, Martina and Diamantouros met with Haring and told him they were leaving, effective immediately. Almost immediately thereafter, Gentech began to receive notices by which customers who were included in Martina’s and Diamantouros’ books of business left Gentech and followed them to Hoffman.

The trial judge found that there was a verbal agreement between Gentech and Martina that the book of business he generated at Gentech would be owned...
The trial judge held that Martina was in breach of contract. The only evidence concerning fair market value came from Muir who testified it ranged from two times yearly commission for automobile and residential customers, to three or three and a half times yearly commission for commercial clients. The trial judge settled this issue on the basis of a handwritten memorandum offered by Muir to Martina at the outset of their relationship which referred to a multiple of two as “a current commercial factor for valuing business.” Applying a factor of two to Martina’s gross annual commissions for 2008 of $209,590 resulted in a valuation of his book of business of $519,180. Gentech’s 50 percent interest therefore had a value of $209,590 and Martina was ordered to pay that sum.

The trial judge rejected the notion that Diamantouros had agreed to a 50/50 split of the equity of his own book of business, either at the time he joined or at any subsequent time during his ongoing relationship with Gentech. Any claim of breach of contract based on Diamantouros taking his book of business when he left to join Hoffman therefore failed.

The trial judge then considered Gentech’s conspiracy claim. The trial judge found that Martina and Diamantouros acted in concert when they planned their departures, negotiated their new deal with Hoffman, simultaneously submitted their resignations from Gentech and took their books of business with them to their new brokerage. The trial judge stated that as a matter of law the tort of civil conspiracy exists where the defendants’ conduct is unlawful, the conduct is directed towards the plaintiff (alone or with others) and the defendants should know in circumstances that injury to the plaintiff is likely to, and does, result. The trial judge held that Martina’s conduct was unlawful (in a civil sense) because by taking the book of business he co-owned with Gentech to another broker without paying for it, he breached their contract. In addition, Martina’s conduct was directed towards Gentech and both Martina and Diamantouros should have known that injury to Gentech was likely to result. The trial judge concluded that both Martina and Diamantouros were therefore liable to Gentech for the tort of civil conspiracy in the amount of $209,590.
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January 31, 2012

Endorsed by the IBAA and Government of Alberta
Growing up, we think of professionals as doctors or lawyers. We view these occupations with a high degree of respect. Why? I believe it’s because of the dedication to the many years of post-secondary education required for completion.

Before becoming an insurance broker, I had no idea we were required to be licensed or to have required hours of continuing education (CE). After taking my required courses and exams, I have a whole new respect for the industry.

My first position was as a commercial lines broker and my biggest task was gaining credibility from the business owners of the accounts I was handling.

I was very fortunate to have an employer who encouraged personal growth, and he recommended I work towards the CAIB designation. These courses helped me understand the policies in greater detail so I was able to use my knowledge to benefit the clients.

Having a strong knowledge base became the best way to gain credibility as an insurance professional.

One of the benefits to entering the insurance industry is the endless opportunities available to us. With every seminar, course or certification, we open up another door. You may find that your interest lies in the claims process or the commercial department, or maybe you prefer the risk management aspect. In all cases, the education courses we seek help us grow into the brokers we want to become. As a member of IBAA and PYIB, I have access to several methods to obtain my CE credits. With the wide range of seminar selections any broker can receive the knowledge for the pathway they choose.

I’m an advocate for continuing education as a way to better your career and the industry in which we belong. Respect tends to go hand in hand with experience. However, continuing education and accreditation can only help speed along, and reinforce, the process. After all, who would visit a doctor who was using archaic methods in her practice due to a lack of education?

JANELLE REINBOLD
CAIB
PYIB Director at Large
janelle.reinbold@hotmail.com
Golf Club is a beautiful course and provides an incredible backdrop on the banks of the North Saskatchewan River. Insurance industry sponsors and participants from all over Alberta came out with overwhelming enthusiasm to generously support the cause of raising funds for cancer research.

The Alberta WICC committee is building up momentum for this year’s Gold Flame Awards luncheon promoting both ticket sales and sponsorship.

Two of last year’s award winners are making great efforts to be winners again this year:

1. As a winner from last year and strong WICC advocate, AXA, now Intact Insurance, has really picked up the pace in its fundraising efforts over the last two years. They sent Calgary manager Darrell Verbonac to a recent WICC committee meeting to make another sizable donation (see photo below). With “Hurray, hurray! The First of May!” and other successful events, they set the pace for other Calgary region supporters leading into this year’s luncheon.

2. Organizer Chris Miller says of the Insurance All Industry Golf Tournament in Edmonton, “I would like to let you all know that I am very pleased to announce that this year’s tournament raised $11,000 in support of WICC. It has been a pleasure to partner with WICC to raise money for a very worthy and important cause. We look forward to continuing the partnership again next year.” Sintra Engineering has coordinated the tournament for the past six years, but this is the tournament’s 43rd year. The private Blackhawk

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**WICC Gold Flame Awards Luncheon Sponsorship Opportunities**

January 19, 2012, Palomino Room, BMO Centre – 11:30 a.m. to 2:00 p.m.

- **Platinum Sponsor – $2,500**
  - Logo displayed on table and on projection screen.
  - Special thanks mention during speech.
  - Four tickets.

- **Gold Sponsor – $1,500**
  - Logo displayed on table and on projection screen.
  - Two tickets.

- **Silver Sponsor – $1,000**
  - Logo displayed on table.
  - One ticket.

- **Bronze Sponsor – $500**
  - Logo displayed on table.

**Tickets:** $90.00 each; $720.00 table of 8

WICC Alberta would like to thank you in advance for your support. Every dollar gets us one step closer to a cure and your money goes to support selected research projects in Alberta.

To sponsor the WICC Gold Flame Awards or purchase tickets, please contact:
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amy.foggin@canproglobal.com
donna.brown@intact.net
Another Christmas season is upon us, and hopefully everyone will have a very safe and happy holiday. It is quite amazing how after such a hectic December of running around and finishing off your Christmas shopping, how truly relaxing January has become. January also means the start of the customary post-Christmas trends:

1. All the fitness gyms being jam packed with people trying to shed off those few pieces of turkey and extra gravy.
2. More people starting a “dry January” – and I don’t think they’re talking about water here either folks.
3. And last but not least, most of our broker force heading on vacation to a nice sunny resort somewhere down south while we company people stay here and freeze. :)

Now, on to business …

Fall Events

WFG hosted its annual golf tournament down in High River again this year. The event was a huge success and a ton of fun. There were well over 150 golfers at the event with a lot of support from WFG staff working the holes. Once again, a whole bunch of money was donated to a great cause, the Western Communities Foundation. BIG THANKS to all the volunteers who make this and every event happen. It would not be possible without you!

The Legends golf course hosted the dramatic Insurance Ryder Cup on September 15th. This event is a golf tournament where the underwriters/company people take on the sand bagging brokers in a showcase (or non-showcase) of golf talent. The event is a 27-hole tournament where the teams play everything from best ball to alternate shot and stroke play. I am pleased to say that the underwriters/company people were able to keep the trophy, and all bragging rights, for another year.

The Professional Young Insurance Brokers conference was held at the Crowne Plaza hotel in Edmonton. The theme of the event was James Bond so all were dressed to the nines in their dresses and bow ties. The event seemed to be a very big success with many companies showing up at the trade show. There was everything from a photo booth to caricature artists, nerf gun target practice and a martini/shooter station. Everyone seemed to have a great time at the trade show, dinner and fun money casino afterwards. I’ve never seen so many millionaires in one room as I did at the fun money casino!

Who? What? Where? When?

David Cardamone (Aviva), and new bride Malorie Baker, tied the knot on September 24th. The wedding was awesome and everyone had a lot of fun. My sympathies were with Dave throughout the event though, as I couldn’t help but think all the time and effort he had to put into planning the wedding. Rumour has it, he did all the planning and Malorie just had to show up! All joking aside, it was a lot of fun and congrats to both of them!

Rob and Connie Rogers have left Eagle Insurance to go work for MHK Insurance in Calgary.

Houston Insurance in Jasper was officially purchased by Tony Carlton, and the name of the brokerage has changed to Carlton Insurance Brokers. A big congratulations goes to both Tony Carlton on the purchase and Brad Houston on his “retirement”!

Peace Hills Insurance acquired a couple very well-respected and well-known insurance industry professionals. Dave Mayor, formerly AXA Pacific, and Grant Minor, formerly Aviva Canada, joined Peace Hills on a contract basis to help out with a few projects.

Was it just me or did anyone else see Brad Sklarchuk (Access Insurance) putting on “lip gloss” on the big screen at the Edmonton Oilers game against the
Washington Capitals? Did the lip gloss have sparkles, Brad?

With the purchase of AXA Insurance by Intact, there were a few changes and moves around the office. Shane Goudie will be taking a regional business development manager position with Intact Insurance, and Kevin Kulak will be taking a senior commercial auto underwriter position.

Congratulations to Mike Melnick (MHK Insurance) and wife Christina on the birth of their new daughter Ava Christopher. Congratulations also go to Alice Johnston on the birth of little baby boy, Tommy. Some very sad news on the passing of Randy Treasure. Randy was one of the most respected men in the insurance industry — he was an IBAA past president and the father of Scott Treasure, who is the IBAA president-elect.

Sincere condolences also go out to Sheldon Bos (Roberts McClure) and Massimo Pazienza (Capital Insurance) who both lost their fathers in the month of September.
Sewer backflow risk. These are words that most insurance brokers don’t want to hear. Something like catastrophic losses. But what if there was a way to precisely assess such risk in an objective way?

Although Alberta cities have some of the best water infrastructure in the country and flooding is more of a problem in Central and Eastern Canada, a new risk assessment tool is in development that could serve municipalities across all of Canada.

The Municipal Risk Assessment Tool (or MRAT) is scheduled for gradual implementation in Canada beginning in 2013. Insurance Bureau of Canada has hired a multi-disciplinary group from Dillon Consulting, including hydrologists, climate scientists, risk managers, and infrastructure engineers, to develop it. Development is on behalf of IBC’s member companies with funding from Natural Resources Canada.

**How will MRAT work?**

MRAT would use a top-down approach. A formula would, for a given municipality, combine risk indicators with present and future climate periods. Risk zones would be represented on a geographic information system (GIS) map.

This map would be, in effect, a visual representation of sewer backflow risk zones within the municipality. The information from MRAT would be available through a web portal. The output from the tool would not, importantly, identify solutions. It would simply, and importantly, identify vulnerabilities.

**What would it mean to insurers?**

MRAT will help insurers:
- Ensure accurate underwriting.
- Enjoy a level playing field, because they will all have access to MRAT information when they set rates.
- Increase the availability of home insurance. If insurers have solid data to help them understand the risks they are underwriting, they are more likely to offer coverage in municipalities or neighbourhoods where they currently do not. This is because they can be more confident that premiums they set are in line with the actual risks they are underwriting.
- Identify risk zones, but not risks for individual homes.

The last point is important. Infrastructure risks for a municipality can be identified, but brokers will still have to underwrite individual home risk, and that risk can be mitigated by devices such as sewer backflow valves.

In a recent national poll by Pollara, almost 70 percent of respondents would be prepared to spend $2500 to install a sewer backflow valve if they knew they were in a high-risk area.
“If insurers have solid data to help them understand the risks they are underwriting, they are more likely to offer coverage in municipalities or neighbourhoods where they currently do not. This is because they can be more confident that premiums they set are in line with the actual risks they are underwriting.”

What would it mean to municipalities?
MRAT will help municipalities:
• Calculate savings on homeowner’s and business insurance premiums over the lifespan of municipal infrastructure.
• Use the graphic representation of problem areas in the form of a map to communicate the importance of improving vulnerable infrastructure.
• Improve their infrastructure planning by providing, ultimately, local and updated rainfall return statistics.
• Understand projected future climate patterns in order to make efficient and effective long-term investment plans.
• Identify vulnerabilities to support business cases to the provincial and federal governments to help secure funding. This is particularly important given the desire of the senior levels of government to support limited investments in areas where infrastructure failure is more likely.

Severe Weather Adaptation Role for Insurers
Environment Canada reports that severe weather events that used to happen once every 40 years could now occur every six years. From damaging hail and fires in Alberta to hurricanes that afflict Atlantic Canada, and tornadoes in Ontario to flooding in Manitoba and Saskatchewan, the cost to Canadians, in both financial and human terms, is rising.
We need to adapt to the fact of increasing severe weather. This affects ourselves, our families, our homes, our businesses and the services and utilities we depend on.

A federally appointed advisory panel, the National Roundtable on the Environment and Economy (NREE), reported in September that increasingly severe weather carries with it a high economic cost. It recommends that Canada should move to reduce the inevitable increased costs by investing in adaptive measures. These will help preserve the quality of life in communities across this country.

The insurance industry has a pivotal role to play. We can all be ambassadors for such adaptation at the local level. MRAT is one tool that insurance brokers can get behind and advocate for.

Kim McKay is your insurance personnel expert.
The Network Corporate Search specializes in the recruitment and placement of insurance professionals in permanent positions across Western Canada. We take pride in providing personal and individual service to all of our clients and candidates.

With over 25 years of experience, Kim can find “The Perfect Fit.”
No more “Earn Now. Pay Later.”

Government proposes to limit tax deferral for corporate partners

The federal government has proposed to limit the tax deferral that corporations have benefited from on partnership income received as corporate partners. Under current income tax rules, income earned by a corporation as a member of a partnership is included in the corporation’s income for the corporate tax year in which the fiscal period of the partnership ends. If a corporation carries on a business through a partnership that has a fiscal period that ends after the end of the corporation’s taxation year, taxation of the partnership earnings can be deferred by up to one year.

For example, if a corporation with a December 31, 2010, year-end is a partner of a partnership with a fiscal period ending January 31, 2011, the corporation can defer the taxation of 11 months of income (i.e., income from February 2010 to December 2010) to the corporation’s 2011 taxation year. Since the partnership’s fiscal year ends in 2011, its income would be reported in the corporation’s year ended December 31, 2011. Larger deferrals become possible if a multi-tier partnership structure is used (i.e., where the partnership is a member of another partnership).

The government has found the deferral to be inequitable and proposed to limit it by requiring certain corporate partners to accrue partnership income for the portion of the partnership’s fiscal period that falls within the corporation’s taxation year (the “stub period”). Note that in 1995 the government closed the possibility of such a deferral for individuals carrying on business through a partnership or sole proprietorship. It’s worth noting that it is estimated that the federal government would receive an additional $2.85 billion of tax revenue from this proposed change over the first four years that additional tax revenue will arise. This measure is to apply to taxation years of a corporation that end after March 22, 2011.

**Which corporations are impacted by the proposals?**

The proposals will apply to a corporate partner (other than professional corporations as they were impacted by the 1995 changes) for a taxation year, where:

- The corporate partner is a member of a partnership at the end of the taxation year,
- The partnership’s last fiscal period that began in the taxation year ends in a subsequent taxation year of the corporate partner (i.e., the partnership and the corporate partner have different year ends), and
- The corporate partner has a significant interest in the partnership. This means that the corporate partner, together with affiliated and related parties, was entitled to more than 10% of the partnership’s income (or assets in the case of a wind-up) at the end of the last fiscal period of the partnership that ended in the taxation year.

These rules will apply to any corporate partner that meets the conditions noted, even if other members of the partnership include individuals or professional corporations.

**What types of partnership income are caught by the proposals?**

The 1995 changes focused exclusively on business income. However, it appears that the changes introduced in the 2011 budget will have broader application. In one part of the budget papers, it is stated that the deferral will be ended for a partner’s share of stub-period income from the partnership, other than the share of dividends received from other corporations. This change will mean that the 2011 proposals will likely be a lot more complicated to apply in practice when compared with the 1995 changes, as private corporations pay different tax rates on small business income, general business income and investment income. It is unclear whether the government has considered this difference as the 1995 rules applied to only one kind of income.

**How will the deferral be limited?**

A partnership will still be allowed to have a fiscal period that differs from the taxation year ends of its corporate partners; however, corporate partners will be required to accrue income from the partnership for the stub period. A stub-period accrual will be determined based on a formula that prorates the amount of income from the partnership for the fiscal period ending in the corporation’s taxation period based on the number of days in the stub period to the number of days in the partnership’s fiscal period that ends in the taxation year.

Alternatively, the corporate partner can designate an amount lower than the income that is determined using the formula. However, if the designated amount ends up being less than the actual stub-period income (verified once the partnership’s fiscal year has ended) and the income determined using the formula approach, the corporate partner will be subject to an additional income inclusion in the following year. This income inclusion will be equal to the amount of the shortfall multiplied by the average prescribed interest rate that applies for tax underpayments.
Where the shortfall is larger than 25 percent, there will be a further income inclusion. Therefore, it may be prudent to use the formula approach, unless the actual stub-period income will be lower and the amount is known with some certainty. Unfortunately, using the formula approach initially, and adjusting later for actual prorated stub-period income is not currently an option.

As these proposed measures could result in significant additional incremental partnership income for the first corporate taxation year ending after March 22, 2011, transitional relief (where certain conditions are met) has been allowed by way of a transitional reserve. For the corporation’s first year-end under these rules, a 100 percent reserve will be allowed. The incremental amount to be taxed will then be gradually taxed over the five taxation years that follow. As a preliminary observation, it would appear that the transitional relief will end if the partner sells the partnership interest or the partnership is wound-up during the transitional period. Therefore, these rules will need to be considered carefully before a partnership interest is sold.

**Fiscal period changes**

With the new requirement to accrue stub-period income, some partnerships may wish to change their fiscal periods. The budget proposals include a one-time election for partnerships where all members are corporations, and where certain other conditions are met, that will enable a partnership to change its fiscal period. To meet certain conditions and to determine an appropriate new fiscal period, the partnership will need to gather information on the taxation year-ends and filing deadlines of all of its corporate partners. This requirement needs to be taken into consideration when determining whether to make the election.

Note that the proposals do not include any special rules that would allow a corporate partner to change its year-end to harmonize with a partnership. However, we assume the Canada Revenue Agency would agree to such a change if an application is made in required form.

“It is estimated that the federal government would receive an additional $2.85 billion of tax revenue from this proposed change over the first four years.”

**Fiscal year-ends for multiple-tier partnership structures**

Under the proposals, all of the partnerships that are part of a multiple-tier partnership structure will be required to have the same fiscal period, but it is not necessary for this fiscal period to align with the taxation year of any of the corporate partners. This requirement is being introduced because the stub-period accrual rules described are not adaptable to address the tax deferral that arises in multiple-tier structures that may have both corporations and partnerships as members at various levels in the structure. In general, multiple-tier partnerships that are not required to have a December 31 fiscal period under existing rules will be allowed a one-time election under certain conditions, which will enable them to choose a common fiscal period. If no such election is filed, the common fiscal period of the partnerships in a multiple-tier partnership structure will end on December 31, 2011 (and on December 31 for subsequent fiscal periods). With a common year-end for these partnerships, the stub-period rules and transitional relief discussed above will apply.

Depending on the number of partnerships in a multiple-tier structure, the requirement to change the fiscal periods of the partnerships could prove to be quite onerous with the coordination and compliance involved. And, the income deferred may have also been larger.

**Summary**

These proposals provide a significant change for corporate partners, as well as for partnerships that are required to change their fiscal period and for those that choose to do so. Partnerships and corporate partners need to consider their impact. As discussed, there will be decisions to be made at both the partner and partnership level.

You should consult with your professional advisor regarding the taxation of partnership income.
Asking the BIG Question

Get the sale by asking for it

By Peter Winick

If you are like most sales people, when it comes down to it, you are downright scared of being direct and to the point and telling people in no uncertain terms, “Here’s what I want!”

Think about it. There’s a conspiracy that encourages people to bury their most important wants and desires. Marketing trainers use consultative selling to draw people out. Social media consultants say “Selling directly is suicide!” People hem and the haw and they even are afraid to ask you what they want to ask you the most. They feel vulnerable about being honest and up-front. It petrifies even the best of us!

Yet when it comes to being successful in business, being frank, open and clearly asking people to give you what you want is what wins the day.

John Baker, a veteran Fortune 25 management and leadership consultant and author of the new book The Asking Formula — Ask For What You Want And Get It, says the world would be a better place if marketers were totally up front and said, “I’m selling windows today; are you buying?”

Baker spent several years studying the fears and trepidation people demonstrate in situations across the whole spectrum of human interactions. He concluded that people do not know the best way to get what they want. He then documented the simplest tactics and strategies that he observed in the people who were getting exactly what they were after. His discovery was absolutely earth-shattering in simplicity.

Very simply, the most successful people ask for what they want. Then they give the three very best reasons that explain why it makes perfect sense to say yes.

Here’s an example.

A sales person has met with the client, properly identified the needs and tailored a solution that meets the clients’ needs as well as budget. After the meeting is complete the sales person thanks the client and says that he will follow up with him in a few days.

Even experienced sales people, young and old, are often stumped over asking someone for the order. They stumble and bumble their way through touchy feely talk about their hobbies, the weather, their pets, family or weekend plans, anything but what they are really after.

Oh sure, all sorts of experts tell you that it’s important to build a relationship, or you have to draw out the prospect, or listen for buying clues, and any number of other items, but the crucial, bottom line issue is that they never get around to asking the big question.

Yet the quickest and best way to ask for the order is to go right up to the person and say:

Would you please do this for me? You’ll see what you want happen. You’ll be able (to do this) and get to (do that) and I’ll have it to you by (date certain) within your budget. Guaranteed.

“It is crucial,” Baker says “to identify the exact most important request and brainstorm before you decide on the best reasons. Each reason needs to be carefully selected from a larger number of options and be backed by three important facts.”

It’s about that easy, and the power of this strategy is more than a little amazing. Baker has shown that this method can be successfully used to penetrate difficult accounts, close difficult sales calls, shorten a sales cycle, protect price margins, reduce meeting time, speed up Powerpoint presentations, and structure personnel reviews, sales letters, company communications with suppliers, corporate memos and even email messages.

What’s more, it is proven to be quite helpful in corporate and business personal interactions with personnel, especially with supervisors and staff.

And it really helps if you put your money where your mouth is:

Director, let’s implement the plan as follows. We’ve got this and that for an entrée, and it addresses the crucial factors like this. It will improve how things operate like this, and we’ll even make sure that it all happens by closing!

“Conversations are clearer and there is less misunderstanding and I earn lots of points for being thoughtful,” he says with a gleeful smile.

Building a relationship is great, but over-doing it turns you into a nuisance. The biggest problem with consultative selling, for example, is that it gets in the way of the selling. It’s technique overload. It targets intimacy over decorum. It allows for procrastination. It enables salespeople to avoid rejection. After all, if you are busy probing the needs of the prospect you don’t have to risk asking for the sale.

Can you image a vendor at a ballpark consultatively selling you a hot dog: “On a 1 to 10 scale, rate your level of discomfort with your hunger?” “Tell me your main objective with the hot dog?” “When you had a hot dog before, how satisfied were you with the mustard and ketchup ratio?”

Isn’t he more effective when he just yells: “Hot dogs, hot dogs, come and get your hot dogs!”

Peter Winick is a publicist for John Baker. John Baker has held top leadership positions in sales, client service and operations in Fortune 25 companies for more than 25 years. The Asking Formula book is based on his Asking Formula workshops and consulting practices.
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Dwayne Feary, Senior Commercial Auto Underwriter (Left)
Yar Ziolkowski, Regional Specialist

The Professional Young Insurance Brokers
would like to wish everyone a
Happy Holiday Season!
Advocacy “Wins”

As I and others who have come before me have stated many times, the political lobby (government relations or as I prefer to call it, advocacy) is the key reason for IBAA’s existence. Sometimes our advocacy goes beyond government relations. The difficulty with advocacy is that results are very seldom achieved instantaneously. Like the farmers whom many of our broker members serve, our advocacy efforts require us to prepare the ground usually months, if not years, in advance of the results.

**Banks Prohibited from Promoting Insurance on Their Websites**

This fall, Ted Menzies, Minister of State (Finance) announced new federal government regulations that prohibit the promotion of P&C insurance products by banks on their websites. This announcement follows years of ground work done by the Insurance Brokers Association of Canada as well as the provincial associations including IBAA.

The IBAA and IBAC government lobby goes back over nine decades. Throughout this time, these associations have advocated for and against many issues on behalf of insurance consumers and insurance brokers; however, a dominant and constant issue over that time period is the banking industry’s persistent efforts to be allowed to retail P&C insurance from the same premises that they offer banking services.

The consistent message of the broker associations has been that the insurance consumer is not well served by the tied selling that will inevitably happen should these two services be offered by the same people at the same location. Our stance has been encapsulated in the statement “one ought not to retail insurance at the point of granting credit.”

This prohibition for the retailing of insurance by banking institutions has been in place for some time; however, some banking institutions have been circumventing this part of the Bank Act by retailing insurance through their websites.

Mr. Menzies stated the government wanted “to ensure the Bank Act reflects the new reality of online banking, to avoid attempts by the banks to do on their websites what they are prohibited from doing at their branches.” The government and the broker associations want to ensure a level playing field where Canadians can make the best choice when buying insurance products. Moreover, this level playing field will ensure that small businesses can compete and thrive in all Canadian and Albertan communities.

This position will continue to strengthen the Canadian financial regulatory system that is today considered one of the most effective in the world. In fact, many experts worldwide credit the Canadian system for sheltering the Canadian economy from many of the negative consequences of the global economic meltdown of 2008. To its credit, the government has signaled that it will continue to maintain and strengthen the current regulatory system by the implementation of the new regulation. To the credit of the insurance brokers associations, the federal government continues to hear the same consistent message on this matter.

IBAA is proud to have been the host provincial organization for the announcement of this new banking regulation. During the news conference, Mr. Menzies was asked how the government was informed of the concerns about the banks retailing insurance from their banking websites and if there were many instances of consumers buying insurance through these websites. He said he was not aware of the numbers, but that one instance is one too many. Moreover, he said the government heard about these concerns through the advocacy efforts of the insurance broker associations on behalf of the Canadian consumer.

In the end, Dan Danyluk, CEO of IBAC, said, “we applaud the Government of Canada for taking a strong stand in favour of consumer choice.” I would also add that we all should applaud the strong, consistent, tenacious grassroots efforts of the broker associations’ advocacy endeavors on this matter.

**A Better Agreement with CGI**

CGI Information Systems and Management Consultants Inc. provides insurance history reports (AutoPlus & HITS) to brokers. This relationship
between the brokers, CGI and insurance partners has been ongoing for a number of years.

In August of this year, CGI issued a new agreement for brokers to sign. IBAA, along with our sister association in New Brunswick and led by the Insurance Brokers Association of Ontario, found parts of the agreement unacceptable and insisted on a number of changes after taking legal advice from IBAO’s counsel.

Finally, after more than two months of negotiations, the broker associations appear to have reached an amicable agreement with CGI. The associations are currently waiting on the wording of the agreement in order to proceed further.

**You Make the Difference**

IBAC, IBAA and other provincial broker associations do advocacy differently than most other lobby groups. The broker association advocacy effort is truly grassroots in nature.

Other sectors such as banking, telecommunications and energy typically have a large department of government relations, or political lobbyists. Generally, in these cases, the government hears only from members of the GR department. In some cases, the government bureaucrats in departments such as Finance or Environment are the only people to hear from the lobbyist.

In the grassroots lobby of the broker associations, federal MPs and provincial MLAs hear from brokers living and doing business in the politicians’ constituencies. This lobby involves developing and maintaining a relationship between brokers and local politicians. Such advocacy is very powerful but takes time to get results. For long periods of time, little often appears to be accomplished; however, when important issues arise, the mature relationship that has been maintained, often for years, makes negotiating the concerns much easier and more productive.

IBAA’s advocacy goes beyond the government or political lobby as indicated by the CGI example above. Broker associations also advocate to other participants in the insurance industry, such as insurance companies, on behalf of brokers and consumers.

When brokers receive a call from the IBAA office to attend a political or industry function on behalf of the association, remember the need to enhance and maintain the relationship between the association’s member brokers and the politicians, civil servants and industry participants. Successes such as the bank website insurance retailing prohibition or the much improved agreement with CGI are achieved due to relationship building exercises such as political dinners and insurance industry events that all brokers are asked to attend from time to time. These seemingly meaningless occasions that occur over months and years build the relationships that are critical to the successes achieved.

On behalf of all IBAA members and insurance consumers, I would like to thank those brokers who took time from their business and personal lives to attend political and industry events. Your efforts over the past years generated today’s successes.

Finally, I would like to take this opportunity to wish all readers of this column and their families Happy Holidays and a truly happy and prosperous 2012!

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**GEORGE HODGSON**
CEO, IBAA
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*The Alberta Broker December 2011 - January 2012*
Saving for Children’s Education

During December, many people find themselves considering numerous RSVPs for holiday parties. While ‘tis the season for celebration, it is also a good time to consider RESPs, one of the best ways to save for a child’s education.

Already, funding an education is an expensive proposition with forecasts indicating that for a child born in 2010, the cost of a four year post secondary education for the little bundle of joy could rise to well over $100,000. This is a significant amount, but prudent financial planning can help parents ensure that sufficient funds will be available for their children.

A Registered Education Savings Plan (RESP) is a special savings plan designed to fund a post-secondary education or training program. In terms choosing investments, a RESP is much like a Registered Retirement Savings Plan (RRSP), in that there are numerous options including cash, term deposits, mutual funds or stocks. Subscribers can choose from various providers (banks, financial advisors, trusts) in the marketplace who offer different setups that range from group plans to fixed baskets of mutual funds to self-directed accounts. While RESP contributions are not tax deductible like RRSPs, the savings do grow tax free until the funds are withdrawn or the plan expires at the 35th anniversary of its opening.

Most commonly, these plans are used to save for a child’s or grandchild’s education, but anyone saving for an education can open one. The plan is established by a “subscriber” (typically a parent or grandparent) for a single beneficiary or in the case of a family plan, multiple beneficiaries who must be directly related to the subscriber.

There is an added benefit for minors with the federal government’s Canada Education Savings Grant (CESG). There are some nuances for families with less than $81,941 in net income, but the grant is a minimum of 20 percent of the contribution to a maximum of $500 annually for beneficiaries up to and including the year they turn 17 (with some restrictions).

The CESG is based on contributions made in a calendar year, but CESG-eligible contribution room can be carried forward for missed years. However, the maximum CESG payable in any given year is $1,000 — effectively $500 for the existing year and $500 from a previous year. But if you have young children and haven’t started an RESP yet, don’t despair. In order to obtain the maximum lifetime CESG of $7,200 per beneficiary, you can start as late as the year your child turns 10. Contributing $5,000 in each year up to and including the year the beneficiary turns 17 would effectively garner maximum CESG benefit. The

“Just do keep in mind the CESG benefits of contributing by the December 31 deadline each year.”
maximum contributions that can be made to the RESP during the plan’s lifetime are $50,000.

When the beneficiary begins his or her post-secondary education, funds in the RESP would be used to pay for education-related expenses. The withdrawals would be taxed in the hands of the beneficiary who typically would pay tax based on his income level. If the beneficiary does not pursue post-secondary education and another beneficiary is not named, the contributions are returned to the subscriber without tax consequences and the CESGs are returned to the government. However, dealing with the accumulated income in the plan under this scenario is a bit more complex and a variety of regulations and taxes may apply. Alternatively, this accumulated income can be transferred out to an RRSP tax-free as a regular or spousal contribution for the subscriber, provided they have the contribution room.

Overall to get maximum benefit from any savings program, it generally makes sense to start early. So if you have already started, good for you. If you haven’t, there is no need to fret as every bit of savings will help. Just do keep in mind the CESG benefits of contributing by the December 31 deadline each year. But regardless of whether your plan is already in motion or under consideration, consultation with appropriate advisors is recommended and can help develop and refine your own personal strategy for saving for your child’s education.

The comments contained herein are general in nature and professional advice should be obtained in respect of any person’s specific circumstances.
In my work as an expert witness, an engagement often starts like this: The lawyer provides a somewhat cryptic synopsis of the facts of the claim, we make sure that there is no obvious conflict of interest, and irrespective of whether I am being considered for engagement by counsel for the insurer or the insured, there’s inevitably a comment like “and the policy was voided on the basis of a material misrepresentation” or “… a material change was not brought to the insurer’s attention.”

Ah, yes. The smoking woodstove that no one knew anything about, the secondary suite that doesn’t house the in-laws, the complete teardown that was described as a “minor renovation,” the building built in 1890 instead of 1990, or, more dubiously, the strange looking plants growing in the guestroom that might interest Cheech and Chong.

Disclosing all material information is part of the “utmost good faith” bond between the insured and the insurer. How does this impact brokers and why should we care?

Both misrepresentation and material change show up in the statutory conditions.

Misrepresentation — If any person applying for insurance falsely describes the property to the prejudice of the insurer, or misrepresents or fraudulently omits to communicate any circumstance which is material to be made known to the insurer in order to enable it to judge of the risk to be undertaken, the contract is void as to any property in relation to which the misrepresentation or omission is material.

Material Change — Any change material to the risk and within the control and knowledge of the insured avoids the contract as to the part affected by the change, unless the change is promptly notified in writing to the insurer or its local agent; and the insurer when so notified may return the unearned portion, if any, of the premium paid and cancel the contract, or may notify the insured in writing that, if the insured desires the contract to continue in force, the insured must, within 15 days’ receipt of the notice, pay to the insurer an additional premium; and in default of such payment the contract is no longer in force and the insurer must return the unearned portion, if any, of the premium paid.

Let’s examine these statements:

1. The misrepresentation must be false and/or fraudulent. If the insured just didn’t know the accurate information, is an omission or error material?

2. The misrepresented portion of the property is the only item about which coverage is voided. So, for example, if you’ve got one building in Red Deer and one in Edmonton, if the misrepresentation is with respect to Red Deer, coverage stays in place for Edmonton.

Material changes need to be “within the control and knowledge of the insured,” not reported to the insurer, and additional premiums unpaid, in order for the insurer to “void the contract.” Further, the insurer must return the unearned premium, if any. Voiding the policy ab initio (for those of you not up on your Latin, this means from the beginning, or inception) means that the contract is treated as though it never existed. There is no wording to interpret, since, at law, the policy never existed. This involves returning the entire premium to the policyholder. This is serious business, and, sadly, I see this position being used more frequently to negate coverage.

In most cases what has occurred is a complete disconnect between insurer, insured, and broker. The broker doesn’t understand the risk, the insurer relies on the broker, and the insured, who innocently may have only responded to the questions that the broker asked, is left in a precarious position.

It is the broker’s job to assist the insured in accurately depicting the risk to the insurer. I am presently involved
in a case where the broker NEVER saw the risk in question (despite it being his largest account) during his four years on the account, and as a result, material information was allegedly not disclosed to the insurer. We’re waiting for our trial date and it’s a multi-million dollar claim, where both the insurers and the broker are defendants.

The insured cannot know through some type of mental telepathy what is material to the underwriter. The broker needs to elucidate this information.

Brokers need to ask questions and gather information in a systematic way to ensure that they have fulfilled their professional duty in presenting the risk accurately to the insurer(s). That means going over detailed applications, physically seeing the risk, discussing the consequences of a misrepresentation or material change to the client, and repeating these tasks at each policy renewal. Further, solid communications channels need to be established so that any potentially “show-stopping” changes are reported accurately and promptly, so that continuity of coverage is maintained.

We are living in a material world.
Who? What? Where?
Darrell Verbonac

Chinook Country Report

Moves
We’ll start off in Central Alberta where there have been a number of personnel moves amongst various offices. At Western Financial Group’s Coronation office, longtime manager Jackie Morettin retired and has been replaced by Crystal Leuschen, who came from Roger Johnson Enterprises in Consort. Out in Rocky Mountain House, Kevin Bartel is new at Ing & McKee, moving to Rocky from Edmonton where he had been with State Farm Insurance.

There are a number of changes in Red Deer to report:

• New to Platinum Insurance are Deann Hotte, who was at All Service Insurance, and Leslie Wolf.
• Theresa Broekhuizen joined Alpine Insurance, moving up from Strathmore where she was with Western Financial Group’s local office.
• Christi Siver moved from Platinum to Mooney Insurance.
• Rolando Francisco left Platinum to join Johnson Inc.
• Amber Buchanan is new at All Service.
• Hub International has a new manager; Mark Robertson transferred in from Hub’s Vanderhoof, British Columbia office.

In news around Calgary ...

• Rob Rogers transferred down from Cold Lake to become the branch manager of the local MHK Insurance office.
• Nicole Tiessen is new at Renfrew Insurance.
• Joining the staff at Costen & Associates is Matt Hobbs.
• Nanci Claassen left CRS Merrill Insurance and is now with Bow Valley Insurance.
• Debra Cartier went to Godfrey Morrow from Ashford Insurance.
• Industry veteran Joe Stark joined Hub International as its vice president of business development and vice president of sales for the Prairie and Arctic region.
• The Calgary office of Thomson Schindle Green moved locations to One Executive Place, located on Crowchild Trail across from McMahon Stadium.
• Ashford Insurance was sold to Westland Insurance, which is based out of British Columbia.
• Canyon Insurance opened a location in Airdrie, which is being run by Geoff Boughton.
• In Strathmore, Valancy Mitchell left Western Financial Group and joined Action Insurance.
• Janice Ince is new at McFarlane Agencies.
• Gail Fisher is the new Southern Alberta Claims Manager for Peace Hills Insurance, having transferred down to the Calgary branch from its Red Deer service office.
• Arnie Zippel joined Travellers Insurance.

Weddings & Babies
Congratulations to …

• Jeremy Ames of Ames Insurance in Pincher Creek and his new wife Jodi on their August 6th wedding.
• Ashley Farris of BFL Canada Inc. and her husband Josh on the birth of their son Dimitri on August 21st.
• Michelle Summers of Intact Insurance and Will Summers of Marsh Canada (even though they’re from Edmonton and not quite in Chinook Country) on the birth of a son, Liam on October 18th.

Retirements
Best wishes to these industry colleagues who have recently retired:

• Sharon McDonald, who was the AXA Pacific Claims Manager and has moved to Mexico.
• Al Bourassa of McFarlane Agencies in Okotoks has moved to Equador.
• Dave Thomson of Thomson Schindle Green Insurance in Medicine Hat.

Condolences
We extend sincere condolences to the family, friends and colleagues of Mike Hayoz of Calgary and Hugh Falconar of Edmonton, both retired and former longtime brokers, who passed away.

DARRELL VERBONAC
Marketing Manager, Calgary Branch
Axa Pacific Insurance
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I would like to start off by saying thank you to our members who took advantage of IBAA's professional development offerings this year, not only to ensure that they met AIC requirements but also to gain quality education that will better them as brokers.

At IBAA, we focus on professional development that will well serve brokers and their employers, employees and clients, but we also understand AIC pressure. The PD team made a commitment to our members to ensure that CE certificates would be delivered within 30 days of course completion, and I am happy to say we far exceeded this commitment.

Your Education Plans
To assist our members with setting their education budgets and schedules for the next year, we will deliver the full education program for spring and fall 2012 before the end of December 2011. Watch IBAA's Education e-news and check your post box. Feel free to contact us if you are missing information.

Win an iPad 2
You can still win an iPad 2! On September 1, we launched a contest in which the first 100 people to purchase a VOLT (Video Online Training) package are entered into the draw. This contest will continue until we hit the 100 mark so submit your registration. Not bad odds, 1:100.

Learning in the Field
Manufacturing Opportunities for Brokers was the second seminar in our four-part field-trip series sponsored by RSA. Our students had the opportunity to visit Waiward Steel Fabricators in Edmonton; then they returned to the classroom with Karen Rutherford for 1½ days of instruction. Don’t miss out on the next in the series, the topic: construction. Each course is self-contained with no prerequisite attendance at earlier courses in the series.

A hearty thank you goes out to the sponsors of our professional development programs in 2011: Economical Insurance for Anatomy of a Commercial Package Policy, facilitated by Jo Anne Williams, and RSA for Manu-

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CAIB Graduates
* Designates Honours Graduates (80% or above)

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facturing Opportunities for Brokers and for Drilling for Oil & Gas Clients, facilitated by Karen Rutherford. We are fortunate to have received a commitment already for 2012 from RSA, INTACT, Aviva and Peace Hills.

**Destination Learning**

Each year our members have had the opportunity to take part in the February Sunshine Seminar, incorporating warm-weather holiday fun with an education component. Visit www.ibaa.ca for more information on this year’s trip and seminar content. Contact www.uniglobeactiontravel.com or Kerri Ward at 306.352.4444 / 1.800.268.8747 to register.

The tropics are great, but we love Alberta too. This February we will offer an educational opportunity to head to the mountains and hit the snow. Join us February 3-6, 2012. We will leave from Edmonton, making stops in Red Deer and Calgary to pick up snow seekers, and then off to beautiful Banff for a full day of skiing. Get 10 CE hours (no, not while skiing) by attending seminars spread over 1½ days. Saturday evening dinner will be followed by free time. Book by January 3, 2012, at the latest. Don’t delay: we have decided to open this event to your family and friends. Reduced pricing is available for those who will not attend the education sessions. Visit www.ibaa.ca for more information and to register.

**Earning Initials**

On behalf of IBAA, I would like to congratulate the students listed for obtaining their CAIB, CPIB and CCIB designations in 2011. These designation programs, created by brokers for brokers, are recognized nationally. Successful completion speaks to the graduates professional accomplishment.

The Professional Development team would like to wish all of our members and industry partners Happy Holidays and great fortunes for 2012.

We are:

Lori Bartlett, CAIB
Director of Education

Joy Turchanski
Coordinator Educational Services

Gabby Mann
Seminar Coordinator, Administrative Assistant
A Bank Act for the Modern World

Government extends insurance promotion restrictions to bank websites

For my first Viewpoint article as president of the Insurance Brokers Association of Canada, I have the great privilege and pleasure of talking about an issue that has consumed our association for almost three years now. As most of you may know, on October 12th the Government of Canada published the regulations that would prohibit banks from promoting, advertising and selling insurance on their banking websites. IBAC had raised this issue with legislators in the spring of 2009, as well with the Department of Finance. We had made the case that when the rules prohibiting banks from retailing insurance directly from their branches were drafted in 1991, very few transactions were taking place via the Internet. The rules, as drafted in 1991, did not expressly deal with the Internet, or any other form of transactions done through a telecommunications device.

As the market and technology evolved, more and more transactions were taking place online. By way of comparison, in 1993 there were about four paper transactions done for every one electronic transaction in Canada in the financial services sector. Today that proportion is about six electronic transactions done for every one paper transaction. That is a massive shift in favour of electronic dealings in the financial services sector. The banks claim that electronic transactions are cheaper to do, quicker and more “convenient” for consumers. It seems that this is the way forward for most banks in Canada.

The issue we raised seems quite timely in view of the above shift. The principles that we, as brokers, put forward back in 1991 and ever since, needed to be transposed into the online world. Consumers could just as easily be pressured or coerced into considering insurance when they apply for credit be it sitting in front of a loan officer, or making an application for credit online. We communicated this principle to legislators as well as the Minister of Finance. In October 2009, the minister announced that the government would be putting in place regulations that would extend this consumer protection to the online world. As a profession we applauded him and the government for this principled decision.

We also were pleased to see the publication by the government this October of the actual regulations. The banks will now have until March 1, 2012, to conform to these rules. We are still asking brokers across the country to keep an eye out for any insurance-related materials in bank branches, as we will be keeping an eye on whether they abide by the online rules.

This is a huge win for consumers! We applaud the Government of Canada for taking this strong stand in extending this protection to the online world. The Minister of Finance deserves credit for driving this file to its end.

DALE REMPEL
President,
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We think there are actually **5 seasons** in a year.

**Fall, Winter, Spring, Summer and CAT.**

From June 1 to the end of August, we know anything can happen relative to the weather. We call this Catastrophe (CAT) season, and we’re ready.

With a dedicated CAT team, we can mobilize quickly to get your customers back to normal after an unexpected weather event occurs. At a moment’s notice, these experienced and knowledgeable adjusters, appraisers, and contractors are ready and able to support you in the field, where you need us the most.

**We can’t predict exactly what this CAT season will bring, but you can rely on us to be there.**