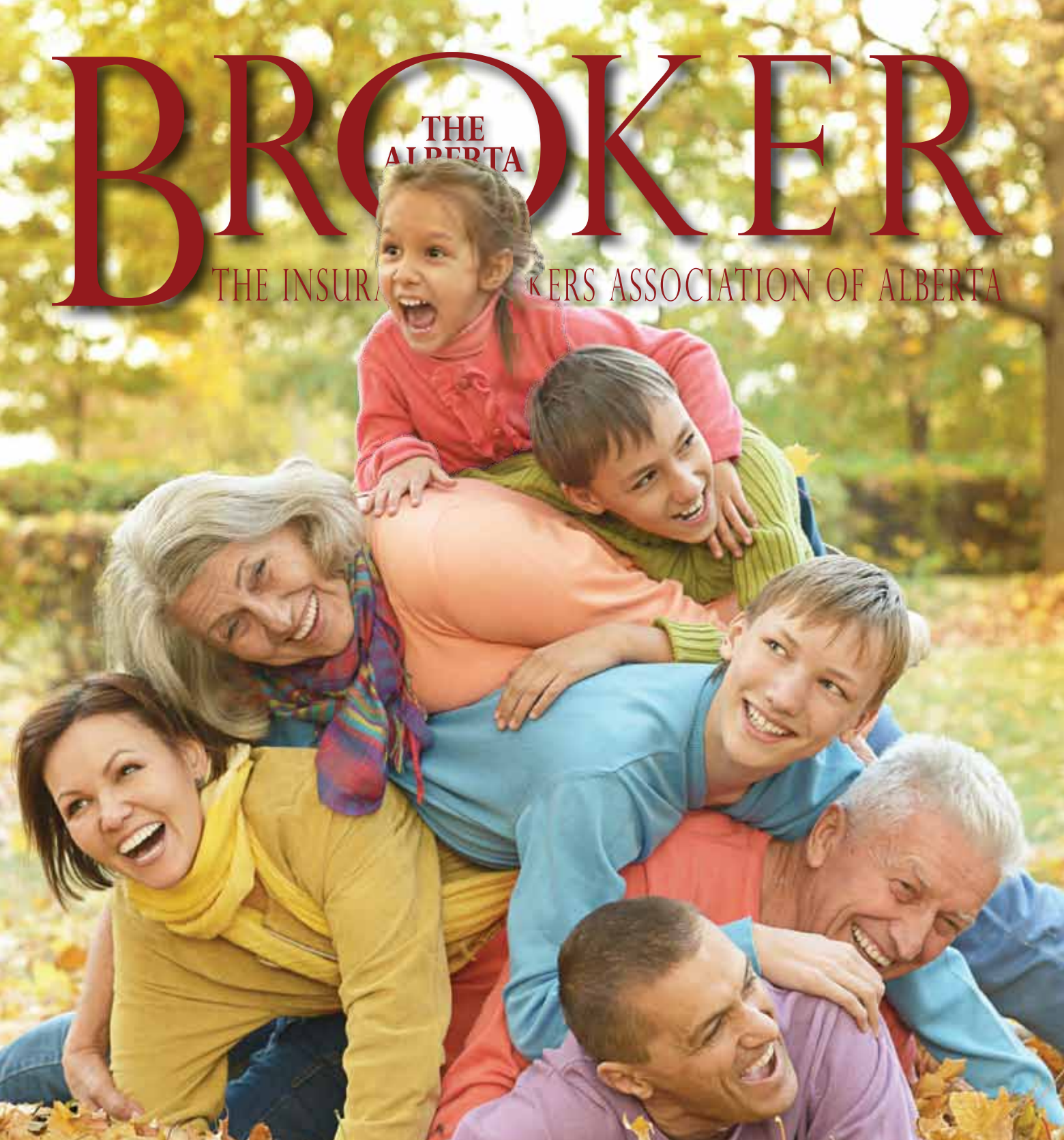


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## KEEPING IT IN THE FAMILY

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An Expensive  
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October–November 2018

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**THE ALBERTA BROKER**

October–November 2018

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Paul VanderHooff

# President's Message

As I sit down to write this article, I'm taking a much needed weekend away from home and office for a break. The summer was busy—busier than any I can remember (for at least the last 10 years anyway). Indeed, I haven't really even had time to collect my thoughts for this article.

I'm sure many of you experienced the same busyness this summer as me. I had the usual increase of insuring new boats, travel trailers, quads, motorcycles and dirt bikes that comes every summer. Like others in ownership and management positions, I faced the staffing challenges that come with covering summer vacations and dealing with the routine staffing shortage that pervades our industry. We've all become adept at handling these normal challenges. We may grumble, but they no longer keep us up nights—they are routine.

What's not normal is the current state of automobile insurance in Alberta. Almost overnight, the inability to provide Section C coverage and payment plans to a portion of consumers has taxed our schedules in a way that is not "good busy," not profitably busy. Rather, many of us are busy with tough, challenging conversations between brokers and consumers, brokers and companies, brokers and IBAA, IBAA and government, IBAA and companies, etc.

These are challenging times. Our insurer partners are bleeding money with loss ratios pushing 130%, and little relief is in sight. Many of them have taken drastic measures to slow the flow by playing with and restricting access to certain types of coverage and eliminating access to payment plans. These moves are unpopular to be sure, but they have been made necessary by a government that chose to ignore actuarially supported requests for rate increases and impose an arbitrary cap on premium increases.

To be fair, insurers have some culpability as well. Merger and acquisition activity has forced competition amongst carriers to be centred on pricing. Differentiation on the auto insurance product in particular has been fierce with the introduction of all kinds of rating waivers, including conviction and accident. While these bells and whistles have

protected consumer premiums from increases due to poor driving behaviour, the premiums being generated by these endorsements seem not to have been sufficient to keep up with losses incurred.

To be truly fair, brokers are not entirely blameless either. Here too, mergers and acquisitions have driven the commoditization of products. Business models that focus on volume of business written at any cost have been eroding the market share of those models that focus on solid frontline underwriting, spread of risk and profitability. Large premium volumes have always spoken volumes in negotiations with insurance carriers—group discounts, portfolio rollover overrides, having the "pen," etc. Surely, any of us would take advantage of all these things when the opportunity is presented.

Unfortunately, consolidation of insurance companies, a hardening market and a government unsympathetic to insurer profitability issues can wreak havoc on those adopting this volume-based business model—especially those that have no contingency plans or are not large enough

to weather the storm. I believe we're currently seeing these conditions manifest in the cancellation of brokerage contracts and talk of some brokers being forced to lower commissions to repair the health of their books. In other cases, some consolidators are reporting an uptick in calls from broker principals looking at the current situation and hoping to get out of the business relatively unscathed.

When I stepped out of my RV this morning, I wasn't sure exactly what I was going to focus on in this article. I was told the theme of the issue would be wealth management and succession planning. Having no expertise in that area, any attempt to write about it would be laughable. I also knew that everyone reading *The Alberta Broker* would expect a commentary on the state of Alberta automobile insurance. I trust that my thoughts above resonate with many of you. I know they will cause the blood pressure of some to rise. My only intention is to give you my view on the current state of affairs and to keep the conversation going—nothing more and nothing less.

**"I trust that my thoughts above resonate with many of you. I know they will cause the blood pressure of some to rise."**



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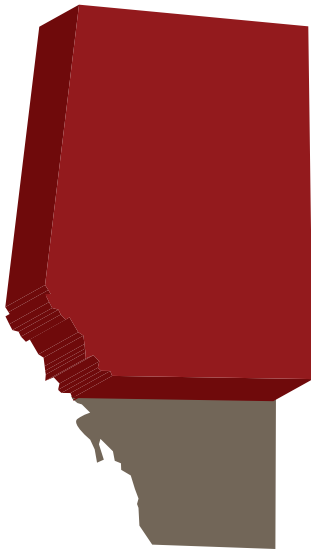
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# NORTHERN EXPOSURE

## BROKER NEWS

- Congratulations to Randy Gregory and the staff at Provost Insurance; they celebrated their 60<sup>th</sup> anniversary on July 1 this year.
- A-WIN Insurance welcomed new employees: Mayanne Campbell as director of business development and Leona Hall (Edmonton).
- Judy Gunton, previously with State Farm and Western Financial Group, joins the staff at Roberts McClure Insurance in Edmonton.
- Excel Insurance Group welcomes its newest associate office in Grande Prairie: Crystal Clear Insurance Brokers. Located at #111, 10530 117 Avenue, Grande Prairie, Crystal Clear is the latest brokerage to join in the Excel mission to help build and grow successful entrepreneurs. Crystal Lorange, brokerage principal

and now partner, has deep roots in the community as well as extensive experience in the insurance industry. She is considered an expert in both commercial and personal lines and now joins the ranks of top insurance professionals with Excel. Crystal and her team are a welcome addition to Excel's now 12 offices in Western Canada.

## INDUSTRY PARTNERS & PROFESSIONAL ORGANIZATIONS

The Blue Goose Edmonton Pond invited Ganders from across Canada and the U.S.A. to migrate north to the annual convention of the Honorable Order of the Blue Goose International. The convention was well attended and Edmonton ganders welcomed visitors with open wings! The Edmonton Insurance Association has partnered

with the IINA and are combining the kickoff for the food bank drive silent auction with the battle of the bands—watch for further information on this event, which will be held November 8.

September is the start a new term for all our industry associations. If you are not a member, please consider supporting a local association. Each offers the opportunity for education, networking and professional growth. Find one that works for you.

*News is a little light as so many of you were out enjoying our summer!*




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# KEEPING IT IN THE FAMILY

## A New Approach to Family Wealth Continuity Planning

by Cindy Radu





It's no surprise to those already involved; family businesses are crucial to our economy and our communities. More than 880,000 family businesses in Canada contribute over 60% to our GDP and employ over six million people. Yet, across the globe, about one third of family businesses will successfully transition from the founder generation to the next generation; about 10% will make a successful transition to the third generation. What accounts for this depletion?

## Part 1: Why Tradition Fails Transition

*"Would you tell me, please, which way I ought to go from here?"*

*"That depends a good deal on where you want to get to," said the Cat.*

*"I don't much care where—" said Alice.*

*"Then it doesn't much matter which way you go," said the Cat.*

(Lewis Carroll, *Alice's Adventures in Wonderland*)

Traditional approaches to family wealth planning focus on tax structures and financial planning—both of which are critically important to an overall succession plan. However, only 3% of wealth transition failures are attributed to tax and financial planning; a whopping 60% are due to breakdowns in communication and trust, and another 25% result from unprepared heirs.

Whether a family wants to create a legacy business for future generations or sell to new owners, traditional approaches to wealth continuity planning are not setting families up to transition their wealth successfully from generation to generation. Wealth can comprise the family business and assets other than a family business, including assets acquired with proceeds from a sale of the family business. All too often, we hear of torn apart families who have depleted wealth and assets built up over many years, sometimes generations, of hard work and sacrifice. The Eatons and Bronfmans are well-known examples of Canadian family businesses that did not flourish in later generations in spite of having access to the best legal, accounting and financial advisors.

### Why We Get "Stuck"

The family enterprise advisory world has a saying: "Plans that affect us, but do not involve us, are not for us." Family members want to understand how overarching plans will affect current and future generations, but sometimes they don't know what questions to ask or may be reluctant to ask probing questions. The reason people don't want to sign their will, shareholders' agreement or family trust deed can be hard to pinpoint exactly. Often this disconnect can be attributed to a gut feeling—something just doesn't "feel right"—that can lead to procrastination, which is frustrating, detrimental to creating a robust succession strategy and can challenge family dynamics.

Why do people get stuck in moving through the succession planning process? As a recovering tax lawyer, now family enterprise advisor, I believe a fundamental disconnect occurs between the advisor as "technician" and the client whose focus is on self and family. Advisors definitely care about and focus on their clients, but, ultimately, the lens through which professional advice is filtered is grounded in each advisor's particular area of expertise for their client—typically one or both parents—at a specific point in time.

Does your family avoid succession discussions? Is your succession process setting family members up to react to plans that were put in place without their knowledge or understanding? How often in life has avoidance or poor communication served you well? How can you and your family be proactive in co-creating a succession plan that everyone understands and is accountable to execute? Are your advisors working in silos across different time lines, or are they a collaborative team that understands your big picture as it is right now?

### Getting "Unstuck"

At the other end of the succession planning spectrum are individuals who just want to get this succession stuff over and done with. This group typically places all of their trust in their advisor(s) to get their family where they want to go with minimal involvement of family members and without really understanding how various documents ultimately all work together, let alone independently. Unfortunately, the outcomes of the "get 'er done" approach are often no better than with the procrastinators. Although detailed structures and strategies are agreed to and relevant legal documents are signed, the overall implications and outcomes of these structures are likely not well understood by more than one or two family members at best. This gap inevitably can lead to unintended and undesirable consequences, including a higher potential for conflict among family members—both across and within generations—as well as significant loss of family wealth.

So what's the answer? How do we get unstuck but avoid the quick "get it done" path that leads to troublesome outcomes if family members don't know which path they are on or that another path even exists? As Alice asks, "Would you tell me, please, which way I ought to go from here?" As the Cheshire Cat suggests, the way you ought to go "depends a good deal on where you want to get to." Without understanding your destination, the way you go "doesn't much matter."

A good starting point is to understand that your family is not alone in the frustrations, questions, concerns and dynamics that may be starting to bubble up to the surface. I have come to appreciate the tremendous value of creating opportunities for learning and understanding across generations in the succession planning process. Surfacing

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and normalizing what family members are thinking and feeling is critical to moving forward in a positive direction. A collaborative approach among family members and advisors is also essential to avoiding hidden pitfalls and seizing opportunities that are often overlooked through a siloed “moment in time” approach to succession planning.

## Part 2: A New Approach for Successful Succession

*“What you see and what you hear depends a great deal on where you are standing.”*

(C.S. Lewis, *The Magician’s Nephew*)

Whether we are in the procrastinator or “get it over with” camp, tax and financial planning—albeit important—are only part of a successful wealth continuity plan. Let’s explore how taking the time as a family to understand family business systems and acknowledge differing perspectives can have a positive impact on succession planning outcomes.

### What’s so Different about Family Business?

Consider for a moment a non-family business. Most are composed of two groups: employees and owners who own shares but are not employees. In some non-family businesses, employees may also be owners—WestJet is a common example. These distinctions and overlaps between employees and owners in non-family businesses are commonly understood.

In a family business, however, the distinction between being an owner and working in the business is often blurred. Some implicitly assume that people who work in the business are the only people who can be—or who can become—owners. A further category, or system, also needs to be considered: the family itself. These three systems—the family, the owners and the business—give rise to many unstated questions: Are only family members allowed to work in the business? Are they expected to work in the business? Are family members automatically entitled to become owners in the business, or can they only own shares if they work in the business? How does your family define “family”? Is it only blood line? Does family include legally married spouses or does it also include common-law relationships? What about step-children? Having an objective person ask these questions (and others) of family members will inevitably surface implicit assumptions that can have a critical impact on family business dynamics and the succession process.

An important distinction in family businesses is that most business decisions ultimately will affect individual family members, owners and their relationships among each

other. Indeed, wherever family, owner and business systems overlap, conflict and confusion arise, and changes or issues in any system will impact the other two systems.

### The Three-Circle Model

A key concept in understanding family business systems is the multiple and very different perspectives that arise from where any individual sits in or between these three distinct but overlapping systems.

The family circle is focused on the individual family members as well as the family unit as a whole. Family values, traditions, celebrations, family history, education and processes to resolve family conflict sit in this circle.

The business circle focuses on building a successful and profitable business. The board of directors of the business is responsible for developing and overseeing the strategic plan for the business, approving compensation and determining dividend policies.

The ownership circle represents—ideally—a cohesive group with common vision and values. This system is concerned with who can own shares in the business, family employment policies, methods to evaluate and compensate family members who work in the business, setting dividend targets and reviewing financial results.

The process of recognizing who sits in each circle and in overlapping positions is the first step in gaining an understanding of where confusion often arises. For example, a common misunderstanding arises in distinguishing between dividends (for the owners) and salary (for the employees in the business). When family-member owners who are not active in the business receive dividends, this compensation can be perceived negatively by family member owners who “work their butts off” in the business every day. Identification and education of the distinction between being an owner, an employee or both can lead to understanding and relieve tension. Formalizing the policies around compensation and dividends is also beneficial.

### Family Business Perspectives

Identifying who sits where in the Three-Circle Model also helps to develop appreciation for common perspectives people have depending on their current position. Consider the following roles and very different perspectives which, when not stated explicitly and acknowledged, can lead to conflict and confusion (the numbers below correspond to the numbers on the Three-Circle Model illustration on page 12):

#### 1. Family members who are owners and work in the business

- Struggle with the “3 Cs”: fear of giving up Control, fear of not having enough Cash in retirement and fear of creating Conflict (can lead to procrastination).
- Can be overwhelmed by attempting to deal with everyone’s concerns plus their own.

continued on page 12



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- Wonder if anyone else cares about the business as much as they do.
- Wonder what life looks like after giving up control, ownership and the perks of working in the business.

## 2. Family members who are not owners, but work in the business

- Wonder what they have to do to become an owner.
- Worry about whether their parents have an estate plan and what their wills say.
- Fret about whether they will have to be owners with their non-operating siblings and, furthermore, why family members that don't work in the business (position 6), even get to be owners
- Wonder if they will have to pay for shares or if they will be given for free.
- Stew about whether they will be employees for the rest of their lives and whether they will ever be trusted to make important decisions.
- Are distressed by employee owners who aren't part of the family (position 4) but boss family employees around.

## 3. Employees who work in the business but are not owners or family members

- Worry about job security if owners don't have a succession plan or if the plan doesn't involve keeping the business in the family.
- Are concerned that they might be out of a job if one of the family-owner's kids decides to come home from college.
- Wonder if they will always be "just" an employee.

## 4. Employees who work in the business and own shares but are not family members

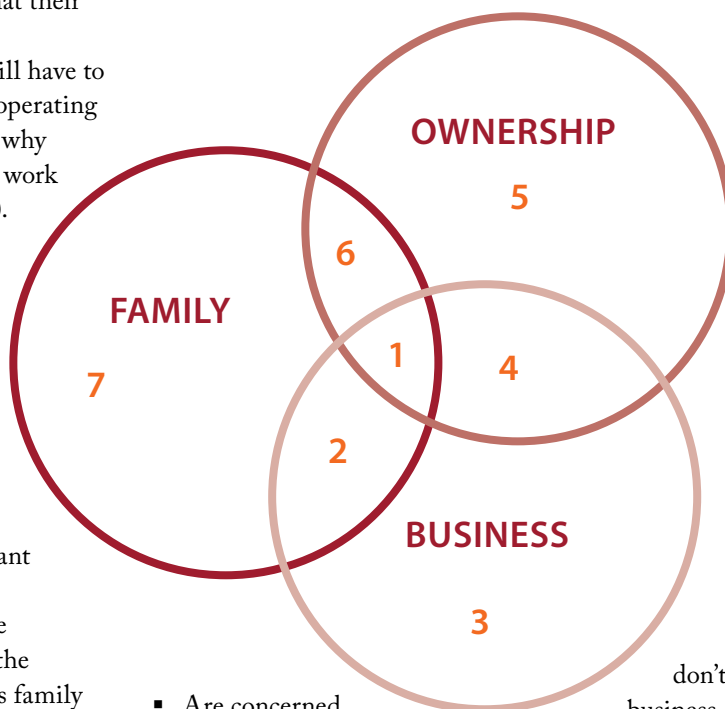
- Worry about kids who may/do come back to the family business from another job or after finishing school.
- Worry about whether family members are competent or are receiving special treatment.
- Wonder if compensation for family members is fair (wages and/or other perks).

## 6. Family members who own shares but do not work in the business

- Wonder if they should be patient about getting money from the business.
- Consider whether the business is profitable or going to be profitable
- Often feel out of touch or uninformed about what's going on.
- Are prone to second-guessing management.
  - Ponder whether the business is just a financial asset or whether they feel a sense of stewardship.

## 7. Family members who do not work in the business and do not own shares

- Have opinions about the business's future but lack power or influence.
- May be nostalgic about keeping the business in the family.
- Wonder how they can teach their kids about what the business means, personally, when they don't own shares or work in the business.



- Are concerned about family issues (divorce, sibling rivalry) creeping in and impacting the business.
- Wonder if family owners (position six) really understand the business and strategic plan.

## 5. External investors (rare)

- Focus on the business as a financial asset (e.g., performance and ROI).
- Wonder if the next generation will run the business profitably and what steps are being taken to ensure smooth transition.
- Have no emotional connection and focus on the financial value in keeping or selling the investment.

When communication and trust breakdown, even the most tax-efficient structure that is designed to maintain control for as long as possible alongside a carefully drafted will can pit siblings against each other and even against parents. Conflict, confusion and, ultimately, breakdown in communication and trust can arise when we make assumptions about what other people are thinking, feeling, doing and planning. Surfacing the different perspectives that exist in family businesses is a very powerful tool but is premised on appreciation for these differences. The ability to put yourself in someone else's shoes

presupposes that we know what shoes they are wearing. Communication of these perspectives can be a very difficult exercise to undertake for those within the family business systems. Assistance from advisors who are knowledgeable about these concepts and have experience working with families is essential to successful dialogue and outcomes.

### Plans that Affect Us, but Do Not Involve Us, Are Not for Us

In a traditional approach to succession planning, parents generally consult with their tax and will advisors to implement a plan with little or no input from the next generation. Fears of giving up control and not wanting to stir up conflict can stifle a robust wealth-continuity planning process. Ultimately, these decisions are the parents' to make. However, traditional approaches often have multiple, albeit unintended, negative outcomes.

By contrast, a collaborative, inclusive approach facilitated by an experienced family enterprise advisor can proactively articulate different perspectives among the generations, convey potential concerns, surface individual and collective goals and explore opportunities previously not considered. This approach to family wealth-continuity planning can increase positive outcomes by co-creating a plan with the next generation for the next generation—a plan that involves those who ultimately will be most affected by the legal documents and structures that are implemented.



**Cindy Radu, FCA, LLM, TEP, ICD.D, FEA,** is partner, business transition services, for Western Canada with BDO Canada LLP. As

a designated family enterprise advisor, Cindy helps individuals, family enterprises, business owners and family offices navigate the complexities and opportunities that come with wealth. Email: [cradu@bdo.ca](mailto:cradu@bdo.ca).

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# AN EXPENSIVE MIXOLOGY LESSON

## Driving, Alcohol & Drugs Do Not Mix

**M**ost people appreciate the art of mixology: watching a skilled bartender craft a perfect drink or cocktail and then consuming that perfect combination of alcohol and mix. While there is nothing wrong with enjoying an alcoholic beverage, it is equally appreciated that consumption of alcohol or drugs can result in impairment. Anti-drinking and driving campaigns by MADD and others are well known.

Despite the availability of ride sharing companies like Uber and the ready availability of a taxi to provide a ride home when impaired, an unfortunate number of people still choose to drive in that state. Not only does this constitute a risk to yourself and others, it could be costly to your pocket book, particularly if you cause injury to someone else and your insurer denies coverage and sues you to recover what it paid to the innocent third party because you are in breach of your insurance policy. The decision to drive while impaired or under the influence of drugs or alcohol is a costly one—in more ways than one.

Ryan Alexander Hamman (“Hamman”) learned the hard way how expensive a decision to drive impaired could be.

In *Hamman v. Insurance Corporation of British Columbia*, Hamman caused a rear-end multi-vehicle chain reaction collision with two vehicles that had stopped in front of him on the highway due to construction activity. At the time of the accident, Hamman was insured pursuant to an owner’s certificate in British Columbia. However, the Insurance Corporation of British Columbia (“ICBC”) denied coverage to Hamman, taking the position that he was intoxicated by alcohol, drugs or some other substance at the time of the accident to the extent that he was incapable of proper control of the vehicle and that he was, therefore, in breach of his policy.

As the driver of the vehicle that Hamman initially struck was injured, ICBC paid \$212,000 (all inclusive) to resolve this claim. ICBC then sought statutory recovery of this amount from Hamman. In February 2012, Hamman commenced a lawsuit against ICBC for coverage.

The impaired driving exclusion from the Insurance (Vehicle) Regulation, BC Reg 441/83 states as follows:

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### *Breach of conditions*

55(1) In this section, “insured” means an insured as defined in section 42, 63, 65, 78 or 148.1(1) and includes an insured under a special coverage certificate or a fleet reporting certificate issued under section 168.

(1.1) The corporation is not liable to an insured who breaches a condition of this section or is deemed under subsection (7.1) or (8) to have breached a condition of section 49 and Part 6.

...

(8) An insured shall be deemed to have breached a condition of section 49 and Part 6 where

(a) the insured is operating a vehicle while the insured is under the influence of intoxicating liquor or a drug or other intoxicating substance to such an extent that he is incapable of proper control of the vehicle.

After a thorough review of relevant cases considering the above noted provisions, the court set out the following legal framework for its decision:

1. In order to deny coverage, the insurer must prove breach of the condition;
2. The onus of proof is on the insurer and the standard of proof is the balance of probabilities;
3. To substantiate a breach the insurer must prove each of the following:
  - i. the insured was driving the vehicle,
  - ii. he was under the influence of alcohol or drugs, and
  - iii. so much so that he was incapable of properly controlling the vehicle;
4. Evidence of drinking and careless driving may not suffice to discharge the burden of proof;
5. Having an illegal level of alcohol in blood will not necessarily be conclusive;
6. Reliable blood-alcohol readings at a level twice the legal limit may permit inferences of incapability sufficient to meet the burden of proof; and

7. Such blood-alcohol readings combined with other observed symptoms of intoxication may also suffice to substantiate breach.

The court heard evidence concerning Hamman’s activities prior to the accident, including evidence in relation to his alcohol and drug consumption, evidence from accident witnesses and police personnel, evidence from blood-alcohol testing, a challenge to expert evidence, and Hamman’s evidence on his own behalf. Following its review, the court held:



“...for those who remain unpersuaded by the safety risks of drinking and driving: the financial risks of driving while impaired are formidable.”

1. Hamman was severely impaired by alcohol at the time of the accident.
2. The night was clear, the road surface dry and the highway was relatively straight. Hamman should have been able to see the construction zone and the vehicles that had come to a stop without incident.
3. At the police station, Hamman had slurred speech, flushed complexion and blood-shot eyes. He was falling asleep in the police car.
4. The blood-alcohol readings explained Hamman’s level of intoxication, why he was having difficulties with visual perception and his inability to notice the construction zone and the clearly stopped vehicles ahead of him.
5. Hamman was found to be under the influence of alcohol to such

an extent that he was incapable of proper control of his vehicle. In doing so, he breached the terms and conditions of his insurance policy and his liability coverage was rightfully denied by ICBC.

6. Hamman’s action against ICBC for coverage was dismissed and damages were awarded to ICBC in the amount of \$212,000 plus interest and costs.

Hamman sought reconsideration and correction of the court’s decision. He argued that the breath sample taken was unreliable and, if thrown out, there was insufficient evidence to establish his incapacity. A further hearing was scheduled to hear the additional argument. Unfortunately for Hamman, the earlier decision was affirmed and he was made to pay all initially assessed damages and costs, plus the additional costs of the reconsideration hearing.

The Hamman decision is important, as it serves a powerful reminder for those who remain unpersuaded by the safety risks of drinking and driving: the financial risks of driving while impaired are formidable, particularly given the risk of insurance coverage being denied if you damage something or injure someone while driving impaired. Policies of insurance require adherence with their conditions or you risk being found in breach; such a finding might not only leave you without coverage for damage to your own vehicle but also require you to repay the damages your insurer pays out to others. And so, it is a bitter brew, but one justly served: impaired driving and insurance do not result in a recommended mix and should not be combined if an insured wishes to have liability coverage available when an accident occurs.



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# A VISION FOR ALBERTA'S P&C INSURANCE INDUSTRY

## Part 4: Relationships

"No one can whistle  
a symphony. It takes  
a whole orchestra  
to play it."  
—Rev. Halford E. Luccock

**I**nsurance Bureau of Canada (IBC) and its members kicked off 2018 with a substantive discussion on our vision for the property and casualty (P&C) insurance industry in Alberta. With the industry facing serious cost pressures and unprecedented technological change, we determined that we need to think big and long-term. The discussion focused on four themes:

1. Regulation
2. Innovation
3. Natural catastrophes
4. Relationships

In previous articles for *The Alberta Broker*, we covered the first three themes. This issue, let's discuss relationships, specifically as they pertain to our need to address the province's bubbling auto insurance crisis.

### Introducing the New Acting Vice-President

First, let me introduce myself. My name is Celyeste and I am the acting

vice-president for IBC's Western region. I previously served as IBC's national corporate spokesperson and director of member engagement. Prior to that, I worked in several roles in the federal government, including in the office of the prime minister as an issues manager.

I am thrilled to take on this role because these are exciting times to live and work in the beautiful provinces of Alberta, Manitoba and Saskatchewan. However, there is cause for serious concern in Alberta's auto insurance market. Having observed auto insurance regimes across Canada, I can say that there are challenges in numerous provinces, but things are especially concerning here.

### Auto—a growing problem

#### What's the problem and how do we fix it?

The answer to the first question, "What's the problem?" is that Alberta's auto insurance system is in crisis. Claims costs have been spiralling out of control for years. Alberta's insurers are spending \$1.01 to \$1.29

on every dollar they earn. This is not only having an effect on the insurers who are providing the product but also on the thousands of local brokers distributing the product, and it will ultimately impact consumers through availability issues in the market.

To make matters more challenging, the government currently has placed a five per cent rate cap on private passenger premiums in Alberta. The cap is set to expire on November 30, 2018, but there is talk of extending it beyond the next provincial election. As everyone in the industry knows, extending the government's five per cent rate cap on premiums is not the answer. It could have devastating effects on a local, essential industry and the three million drivers who count on it. It's a Band-Aid on a gushing wound. We recognize that this rate cap may sound good to drivers. And of course the industry doesn't want to pass along spiralling claims costs to consumers. We want to find common sense solutions that will ensure affordable and available auto insurance for drivers and ensure the viability of the industry.

Which brings us to the second question, “How do we fix it?” The answer is relationships and collaboration. Fixing Alberta auto hinges on the government, regulators, insurers and brokers agreeing to bring about the changes that will properly serve the drivers of this province.

Changes are needed to ensure Albertans receive the benefits they require at a fair price. Alberta’s auto insurance system needs to be more focused on providing care to those injured in motor vehicle collisions and less focused on cash payouts. Many brokers will remember how we got here.

The 2004 provincial auto insurance reforms, which included the Minor Injury Regulation, tried to shift the focus of the auto insurance system from cash awards to medical benefits for those injured in collisions. This shift hasn’t quite panned out as it was intended.

In 2012 and 2015, significant court decisions expanded the list of injuries that can fall outside the pain and suffering damages cap despite medical literature deeming them minor. These decisions led to much higher claims costs, but not necessarily better health outcomes.

In May 2018, the government amended the minor injury definition to address the problem that has allowed too many minor injuries to escape the cap. While the industry is pleased by this effort to clarify the original intent of the regulation, the government used language that has not been legally tested in any jurisdiction. Unfortunately, the effectiveness of this amendment won’t be known or felt in the system for many years, and many believe that the cost savings will be limited.

Even if the reforms are successful, we still have a significant problem.

An industry analysis undertaken for the recent Automobile Insurance Rate Board annual review found that even if the reforms are 100% effective (which is unlikely, knowing how auto insurance reforms typically play out), the industry’s combined ratio would still be 109 per cent in 2019.

“Alberta’s insurers are spending \$1.01 to \$1.29 on every dollar they earn.”

Basically, extending the five per cent rate cap will cause industry-wide losses of between \$354 million and \$683 million in 2019, despite the reforms. This shows the importance of having the cap expire on its original November end date.

Insurers, brokers and the Government of Alberta have worked well together in the past. We need

not look further than the devastating Fort McMurray fires where the industry and government worked together, hand-in-hand, to respond to consumers and rebuild the community. We have an opportunity to do that once again with auto insurance. Only through collaboration will we be able to deliver an auto insurance system that is sustainable for Albertans. We—insurers and brokers—need to bring the message of sustainability to the government, together. As the opening quotation in this article indicates, to get the result that we want, we can’t have just one voice whistling this tune—we need the full orchestra. I believe, together, we can deliver common-sense solutions to ensure a system that works for Albertans and keeps a strong, local industry just that: strong and local. #

**CELYESTE POWER**  
Vice President,  
Western (Acting),  
Insurance Bureau  
of Canada



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# Chinook COUNTRY REPORT

## BROKER NEWS

### Hitting the Refresh Button

- In August, I had the opportunity to meet Blake White, Magna Insurance Group's newest technical service representative. Well-travelled, with a strong business acumen, this soon-to-be graduate of the University of Calgary's economics program is an excellent addition to our industry. Welcome, Blake!
- Chris Sharp, formerly of Gallagher, moved to Toole Peet as its commercial manager.
- Craig Sipila of Toole Peet Insurance moved his desk back to the company side, joining Aviva as its EBI regional representative.
- Robin Pierce, former commercial manager at Bow Valley Insurance, moved to HUB International as its new marketer.
- Matthew Faulds of Dalton Timmis Insurance moved to Surex Direct.

### Acquisitions & Mergers

- Westland Insurance Group acquired All Service Insurance Brokers and Johnson Connor Agencies, both in Red Deer, and Westview Insurance Services, which is based in Sundre.
- Lundgren & Young merged two of its Calgary locations: Edmonton Trail and London Town Square. The new location will be on 18<sup>th</sup> Avenue NE, Calgary.

- Inspire Insurance acquired the AGM Insurance book of business at the end of July.
- Link Insurance opened a new Calgary Brentwood office that also merges its Prairie Winds and Marlborough locations.
- Nuera Insurance is sporting a new 2<sup>nd</sup> Street SE, Calgary address.

## COMPANY NEWS

- Gavin Lobo, formerly of Aviva Canada, is now the VP of strategy and marketing at Trufla Technologies.
- Krista Poley, formerly of Aviva Canada, is now a senior commercial lines P&C underwriter at Intact Insurance.
- Effective September 4, 2018, Clinton Broeksma of Intact Insurance is the new business development director for a newly created Alberta branch that serves HUB, Brokerlink, WFG, Marsh, AON and Westland.
- Novex Insurance is now led by Jacob Singh, VP Prairies for Intact Insurance, with Tracy Bergman serving as its operations director. There will be no change to line management or underwriting responsibilities.
- Paul Sweetnam is the new western region VP of commercial lines at RSA.

## GIVING BACK

It always amazes me the number of creative rural businesses and programs available that are supported by our hard working rural brokers. In this issue, I would like to give a shout out to Peter Van Uden of the Schwartz Group. Over a decade ago Peter was running Haven Agencies in Vauxhaul, Alberta, as well as serving on the town council and the economic development committee. Peter and other community leaders were tasked to strengthen their community. School enrolment and business activity were down and something needed to be done.

In consultation with local school teachers as well as other town leaders, an idea for a baseball academy was formed. Peter and his wife Connie have been involved ever since. The impact to the community was win-win. Each year the Vauxhaul Academy of Baseball contributes an additional 20 students to the school, which in turn provides new opportunities for school lunch programs and employment. There are also other spin off opportunities for local contractors, grocers, restaurants and hotels.

Outside of the commercial growth, the academy provides benefits to the community, of which Peter is very proud. The students visit local seniors once weekly and are highly involved in other community

charities. Peter is most proud of the impact the community has provided to underprivileged kids. These kids are served by scholarships arranged through the Intact Foundation as well as through the Schwartz Group. Peter's support of the academy has expanded since joining the Schwartz Group (Fort MacLeod Agencies, Haven Agencies, Schwartz Reliance Coaldale and Saunders Insurance) and through their combined efforts, they have been able to offer additional support and scholarships.

Without these scholarships some of the students would not have the opportunities for personal growth that they have today. One of the scholarship recipients was heavily involved in gangs prior to joining the academy and Peter was proud

to report that he is now a successful youth councillor. I loved hearing that story!

Peter can't stress enough to new brokers in our industry the importance of getting involved in the communities in which they work. He advocates that this will provide opportunities for both business and personal success. "Be visible, support your customers and guaranteed, if you can be competitive, they will want to support you back," Peter advises.

Doing the right thing can be very rewarding. Congratulations to Peter and the Schwartz Group; this is clearly a valuable program with which to be involved. It's not always easy to find the time (as you can all attest), but I agree with Peter: community

support is a big component of success. You can always combine resources with other brokerages or get involved with your local charitable associations. Remember that your insurance companies also have community programs. You can often access them to support or help refine your next community outreach idea. It can't hurt to ask!

That's all for this edition. Thanks to everyone who contributed information. I look forward to hearing about more success stories!

**MICHELLE HAMMEL**  
*Director of Strategic  
Business Development*  
*Michelle.Hammel@  
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## AND WE'RE OFF ... (to the Races)

One of the hottest summers in recent years is behind us, punctuated with a much-too-early glimpse into winter in mid-September. As we return to less daylight, cooler nights, and colourful foliage, students have returned to school. September marked the start of the new IBAA board year, when the real work started for IBAA's new board and executive as well as for our new president, Paul VanderHooft.

Fall launches back-to-school time for brokers, soon to be brokers, university students, and school children. The IBAA professional development fall calendar is full, with everything from licensing and Canadian Accredited Insurance Broker (CAIB) online and classroom courses to E&O seminars, self-study courses for certificates and designations and a host of webinars. IBAA is the premier provider of professional development for brokers in the province. Check out some of our courses and you will understand why!

In October, Insurance Brokers Association of Canada (IBAC) will be holding its annual general meeting in Halifax. A little birdie has told me that again this year we will have not one

but two IBAA past presidents on the IBAC executive. Robyn Young-Scarle is entering her second year as IBAC vice president, and Scott Treasure will be past president and chair of the board. Alberta brokers and I know that IBAC will be very fortunate and well served having the likes of Robyn and Scott on its executive.

The one issue and concern that is overshadowing all others is auto insurance. As of writing this column, the provincial government has provided no relief from the premium rate cap. As we go to print, brokers in the province have sent 1,298 letters to MLAs. IBAA COO Rikki McBride, members of the executive and yours truly have held meetings with elected politicians of all political stripes as well as their staff, the superintendent's office, the Alberta Insurance Rate Board and others in order to get our message out that relief is needed. This work will continue unabated throughout the fall and into the winter. IBAA will be holding a "Legislature Day" in November where the issue of auto insurance will be front and centre.

Another major regular item on our calendar is the series of annual meetings the IBAA executive holds

with insurance companies, which will occur in November. This opportunity for the executive and the company CEOs to meet and share concerns, knowledge and aspirations for the next year has been a great proactive and networking strategy.

Fall is also the time when we all consider volunteer opportunities, and this year has no shortage of options. IBAA competes for your volunteer time with church groups, service groups, sports and political organizations, but please don't see the situation as an either-or choice. Brokers volunteering in the community, wherever that is, showcase the insurance broker profession where it needs to be displayed the most: in our communities. IBAA has many opportunities, some of which require a fair amount of time, others very little—but all are important.

IBAA attends a lot of political events for all political parties at both the provincial and federal level. This attendance is particularly important as the primary reason for the association's existence is advocacy, particularly with our politicians. Most of these events are held locally throughout the province. We never have enough volunteers to fill all of the events



the association would like to attend: premier's dinners, leaders' dinners, MLA and candidate fundraisers, golf tournaments and who knows what else to peak your interest. Keep in mind the aforementioned auto insurance issue as well as the upcoming May provincial election that may make volunteer efforts for government relations and political action more important this year than ever. Stay

tuned for further information about these opportunities.

Finally, IBAA's philosophy is that we are not serving our broker members if we spend all of our time in the office! Yours truly will be visiting brokers, insurer partners as well as political and regulatory folks over the next few months. If you would like a visit from any of us, please contact the office and we will be there.

With the end of summer, we're off and running. Stay tuned for more about what the association is doing for you and what you can do to strengthen the broker career.

GEORGE HODGSON  
CEO  
IBAA  
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# Fanning the Flame

Greetings from WICC Alberta

I know I say this every year but I must say it again: thank you for supporting WICC Alberta at the many industry golf tournaments. We could not reach the success that we have without y'all. Thanks also to the hole sponsors who put out a cup or have some fun raising funds for us.

The pre-Stampede party at Bookers in support of WICC was the biggest and best ever. Best people, best auction items, best food, best cocktails, best donation! It was clear the industry was ready for a Stampede good time. The people were lined up to get in when we arrived, and it didn't stop. Thank you to the sponsors and volunteers for making it such a success.

WICC is abuzz with planning for our 20<sup>th</sup> anniversary! The celebration starts with our Gold Flame Awards Lunch on January 24, 2019, back at the BMO at Stampede Park. I know we'll be overjoyed to announce the passing of the \$3 million in donations to the Canadian Cancer Society. Wow! Three million sure was not an amount the people gathered around a table at the Harding and Hall office back in 1999 even fathomed.

I feel it's appropriate to again thank our founding board members and others that have been on the board at some point: Mary Jane Winnfield, Robin Seacomb, Sue Kenyon, Norma Ray, Karen Nagel, Fran Schmuck, Wanda Sinclair, Nancy Claassen, Laura Smyth, Susie Nagy, Karen Sager, Catie Walker, Stephanie Young,

Kristin Keraiff and the amazing Amy Foggin, along with the many representatives from the Canadian Cancer Society who helped along the way. All of them and your current board thank you for the continued support and the ability to reach this milestone amount. We are nothing without you!

You know who really appreciates our support of the Canadian Cancer Society? It's Dr. Douglas Mahone out

of the University of Calgary Foothills Campus. He and Dr. Craig Jenne have been able to achieve many research goals as a direct result of our funding. I have so much confidence in the research and can't wait to say "WICC Alberta was part of changing the face of cancer treatment." I believe that will happen.

The good doctors hosted a lab tour for us in September where we invited Gold Flame award winners and gold sponsors (just another reason to support us: it could be you next year). His lab is out of this world and allows you to witness the technology involved; it truly inspires you to want to do more.

Until next time!

**DONNA BROWN**

*Project Manager*

Nordic Insurance

Company of Canada,

Director Intact Insurance

[Donna.Brown@intact.net](mailto:Donna.Brown@intact.net)





# MANY THIRTY-EIGHT THOUSAND TO THANKS. BE PRECISE.

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What's going on behind the scenes at IBAA?  
Our new column will keep you in the know.

### **AUTO INSURANCE CRISIS**

The rising cost of insurance claims has been an ongoing issue with MIR claims, the rate cap and prejudgment interest.

#### **Minor Injury Regulation (MIR)**

While the MIR limits the pain and suffering damages if injuries do not result in a serious impairment, too many injury claims that should have been subject to the MIR were pushed beyond that limit in court. In February and March, the association worked with other stakeholders, including the Insurance Bureau of Canada, to ensure that the Minor Injury Regulation and Diagnostic and Treatment Protocol Regulation get appropriately updated in a timely manner to control these costs.

On May 17, 2018, the Superintendent of Insurance reined in those claims by clarifying that the MIR applies to sprain, strain, whiplash injuries, some temporomandibular joint injuries and physical or psychological conditions or symptoms that arise from sprains, strains and whiplash injuries and that resolve with those injuries.

#### **Adjusting the Rate Cap and Prejudgment Interest**

We are advocating two changes to relieve the continual financial pressure on the insurance industry:

1. The auto insurance rate cap must be raised immediately to 10% from the current 5% so that eventually insurance companies can return to actuarially supported premiums.
2. The prejudgment interest rate and length of time over which it is calculated must be reduced to bring them in line with other jurisdictions.

On July 18, 2018, we launched the auto campaign with automated letters that brokers throughout Alberta could send to MLAs in the constituencies where they work and where they live. As we go to press, 1,298 letters have been sent, and our campaign received coverage in the *Edmonton Journal*, the *Calgary Herald*, and the *Edmonton Sun*. If you have not yet sent your letter, watch for the link in our upcoming emails or contact [ibaa@ibaa.ca](mailto:ibaa@ibaa.ca).

The following political meetings have also been held:

- On August 15, 2018, President Elect Chad Leibel and CEO George Hodgson met with Finance Minister Joe Ceci's Chief of Staff Laura Devaney to discuss this auto crisis.
- On August 17, 2018, CEO George Hodgson and COO Rikki McBride met with United Conservative Party board member Adam Sweet to discuss the auto crisis as well as other property and casualty insurance issues.

### **CANADIAN ACCREDITED INSURANCE BROKER (CAIB) ONLINE**

CAIB online exams are expected to be released in Western Canada in the first quarter of 2019.

### **LICENSING**

Advocacy to improve the licensing pass rates and process occurred on two fronts: government advocacy for licensing equivalencies and AIC stakeholder information sessions.

#### **Government Relations: Licensing Equivalencies**

To address problems in licensing pass rates, we have been advocating since 2015 for CAIB and CIP equivalencies for AIC's licensing levels 1–3 exams. This June, CEO George Hodgson and COO Rikki McBride undertook numerous meetings and calls with Alberta Counsel (the non-partisan government-relations firm that helps us with government lobbying), Alberta Insurance Council, the Superintendent's Office and the Minister of Finance's Office. The Superintendent's Office drafted the regulations for the equivalencies, and the Deputy Minister of Finance completed its review. In late August, as we write this column, the regulations are on the finance minister's desk and

ready to be put on the cabinet agenda.

### AIC Stakeholder Information Sessions

As a solution for the low licensing pass rates, Alberta Insurance Council (AIC) proposed that the General Insurance Council create study material for General insurance licences and approve certain providers to teach it. IBAA does not support this proposal as completion will take a long time and be very expensive. IBAA would prefer that AIC share increased details of what might be tested and improve its communication with existing educators so that existing materials can be improved. Discussion also focused on equivalencies and the development of a single provincial financial regulator.

We attended the following sessions:

- On May 17, 2018, COO Rikki McBride, director of member services and marketing Janis Losie and business development representative Karen Bushie attended the Edmonton stakeholder session in Edmonton.
- On May 24, 2018, CEO George Hodgson and past president Julia Marshall attended the stakeholder session in Calgary.

### IBAC HILL DAY

Insurance Brokers Association of Canada (IBAC) undertakes this federal lobbying event annually in Ottawa with members from all the provincial associations. This year's focus was on the Bank Act, natural disasters and cannabis legalization. Meetings were held on May 29, 2018.

Eight brokers from Alberta and CEO George Hodgson participated. Our eight brokers wore other hats too: IBAC president Scott Treasure, IBAC vice president Robyn Young, IBAA president Paul VanderHooft, IBAA past presidents Gerry Baert and Julia Marshall, IBAA president elect

“Results were that the Bank Act will be renewed until 2023, ensuring the continued prohibition against retailing insurance at the point of granting credit.”

Chad Leibel, PYIB president Jonathan Brown and PYIB past president Jody Lohr. In all, 130 meetings were scheduled with members of parliament and senators including 20 from Alberta, making it the most successful Hill Day to date.

### Bank Act

We continued to promote the historical separation of banking and insurance and reaffirm the current restrictions in the Bank Act that prevent banks from retailing insurance products at the point of granting credit. This position supports consumer protection and competitiveness in the financial regulatory framework. We also addressed possible threats to these principles from new regulations being drafted for fintech entities.

Results were that the Bank Act will be renewed until 2023, ensuring the continued prohibition against retailing insurance at the point of granting credit. Furthermore, Bill C-74 (the

Budget Implementation Act passed in June 2018) gives banks greater flexibility to undertake fintech activities, but they cannot use these activities in order to retail insurance at the point of granting credit.

### Natural Disasters

We advocated for collaborative public awareness initiatives that inform Canadians of their risks and what they can do to mitigate impacts from catastrophic events. Such a campaign should promote

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continued from page 27

the importance of insurance brokers in educating Canadians on how to protect themselves financially and draw on insurance brokers as resources for information and on-the-ground support in raising public awareness. Furthermore, we asked politicians to consider the financial consequences of a large-scale disaster and develop solutions that will ensure the stability of the insurance system and protect the productivity of Canadians, businesses, brokers and insurers should severe flooding take place.

### Cannabis Legalization

Our position was that a public education campaign should be developed as early as possible to ensure that legalization and its related impacts transition as smoothly as possible. IBAC would like to be a federal government resource for any outreach materials that would help Canadians understand how marijuana legalization will impact insurance.

### ELECTRONIC PINK SLIPS

Jacqueline Alderton from the Insurance Bureau of Canada and IBAA COO Rikki McBride met with the Alberta Association of Chiefs of Police on July 17, 2018, to advocate for the use of electronic pink cards and to ask the chiefs of police to work together with the industry on this and other potential issues going forward. The police are one of the stakeholders that the Office of the Superintendent of Insurance must consult before ruling on electronic/digital pink cards. The two advocates felt hopeful from the police recognition that the way consumers want to do business is changing, although one sticking point seems to be liability for handling phones.

## MEMBER SERVICES

### Business Boosters

Three new vendors have been added:

- The Perkopolis discount program and the Go Auto purchase program kicked off at our May 2018 convention.
- The ATB member benefit program was launched in August.

### Marketing

Pattison billboards promoting member brokers are up and running as of June 2018 in the Calgary and



Edmonton airports and the Edmonton Ice District (Rogers Place).

A digital ad campaign to drive internet consumers to IBAA brokers launched in July 2018.

IBAA broker ads in downtown Edmonton restaurants, around the legislature and in Calgary restaurants were created for October 2018 and March 2019.

Ads promoting insurance brokers on Golden West Radio stations in rural Alberta and broker sponsorship of weather forecasts were developed to run in August–September 2018 and March–April 2019.

The WHL Insurance Goal of the Game (association broker marketing accompanied replay of the goal) and Memorial Cup Contest (for brokers' clients) were designed to raise public awareness of member brokers. They ran for several years in the Western provinces thanks to Wawanesa's sponsorship. Sadly, we have withdrawn from the 2018–2019 campaign due to lack of broker interest. Only six brokers participated in 2014 and the numbers continued to decline, leaving us with three participants in 2017–2018.

The modernized Bipper that IBAC designed was launched to brokers and the public on September 3, 2018.

## OTHER ACTIVITIES

Some other activities were undertaken to keep IBAA strong and on target:

- In June 2018, IBAA executive and management team held their annual review of the strategic plan.
- CEO George Hodgson has started his annual sponsorship and update meetings with insurer-partner executives.
- In July 2018, CEO George Hodgson and many of his sister association counterparts attended the Independent Agents Association executives meeting in Whistler, a Canadian chief staff executives meeting and a series of Western Brokers Association CEO's meetings and conference calls during that conference.

That's all for this issue. The next columns will be shorter, without all the catch-up required here.

# Flood risk is growing.



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## STUCK IN A RUT? SHIFT GEARS!

**Y**our alarm clock goes off, but you lay in bed wondering what you are doing with your life. You have a great spouse, decent kids and a fantastic dog, but you're feeling stuck in your job. With so much room for advancement in the insurance industry, you should never have to feel that way if you are willing to get out of your rut and grasp the opportunities. People rarely stay at their first job, whether that job is from childhood or gained straight out of university. Going to the same job, doing the same thing with the same people day in and day out, is comforting for some people. They know the paycheck will always be coming like clockwork. For others, though, this stability may not be enough. Have you been paying attention to the signs in your life?

One sign that it's time to move on to a new job is getting sick. Are you letting your job stress you out to the point that you become physically ill? Job stress is not only from trying to land the big client. It could also be from working in a negative environment. All it takes is one co-worker to make a toxic environment that is not healthy for anyone. Stress can affect a person's mentality and result in depression or anxiety, which are huge obstacles when it comes to a person's well-being. The stress of a job or workplace atmosphere

can also cause migraines, stomach pains or other mystery illnesses.

Perhaps another sign that it's time to search for a new job is feeling unappreciated for your talents. Nobody wants to go to work and feel like a drone in a factory. We want to feel that our boss knows our name and appreciates the hard work we put in every day. If you have been trying your hardest, finishing all tasks given,

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*"As owners and managers  
have to start their  
succession planning,  
so do we young brokers."*

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picking up extra projects without being asked and overall giving your 110% everyday, but nobody notices, work life gets frustrating. I am not saying you need to get a gold star and a pat on your back for every task you do, but being shown you're appreciated every once in a while goes a long way. Appreciation could be as simple as an email praising you for the great work or a monetary raise every once in a while. These incentives make you want to show up and put in your best effort knowing that someone notices the value of what you are contributing.

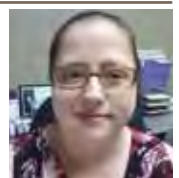
Being in the correct job or workplace is key to a happy future.

We have only one life to live. Living it miserably is a sad existence. Being unhappy at work also affects home life—we complain more to our spouses or family. A work environment that values and utilizes all your contributions will not only help the company to thrive but also help you to thrive.

As owners and managers have to start their succession planning, so do we young brokers. We need to situate ourselves where we can climb up that corporate ladder and, if so driven, one day become the boss. Being stuck in a career rut will end up only in frustration and could be the reason you make a big mistake in life such as leaving the insurance industry. An increasing number of brokerage owners and managers are aging out of the industry while new 20-something-year-old brokers are coming into it. We, the 30-something-year-old brokers, sometimes need to step away from our current position in life in order to be the next one in line who is groomed to run the insurance brokerages in the future. We can never be complacent in our careers as all our industries are always changing and no one knows what the future may hold. 📱

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# ibaa courses

More classes at [ibaa.ca](http://ibaa.ca)



**CAIB**  
**FAST TRACK**

**4**

SATURDAYS

CAIB 4

Calgary	Oct 27–Nov 24
Edmonton	Oct 27–Nov 24
Grande Prairie	Oct 17–Nov 24

**1**

**LICENSING**

Calgary Immersion	M-F, Dec 10–14
Edmonton Immersion	M-F, Nov 5–9
Live Online (evenings)	M-F, Oct 15–26

**WEBINARS**

Effective Business Communication	Oct 18
Green Acres: An Introduction to Farm Insurance	Oct 23
Cannabis: How High Is Your Exposure (Personal Lines)	Oct 25
Cannabis: How High Is Your Exposure (Commercial Lines)	Oct 30
Aviation Insurance 101 Including Drones	Oct 31
The Slippery Slope: Intro to Residential Roofing	Nov 1
Effective Commercial-Lines Account Renewal Processes	Nov 15
The Grid Getting the Steps Right	Nov 21
Managing Different Generations in Insurance	Dec 4
Errors & Omissions	Dec 6

**DESIGNATION EXAM**

<u>2018</u>	<u>2019</u>
October 24	February 6
December 5	March 20
	May 1
	July 3

**2**

**LICENSING**

Edmonton Immersion	M-F, Nov 19–23
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# Why IBAA members love our Sage E&O program:

## Reasons 32, 33, 34...

32. No sharing financial information with a competitor

33. No supporting a non-member

34. *Your member dollars support your association*



**Face it - We're awesome together**



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