THE ALBERTA BROKER

THE INSURANCE BROKERS ASSOCIATION OF ALBERTA

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ARE YOU CLICK WORTHY?

How to Deliver a Better Website Experience

+

Succession Planning

5 Tips for Business Leaders to Thrive

No Builder's Risk Coverage from Multi-Peril Policy

and more—

December 2018–January 2019

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departments

THE ALBERTA BROKER December 2018–January 2019

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Paul VanderHooft

President's Message

In my last article, I wrote about the busyness that consumed summer and how quickly life was flying by. As I write this message and our kids get set for Halloween, our neighbours to the south get ready to celebrate Thanksgiving and Christmas decorations line the shelves at Costco, it's already time to reflect on what has happened in 2018 and what is left to come. I'm sure hoping life will slow down sometime soon, but in the meantime we'll all just have to hang on for the ride!

The Automobile Insurance Crisis

2018 has been a trying year for IBAA and the brokers we represent. We continue to work on initiatives such as licensing equivalencies and improving licensing exam preparedness and pass rates. That said, much of everyone's attention has shifted to the state of automobile insurance in Alberta. Previously, I suggested that we refrain from referring to the situation as a "crisis." Since then, our insurance partners have started to use that language more freely. Their deep concern over the ability to take rate in this province is known across this country. Indeed, during my recent attendance at the Insurance Brokers Association of Ontario convention, I heard it remarked that Ontario is now the second worst jurisdiction in which to conduct automobile insurance business. A dubious honour—Alberta has leaped into first place! The rapidity of the fall is astonishing given that twelve months ago several insurers were still jockeying for more market share in this space.

"… I heard it remarked that Ontario is now the second worst jurisdiction in which to conduct automobile insurance business. A dubious honour—Alberta has leaped into first place!"

Now, while Albertans face the possibility of not being able to insure their vehicles properly, our NDP government touts small changes to the Minor Injury Regulation as if they will fix our current issues. Unfortunately, changes to this regulation will likely take up to two years to show teeth and realize any real impact.

Accordingly, IBAA stepped up its lobby efforts through several meetings with the offices of both the finance minister and the superintendent of insurance. We also initiated a province-wide letter writing campaign. This grassroots advocacy effort relied on motivating our members to send letters to their MLAs in every corner of this province. I am pleased to say that we experienced tremendous involvement by our membership. As of October 29, just over 1,300 letters were sent recommending that the Alberta NDP government lift its arbitrary cap on automobile insurance rates. We've received letters of response from a good portion of those MLAs, and the offices of both the finance minister and the superintendent have taken notice. Additionally, the Office of the Superintendent of Insurance has indicated that they are starting to hear the voices of concerned consumers.

These lobby efforts have not fallen on deaf ears. And, to keep the pressure on, your IBAA office and several members of the board and executive took part in a day of meetings at the Alberta Legislature on November 6. As I write this article, the finance minister's 5% cap on rate increases is set to expire on November 30, 2018. An extension of that cap is not necessarily automatic, so we hold some hope (albeit faint) that the finance minister will allow insurers to apply for rate increases again on December 1. An extension of the rate cap at the end of November will virtually guarantee that it will not be revisited before the 2019 election.

The situation with Alberta auto insurance is grave for sure and we're not alone. Since I've taken on the role as your IBAA president in April, I've been fortunate to travel to both coasts of this great country with a few stops in the middle. In May, I was at our own convention in Banff, followed very shortly by the Insurance Brokers Association of British Columbia convention in early June. Early October saw me visit Halifax for the Insurance Brokers Association of Canada AGM and Niagara Falls for the Insurance Brokers Association of Ontario convention. To be sure, automobile insurance was a topic for discussion at each of those stops but, what surprised me most, was that representatives from every other province lamented the state of automobile insurance in their province. Ontario and the Atlantic Provinces face challenges similar to those in Alberta. Those with government auto regimes have their challenges too—ICBC is bleeding red ink, and brokers in Manitoba are in the midst of a tough negotiation with MPIC for their next five-year deal.

Challenges with Education and Licensing

While we wait for a resolution on auto insurance, we continue to face challenges with education and licensing in Alberta. The Alberta Insurance Council continues to be coy with the dissemination of information regarding its curriculum design document, so education providers struggle with putting together proper study materials for licensing exams. As a result, pass rates for Level 1 and 2 exams continue to be under 40%. A small silver lining is that those studying material provided by IBAA are performing marginally better than the provincial average.

We continue to lobby the government to accept other insurance education and designations as equivalent to passing the licensing exams. We understand that this petition has finally made it to the finance minister's desk but remain frustrated that it has not moved onto the cabinet's agenda to get the final ascent that it needs. Our efforts for a good outcome on this continue.

Hardening Commercial Market?

For those brokers largely unaffected by the goings on of personal automobile insurance, your lives are not footloose and fancy free either. We are starting to see what might be the beginning of a hardening market for commercial insurance in Alberta. Whether this is a true hard market borne from true commercial pressures or simply a tightening of the belt by many insurers as they wait to see what transpires on the auto file is not yet clear. Nevertheless, capacity is shrinking in many areas while deductibles and rates are increasing. We will have to keep our eye on this environment that will be a challenge for a number of brokers who are new enough to the industry to have never experienced selling and advising in this environment.

The Silver Lining

Though the picture painted above is dreary, there remains a silver lining. Since our friends and competitors in the direct-to-consumer space are facing a number of the same challenges with auto insurance and a hardening commercial market, this is no prediction of the broker channel's demise. Rather, it is an opportunity for brokers to once again bring value to consumers and show them why their best insurance is an insurance broker.

So, while 2018 has been tough, we maintain strong hope for a much better 2019. I have no doubt in my mind that the broker channel is the best way to conduct insurance business and, with that spirit in mind, I wish you all the best for the remainder of 2018 and a very prosperous 2019!

Chinook COUNTRY REPORT

BROKER NEWS

- Effective September 1, Builders Insurance Group joined Brokerlink.
- Shearer Agencies, a part of the Schwartz Group, will now operate independently under the name Ryan Shearer Agencies.
- Magna Insurance celebrated their one-year anniversary in September. Congratulations Magna!
- Inspire Insurance has assumed the business operations of AGM Insurance and are located on Centre Street in Calgary.

New Places on the Map

- Church Eaton Insurance is at a new 17 Avenue SW location.
- A few new moves for Link Insurance in Calgary: its Westwind office relocated to the Foothills Industrial Park; you can now find its Castleridge office in Country Hills Landing and the Martindale office moved to a new location in Varsity.
- MHK has a new Midpark Way SE address in Calgary.

COMPANY NEWS

- Larry Erhardt, formerly of Economical, replaced now retired Peter Manning as BD advisor at Peace Hills.
- Dawn Ladds left Aviva to join Marsh Canada as a senior vice president.
- Lundgren and Young has a new vice president, operations: Jody Lohr.
- Jean Corbeil, previously of Charles Taylor Adjusting, joined RSA as a claims specialist.
- Dustin Pilford changed roles within Aviva—from commercial unit manager to account executive in business development.

INDUSTRY PARTNERS

Congratulations to Crawford Adjusters on their acquisition deal with JDS Adjusters. Tom Reid, formerly of Aviva, is now the president of Trufla Technology.

GIVING BACK

In previous columns, I have shared stories of the good work being done by Western Financial Group's employees and supporters and I am pleased to report a big milestone for the Western Communities Foundation: $3 million in funds raised to support the communities in which they operate. This achievement represents 16 years of dedication, and it is good to see them reach their milestone. Well done!

MISSED BUT NOT FORGOTTEN

In the last few months, we lost two long-term members of our industry: Stan Lewis and Ralph Aplin. Stan Lewis passed away in August, and his long-time friend Ralph Aplin passed away in September. Both enjoyed a long insurance career, and I am sure have worked with many of you. I will always remember Stan's grin and Ralph's dry sense of humour, sometimes at Stan's expense! Sad times, but good to remember the fun times.

MICHELLE HAMMEL
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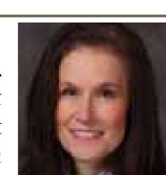

YOUR EXPERT®
IN THE FIELD

ARE YOU CLICK WORTHY?

How to Deliver a Better Website Experience

by Nicholas Finn

Today's online customers are demanding. They aim to find what they're looking for quickly, the process of doing so to be smooth and the information they find easy to comprehend. On top of this, they expect websites that look exceptional. If these expectations are unmet, they're gone. They're more demanding than ever today because commonly visited sites like Google, Amazon and Youtube have shifted the mindset of what great website experiences should be like.

Here's a reality check for you: more than likely, you are that demanding online customer but perhaps you haven't come to terms with it yet. Think back to a recent website visit where almost as quickly as the website loaded, you left. You did this because something was missing. I work with a team of digital marketing consultants, and we analyzed 268 brokerages' Google Analytics accounts. Would it surprise you that more than 65% of visitors to these insurance brokerage websites left within 10 seconds? Something is missing.

I'd like to provoke some honest thought on your end: Will online visitors who land on your insurance website think it's a good enough experience for them to really consider becoming a client? My colleagues and I have been asking brokerages this question for a few years now, and less than 1 in 10 answer "yes." From experience, we've found the majority of brokerages don't know where to turn to get started with website evaluation and design. While it's a much larger topic than one article can cover, I'll aim to highlight some initial thoughts and insights on how you can begin thinking critically about your own websites, along with offering some tried and true aspects of great website design—design proven to deliver more online engagement, credibility and clients.

The First Impression Is Crucial

Make a Great One

We're all familiar with the expression: "Don't judge a book by its cover." The reality is that when we land on a new website, we do exactly that. It takes about 50 milliseconds (that's 0.05 seconds) for users to form an opinion about your website that determines whether or not they like your site and whether they'll stay or leave. If they get past that first impression, 38% of visitors will stop engaging with a website if the content or layout are unattractive. More on that later.

One of the first things we must come to terms with when preparing to offer an excellent website experience is that we, as online customers, are judgmental. For a website to be engaging, it must offer visual appeal and attraction. With that said, if you were landing on your website for the first time, what would your first impression be? Would you truly be compelled to stay? If so, what would you do next?

Define Your Website's Objective

Use Calls to Action and White Space to Increase Engagement

Did you know great website design can (and does) influence the next step a visitor takes? Ask yourself the question "What's the one thing I most want the visitors to do when they land on my website?" Do you want them to call your brokerage, submit an online quote, sign up for your email newsletter or learn more about your company's products and services? Your visitor won't do them all, so ensure you are prioritizing a select few choices, where possible one or two.

In his book *The Paradox of Choice: Why More Is Less,* Barry Schwartz argues that a diligent focus on keeping choice to a minimum and direction clear increases the odds that your visitors will be happier with their experience. Believe it or not, customers don't want to be overwhelmed with several choices. In fact, too much choice can cause anxiety and send your online visitors running for another website offering the simplicity they crave.

Determine what you're most eager to have your online customer do on your website and make it immediately apparent with a strong call to action. Take Lemonade Insurance Company as an example *(see image #1 on page 10)*. The pink button draws immediate attention to it, making it very apparent that the next best action after landing on its home page is to check their prices. A secondary action to watch the video is also highlighted, although to a lesser extent, as it is not the primary action they want the customer to take but is still of high importance. Additionally, the contrasting of the colour pink against monotone designs is consistently reserved to draw attention throughout their entire website. How effectively are you using colour and contrast to draw attention on yours?

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Image #1

Also worth noting is how uncluttered Lemonade's home page (and entire site) is. It has the immediate appearance of being easily consumable and simple, both great first impressions to be making, especially in the insurance space. It's partially due to effective use of white space, i.e., the portion of a page left unmarked such as margins and space between columns, lines of content and graphic figures.

Proper spacing embedded within design makes your content appear more absorbable and easier to read. When incorporated into web design, the positive impacts white space has on user engagement are enormous.

Understand Your Target Audience

Use Imagery and Content that Communicates Clearly to Them

A few months ago, our team was sitting with a brokerage reviewing its car insurance web page. We discovered less than 1% of visitors were completing their quote form, much lower than the 5 to 15% we'd typically see. What could possibly be to blame? In this particular instance, imagery—specifically photos of luxury vehicles like Audis, Mercedes and BMWs—were planting an immediate vision in the visitor's mind that they must own a high-end car to qualify for insurance with this brokerage. In reality, the broker told us, "More often than not, our clients own Honda Civics, not high end-vehicles." While a fairly obvious example, it highlights the importance of aligned imagery, messaging and audience along with the consequences when we get it wrong. Determine who your customer base is (or will be), understand them and their needs and select imagery you know will resonate with that audience.

Then there's the importance of content. Is it easy to read within the website and does it speak clearly and directly to your likely customer? Some brokers seem to be under the impression that speaking in technical insurance terms online is advantageous, as though jargon and complex insurance language would showcase the brokerage's advanced knowledge and improve the odds of converting that online visitor. Very rarely is this the case. The visitor knows insurance is complex, which is why they're looking for an insurance partner who makes it seem simple. Customers, online and offline, are begging the industry to simplify insurance and improve understandability. Is your website's content truly simple and easy to understand for the average customer?

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Design for Mobile

Prioritize Features. Keep It Simple. Load Quickly.

Insurance customers are using their mobile devices more and more frequently. The average consumer spends 69% of their time consulting media on a mobile device and average mobile conversion rates are up 64% compared to the average desktop conversion rates. There's no shortage of statistics that highlight just how integral a great mobile website is to the customer, but there is most definitely a shortage of Canadian insurance brokerages offering one.

So what are some of the key items to consider when designing for mobile? Prioritize features and eliminate clutter: Keep the design simple, the text legible and design for finger-friendly clicks. On a mobile device where the screen is significantly smaller, this is integral. To revisit our earlier example, Lemonade's mobile home page *(see image #2)* accomplishes all three of these necessities. As a company promoting "Instant everything," keeping the

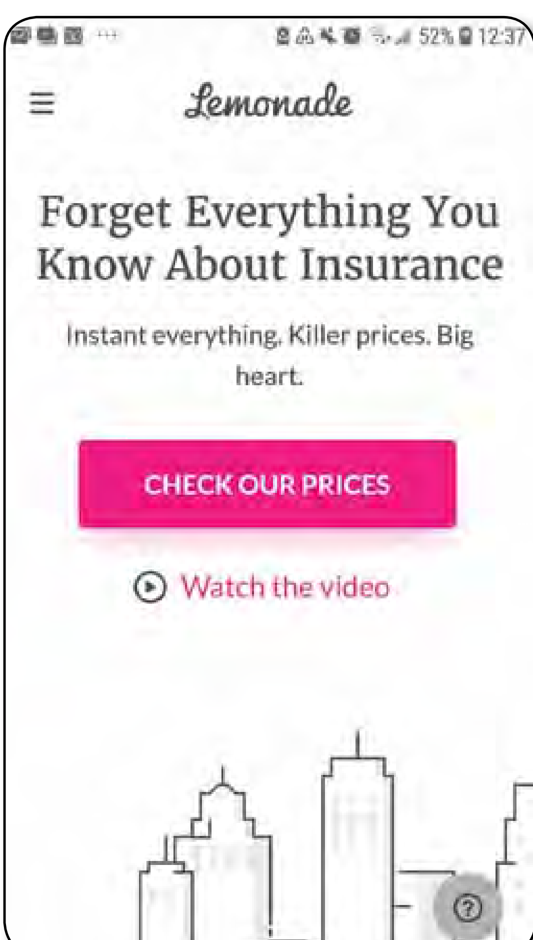

Image #2

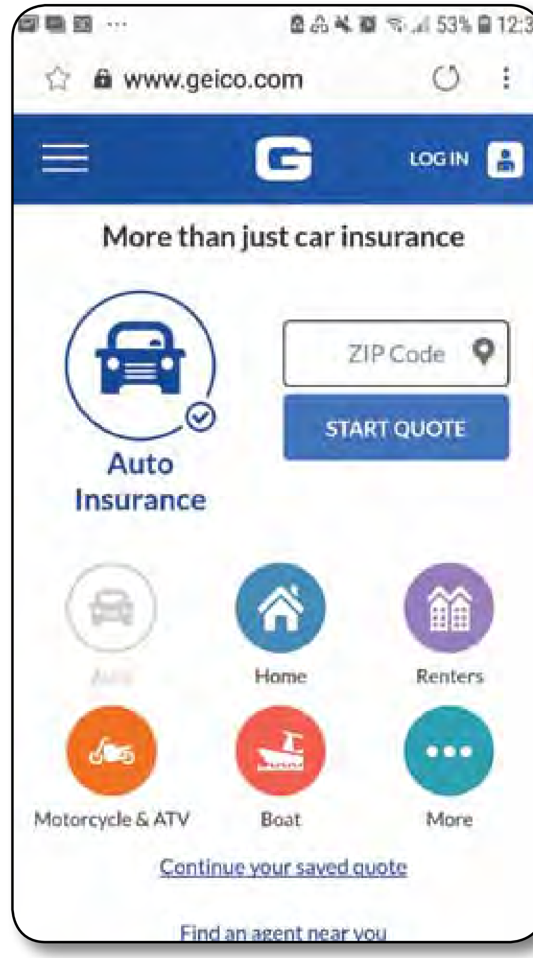

Image #3

material easily (or instantly) absorbable was top priority. On the topic of simplicity, I'd encourage you to walk through every page Lemonade has on its mobile website and notice just how many screens have less than 50 words. That's how seriously Lemonade treats simplicity because they know it's what their online audience demands.

Another tactic we're starting to see more in the mobile design landscape is the use of icons. Two primary advantages are familiarity and space conservation. Think about your use of apps on your mobile phone. They're icons! And how do you open those icons? By clicking them! Our mobile devices have trained us so effectively to click icons that they can greatly influence a visitor's likelihood to do so. Additionally, if an icon can portray in one simple image what 5 to 10 words can, it conserves a great deal of space, particularly on mobile. Geico Insurance *(see image #3)* is one example of a company using icons effectively to display their suite of products to the viewer. These icons are proving so effective for Geico, that they are also being leveraged on the desktop version of their website.

As a final point here, understand that the online customer base is demanding that your mobile website loads quickly. Google launched a study in September of 2016 that suggests 53% of mobile users abandon sites that take over 3 seconds to load. Google has some great tools to help you identify your website load speeds, and while Google Analytics is most accurate, a quick test can be conducted through https://testmysite.thinkwithgoogle.com/. How long does it take your mobile website to load? Are your online visitors satisfied with the result?

Get Excited About Your Website Data

Study the Outcomes. React Accordingly.

When we talk about great website experiences, it's rare they happen by accident. The staff behind websites like Lemonade and Geico are paying diligent attention to their website data as it highlights how visitors react to their design and messaging.

If you haven't already, start getting excited and interested in what your data can highlight about your visitors' engagement. Google Analytics is a fantastic free tool that can get you started in answering questions such as: what is the average session duration of my visitors? How many web pages do they visit before exiting? How many visitors completed my quote form? The number of questions Google Analytics can answer are essentially limitless.

In many cases we've found that brokerages have this data stored, they just haven't been provided access. Check with your web agency or digital staff to get this access and start exploring. Consider having them answer some of the earlier questions for you. In some cases, you may be dissatisfied with what your data tells you, but don't despair—It's those answers that help you establish the benchmark for future design optimization and determine whether it's working.

Conclusion

Much has been discussed in regards to website expectations of today's online customer. They're demanding. They're judgmental. They're unforgiving. But when you can come to the realization that you are that demanding online customer when visiting other websites, you put yourself and others in a much better position to critique your own. Be demanding. Be harsh. If you were visiting your site for the very first time is the first impression likely to propel you to engage further? Is the next step you would take on the site clear? Does your design and messaging speak concisely and clearly to your audience? Is your website's mobile experience simple and intuitive? If not, I applaud you for admitting it. Now, you've got some website work to do.

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Getting (ONLY) What You Pay For

Don't Expect Builder's Risk Policy Coverage from a Multi-Peril Policy

In the world of insurance, you get the coverage you pay for and only that.

The recent decision from Justice Hall of Alberta's Court of Queen's Bench in Condominium Corporation No. 9312374 v Aviva Insurance Company of Canada drives this point home. The case is an appeal from the decision of Master Prowse on the issue of the interpretation of a policy exclusion for the cost of making good faulty or improper workmanship. (Masters in Chamber are judicial officers with the authority to hear and determine certain applications to the Court.)

Master Prowse found coverage under the policy, and the insurer appealed. While this issue clearly rings a bell and conjures up the Supreme Court of Canada's decision in Ledcor Construction Ltd v Northbridge Indemnity Insurance Co, Justice Hall drew on some key contextual differences in order to distinguish the Supreme Court's decision. In particular, Justice Hall looked at the type of policy at issue as well as the reasonable expectations of the parties as to the coverage that it would provide because, as the saying goes, you only get what you pay for.

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OPEN

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The Facts

In 2011, Condominium Corporation No. 9312374 (the "Condo Corp") hired contractors to do restorative and maintenance work on the parking surface of its parkade, work which involved cutting into the membrane of the parkade surface. In carrying out its work, the contractors cut too deeply and caused damage to the structural integrity of the parkade. The Condo Corp claimed indemnity for this damage under its multi-peril insurance policy with Aviva Insurance Company of Canada (the "policy"). However, indemnity was not forthcoming, as Aviva denied coverage for the damage on the basis that it fell within one of the policy's enumerated exclusions. The Condo Corp commenced actions against the contractors, both of which were settled; however, a shortfall remained. The Condo Corp claimed that shortfall in this action.

The Policy

The policy provided property coverage in Section I as follows:

1. Indemnity Agreement

In the event that any insured property, under Coverage A of Section I, is lost or damaged during the policy period by an insured peril, the insurer will indemnify the Insured against the direct loss or damage so caused …

5. Insured Perils

Coverage A of Section I insures, except as otherwise provided, against all risks of direct physical loss of or damage to the insured property.

Subsequently, the policy excluded certain losses and withheld coverage on the following terms:

6. Exclusions

G. Other Excluded Losses

Coverage A of Section I does not insure:

…

(b) the cost of making good:

i. faulty or improper material;

ii. faulty or improper workmanship;

iii. faulty or improper design.

Finally, the policy included the following exception to this exclusion and thereby re-established certain coverage within a limited scope:

> Justice Hall looked at the type of policy at issue as well as the reasonable expectations of the parties as to the coverage that it would provide....

This exclusion does not apply to loss or damage caused directly by a resultant peril not otherwise excluded in Coverage A of Section I.

The Parties' Positions

Aviva acknowledged that the policy did initially provide coverage for all risks of direct physical loss or damage to the insured property; however, the cost of making good faulty or improper workmanship was expressly excluded, and here, the exclusion referred to the cost of making good the damage to the building's structural integrity caused by the contractor's excessive cutting. As such, Aviva argued, no coverage followed.

On the other hand, the Condo Corp took the position that "the cost of making good" referred to the cost of making good the work that was to be provided by the contractor pursuant to its contract and did not include the structural damage to the parkade. The Condo Corp relied on the Supreme Court's decision in Ledcor, which dealt with a similar exclusion for the cost of making good faulty workmanship in a builder's risk policy. In that case, the contractor hired to clean the windows during the construction of a building had irreparably damaged the windows by employing improper tools and methods, and all of the windows needed to be replaced. The cost of this replacement, the Supreme Court held, was covered by the policy. The Condo Corp argued that the same interpretation should apply to its own policy.

The Decision

Justice Hall allowed Aviva's appeal, finding that no coverage existed under the policy and that Ledcor was distinguishable. First and foremost, Ledcor involved a builder's risk or course of construction policy, not an all-risks or multi-peril property insurance policy. As a result, the context that informed the reasonable expectations of the parties—and therefore the meaning of the exclusion clause at issue—was fundamentally different. The insureds here were the condo owners, not the contractors. There was no "relatively high premium" paid in exchange for broad coverage that could ensure that construction projects were not stymied by disputes among various contractors about liability for replacement or repair. Basically, there was no reasonable expectation that the policy would cover more than property damage caused by a peril not otherwise excluded. For Justice Hall, Aviva had successfully established that the exclusion applied and that the "cost of making good" faulty workmanship included both the cost of the contracted work and the cost of repairing the structural integrity of the parkade.

Justice Hall also distinguished Ledcor based on the wording of the exceptions to the exclusions in that case and the one before him. The exception in Ledcor referred to property damage not otherwise excluded without referencing the insured-against perils. In this case, the exception referred to loss or damage caused by a resultant peril not otherwise excluded, i.e., caused by an insured-against peril. As damage to the structural integrity of the condo building was not a peril itself but rather a result, no coverage for the Condo Corp was established under the exception.

The Take-Away

Justice Hall had no difficulty drawing hard lines between the case before him and Ledcor. As the Condo Corp requested, Justice Hall did approach the matter in the way prescribed by the Supreme Court: he focused on the purpose behind the insurance policy in order to determine the parties' reasonable expectations as to the meaning of the exclusion. However, following the same approach as Ledcor brought about a different result for the Condo Corp because of the distinct purposes of different types of insurance policies. While it was open to the Supreme Court to find coverage because of the broad coverage purchased at a high cost by insureds, Justice Hall found that a multi-peril property insurance policy could not be asked to do the same work and provide the same coverage, because it was never intended to.

Therefore, it is crucial to investigate both client needs and client expectations to make sure that the appropriate coverage is found to bring those things together. If it is builder's risk coverage that a client needs, for instance, it is builder's risk coverage that the client needs to purchase.

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P&C'S ECONOMIC FOOTPRINT

The property and casualty (P&C) insurance industry faces serious challenges in Alberta. The auto insurance system is no longer working for the province's three million drivers.

Soaring claims costs as a result of a 2013 court ruling about which injuries are subject to the minor injury pain and suffering damages cap has caused claims costs to spiral. Vehicles are becoming more expensive to repair with enhanced technology and the government has imposed a rate cap that results in insurers selling their product at a significant loss. In 2017, 99% of the auto insurance industry posted combined loss ratios in the range of 101% to 129% in this province. In other words, insurers paid as much as $1.29 in claims and operating expenses on every dollar they earned. Insurers, brokers, agents and consumers are all experiencing the negative impacts of this untenable situation.

Things aren't much better on the property side. Alberta is also the province most affected by weather events that regularly hurt brokers' and insurers' results.

> "In 2017, 99% of the auto insurance industry posted combined loss ratios in the range of 101% to 129% in this province."

These losses are important not only to the insurance industry but also to the consumers who count on it to get to-and-from work and to protect their largest asset, their homes. However, citizens and politicians are often unaware of these stresses, of how it impacts them or of the essential role the industry plays in the province's economy.

Insurance Bureau of Canada (IBC) recently conducted research to highlight both the industry's challenges and the crucial contributions it makes. IBC's "Insureconomy Report for Alberta" summarizes the economic footprint of Alberta's insurance industry by looking at the contributions the industry makes in the province.

The numbers tell the story. The P&C insurance industry makes a significant contribution to economic activity in two ways: insurers as well as brokers provide an essential service and because of that service, other industries can also generate goods and services.

Without insurance, households and businesses would be left exposed to the losses that result from natural disasters, accidents and other unfortunate events.

The P&C insurance industry has a substantial direct economic impact in Alberta, but its total footprint is much larger. The insurance industry also creates indirect (supply chain) impacts through the demand for other goods and services (such as legal and communications services) that serve as inputs for insurance products.

The direct impacts of the industry are easily measurable; they are the result of the industry's own activities, such as the GDP created by its activities and the wages paid to employees. The P&C insurance industry directly contributed $842 million to Alberta's GDP in 2016 and directly employed several thousand people as carriers, brokers or agents.

However, the P&C insurance industry also has a wider economic footprint. Every $1 in activity generated by P&C insurance created $1.12 in other areas of the provincial economy, for a total $2.12. Accounting for all the supply chain effects of the P&C insurance industry, its total economic footprint contributed $1.8 billion to Alberta's total GDP and 10,000 jobs in 2016.

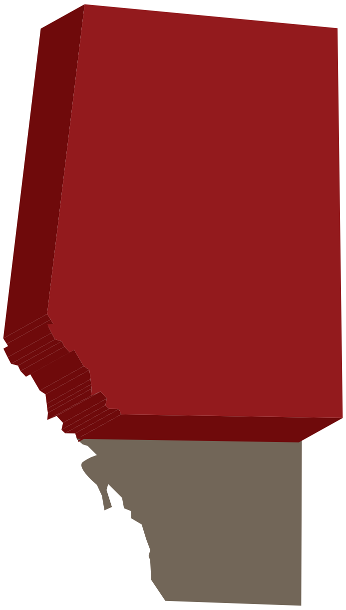
Claims that are paid by insurers—$10.1 billion in 2016—also benefit other sectors of the Alberta economy and serve to boost real GDP in many other industries, such as auto repair, home construction, and health and medical services.

Finally, Albertans have been on the front line of three of Canada's most expensive natural disasters since 2010, including the Fort McMurray wildfire, the 2013 floods in the southern part of the province, and the 2011 Slave Lake wildfire. In the wake of these disasters, insurance has been the driving force to help families, businesses and whole communities rebuild.

IBC has launched a communications effort to show the importance of Alberta's local and essential insurance industry. The campaign, with the slogan, "your community is our priority," includes videos that feature insurance professionals from across the province and highlights how they help their friends, neighbours and family in preparing for and after unfortunate events and accidents.

In this difficult and challenging period for insurers and brokers in Alberta, it is crucial that policymakers understand the full impact and importance of the P&C insurance industry. IBC's insureconomy and communications campaign is a key to help insurers and brokers tell the industry's story of its role in providing essential support to ensure the health of the Alberta economy.

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



NORTHERN EXPOSURE

BROKER NEWS

- Excel Insurance Group proudly announced the opening of two more associate offices, bringing their total associate office count to 14. Joining the group are MKM Insurance Inc. in Spruce Grove, principal Mark Miller, B.Comm, CAIB, CIP, CRM and Allegiant Insurance in Canmore, principal Shannon Driscoll, CIP.
- Staff from both the Edmonton and Tofield offices of Ravenhill Agencies were proud to prepare a meal at Ronald McDonald house in October. They made a hearty meal of lasagna with chocolate brownie sundaes for dessert—a big hit with the kids. This is the second year of their involvement with RMH.
- Vern Gill of Roberts McClure recently retired after 46 years as an insurance broker. For a numbers of years, Vern operated his own brokerage. In the early '90s Vern joined forces with Graham Laughton (Hoosen Burke) and in 1999 the brokerage was renamed Roberts McClure, as it remains today. Congratulations to Vern for standing the test of time in the industry!
- Further congratulations to Tony Deluca of Deluca Insurance Services Ltd. Tony celebrates his 50th anniversary in the industry this year, and this is the 40th anniversary for Deluca Ins. office.
- Mac Insurance in St. Albert was nominated in the business-to-business category for the 2018 business awards of distinction in the City of St. Albert.

COMPANY NEWS

- The Aviva Edmonton office moved to its shiny new location October 29; its new address is 1900, 10130 103 Street. SGI lost its director, Nicole McMillan. They are not sure where they put her! Just kidding, Nicole is taking time away from the industry to focus on her family.
- SGI welcomed Phillip McDougall, intermediate adjuster (bodily injury) to the fold, previously with Intact. Portage Mutual welcomed Peter Cote to its farm department in October.

Ravenhill Agencies staff from both the Edmonton and Tofield locations at Ronald McDonald House

INDUSTRY PARTNERS & PROFESSIONAL ORGANIZATIONS

The IINA and EIA combined their two events—Battle of the Bands and Food Bank Drive Kickoff Party—to raise funds for the Edmonton Food Bank. "Banding Together to Battle Hunger" sold out three weeks prior to the event date. The winning band and total food bank donation was not available at the deadline for this issue; watch next issue for the great results. The Blue Goose Edmonton Pond Christmas Charity Lunch will be held at the Royal Glenora Club on December 4, supporting the E4C school lunch program as well as collecting toys for Santa's Anonymous.

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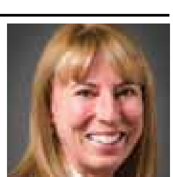

KEEPING IT IN THE FAMILY

Part II: A Case Study

by Cindy Radu

In the October/November 2018 issue of *The Alberta Broker*, the article "Keeping it the Family—A New Approach to Family Wealth Planning" set the stage for how traditional approaches to succession planning can lead to less than optimal outcomes and explored perspectives in family business systems that, when articulated, can have a positive impact on wealth continuity planning.

The following case study illustrates how traditional approaches to succession planning can have unintended and undesirable outcomes compared with a collaborative approach that starts with identifying individual perspectives and goals.

PHIL'S FAMILY

Phil and his first wife had three children. The oldest, Abby, is in a good marriage and has one daughter, Ashley. Abby and her husband are financially independent. She has an active and fulfilling volunteer life. Ashley has always worked at Grandpa's company and became CFO after obtaining her CPA. Ashley has two young children, and her husband travels frequently with his work. While she considered staying home with their kids after their second was born, she didn't want to let Grandpa down.

Phil's son, Bob, is divorced and has no children. Bob makes a comfortable living as an artist and loves to travel to remote countries and live "off the grid." He had been getting ready to leave on an extended trip at the time of Phil's death.

The youngest child, Cathy, is married to Jeff; they have three teenage children. Jeff has worked in the business for over 20 years and has aspirations to be CEO one day. Jeff is his family's sole income earner.

When Phil died, he was already separated from his second wife—Melania. None of the children got along with Melania and felt that she was after Phil for his money.

PHILCO

Phil founded PhilCo, a successful manufacturing operation, in his mid-20s. He was very proud to have built it up from a one-man operation to a staff of 15 with a value over $20 million. He had always been CEO, director and shareholder.

Until his sudden death at age 69, Phil had been hands on and made all the business decisions. He did not like to get "outside advice" but regularly consulted with his key employee, Fred, who had worked closely with Phil for over 20 years. Phil knew he could always count on Fred to be there (though he never discussed that with Fred).

Abby, Bob and Cathy had worked at PhilCo in their school years, but none had been actively involved in the business since then. None of them had ever indicated an interest in the operations of PhilCo or held a senior role in the business.

In the months leading up to Phil's death, several critical strategic business decisions were pending, including the possible need to relocate due to recent rezoning that quashed PhilCo's expansion plans.

PHIL'S SUCCESSION PLANS

Phil wanted to maintain control of PhilCo until his death at which point he wanted his children to control PhilCo for the benefit of generations to come. To this end, Phil's will provided for his PhilCo shares to be held in trust for the benefit of Abby, Bob and Cathy and their "issue." Abby, Bob and Cathy were named co-executors, co-trustees and were to be appointed directors of PhilCo. Phil hadn't discussed his plans for the business or the terms of his will with his children.

AFTER PHIL'S DEATH

After Phil's funeral, the situation at PhilCo got pretty intense. Fred announced his intention to retire within two years. Phil's death at a time of pending strategic business decisions and the absence of leadership was impacting employee morale. Jeff saw an opportunity to try to assert himself as interim CEO. Abby and Bob weren't keen on this idea as Phil had often said, "Jeff just doesn't have what it takes to run this business." Bob had no appetite for any of this "nonsense," told his sisters he did not want to be involved as a trustee or a director and was leaving on his trip.

To make matters worse, Melania had a large claim against Phil's estate from the divorce settlement. Unfortunately, Phil was not adequately insured and had insufficient assets outside of PhilCo to satisfy Melania's claim. The settlement was going to have to come through PhilCo.

Employee morale soon hit an all-time low. They did not know who was in charge, whether they would still have jobs or if the business was going to survive. Some started looking for jobs elsewhere.

UNFORTUNATE RESULTS

Phil's plan resulted in less-than-optimal outcomes for PhilCo and the family. Cash required to settle with Melania had to be diverted from the business at a critical time and left PhilCo in a vulnerable financial

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situation. Abby, Bob and Cathy had no experience, qualifications or desire to provide strategic oversight of the business, especially with numerous pending critical decisions. Fred's announced retirement had shaken the confidence of the other employees. Ashley found herself embroiled with employee questions while trying to address various business and financial issues; she wanted out but felt unable to leave in the circumstances.

Jeff wanted to be CEO but did not have the confidence of Abby, Bob or Fred. Cathy was thrust into an unfortunate dynamic due to Jeff's desire to move into a role for which her siblings did not consider him suitable. Bob felt caught in the middle and was happy to be "running away."

The siblings decided it would be best to sell PhilCo despite being advised that PhilCo would sell at a significant discount due to the circumstances the company was facing without a solid management team and lack of strategic oversight. Abby and Cathy were left having to deal with all the logistics of the sale. Relationships among all siblings deteriorated rapidly.

PERSPECTIVES AND SUCCESSION PLANNING

Imagine instead that Phil had been open to collaborative discussions with his kids, adult grandchildren, key employee and advisors. Phil would have shared his vision of PhilCo as a legacy business. Abby, Bob, Cathy and Ashley would have had a chance to share their personal perspectives and goals. Fred would have shared his retirement plans.

Abby and Bob may have expressed their pride in the business Phil created but disclosed that they were not interested in being directors or owners of PhilCo. They may have suggested their dad should prepare the business for sale at a good price and enjoy his retirement so that they could focus their time elsewhere, rather than maintain a legacy business. Ashley would have had the opportunity to share her desire to spend time at home with her own children and ask that a succession plan for her position could be implemented.

Cathy may have said that she and Jeff might like to become owners of PhilCo if feasible. Jeff had been approached by competitors in the past but never pursued their offers as he wanted a shot at running PhilCo. Furthermore, the idea of keeping the PhilCo legacy option open was appealing even though their kids were still young.

Upon reflection, Phil would have realized that his legacy dreams for the family business did not align with Abby, Bob or Ashley's goals. After facilitated consideration of everyone's perspectives and consultation with relevant advisors, he may have decided to explore the options of Cathy and Jeff, or a third party, buying PhilCo. Cathy and Jeff understood the big picture and would have appreciated the opportunity to realize their dream of a PhilCo legacy, but they would also have had time to consider and pursue other options if the purchase was not financially feasible.

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 as illustrated by the PhilCo case.

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. Email: cradu@bdo.ca.*

What's going on behind the scenes at IBAA?

Whew, another busy fall here at IBAA! Here, in a nutshell, is what we have been working on.

GOVERNMENT RELATIONS

- Electronic pink cards—actively collaborating with IBC in discussions with law enforcement to make these a reality in Alberta.
- Our Legislature Day, November 6, 2018—time to meet with MLAs, sit in on question period and sponsor our own IBAA reception for MLAs.
- United Conservative Party—sent a submission detailing what we see as important policy issues for our members and the consumer.
- Canadian Insurance Services Regulatory Organizations (CISRO)—provided discussion points regarding CISRO's national licensing harmonization review.
- Superintendent of Insurance—offered observations on the impact that current auto market issues and resulting underwriting restrictions are having on brokers and consumers.

OTHER STAKEHOLDERS

- Our annual Insurer/IBAA Executive meetings in November—topics: current issues, their vision for the future and how IBAA can be a resource.
- CSIO—ensuring e-pink card consultation with other jurisdictions to implement best practices in final format.

PROFESSIONAL DEVELOPMENT

- CAIB rewrite—participated in the CAIB Committee review of the first draft of the CAIB 1 course materials.
- New electronic courses—partnered with Gradient Solutions to provide online and on-demand courses (1–2 CE credits each) for insurance brokers—details coming soon!
- Modular E&O courses for staff, principals and managers under development—staff modules already available.

MARKETING

- New Bipper symbol—sent out to all broker member offices for display in windows, on doors and in car windows.
- New BIP billboards in the Edmonton Ice District, Calgary airport and downtown Calgary.
- Harvest-time radio campaign for rural brokers.
- New BIP ads arranged for Edmonton "restobars" close to the legislature building during the next sitting and downtown Calgary establishments.

ERRORS & OMISSIONS

(IBAA'S SUBSIDIARY SAGE ADVISOR RESOURCES)

- One big association sharing resources to make each other stronger—accepted IBAS's invitation to administer the same great coverage and outstanding service to our fellow brokers in SK—no more need for their members to share financial information with a competitor.

MEMBERSHIP

- IBAA welcomes ID Insurance as an IBAA member.
- Thank you to all of you who have renewed your memberships on time. We value your business!

MEMBER BENEFITS

- ATB is our newest partner—program details are located in the Members-only section at www.ibaa.ca.

As always, we welcome your feedback. What do you value about your IBAA membership? What could we bring you that is not already there? What would you like to see change?

Season's greetings to all. We wish you time to relax, enjoy and look forward to a fabulous new year! We'll be back next year with a whole new slate of activities to support our IBAA members.

5 Relationship Skills That Help Enlightened Business Leaders Thrive

We may be well into an age of enlightenment in the world of business leadership, with leaders focusing on relationships and team building rather than issuing edicts from the corner office.

Enlightened business leaders are emerging as a force for growth in an increasingly competitive business world. But just what are some of the traits that make a leader enlightened? They include curiosity, inventiveness, diversity of thought and a focus on collaborative relationships designed to produce win-win situations.

Powerful relationships can bring out the best in all parties and enlightened leaders are especially good at building those relationships.

When people hear the word "power" they think of control, domination and win/lose situations. When it comes to business relationships, that's not what I mean by power at all. I'm talking about collaboration and co-creating value.

Powerful business relationships are built on influence rather than control, and on openness instead of suppression. The ability to master those relationship skills is what helps turn leaders into enlightened leaders.

Some of the principles that go into developing those relationship skills include:

Being Able to Connect

When it comes to work, many people want to get right down to business and don't have time for what they view as small talk. But actually, making a connection with the other person is the lifeblood of business. It's not about manipulation or just exchanging pleasantries for the sake of it. It's about making a genuine effort to find a way to relate and share a common ground before moving straight to accomplishing the task at hand.

Showing Empathy

Being able to empathize with others can help in several ways. You can adapt your problem-solving approach to get the best results for everyone; people will find you easier to work with; and you can better anticipate possible problems. You also will increase your ability to influence others because you'll learn over time what works and what doesn't in your relationships.

Being Able to Develop Trust

Trust in business relationships is important because it allows all parties to feel safe, empowered and capable; reduces miscommunication and friction; eases the problem solving; and requires less upkeep in maintaining the business relationship.

Showing a Willingness to Share Information

Hoarding information can create major crimps in productivity and negatively affect relationships. It's important to emphasize to everyone in the organization that sharing is critical for the firm's thriving and to improving the firm's overall performance.

Learning to Manage Yourself Before You Manage Others

The most important relationship in business is the one we have with ourselves. When business leaders examine their own strengths and weaknesses objectively, they are able to identify opportunities that can improve their relationships with others.

Too often, these relationship skills have been seen as "soft" rather than drivers of economic value. But businesspeople who work at becoming more authentic and more skillful relationship builders are often the ones who get promoted and succeed in reaching their goals.

Sallie J. Sherman, co-author of Five Keys to Powerful Business Relationships *and founder and CEO of S4 Consulting (www.S4consulting.com).*

Online & In Person
THE BROKER ADVANTAGE

The internet is an amazing thing. You can find almost anything for sale and have it shipped right to your door. You can also find the good, the bad and the ugly about a company or a product. This double-edged sword has forced insurance companies and brokers alike to be hyperaware of brand reputation and web presence and offer Canadians access to information and quotes.

According to a two-year study done by Amsterdam-based Newzoo, 25.5 million Canadians have a smart phone, and that number is expected to jump to 32.5 million (just over 81%) in the next two years (*Media in Canada*, January 23, 2018). These numbers speak for themselves: with that much of the population accessing phones that are web friendly, and the younger generations growing up with the technology, companies need to either get on board or be left in the dust. An easily navigated,

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well-laid-out website adds credibility to a company and instills customer confidence. Poorly maintained and outdated information brings into question the company's transparency and reliability.

However, a company's online presence is not just its website. When done correctly, social media is an amazing platform for brokers to get their name out into communities. Twitter, Facebook and Instagram, just to name a few, can promote your business to all ages and walks of life and open companies up to feedback in ways never seen before. A note of caution, though: people will lose confidence and unfollow pages that are not updated regularly, and tweets are "old news" after two hours. Your online presence affects prospective clients as well as employees who look up brokerages online. Millennials who are entering the workforce want to work for companies that stand for something. Online channels are great places to post charitable works and employee profiles that make consumers and possible employees aware of who you are.

Google reviews are also making waves in insurance brokerages. How many times have you heard "I looked that company up. It has a ton of negative reviews. Is there anyone else?" Keyboard warriors are making brokers and insurance companies hypervigilant of negative reviews, and many have hired staff to address them. While they may not be able to change the review, they at least can show they're trying to make it right, which may end up with positive comments or a tempered reception. Recommendations on a Facebook group and good reviews are great ways to get your name out there. They can make the difference in getting the call or not. Many people Google "Where do I find…" and, since the reviews appear with the search results, they can sway people.

Online insurance companies (or divisions) are also bringing a unique challenge to insurance brokers by promoting online quoting mechanisms that consumers can use while watching TV at home or during intermission at their kid's game. I truly believe education on coverage is the best option brokers have to keep clients. I have used the online rating systems for apples-to-apples quotes for clients, and 90% of the time (in my personal experience) the online company's rates are the same or higher than what I can offer through the broker channel. The real issue is that people don't know they are losing coverage until a claim occurs and it's too late. The other benefit of the broker channel is, of course, you! A name and a sympathetic or interested voice on the other end of the phone goes a long way.

Quoting-enabled websites aside, it's the "name your own price" options that I lose sleep over. While the law requires only $200,000 in auto liability coverage, we all know you're dangerously underinsured at that limit. However, that detail is skipped over online with flashy graphics and an easy-to-read quote. Again, only by educating clients can we help people learn what they need to look for. I've asked clients to bring in their online quotes and compared line for line. The process has helped me keep clients and helped them realize that they not only have the coverage they need but also a broker in their corner. Are we worth it? I think so!

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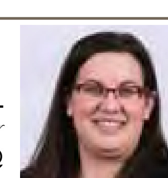

ibaa courses

More classes at ibaa.ca

L1 Licensing

Calgary Immersion	M-F, Feb 25-Mar 1
Edmonton Immersion	M-F, Jan 28-Feb 1

L2 Licensing

Calgary Immersion	M-F, Jan 21-25
Grande Prairie	Saturdays, Mar 2-30
Live Online (evenings)	M-F, Feb 11-22

E Designation Exam

February 6
March 20
May 1
July 3

W Webinars

Catching Up With CASL	Jan 16
Getting Started in Commercial Lines (4 parts)	Feb 7, 14, 21 & 28
E&O	Feb 12
Intro to Umbrella Insurance	Feb 19
Social Media 101: Set Up	Feb 26

CAIB C1

Fast Track

Calgary	Sat., Feb 23-Mar 16
Edmonton	Sat., Feb 23-Mar 16

Online Ensure Training

Monday evenings	Feb 4-Apr 15

CAIB C2

Online Ensure Training

Tuesday evenings	Feb 5-Apr 16

CAIB C3

Fast Track

Calgary	Sat., Mar 30-Apr 27
Edmonton	Sat., Mar 30-Apr 27

Online Ensure Training

Wednesday evenings	Feb 6-Apr 17

CAIB C4

Online Ensure Training

Thursday evenings	Feb 7-Apr 18