

**Consumers' Association of Canada
(CAC Manitoba)**

2020 MPI GRA

IBAM Pre-Filed Testimony Information Requests

September 27, 2019

CAC (IBAM) 1-1

Part and Chapter:	IBAM Pre-Filed Testimony	Page No.:	6
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI Proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“Brokers are subject to regulation and are trained to assess and consult with consumers with respect to their coverages. This includes, but is not limited to, consultation and advice with respect to vehicle classification and coverages offered in the *Basic* and *Extension* Autopac packages. Any changes that would remove brokers from MPI’s distribution channel would increase the involvement of government / MPI employees in the provision of advice and counsel with respect to complex financial products. This increased government and / or MPI involvement becomes more pronounced in an online world where consumers often self-select their coverages with little understanding of the implications of those choices. IBAM and its members maintain that broker involvement is necessary to protect consumers. This, of course, is why regulations and licensing requirements exist.” [Emphasis added]

Question:

- a. Sonnet Insurance is a home grown Canadian company (part of the Economical Insurance family) and is Canada’s 100% online home and auto insurance company (<https://www.sonnet.ca/about-us>). Please elaborate and contrast Sonnet’s on-line business model to that of MPI’s on-line services model proposal.

- b. The Economical Insurance Company (<https://www.economical.com/en/home>) partners with independent insurance brokers. Please elaborate on the commissions paid to brokers by Sonnet/Economical for online service transactions compared to broker serviced transactions.
- c. Does IBAM have any insight into whether Sonnet Insurance, including their staff, comply with the Insurance Act and the various Insurance Councils in the provinces of Canada educational requirements as it relates to execution of insurance product services. If so, please share these insights.

Rationale for Question:

To better understand the insurance markets that have moved to online services as well as, at the same time, partnering with independent brokers to deliver insurance products to the public in the ensuing digital evolution and how best and fairly to compensate the efforts of the independent broker partner in this dual channel service delivery model.

RESPONSE:

- a. MPI's proposed on-line services model is not completely known to IBAM. However, Sonnet operates exclusively in lines of business that are competitive and open, which contrasts greatly to the government monopoly on *Basic* auto insurance environment we have in Manitoba (ie. Sonnet does not offer *any* services to residents of Manitoba, Saskatchewan and Newfoundland & Labrador; Sonnet only offers home insurance to residents of British Columbia).¹

¹ See <https://www.sonnet.ca/Home/FAQs/FAQ/General-Inquiries/Does-Sonnet-offer-insurance-in-all-provinces>

Any time an insurance transaction takes place direct to consumer without the services of a broker the consumer is at risk. Brokers bring choice, advice and advocacy to an insurance transaction. Brokers work for and on behalf of the consumer. Conversely, direct transactions with insurers take place with employees (or systems) who work for the insurer, not for the customer.

Based on internal research and interviews,² fewer than four (4) in ten (10) MPI clients [thirty-eight percent (38%)] admit they have a good understanding of how the various vehicle insurance classifications operate. Even smaller numbers of these consumers indicate they have a solid grasp of the meaning and implications of third-party liability coverage [only twenty-six percent (26%) feel they have a good understanding of this].

Importantly, those who often seek counsel from their brokers were significantly more likely than those who never have these interactions to report higher levels of comprehension of both vehicle policy classifications and third-party liability. This indicates that brokers are offering an important educational role in terms of enhancing consumer comprehension of these policy components.

Sonnet Insurance launched in 2016, and Economical's financial performance has significantly suffered since. In just three (3) years since starting Sonnet, Economical went from a profit of \$176 Million [combined ratio of ninety-seven point four percent (97.4%)] and MCT of two-hundred eighty five point two percent (285.2%) to a loss of \$73 Million [combined ratio of one hundred

² IBAM expects to obtain additional research in the coming weeks. It may provide any additional research that is relevant to the matters at hand.

eleven point eight percent (111.8%)] and MCT of two hundred twenty-seven percent (227.0%).³



In terms of protecting consumers and stability of the auto insurance product, the experience at Sonnet tells a compelling story about consumer protection. Sonnet recently filed for a **fifty point three percent (50.3%)** annual rate increase in New Brunswick.⁴ In Q2 2019, Sonnet also requested and was approved for a **twenty point four percent (20.4%)** annual rate increase in Ontario.⁵

³ See: <https://www.economical.com/en/financial-corner/annual-and-quarterly-reports/2018-annual-report/annual-report-highlights>

⁴ See CBC.ca article titled "Be Warned: New Brunswick Auto Insurance Rates Are Set to Soar in 2020" at: <https://www.cbc.ca/news/canada/new-brunswick/nb-insurance-rates-soar-consumer-advocate-1.5270814>

⁵ See "Auto Insurance Rates in Ontario Rise for the Seventh-Straight Quarter" at: <https://www.lowestrates.ca/blog/auto/ontario-auto-insurance-second-quarter-FSCO-2019>

In light of the above, IBAM believes that Sonnet should not be viewed as an aspirational business model for MPI or the CAC.

- b. Although Sonnet does not conduct business in Manitoba, Economical (its parent company) does carry on business via the existing broker channel. The commissions paid to brokers are set out on Economical's website.⁶
- c. According to its website, Sonnet currently has licensed insurance customer service representatives who provide services. Its website states, in part:

“We built an industry-leading contact centre from the ground up. Our fully licensed insurance agents are real people here to help you.”⁷

In Manitoba, the *Insurance Council of Manitoba* ("**ICM**") - and its related regulations governing the sale of insurance products in Manitoba - do not place any minimum education and training requirements on the employees of MPI for the sale of *Basic* insurance. IBAM understands that the sale of *Basic* insurance is exempt from the provisions of the *Insurance Act* by way of the *Manitoba Public Insurance Corporation Act*.⁸ The provision of advice and information relating to insurance needs and other services by MPI employees is not ideal for consumers and - in light of the current regulatory environment - reinforces the need to have auto insurance sold through licensed insurance brokers. On that note, licensed insurance brokers in Manitoba are subject to minimum requirements for obtaining licensing, criminal record checks, annual requirements for continuing education, ethics guidelines, and maintaining errors & omissions insurance. A significant amount of consumer protection is

⁶ See <https://www.economical.com/en/the-broker-difference/broker-compensation>

⁷ See: Sonnet.ca/about-us

⁸ See section 30 of the *Manitoba Public Insurance Act*.

provided by the regulations governing the licensing of insurance brokers in Manitoba.

CAC (IBAM) 1-2

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Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“To be clear, IBAM and its members are not opposed to the provision of online services. However, as is the case in the other Canadian jurisdictions that have government-run vehicle insurance and licensing regimes [in Saskatchewan: *Saskatchewan Government Insurance* (“**SGI**”); in British Columbia: *Insurance Corporation of British Columbia* (“**ICBC**”)], those services should be implemented as part of the current broker distribution channel. In fact, both SGI and ICBC have formally committed to a broker-based model in their respective jurisdictions. These assurances from the Crowns in British Columbia and Saskatchewan will facilitate stability, predictability, innovation and growth in their respective broker channels. They will also promote cohesion and cooperation between the Crowns and their respective customer-facing broker channels. In short, the commitments made by SGI and ICBC will foster health in the brokerage industry and for consumers of auto insurance.” [Emphasis added]

Question:

- a. Please elaborate on how online services could negatively or positively impact the cohesion, cooperation and relationship between an independent broker channel and an insurance company. Please provide examples for greater clarity.

- b. Please elaborate on the ‘value proposition’ and benefits contained in the relationship between the independent broker channel and an insurance company vis-a-vis the:
- i. Independent broker channel
 - ii. The insurance company
 - iii. The policyholder

Rationale for Question:

To better understand and clarify the broker/insurance company relationship with respect the value proposition and benefits amongst the participants in insurance coverage acquisition process.

RESPONSE:

- a. Online services provided direct to consumer by MPI / without the involvement of brokers would significantly impact the cohesion, cooperation and relationship between the independent broker channel and MPI. In short, competing with your own distribution channel will naturally foster mistrust and secrecy.

Moreover, no brokerage in the Province of Manitoba has the resources to compete in an online environment with a \$1.3 billion corporation backed by the government. Online services provided in partnership between MPI and the independent insurance broker would not only benefit the consumer by providing significant consumer protection, fostering innovation, and enhancing customer service through competition between brokers, it would also strengthen the cohesion MPI would have with the distribution network of independent brokers. Instead of competing for business which would

negatively impact the relationship, brokers and MPI would be in partnership, working together to provide Manitobans with, and improve upon, the stable, predictable auto insurance environment they have grown accustomed to since 1971.

b. The answers below are non-exhaustive:

i. The independent broker:

The independent broker benefits resulting from doing business through the independent broker channel include:

- a) The ability to consult with customers and prospects, represent multiple insurers or options and identify appropriate insurance products based on customer need;
- b) Insurance brokers advocate for their customers with their other insurance company partners. Since a claims and/or purchasing process may have many interaction points, brokers keep on top of the process, communicating with their clients along the way to keep them informed. When there is a (perceived or real) problem with a claim, brokers can work closely with the consumer and the insurer to help keep the process on track. Although there is not much opportunity for brokers to advocate in an auto claim, brokers often respond to customers and give advice on how to glean the information they need to understand the process, which can smooth the claims experience for all parties;
- c) The product sold is complex. Brokers can take complexity out of the process by working with the customer directly when that is required. Even *Basic* insurance can be complex if there is a lack of understanding and accountability; the involvement of brokers safeguards consumers

from being underinsured. For example, a Toronto-area woman [Ms. Adrien Winterhelt ("**Ms. Winterhelt**")] had her insurance claim denied by Sonnet because the occasional deliveries she made for her small company voided her policy, which she obtained online. As reported by *CTV Toronto*, Ms. Winterhelt paid insurance premiums for thirty (30) years without an accident, but recently changed to Sonnet (an online provider) to try to save money. Ms. Winterhelt was quoted as saying: *"I'm a widow with three kids. I've got to watch my pennies, so it seemed like a good idea to get better insurance rates."* When she signed up for auto insurance with Sonnet, she says she revealed that she used her vehicle for work thirty percent (30%) of the time (she owned a small business selling heaters to kill bedbugs). However, because Ms. Winterhelt occasionally dropped off heaters at customers' homes, Sonnet denied her claim;⁹ and

- d) Omnichannel distribution and communication currently offered by many insurance brokerages include: email, texting, phone, live chat, chatbot, quoting engines and quote request platforms, social media, the use of Artificial Intelligence-based technologies, in-branch experience, etc.. In other words, brokers have developed multiple channels to connect with their customers, allowing them convenience and choice in their methods doing business. Often an interaction starts online but quickly becomes more complex. Consumers can move seamlessly from one channel to another and have their questions answered by a licensed professional in the manner that is best for each consumer.

⁹ See Sonnet example here: <https://www.ctvnews.ca/autos/business-owner-s-occasional-deliveries-voids-her-insurance-policy-for-wrecked-car-1.3662279>

ii. The insurance company:

The insurance company benefits resulting from doing business through the independent broker channel include:

- a) Increased innovation (as brokers bring ideas for new coverage or service ideas forward to the insurer);
- b) Independent brokers competing with each other in a monopoly compete only on service and customer experience. This competition drives a better auto insurance buying experience for Manitobans;
- c) Reduced distribution expenses. Distributing through the broker generates a variable expense where commission is tied to revenue created. Distributing direct to consumer requires operational expenses for MPI of salaries, pension costs, benefits, etc.; and
- d) Reduced capital expenditures. Distributing through the broker shifts some of the capital expenditure requirements for technology, equipment, land and buildings away from the insurer and to the broker.

iii. The policyholder:

The policyholder benefits resulting from doing business through the independent broker channel include:

- a) Knowledge & Advice – Independent brokers provide unbiased advice to consumers on their insurance purchase. They are licensed and highly trained, and must stay current with industry trends in order to bring consumers the best coverage for their personal or business insurance needs;

- b) Flexibility & Choice – Independent brokers are also able to offer consumers more choices and insurance options than they might be able to access on their own. Independent brokers provide products from multiple insurers, matching customer need to the best product for them, rather than to the only product available if dealing directly with an insurer. Choosing a broker means consumers have the flexibility to connect with a real person who takes the time to get to know them and their insurance needs. A broker network also provides choice of business to the consumer;

- c) Trust & Transparency: Independent brokers put the best interests of policyholders first, before those of the insurance companies they partner with. As a result, consumers can buy with confidence knowing they're getting the right coverage for the right reasons;

- d) Advocacy – Independent brokers advocate for customers in order to obtain proper coverage and at the time of a claim if a customer has questions or concerns with the process or settlement. Brokers ensure that consumers will be treated fairly and promptly, and will help them get their life back to normal as quickly as possible; and

- e) Competition – The ability to choose brokers, especially in a government insurer monopoly, allows the consumer to maintain control over the buying experience they wish to have. Competition amongst brokers leads to better service for the consumer.

CAC (IBAM) 1-3

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Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“IBAM will attend the Conciliation in *good faith* and with the genuine hope that an amicable resolution will be reached on all issues vis-à-vis MPI, including those issues pertaining to online services that have been addressed by the SGI and ICBC Accords.”

Question:

- a. In terms of an independent broker company’s strategic business model and to maintain its strategic value proposition, please elaborate/explain and provide detailed examples on the following:
 - i. How does an independent broker company grow its business?
 - ii. In the event an insurance company (eg. Aviva, Wawanesa, etc.) cancels or does not renew an existing independent broker agreement, what actions does the independent broker company take?
 - iii. If MPI did not exist, please elaborate on how many of the 300 independent broker locations (page 5) would cease to exist.

Rationale for Question:

To better understand the value proposition and strategic business model of the independent broker company in Manitoba and their economic dependence on MPI and the purse of the policyholders.

RESPONSE:

- i. In general terms, an independent broker grows his / her business by way of adding customers, managing the loss of customers, adding coverages to existing customers, and/or a combination of these factors;
- ii. In general terms, in the event of a loss of an insurer, the independent broker will work to find a new insurance company for their customer that can offer a suitable product and price to properly manage that customer's risk (note: this is not possible for *Basic* auto insurance in Manitoba). If the broker did not have an option for that customer, they would refer them to another independent broker who may be able to meet their needs and/or who may still have a contract with the insurer in question; and
- iii. This is a hypothetical question and would depend on a number of factors. If MPI did not exist, we assume there would be a private market for auto insurance in which case brokers (presumably) would represent a number of competing insurance companies.

CAC (IBAM) 1-4

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Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“Depending on its implementation, a direct-to-consumer online model has the potential to significantly disrupt a relatively stable auto insurance system and negatively impact consumers, government, and MPI.”

Question:

Please explain in detail how **“a direct-to-consumer online model has the potential to significantly disrupt a relatively stable auto insurance system and negatively impact consumers, government, and MPI”**. Please contrast your detailed explanation with that of the Sonnet Insurance direct to consumer model.

Rationale for Question:

To better understand how the current evolution of online purchases and the demand by consumers to make online services available on mobile devices (IBAM (MPI) 2-4 d) Attachment A and B), of all sorts would impact the government of Manitoba and negatively impact consumers.

RESPONSE:

Please see IBAM's response to CAC (IBAM) 1-1 and CAC (IBAM) 1-2(b) for the benefits that could be lost should a direct to consumer model be implemented.

The distribution model of the Autopac product has been relatively stable for the last forty-eight (48) years. IBAM believes that this model should be maintained and updated with online services through brokers; in fact, many brokers currently offer online services to their customers (for non-MPI products). IBAM also believes that MPI should maintain the key fundamentals of the current model that has made it successful.

Conversely, as set out above, the experience at Sonnet tells a compelling story about consumer protection:

- a. Sonnet recently filed for a ***fifty point three percent (50.3%)*** annual rate increase in New Brunswick,¹⁰ and
- b. In Q2 2019, Sonnet also requested and was approved for a ***twenty point four percent (20.4%)*** annual rate increase in Ontario.¹¹

¹⁰ See *CBC.ca* article titled "Be Warned: New Brunswick Auto Insurance Rates Are Set to Soar in 2020" at: <https://www.cbc.ca/news/canada/new-brunswick/nb-insurance-rates-soar-consumer-advocate-1.5270814>

¹¹ See "Auto Insurance Rates in Ontario Rise for the Seventh-Straight Quarter" at: <https://www.lowestrates.ca/blog/auto/ontario-auto-insurance-second-quarter-FSCO-2019>

CAC (IBAM) 1-5

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Sub Topic:			

Preamble to IR (If Any):

“As indicated, MPI has professional brokers representing them and providing service to customers in over 300 locations in more than 120 communities across the Province of Manitoba. Several other jurisdictions – in both private and public jurisdictions – are currently struggling with automotive insurance. Any changes to the current delivery model of services must be fully and properly considered prior to implementation.”

Question:

- a. Please list and elaborate on the changes to the current delivery model of services that would be acceptable to the independent broker channel and provide detailed financial analysis of the impact of such proposed changes on Basic and Extension insurance rates.
- b. Please elaborate and provide supporting analysis of the private and public jurisdictions that are currently struggling with automobile insurance and provide the reasons for their struggles.

Rationale for Question:

To better understand the acceptable changes to the current delivery model of services that would benefit (financially or otherwise) the policyholders of Manitoba.

RESPONSE:

a. IBAM will respect the terms of the Directive¹² issued by the Government of Manitoba and referenced in its Pre-Filed Testimony (ie. the upcoming Conciliation with MPI). However, in general terms, IBAM believes that independent brokers should manage the customer relationship in any online business model that may be implemented in the Province of Manitoba (which is consistent with what has occurred in Saskatchewan and British Columbia where government-run monopolies - SGI and ICBC – exist). Specifics with respect to an ideal model will be dealt with as part of the Conciliation process.

b. There are many other easily accessible articles/media stories from across the country that illustrate the struggles currently faced by insurers in both private and public jurisdictions. For example:

1. British Columbia: In January 2018, B.C. Attorney General David Eby vowed to make drastic changes to the British Columbia's automobile insurance industry. In doing so, he referred to a \$1.3 billion loss and described the state of ICBC as a "*financial dumpster fire*";¹³ and

¹² See Pre-Filed Testimony of IBAM, *Appendix "B"*.

¹³ <https://www.cbc.ca/news/canada/british-columbia/icbc-a-financial-dumpster-fire-says-b-c-attorney-general-1.4508849>

2. Alberta: In August 2019, Alberta's automobile insurance regime was described as being in a state of "*crisis*".¹⁴

¹⁴ See: <https://www.insurancebusinessmag.com/ca/news/breaking-news/albertas-auto-insurance-crisis-and-the-simple-fixes-needed-176468.aspx>

CAC (IBAM) 1-6

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Sub Topic:			

Preamble to IR (If Any):

“Depending on its implementation, a direct-to-consumer online model will impact consumer protection and will diminish customer service.”

Question:

Please elaborate on: “a direct-to-consumer online model will impact consumer protection and will diminish customer service “ Please provide specific examples on how customer service will be diminished by a consumer online model in light of the current state of the use of technology by consumers.

Rationale for Question:

To better understand the rationale of diminished customer service in an online environment.

RESPONSE:

As set out in CAC (IBAM) 1-1 above, in Manitoba, the *Insurance Council of Manitoba* ("**ICM**") - and its related regulations governing the sale of insurance products in Manitoba - do not place any minimum education and training

requirements on the employees of MPI for the sale of *Basic* insurance. IBAM understands that the sale of *Basic* insurance is exempt from the provisions of the *Insurance Act* by way of the *Manitoba Public Insurance Corporation Act*.¹⁵ The provision of advice and information relating to insurance needs and other services by MPI employees is not ideal for consumers and - in light of the current regulatory environment - reinforces the need to have auto insurance sold through licensed insurance brokers.

Licensed insurance brokers in Manitoba are subject to minimum requirements for obtaining licensing, criminal record checks, annual requirements for continuing education, ethics guidelines, and maintaining errors & omissions insurance. A significant amount of consumer protection is provided by the regulations governing the licensing of insurance brokers in Manitoba. This helps make the provision of online insurance transactions through brokers the most desirable option.

Commissions paid on *Basic* auto insurance in Manitoba are currently the lowest in the country. MPI's "base scenario" in "*The Future of MPI's Customer Service Delivery Model Operating Model Analysis*"¹⁶ indicates an online uptake assumption of fifty percent (50%). *Ceteris Paribus*,¹⁷ if this were to transpire, the impact on the broker channel would be severe. In particular, smaller brokerages would be prime candidates for business failure. Manitobans in those areas affected would no longer have a preferred option for their auto insurance, home insurance and other insurance needs. This not only impacts service; it effectively eliminates it.

¹⁵ See section 30 of the *Manitoba Public Insurance Act*.

¹⁶ See 2020 GRA Information Requests Round 1, CAC (MPI) 1-1(r), Appendix 14, pg. 27.

¹⁷ All things being equal.

CAC (IBAM) 1-7

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Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“Licensed professional brokers are necessary across all platforms to help inform and protect consumers in their Autopac purchasing decisions.”

Question:

Please elaborate on the actions and activities independent brokers perform (please file a copy of the activity list or procedures performed at each visit by an Autopac policyholder). Please also indicate the amount of time spent on each visit below:

- i. At renewal of insurance policy (every five years)
- ii. At reassessment/payment (years 2 to 5)
- iii. Driver license picture taking

Rationale for Question:

To better understand the actions, activities and time spent on the various visits undertaken by independent brokers to inform Autopac policyholders of coverages and insurance information relating to Basic and Extension Insurance.

RESPONSE:

The actions and activities taken by or on behalf of brokers include:

i.) At renewal (Note - this list is non exhaustive):

- Verify and update address, email address and phone number, if required;
- Verify and update height and eye colour, if required;
- Review use of every vehicle insured to ensure proper registration and coverage;
- Review coverage and advise on coverage options, matching customer need and risk tolerance to product purchased;
- Advise consumer on any competing extension auto products which may be beneficial for him or her;
- Document conversation with customer, coverages reviewed and declined, and any other relevant information;
- Discuss payment options and select payment method desired by the client;
- Collect payment, or complete and explain monthly payment contract to the client;
- Answer customer questions about other MPI products such as Rental Car Insurance, MPI claims process, or their home / business insurance, providing efficiency for the consumer in dealing with multiple insurance products and inquiries in one (1) visit;
- Document / comment the file with any information provided to the customer that is not specific to a vehicle;
- Obtain signature on all paperwork;
- Scan copies of all signed paperwork and supporting documents to MPI;

- Take new driver's license photo, crop and check such photos for quality and submit such photos to MPI digitally;
- Capture signature and submit to MPI digitally;
- Advise consumer on process they can expect to receive new driver's license and in what timeframe to contact their broker if the new license has not arrived; and
- Ask for consent for MPI to contact the customer about products or services, if customer has not already consented.

The amount of time spent as renewal varies greatly by consumer, the number of vehicles, vehicle use, performance and/or the speed of MPI's IWS computer system.

Brokers also verify the correct registered owner based on either legal ownership or exclusive/primary use. As the Board is aware, Manitoba currently does not have a primary driver rating system. Brokers asking questions to confirm eligibility to register based on current (and any future) rules is therefore crucial.

ii) At reassessment (Note - this list is non exhaustive):

- Verify and update address, email address and phone number, if required;
- Verify and update height and eye colour, if required;
- Review use of every vehicle insured to ensure proper registration and coverage;
- Review coverage and advise on coverage options, matching consumer need and risk tolerance to product purchased;
- Advise consumer on any competing extension auto products which may be beneficial for them;

- Document conversation with customer, coverages reviewed and declined, any other relevant information;
- Discuss payment options and select payment method desired by consumer;
- Collect payment, or explain the continued monthly payments to consumer;
- Answer consumer questions about other MPI products such as Rental Car Insurance, MPI claims process, or their home / business insurance, providing efficiency for the consumer of dealing with multiple insurance products and inquiries in one (1) visit;
- Document / comment the file with any information provided to the consumer that is not specific to a vehicle;
- Obtain signatures on any paperwork generated; and
- Scan copies of all signed paperwork and supporting documents to MPI if any documents generated.

The amount of time spent at reassessment varies greatly by consumer, number of vehicles, vehicle use, performance and/or speed of MPI's IWS computer system.

As indicated, brokers also verify the correct registered owner based on either legal ownership or exclusive/primary use. As the Board is aware, Manitoba currently does not have a primary driver rating system. Brokers asking questions to confirm eligibility to register based on current (and any future) rules is therefore crucial.

iii) Driver License Picture taken (Note - this list is non exhaustive):

- Take new driver's license photo, crop and check photo for quality, and submit to MPI digitally;
- Capture signature is and submit to MPI digitally;

- Advise consumer on process they can expect to receive new driver's license and in what timeframe to contact their broker if the new license has not arrived;

The amount of time would average five (5) minutes. A new picture is required at renewal as well as any time a consumer has an address change

In addition, brokers are held accountable for taking photos that meet stringent standards set by the *American Association of Motor Vehicle Administrators* ("**AAMVA**"), the *Canadian Council of Motor Transport Administrators* ("**CCMTA**") and the *International Civil Aviation Organization* ("**ICAO**"). In other words, taking a photo for the purposes of a driver's license is not as simple as taking a "selfie"; there are certain standards and qualities which must be met.

A recent survey commissioned by IBAM that involved several Manitoba-based brokerages revealed that Autopac clients called or visited an insurance brokerage to simply ask questions about auto insurance and driver and vehicle registrations. Those brokerages that were surveyed were selected based on size and location (thereby presenting findings from very small rural offices to regional and urban offices) to provide balanced feedback and results. The kinds and types of interactions obtained from these brokerages included (this list is not exhaustive):

- Changes to address, email information, and banking/credit card information;
- Payments for renewals, arrears, NSF's, re-assessments;
- Changes to frequency of payments;
- Road test bookings and re-bookings, questions related to failed road test and re-testing;
- Cancelling and/or adding coverages;
- Questions related to the sale/purchase/lease of vehicles;
- Questions related to gifting of vehicles;
- Quotes for Storage and changes from Storage to Road and visa versa;
- Quotes for Short Term policies, comparison to Annual policies;

- Explanations for changing from All Purpose to Pleasure use;
- Calling Brokers Enquiries at MPI for Overrides;
- Department of Justice ("DOJ") holds, Administrative holds, and the investigations required to help customers renew Driver's Licenses, and often calls to Brokers Enquiries to receive an access code to unlock file;
- Questions about Identity requirements, review of identity documentation, and provision of forms for Guarantors;
- Issuing of Permits, reprinting documentation
- Questions pertaining to existing deductibles;
- Questions pertaining to acceptable Bill of Sales, or dealing with incorrect Bill of Sales
- Questions related to change in License Class;
- Ordering specialty plates and delivery of same;
- Questions related to Retail Sales Tax, exemptions;
- Answering inquiries in regard to vehicle values, Gold Book;
- Questions about Driver Safety Ratings, changes to same over time;
- Resolving missed payment situations;
- Resolving Notification Tasks;
- Responding to and providing insurance premium estimates;
- Clients asking to review insurance and vehicle coverages;
- Insurance Workstation (IWS) not responding or down, customers have to re-visit offices;
- Claims inquiries and re-directing customers to MPI directly;
- Questions related to moving into/out of Manitoba;
- Questions related to rental car coverages;
- Ordering and completing forms for Driver's Abstracts; and
- Significant occurrences of time on hold when calling Brokers Enquiries at MPI.

CAC (IBAM) 1-8

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Sub Topic:			

Preamble to IR (If Any):

“An online direct model will also likely further marginalize competitors in the *Extension* lines. It is questionable whether MPI will inform consumers that they have options other than MPI beyond their *Basic* coverage, further limiting choice in the marketplace.”

Question:

- a. Please elaborate (explain in detail) and provide evidence on how “An online direct model will also likely further marginalize competitors”.
- b. Please elaborate and provide evidence as to whether MPI currently informs it policyholders on their options relative to the Extension line of business.
- c. Please elaborate and explain how MPI would limit choice in the marketplace.
- d. Please provide any empirical or other evidence demonstrating that brokers regularly inform consumers that they have options beyond Basic coverage.

Rationale for Question:

To gain a fuller understanding of how MPI and its actions would marginalize and limit choice in the market place when MPI insurance product information is in the public domain.

RESPONSE:

- a. An online direct model will also likely further marginalize competitors due to the fact that MPI would be in a conflict of interest. IBAM believes that MPI would likely not advise or recommend that consumers should purchase their *Extension* coverage from a competitor as this would take revenue away from MPI. MPI is also relying on *Extension* to build its CMP under *Basic* auto insurance. Without the anticipated funds from *Extension*, MPI would likely need to seek more money from consumers in order to fund the CMP at the new regulated level. This conflict of interest should be of concern to the Board and CAC in terms of protecting consumers' interests in the availability of high-quality choices and customer service.

- b. MPI currently enjoys a ninety-five percent (95%) market share in *Extension* coverage. It is unreasonable to expect MPI call centre employees to inform customers of *Extension* coverage options outside of their own organization. Currently the MPI website under "*Optional Coverage*"¹⁸ does *not* mention the existence of options outside of MPI for consumers to consider (at least that IBAM could find). This is natural and to be expected. Similarly, the websites of Belair Direct and Sonnet do not provide information to consumers about products available from competing insurers.

¹⁸ See: <https://www.mpi.mb.ca/Pages/Insurance.aspx?sct=Optional%20Coverage>

Again, it is unreasonable to expect MPI call centre employees to inform customers of coverage options outside of their own organization.

c. See our response at part a. above; also see response to CAC 1-6 above.

d. MPI's market penetration of *Extension* insurance in Manitoba is extremely high. The vast majority of these *Extension* policies were sold within the current broker channel.

CAC (IBAM) 1-9

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	13
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“Moreover, earlier in 2019, MPI also cancelled 12-pay by credit card, a payment choice/method used by over 100,000 Manitobans”

Question:

- a. Please describe, explain and list the current payment plan options provided by MPI.
- b. Please describe the reasons and rationale MPI provided to independent broker channel regarding the change in the 12-pay plan payment process. Please file a copy of this communication, if available.
- c. Please describe the mandatory cybersecurity protocols the independent brokers adhere to when using their computer systems for the protection of customer personal credit card and other personal information. Please file a copy of this protocol, if available. Please also advise the frequency this protocol is forensically audited by an independent expert.

Rationale for Question:

To gain a fuller understanding of MPI's payment options and the understanding by the independent brokers of the payment options available and the consumer security around these options as well as the IT security at broker offices.

RESPONSE:

- a. The current payment options offered by MPI are listed on its website.¹⁹
- b. As for the reasons and rationale MPI provided to the independent broker channel regarding the change in the 12-pay plan payment process, the following was distributed to brokers on March 27, 2019:

"Financing Agreement Changes

News | Mar 27, 2019

MPI is making changes to the handling and processing of customer's credit card information. As part of this initiative, MPI will not accept credit cards for 12-pay financing agreements as of May 24, 2019, but will continue to accept credit cards for 4-pay or full payments, and pre-authorized monthly payments through your bank account.

The reasons for this change include:

- *MPI is committed to continuously improving service to Manitobans. This includes enhancing information security measures to protect customer information and align with all relevant payment card industry requirements.*

¹⁹ See: <https://www.mpi.mb.ca/Pages/pay-your-insurance.aspx>

- As payment card industry standards continue to evolve, the cost to all MPI ratepayers to continue offering this payment option would be prohibitive.
- This aligns MPI's payment options with common business practice.

All other payment options remain available to customers, including credit card payments for annual and quarterly payments. Approximately 10% of MPI customers will be affected by the change.

To prepare for this change, Autopac agents and frontline MPI staff who accept payments are required to complete an eLesson by Thursday, May 2, 2019. Autopac agents who haven't successfully completed the eLesson by May 2 will lose access to Autopac On-Line. You are strongly encouraged to complete this eLesson before April 8, if possible.

The eLesson will be available shortly through MPI Learn. It should take approximately 20 minutes to complete. You will receive notification about the eLesson in a separate email through MPI Learn.

An additional eLesson specific to Payment Card Industry Data Security Standards (PCI-DSS), an industry standard for the handling, processing, and transmission of credit cardholder information, will also be available shortly.

More information on the change will be provided in the coming weeks."

[emphasis added]

In further response to the question, IBAM also notes that in the *Crown Services Briefing Note re: 12-Pay*,²⁰ MPI stated:

"12-Pay Credit Card Elimination:

- *MPI is proposing to cease offering the option of allowing customers to make monthly payments with a credit card.*

²⁰ See 2020 GRA Information Requests - Round 1 CAC (MPI) 1-1(s) Appendix 16.

- *This will create significant savings to MPI in the form of both compliance and transaction costs, and will align MPI with many other Crown corporations and insurance companies....”*

c. To the best of IBAM’s knowledge, brokers do not store the credit card information of their customers and any online payments are done through secure providers. In doing so, all brokers must comply with all applicable laws relating to the storage and transmission of consumer information.

CAC (IBAM) 1-10

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	13
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“The adoption of any government implemented direct to consumer online model will increase the role and presence of government into the daily lives of Manitoba. Today, the broker channel serves to balance the disparity in market power between the Crown corporation and consumers and this will be impacted with any launch of a government direct online model.”

Question:

- a. Please elaborate and explain how online MPI services will “increase the role and presence of government into the daily lives of Manitoba”.
- b. Please elaborate whether Manitoba Hydro transactions should be managed through a broker channel. If no, please explain.
- c. Please provide empirical evidence from the marketplace that brokers balance the disparity in market power.

Rationale for Question:

To gain a fuller understanding of how MPI on line services would bring more government in to the lives of Manitoba.

RESPONSE:

- a. MPI's "base scenario" in "The Future of MPI's Customer Service Delivery Model Operating Model Analysis"²¹ indicates an online uptake assumption of fifty percent (50%). To support this level of online sales, MPI will need to significantly increase the role and presence of its call centre employees to service customers.

Through qualitative research and interviews with five (5) insurers [three (3) direct and two (2) broker + direct models], IBAM has learned that the experience of direct writers is that eighty percent (80%) to ninety percent (90%) of consumers fall "out of the box" and do not complete transactions online. All five (5) companies indicated a rate of over eighty percent (80%) and two (2) of the (5) five indicated rates over ninety percent (90%). That is, customers favour speaking with a live person before binding their coverages. IBAM is of the view that customers are best protected and serviced through the broker channel.

Of note is that, in the 2020 GRA,²² MPI is forecasting a nine point one eight percent (9.18%) increase in Total Net Compensation in 2019/2020. The same Appendix indicates that the average corporate compensation per MPI employee in 2018/2019 was \$93,330.00. Finally, the three (3) year

²¹ See 2020 GRA Information Requests Round 1, CAC (MPI) 1-1(r), Appendix 14, pg. 27.

²² See: 2020 GRA, Part V(i) - EXP Appendix 12.

(2019/2020-2021/2022) CAGR for compensation at MPI is forecasted at four point five percent (4.5%), over twice the forecasted rate of inflation.²³ A broker-based model offloads expense to the independent broker.

Finally, MPI's only shareholder is the Government of Manitoba so, by extension, MPI employees are government employees.

- b. Payments to Manitoba Hydro do not need to be handled through a broker channel. However, the knowledge and expertise required to pay a hydro bill, when compared to the knowledge and expertise required to provide insurance coverage for one's most valuable assets, is not at all comparable. In short, paying a hydro bill is no different than paying a phone bill and cannot be compared to the payment of insurance coverage in Manitoba. The "*payment*" by a consumer - as recorded by MPI - is not simply a "*payment*" as brokers take that opportunity to provide full service and expert advice to consumers (ie. the fact that MPI records this interaction as a "*payment*" transaction only does not make it so).
- c. Please see earlier responses. A direct model will grow the presence of MPI in the auto insurance market. By government mandate, MPI has complete control over the provision of *Basic* auto insurance. Historically, MPI has not aggressively pursued similar control over the distribution of its products and services. Growing its presence in distribution to, say fifty percent (50%),²⁴ does provide more market power to MPI. For example:

1. Consumers consult with brokers through the claims process and this can serve to provide valuable information to consumers in their discussions with MPI;

²³ See: 2020 GRA, Part V(i) - EXP Appendix 8.

²⁴ As projected by MPI.

2. Brokers provide alternative options for *Extension* coverage (outside of MPI), reducing MPI's overall share and presence in the marketplace; and

3. Consumers may not be aware of alternative coverages such as umbrella liability and it is not reasonable to expect MPI call centre employees to inform consumers of their availability. Insurance products are evolving quickly and it is likely other alternative liability (*Extension*) coverages will be introduced in the future. The broker channel has and will have an obligation to inform their customers of all of the choices before them; MPI employees will have no such obligation. This clearly empowers customers and balances the power disparity between MPI and consumers.

CAC (IBAM) 1-11

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	14
PUB Approved Issue *No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“Second, *“trailing commissions”* reflect the reality that brokers are called on to provide many services to customers between renewals and reassessments and for which *no* direct compensation is paid. In actuality a great deal of work is performed.”

Question:

- a. Please elaborate and provide a detailed description of all the work performed for which no direct compensation is paid. Also please quantify this unpaid work in terms of hours and dollar value by visit and total.
- b. If a policyholder visits a broker to make a payment (annual) (not a renewal), please describe a fair amount of compensation for this activity—in terms of a dollar value.
- c. When a policyholder visits a broker to make an Autopac payment, how much time, on average, does the broker spend on advising the customer on Autopac products vs. other personal lines products (house, cottage, etc insurance coverages and pricing).

Rationale for Question:

To gain a fuller understanding of how best and fairly to compensate broker activity as it relates to Autopac transactions.

RESPONSE:

- a. We can advise that brokers in Manitoba are paid three percent (3%) on *Basic* Autopac. This is the lowest percentage in the country.²⁵ Brokers receive three percent (3%) of the annual contracted value or revenue stream delivered to MPI. MPI does not have to pay operating and fixed costs associated with the provision of this service. Because brokers are not part of a government-funded program, MPI and the taxpayer do not pay any fixed costs or overhead. Salaries, hiring, training, benefits, vacation pay, long term leaves, long term disability, parking, retraining, pension costs, office space, etc. are all paid for and managed by the independent broker, not the taxpayer.

In a direct model, the costs currently borne by brokers to distribute auto insurance in Manitoba would simply transition to government, as would the inherent risk that comes with delivering a complex financial product to a consumer online. IBAM believes that consumer protection and service would also deteriorate.

A recent article in *Canadian Underwriter Magazine*²⁶ referred to Wawanesa's attempt to provide direct services to residents of Quebec; last year, it announced that it would stop writing direct in Quebec. The article goes on to state that Ms. Carol Jardine, President of the Canadian property and casualty

²⁵ Please see provincial comparative chart at page 22 of the Pre-Filed Testimony filed on behalf of IBAM.

²⁶ See: <https://www.canadianunderwriter.ca/insurance/what-could-stop-direct-writers-from-eating-your-lunch-1004165299/>

operations of Wawanesa, spoke to insurance brokers at a Toronto Region lunch in January. At that time, she was quoted as saying:

“Anyone who thinks it’s easy to do direct insurance is extremely naïve... I have been in this business for over 40 years... The one thing I know is that brokers look after their customers better than the directs. Brokers know what their customers need and want, and brokers will provide the value that a customer requires, which is choice.”

[emphasis added]

As set out in the Pre-Filed Testimony filed on behalf of IBAM, the other public auto insurance jurisdictions (namely Saskatchewan and British Columbia) are alive to this fact and have fully committed to broker-based models. In doing so, both SGI and ICBC have indicated that brokers are to be the “sole providers” of their products. IBAM maintains that Manitoba should follow a similar route.

A live issue before the PUB will be the number of reassessments handled in person by brokers. IBAM believes the figure of six percent (6%) put forward by MPI is not indicative of the reality in the marketplace. For consumers who pay their reassessment notices in person, the process is identical to what it was prior to the five (5)-year renewal process. Broker commissions were reduced from a five percent (5%) commission annually to a three percent (3%) commission when the five (5)-year renewal process was implemented. The rationale for decreasing commissions for *Basic* transactions was for an anticipated reduction in customer traffic/transactions; it is the experience of IBAM brokers that this is – for the most part - simply not happening.

In addition, the customer-broker interaction does not end at the point of sale [see CAC (IBAM) 1-7 above].

Finally, in addition to the knowledge and expertise provided by brokers for the purposes of insurance transactions, please consider the following table of services provided by or on behalf of brokers (Note - this document continues to be refined, but has been tabled here for the purposes of review by the PUB and other interested parties):

TRANSACTIONS - DESCRIPTIONS (NON-EXHAUSTIVE)
Payments/Financing
Acceptance of Payments (MPI Premiums)
Acceptance of Payments (Registration Fees)
Acceptance of Payments (Fees)
Acceptance of Payments (Sales Tax)
Acceptance of Payments (MPI Claims Subrogation)
Acceptance of Payments (Paying out Financing Agreements)
Setup Monthly Pay Plan
Make changes to Monthly Pay Plan
Explain Monthly Pay Plan History to Client - per customers enquiry
Accept payment for Monthly PAC - Customer advises payment will go NSF - have to check IWS every day till amount is returned on IWS and then apply to account
If Customers cheque is returned (ie. NSF)
Prepare Deposit Slip to Bank
Funds Balancing
Reconcile Bank Accounts Monthly
Entering New Credit Card or banking Information for Client
Customer enquiries about when payment is due/how much is due or when PAC withdrawal will be or how much PAC withdrawal will be
Breakdown of all insurance costs for all vehicles for the customer - usually requested when people are filing personal or corporate income tax
Breakdown of insurance for each vehicle on pre-authorized payment plan
Setup Sales Tax Financing Agreement
DOJ Hold - Explaining and sending client to Department of Justice (educating could be unpaid speeding ticket, family maintenance payment enforcement, other)
Winter Tire Program - Contact Tire Installer for updated or missing information on Bill of Sale or missing signatures or missing invoices

Winter Tire Program - Contact client for banking information
--

Notification Tasks

Contact Customer if Monthly Payment doesn't go through
--

Contact Customer if Monthly Credit Card needs new expiry date

Driver Test Reminders - Call and remind customer about test date
--

Driver Test Reminders - Call and remind customer about test date
--

Contact every client who was on monthly credit card pay when MPI removed this option
--

Inventory

Ordering Inventory

Reviewing and Accepting Received Inventory
--

Inventory Balance Report - Monthly to MPI

Inventory Check - weekly

Sales Tax

Lookup Gold Book Value of Vehicle

Review sales tax exemption rules and discuss with customer and confirm exemption applies
--

If Status Indian, confirm that the proper steps were taken and if not refuse to provide exemption

Completion of RST Refund on IWS at time of registration

Sales Tax Forms

Retail Sales Tax - Application for Refund (Vehicles or Off Road Vehicles) - Provide and explain Form
--

Assist Customer in Completing Form

Motor Vehicle or Off-Road Vehicle Appraisal Report - Provide & explain Form

Assist Customer in Completing Form

Drivers License

Offer and Explain Organ Donation Card

Ask Medical Questions when customer is in office (Non-Renewal)
--

Provide customer with a driver in force letter from IWS and scan copy to MPI
--

Photo rejects - call customer if photo is rejected incorrectly and work with BE to have photo pushed thru system. Example religious wear or disability
--

Client asking for Driver Safety Rating Letter - printout from IWS of
--

Entering Driver History into IWS

Completing Driver History (affidavit) Form from IWS

Explain repercussions of convictions, at fault claims

Driver's License Surcharges

Drivers License Forms

Customer Unavailable - Declaration of Residency - Provide & Explain Form

Autopac/Coverage - Reassessment years

Offer and Explain Lower Deductible Option

Offer and Explain Higher Liability Option

Offer and Explain Loss of Use

Explain Maximum Insured Value

Offer and Explain New Car Protection

Offer and Explain Leased Vehicle Protection

Offer and Explain Income Replacement Indemnity

Explain advantages and disadvantages of putting vehicle in spouses name

Brochures - Provide Customer Copy of Various MPI Brochures

Explain and answer any questions regarding topics covered by the brochures

Add Comments to Customer File

Specialty Plates

Call Customers when specialty plates arrive in inventory) to pick up plates

Plate Replacement to Specialty Plates

Complete Off Road Vehicle Inspection

Appts - Changes and Cancelations and 'Just Checking'

Change knowledge Test/Driver Test Appointments

Cancel Knowledge Test/Driver Test Appointments

Moving appointment from one customer to another

Providing Quotes to new and existing vehicles

Answer general inquiries

Forced Calls to MPI

Forced Call- Call Broker Enquiries

Forced Call - wait time while on hold

Forced Call - Time spent talking to or waiting for Broker Enquiry Rep.

Forced Call - Time spent calling and getting a second opinion - if we know or suspect the Broker Enquiry Rep. has provided wrong information

Forced Call - IPRES is required - If IPRES system is down, have to tell customer to come back another day.

Client Visits - No transaction / No access to file / Q&A Sessions

Information - Customer attends office or calls to ask questions

Advice - Customer attends office or calls to ask for advice

Review documents (ie. bill of sale, safety) and have to send client away as they do not have the correct documentation

Escalations
If customer issue needs escalation, fax documents to MPI, wait with customer for broker services to approve and get back to us
If customer issue needs escalation beyond broker enquiries, await and follow up with Broker Enquiries
All Statutory Declarations must be signed by Commission for Oaths - MPI is not paying for this service that we provide
Autopac/Coverage Forms
Customer Document Retrieval Request - Provide & Explain Form
Assist Customer in Completing Form
MPI Statutory Declaration (Deceased) - Provide & Explain Form
Assist Customer in Completing Form
Authorization for another person to sign documents on customers behalf - Provide & Explain Form
Assist Customer in Completing Form
Statutory declaration for Signature Confirmation - Provide & Explain Form
Assist Customer in Completing Form
Bill of Sale - Provide & Explain Form
Assist Customer in Completing Form
Letter of Gift - Provide & Explain Form
Assist Customer in Completing Form
Exclusive Use Agreement - Provide & Explain Form
Assist Customer in Completing Form
Statutory Declaration - No bill of sale - Provide & Explain Form
Assist Customer in Completing Form
Request Claims History - Provide & Explain Form
Assist Customer in Completing Form
Statutory Declaration - Homemade Trailers Provide & Explain Form
Assist Customer in Completing Form
Collector Vehicle Qualification - Provide & Explain Form
Assist Customer in Completing Form
Personalized Plate Application (Personalized plate, collector vehicle, amateur radio, firefighter, paramedic, veteran) Provide & Explain Form
Assist Customer in Completing Form
Specialty Plates (U of W, Curling, Troops, Goldeyes, Bombers, Jets, Humane Society, Snoman, Fisheries, etc.) order - Provide & Explain Form
Assist Customer in Completing Form
New Manitoba/Setup New Customer
Determine if from reciprocal or non-reciprocal jurisdiction

Advise Steps to getting license based on jurisdiction
Explain Documents needed to setup new customer in IWS (clients often come back 2-3 times without correct documents)
Escalation if customer cannot get correct documents
Declaration of Guarantor - Provide Form
Explain Form
Assist Customer in Completing Form
Statutory Declaration - Signature (ie. Translate signature from foreign jurisdiction).
Explain Form
Assist Customer in Completing Form
Out of Province Request Claims History from Previous Jurisdiction - Provide Form
Explain Form
Assist Customer in Completing Form
Computer/IT
Computer Hardware
Computers
Printers
Kodak Scanners
Office Supplies (Paper, Staples, staplers, paper clips, plastic folders, etc.)
IT Support Services
Install new versions of software, apply updates to software
Troubleshoot connection problems
Troubleshoot camera problems
Troubleshoot computer hardware or software problems
Staffing/Training
Costs of courses for staff training
Costs of paying staff for time spent at training required for licensing
Costs of paying staff for time spent at required MPI training
Costs of Senior staff and Junior Staff for one on one shadowing and training time
Costs of training a staff person and lost opportunity cost when the staff person is then hired directly by MPI
Hiring Staff
Staffing Issues
Management
Oversee staffing at location
Meet with MPI Representatives
Escalate issues with MPI Broker Enquiries
Deal with complaints from Customers or ones made to MPI
Staff Meetings

Claims
Answering questions about coverage as it relates to a claim
Provide advice to clients about how to handle small claims and explain option to buyout claim
Provide customer with contact information to report claim
Allow client to report claim by calling while in office
Explain Loss of use to a customer as it relates to their claim
Explain repercussions of reporting claim
After Hours Claims enquiries

- b. With respect to the question posed in b), it is difficult to quantify a dollar value as there are many variables. In addition, it must be remembered that the services provided by brokers is a continuing one. This is also an issue that will likely be canvassed at the upcoming Conciliation.
- c. Similarly, it is difficult to quantify an "average" amount of time a broker may spend with a consumer given the variables involved in the brokerage business.

CAC (IBAM) 1-12

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	21
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“Any direct-to-consumer model carries the potential to force lay-offs or small business shutdowns, thus impacting the access Manitobans have to a local insurance professional.”

Question:

Please elaborate what actions a business would take in their strategic planning process when faced with changing business models in a changing economic environment. Also, please elaborate on the amount of time a business is usually afforded to make changes when the environment around it changes either due to improved technologies or other scientific breakthroughs.

Rationale for Question:

To gain a fuller understanding of how the broker environment plans on modifying its business strategy to avoid ‘going out of business’ due to technological or other environmental/scientific changes going forward.

RESPONSE:

This hypothetical scenario would depend on a number of factors and therefore the questions cannot be answered.

With respect to the preamble, MPI's "base scenario" in "*The Future of MPI's Customer Service Delivery Model Operating Model Analysis*"²⁷ indicates an online uptake assumption of fifty percent (50%). *Ceteris Paribus*,²⁸ if this were to transpire, the impact on the broker channel would be severe. In particular, smaller brokerages would be prime candidates for business failure. Manitobans in those areas affected would no longer have a preferred option for their auto insurance, home insurance and other insurance needs. This not only impacts service; it effectively eliminates it.

²⁷ See: 2020 GRA Information Requests Round 1, CAC (MPI) 1-1(r), Appendix 14, pg. 27.

²⁸ All things being equal.

CAC (IBAM) 1-13

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	24
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“According to an independent report conducted by Deloitte, accounting for the direct, indirect, and induced economic contribution, in 2017,…”

Question:

Please file a copy of the Deloitte Report mentioned in the Preamble. Please demonstrate the evidence relied upon to conclude that the report prepared by Deloitte was independent.

Rationale for Question:

To gain a fuller understanding of the Deloitte Report mentioned in the Preamble.

RESPONSE:

A copy of the Deloitte Report is attached at *Appendix "A"* and can be found online.²⁹

²⁹ The Deloitte Report can be found at:
<http://www.ibac.ca/getattachment/563bfb30-04c4-4ba8-bd20-e4c189b6b9f2/April-23-2019-IBAC-Economic-Contribution-Study.aspx>

Deloitte provides consulting, financial advisory, risk advisory, audit & assurance, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than one hundred fifty (150) countries and territories. Deloitte's Economic Advisory practice spans the globe and offers a complete suite of macroeconomic and microeconomic advisory services. Its stated purpose is simple: to make economics accessible so that businesses, governments and communities can make the best possible decisions. Deloitte's Insurance practice brings together specialists from actuarial, risk, operations, technology, tax, audit, and finance. These skill sets, combined with deep industry knowledge, allows Deloitte to provide a breadth of services to life, property and casualty, reinsurers and insurance broker clients.³⁰ The Deloitte Report was prepared for the *Insurance Brokers Association of Canada* ("IBAC") and was provided for:

"... the purpose of informing [IBAC] and their 11 provincial/regional Member Associations on the estimated economic contribution of member brokerages attributed to their capital and operating expenditures from member brokerages across Canada."³¹

³⁰ See Deloitte Report, *Appendix "C"*, page i.

³¹ See Deloitte Report, *Appendix "C"*, page ii.

CAC (IBAM) 1-14

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	25
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“Insurance brokerages are small businesses that provide large-scale private sector jobs and account for millions of dollars of private equity in small businesses across Manitoba.”

Question:

Please elaborate and explain the amount of private equity at risk in the independent broker channel.

Rationale for Question:

To gain a fuller understanding of the equity at risk in the independent broker channel in Manitoba.

RESPONSE:

IBAM has not quantified the amount of private equity a risk. As in other industries, assets on the Balance Sheets of brokerages are dependent on future revenue streams. Given the current uncertainties, public commentary, and the general instability with respect to the future of MPI, the market value of brokerages is likely

in decline. In short, the uncertainty surrounding MPI's future delivery of services has had a negative impact on the brokerage channel overall.

After decades of relative stability and success, IBAM questions why MPI is considering a radical change to its current business model. Given the relative success that MPI has had, and given the significant losses incurred by Wawanesa (in Quebec) and Sonnet / Economical in direct to consumer sales [Sonnet recently filed for a **fifty point three percent (50.3%)** annual rate increase in New Brunswick³² and was recently approved for a **twenty point four percent (20.4%)** annual rate increase in Ontario],³³ the obvious question that must be asked is: "why change it?" As stated by Ms. Carol Jardine, President of the Canadian property and casualty operations of Wawanesa:

"Anyone who thinks it's easy to do direct insurance is extremely naïve... I have been in this business for over 40 years... The one thing I know is that brokers look after their customers better than the directs. Brokers know what their customers need and want, and brokers will provide the value that a customer requires, which is choice."³⁴

[emphasis added]

Although brokers understand and appreciate the need to offer services online (as indicated, some brokers already offer non-MPI insurance products online), it

³² See CBC.ca article titled "Be Warned: New Brunswick Auto Insurance Rates Are Set to Soar in 2020" at: <https://www.cbc.ca/news/canada/new-brunswick/nb-insurance-rates-soar-consumer-advocate-1.5270814>

³³ See "Auto Insurance Rates in Ontario Rise for the Seventh-Straight Quarter" at: <https://www.lowestrates.ca/blog/auto/ontario-auto-insurance-second-quarter-FSCO-2019>

³⁴ See: <https://www.canadianunderwriter.ca/insurance/what-could-stop-direct-writers-from-eating-your-lunch-1004165299/>

believes that it should be offered via the existing broker channel (as in Saskatchewan and British Columbia).

CAC (IBAM) 1-15

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	12
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“IBAM has confirmed through research that consumers are significantly more likely to prefer purchasing insurance through a professional broker channel than they are to opt for buying directly from the government (MPI). A small minority of Manitobans admit they have a good understanding of how various vehicle insurance classifications operate. Even smaller numbers of consumers indicate they have a solid grasp of the meaning and implications of third-party liability coverage. Research also indicates that this level of understanding increases with broker involvement.”

Question:

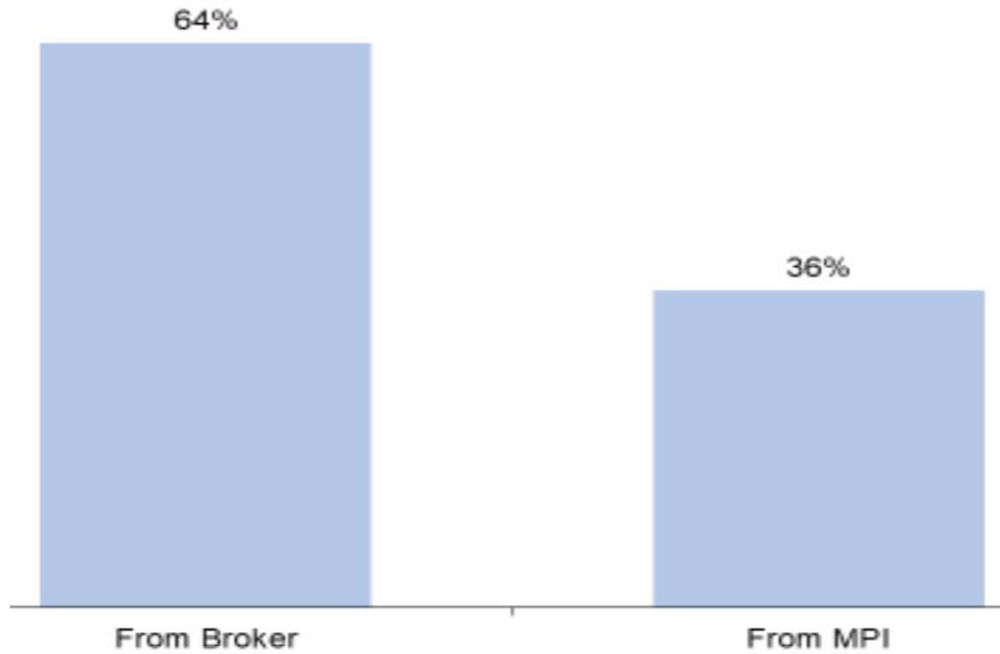
Please file all research on which the statement in the Preamble is based.

Rationale for Question:

To better understand the research on which IBAM bases its statement that consumers are significantly more likely to prefer purchasing insurance through a professional broker channel than they are to opt for buying directly from the government and that customers' level of understanding increases with broker involvement.

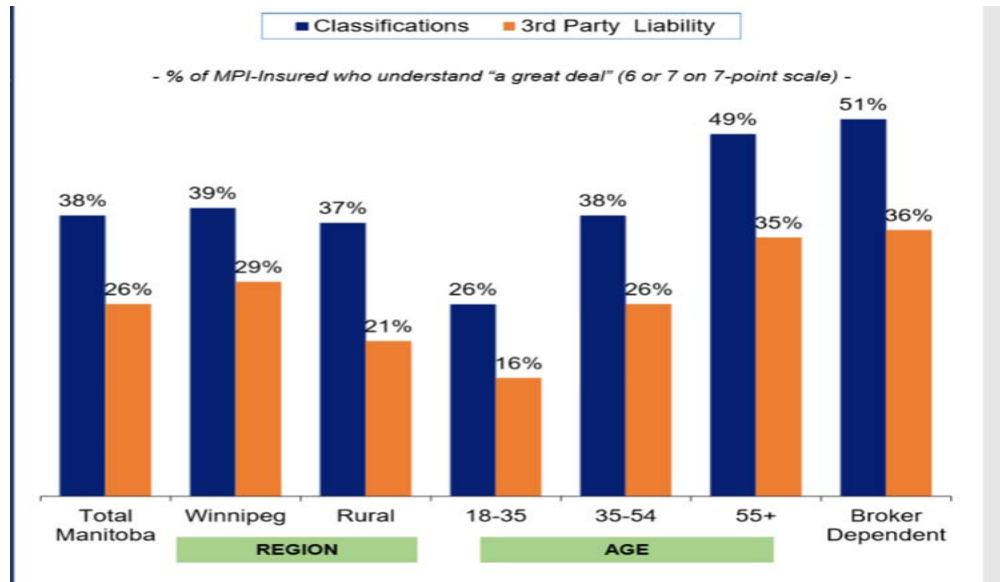
RESPONSE:

IBAM has found that nearly two-thirds of Manitobans now want to purchase insurance directly from a broker as opposed to MPI (if the cost is the same).³⁵



³⁵ IBAM expects to obtain additional research in the coming weeks. It may provide any additional research that is relevant to the matters at hand.

IBAM has also found that the comprehension of auto insurance classifications and third party liability varies among Manitobans:³⁶



Importantly, those who often seek counsel from their brokers were significantly more likely than those who never have these interactions to report higher levels of comprehension of both vehicle policy classifications and third-party liability. This indicates that brokers are offering an important educational role in terms of enhancing consumer comprehension of these policy components.

³⁶ IBAM expects to obtain additional research in the coming weeks. It may provide any additional research that is relevant to the matters at hand.

CAC (IBAM) 1-16

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	12
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“IBAM and its member brokers believe that consumers will enjoy a much better level of service delivered through the small business local broker as opposed to government. The vast majority of consumers who purchase insurance online will call MPI before they buy. This has been the experience of other online insurance providers.”

Question:

Has IBAM conducted engagement (e.g. surveys, workshops, focus groups, etc.) with its customers regarding the level of service customers receive from brokers as opposed to MPI? If so, please file any reports of this engagement. If not, please explain the basis for the statement in the Preamble.

Rationale for Question:

To understand ratepayers' experience with respect to level of service through brokers as opposed to through MPI.

RESPONSE:

Please see CAC (IBAM) 1-10 a. above.

CAC (IBAM) 1-17

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	15
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“It is the experience of IBAM broker members that the vast majority of consumers pay their reassessment notices in person and that brokers provide consultation and advice in reassessment years.”

“For consumers who pay their reassessment notices in person, the process is identical to what it was prior to the 5-year renewal process, except that instead of 5% commission annually, brokers now receive 3%. In other words, the rationale for decreasing commissions for Basic transactions (from 5% to 3%) was for an anticipated reduction in customer traffic/transactions; it is the experience of IBAM brokers that this is – for the most part - simply not happening.”

Question:

Please file supporting data for the statement that “the vast majority of consumers pay their reassessment notices in person.”

Rationale for Question:

To better understand how many consumers pay their reassessment notices in person.

RESPONSE:

IBAM is of the view that that vast majority of reassessments are done in person. IBAM attempted to obtain this empirical data from MPI in the second round of IRs. However, the answer provided by MPI was not responsive. As a result, IBAM expects that this will be a live issue at the upcoming PUB hearings.

CAC (IBAM) 1-18

Part and Chapter:	IBAM-Pre-Filed Testimony	Page No.:	
PUB Approved Issue No:	17. Current IT Strategic Plan		
Topic:	MPI proposed On-line services		
Sub Topic:			

Preamble to IR (If Any):

“IBAM and its members are confident that MPI and the ratepayers in the Province of Manitoba are getting good value for their money at 3.0% on Basic.”

Question:

Please file any consumer opinion surveys, studies or polls which support the statement in the Preamble.

Rationale for Question:

To better understand why IBAM and its members are confident that MPI and the ratepayers in Manitoba are getting good value for their money.

RESPONSE:

This has been addressed in earlier IRs. In particular, see CAC (IBAM) 1-7, CAC (IBAM) 1-11, and the Pre-Filed Testimony filed on behalf of IBAM.

Again,³⁷ after decades of relative stability and success, IBAM questions why MPI is considering a radical change to its current business model. Given the relative success that MPI has had, and given the significant losses incurred by Wawanesa (in Quebec) and Sonnet / Economical in direct to consumer sales [Sonnet recently filed for a **fifty point three percent (50.3%)** annual rate increase in New Brunswick³⁸ and was recently approved for a **twenty point four percent (20.4%)** annual rate increase in Ontario],³⁹ the obvious question that must be asked is: "why change it?" As stated by Ms. Carol Jardine, President of the Canadian property and casualty operations of Wawanesa:

"Anyone who thinks it's easy to do direct insurance is extremely naïve... I have been in this business for over 40 years... The one thing I know is that brokers look after their customers better than the directs. Brokers know what their customers need and want, and brokers will provide the value that a customer requires, which is choice."⁴⁰

[emphasis added]

Although brokers understand and appreciate the need to offer services online (as indicated, some brokers already offer non-MPI insurance products online), it believes that it should be offered via the existing broker channel (as in Saskatchewan and British Columbia).

³⁷ As stated in response to CAC (IBAM) 1-14.

³⁸ See *CBC.ca* article titled "Be Warned: New Brunswick Auto Insurance Rates Are Set to Soar in 2020" at: <https://www.cbc.ca/news/canada/new-brunswick/nb-insurance-rates-soar-consumer-advocate-1.5270814>

³⁹ See "Auto Insurance Rates in Ontario Rise for the Seventh-Straight Quarter" at: <https://www.lowestrates.ca/blog/auto/ontario-auto-insurance-second-quarter-FSCO-2019>

⁴⁰ See: <https://www.canadianunderwriter.ca/insurance/what-could-stop-direct-writers-from-eating-your-lunch-1004165299/>

[APPENDIX "A" – DELOITTE REPORT]



Insurance Brokers Association of Canada Economic Contribution Study

April 2019

About Insurance Brokers Association of Canada (IBAC)

The Insurance Brokers Association of Canada (IBAC) is a federation of 11 provincial and regional associations of Property and Casualty (P&C) insurance brokers across Canada. IBAC represents approximately 38,000 licensed P&C insurance brokers located in urban and rural communities across Canada.

About Deloitte LLP

Deloitte provides consulting, financial advisory, risk advisory, audit & assurance, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights and service to address clients' most complex business challenges. Deloitte LLP is the Canadian member firm of Deloitte Touche Tohmatsu Limited, which is a network of member firms, each of which is a legally separate and independent entity.

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Disclaimers and Limiting Conditions

This report has been provided for the purpose of informing the Insurance Brokers Association of Canada ("IBAC") and their 11 provincial/regional Member Associations on the estimated economic contribution of member brokerages attributed to their capital and operating expenditures from member brokerages across Canada.

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Observations are made on the basis of economic, industrial, competitive and general business conditions prevailing as at the date hereof. In the analyses, we may have made assumptions with respect to the industry performance, general business, and economic conditions and other matters, many of which are beyond our control, including government and industry regulation.

We do not provide assurance on the achievability of any forecasted results contained herein because events and circumstances frequently do not occur as expected, differences between actual and expected results may be material, and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

We believe that our analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the issues related to the report.

Amendment of any of the assumptions identified throughout this report could have a material impact on our analysis contained herein. Should any of the major assumptions not be accurate or should any of the information provided to us not be factual or correct, our analyses, as expressed in this report, could be significantly different.

If prospective financial information provided by the client or its representatives has been used in this analysis, we have not examined or compiled the prospective financial information and, therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

We believe the information obtained from public sources or furnished to us by other sources is reliable. However, we issue no warranty or other form of assurance regarding the accuracy of such information.

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Executive Summary

Report Objective

In October of 2018, Deloitte was engaged by the Insurance Brokers Association of Canada (“IBAC”) to conduct a study of the economic contribution generated by member brokerages to the provincial and national economies. This report provides the results of the study, including an estimation of the insurance brokers’ economic contribution in terms of industrial output, GDP (value added), employment, labour income, and government revenue. In addition to quantifying the economic contribution of member brokerages, this report identifies and illustrates, via case studies, a range of additional socio-economic benefits that insurance brokerages bring to Canadian communities as informed by survey respondents and additional interviews with select brokers.

Industry Overview

This report focuses on the P&C insurance brokerage industry, which is a segment of the Property and Casualty (“P&C”) insurance industry.

P&C insurance, also known as general insurance, provides personal and commercial protection for a wide array of risks. Property insurance provides financial protection in the event of damage(s) to physical property. Casualty insurance mainly covers legal liability against individuals and organizations for negligent acts or omissions. Product lines are commonly divided into auto, home, and business insurance for personal and commercial consumers. The P&C insurance industry is comprised of establishments that are engaged in underwriting annuities, insurance policies and reinsurance, and the retailing of insurance and the provision of related services to policy holders and includes insurers, reinsurers, brokers, agents, independent adjusters and appraisers. In 2017, the P&C insurance industry as a whole employed over 126,000 individuals and wrote nearly \$47.8B in net written premiums.¹

Insurance brokers represent a segment of the overall P&C insurance industry. They are licensed insurance professionals that serve as an advisor and sales point between customers and insurance companies. Insurance brokers are not employed by the insurance carriers they represent and may work independently or as part of a brokerage. Insurance brokers play a notable role by interfacing between the insurer and the consumer. The broker provides support at the point of consideration and purchase, advocacy at the time of claim, and advice throughout the life of the policy. These three elements – choice, advocacy, and advice – differentiate the broker distribution channel and directly serve the best interests of the consumer.

The Insurance Brokers Association of Canada (IBAC) is a not-for-profit organization that comprises 11 provincial and regional associations of P&C insurance brokers in Canada. The associations represent over 38,000 P&C insurance brokers across Canada², serving both the personal and commercial interests of their clients.

Economic Contribution from Investments and Operating Expenditures³

Insurance brokers are engaged in a range of business activities including advising clients, interfacing with insurers and administering policies and billing. To undertake these activities, the insurance brokerages incur various types of expenditures, such as investing in IT infrastructure and equipment, paying salaries and wages, rent, and utilities, purchasing office supplies, and procuring external professional services, among others. Based on a survey of 1,770 insurance brokerage owners in Canada conducted as part of this study, it is estimated that annually, the operating expenditures and capital investments collectively amount to **\$2.9B⁴**.

¹ IBC 2018

² IBAC 2018

³ All amounts are expressed in Canadian dollars, unless otherwise stated.

⁴ Expenditure data is based on survey responses as well as information from IBAC on employment by Member Association.

These expenditures in turn generate economic contribution at a local, provincial and national level, **both directly** as well as **indirectly**, via generating demand for goods and services provided by suppliers (e.g. consulting and legal services providers, technology providers, office equipment and supplies retailers). A third-order of contribution (**induced** contribution) is generated as a result of the spending of wages and salaries earned by insurance brokers and the employees of their suppliers (i.e. household expenditure). Accounting for the direct, indirect, and induced economic contribution, it is estimated that in 2017 member brokerages contributed approximately **\$7B to Canada's output**, and **\$5.4B to Canada's GDP** in 2017, of which about **\$3.3B** was contribution **to labour income**. It is also estimated that approximately **58,300 FTE** (full-time equivalent)⁵ positions were sustained by the industry across Canada. The estimates indicate that for every dollar spent by member brokerages, approximately **\$1.49 of total GDP** is generated in the Canadian economy.

Member brokerages also generate significant direct and indirect tax benefits to the government. In 2017, it is estimated that member brokerages generated more than **\$480MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), retail sales tax (RST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Additionally, brokerages facilitate the payment of premiums by their customers and the remittance of taxes on premiums to provincial governments. The economic contribution estimated in this report does **not** include these payments as it is difficult to attribute a specific contribution to the insurance brokers themselves. Third-party studies estimate that in 2017 brokers facilitated the collection of over **\$30B** in direct written premiums⁶ and that the P&C insurance industry pays on average **3.5%** in premium taxes in Canada (tax rates vary across provinces).⁷

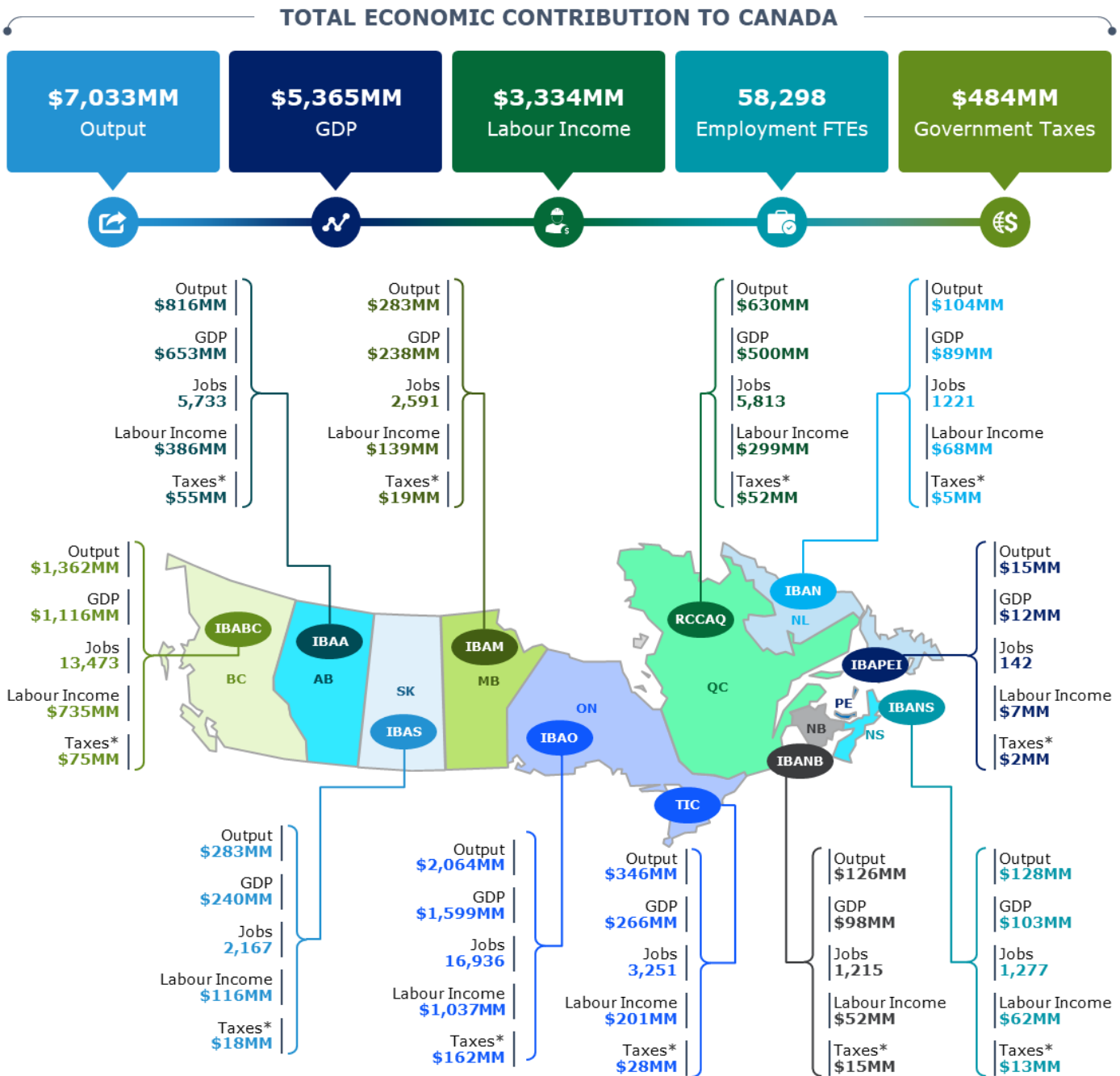
Figure 1 summarizes the estimated economic contribution of IBAC member brokerages within each province.

⁵ This number includes 38,750 direct FTEs provided by IBAC for the regional/provincial Member Associations, as well as indirect and induced FTEs.

⁶ The share of broker channel DWP is calculated by applying the channel share of 64% to the total P&C insurance DWP.

⁷ CIBC. 2018. P&C Insurance Primer 2018

Figure 1: Estimated Total Economic Contribution to Canada⁸



*Includes estimated government revenues generated from taxes on products and production. This estimate does not include analysis of corporate income tax, personal income taxes, healthcare levies, and premium taxes, which are beyond the scope of this report.

⁸ The numbers are rounded up to the nearest million.

Structuring Economic Benefits

In addition to the economic contribution associated with insurance brokers' operating expenditures and investments, based on research and consultation with stakeholders, the industry brings a range of "structuring" benefits to the broader economy. This study focuses on exploring three specific such benefits that were identified through research and further informed by a survey and interviews with select brokers - strengthening the financial resilience of businesses and individuals, identifying product gaps between insurers and customers, and pushing digital innovation. A brief overview of these benefits based on information gathered is provided below and illustrative case studies can be found in the body of this report.

- **Strengthening business and household resilience** – by providing experienced advice and customized insurance solutions to clients, brokers play an important role in ensuring individuals and businesses are able to maintain financial stability and quickly return to normalcy, which contributes to the overall resiliency of the economy. This is particularly important in extreme natural and man-made disasters, which occasionally but inevitably take place, causing widespread damage and disruption.
- **Identifying product gaps between insurers and consumers** – by interfacing between clients and insurers, brokers are uniquely positioned to understand client needs and identify potential gaps in insurance product offerings. With the advent of technological innovations such as self-driving automobiles, automated farm equipment, and commercial drones, brokers play an important role in communicating gaps to insurers and ensuring that appropriate solutions are offered that protect Canadian businesses and individuals.
- **Pushing digital innovation** – insurance brokers are leading the way in defining and developing more effective and efficient ways for consumers to understand, purchase, and manage their insurance policies through the broker channel. This includes establishing non-traditional partnerships and building digital capabilities where they did not exist before. Thus the insurance brokers contribute to a more innovative, productive and customer-centric industry.

Social Benefits

Beyond the economic benefits identified above, the insurance brokerage industry makes certain social contributions to Canadian communities. This report describes several social impacts including supporting access to insurance in remote and Indigenous communities, participating in community initiatives and funding social causes, conducting safety education and training, and promoting workplace diversity and inclusion. Specific case studies illustrating these benefits are included in the body of this report.

- **Supporting access to insurance in remote and Indigenous communities** – the presence of insurance brokers in rural and Indigenous communities provides access to insurance knowledge and coverage to Canadians who may otherwise face barriers due to geographic, demographic and technological factors or who may lack the financial literacy to select the appropriate insurance coverage.
- **Participating in community initiatives and funding social causes** – many local organizations such as sports teams and community service providers benefit from the direct donations and funds raised by insurance brokers through charity events and volunteering. Brokers donate time, money, and other resources to causes that are important to them as individuals, while ensuring that the brokerage can give back to the towns and cities in which they operate.
- **Conducting safety education and training** – by partnering with the government to promote safety education and training, insurance brokers help mitigate risky behavior that may result in significant harm or damages. This helps reduce avoidable hardship in local communities and reduces the burden on public services.
- **Promoting workplace diversity and inclusion** – insurance brokerages are actively taking initiative to promote gender diversity and supporting LGBTQ awareness. Brokers also serve their communities at large by conducting business in a variety of languages, including but not limited to English, French, Mandarin, Cantonese, Spanish, Hindi, and Italian. Diversity in gender, thought, beliefs, culture, and inclusive actions helps to drive a more vibrant and competitive local and Canadian economy.

Section 1: Introduction

This report examines the economic contribution and socio-economic impacts of the Property and Casualty (“P&C”), insurance brokerage industry to the provincial and Canadian economies. This section introduces the industry segment and the relevant associations and member brokerages as informed by third party research.

1.1 The P&C Insurance Industry

P&C insurance, also known as general insurance, provides personal and commercial protection for a wide array of risks, including physical property, such as an automobile, building, aircraft, boat and valuable possessions, and legal liability against individuals and organizations for negligent acts or omissions.⁹ P&C products touch the lives of most residents and businesses across Canada by providing insurance protection for most homes, motor vehicles and commercial enterprises.

The P&C insurance industry is comprised of establishments that are engaged in underwriting annuities, insurance policies and reinsurance, and retailing of insurance as well as provision of related services to policy holders. Industry participants include insurers, reinsurers, brokers, agents, independent adjusters, and appraisers. In 2017, the P&C insurance industry as whole employed over 126,000 individuals and wrote nearly \$47.8B in net written premiums.¹⁰

In selecting and purchasing their coverage, consumers may choose to engage with an insurance broker who works with multiple insurers, an agent who represents a single insurer, or directly with the insurer.

1.2 The P&C Insurance Brokerage Industry

The P&C insurance brokerage industry is a segment of the P&C insurance industry. Insurance brokers are licensed insurance professionals that serve as an advisor and sales point between customers and insurance companies. Insurance brokers are not employed by the insurance carriers they represent and may work independently or as part of a brokerage. Insurance brokers solicit insurance quotes and/or policies from one or multiple insurance companies on behalf of customers. As such, insurance brokers play a role in ensuring the public is well-informed and appropriately covered, taking into consideration risks, premiums and discounts.

The value of the broker is communicating choice at the point of purchase, advocacy at the time of claim, and advice throughout the life of the policy. These three elements – choice, advocacy, and advice – differentiate the broker distribution channel and directly serve the best interests of the consumer. Professionals with these responsibilities must pass formal exams to be licensed to serve in this capacity in their home province. Figure 2 shows the different distribution channels of P&C insurance products.

⁹ IBC 2018

¹⁰ IBC 2018

Figure 2: P&C Insurance Distribution Channels



1.3 The Insurance Brokers Association of Canada and Member Associations

The Insurance Brokers Association of Canada (“IBAC”) is a federation of 11 provincial and regional associations of Property and Casualty (“P&C”) insurance brokers across Canada. IBAC Member Associations represent approximately 38,000 P&C insurance brokers located in urban and rural communities.¹¹

IBAC and its provincial and regional Member Associations collaborate to ensure that insurance brokers are well-positioned to meet the challenges of the marketplace, and to promote the profession as the best source for insurance advice, products, and ongoing customer support.¹² These associations include:

- Insurance Brokers Association of Newfoundland & Labrador (IBAN)
- Insurance Brokers Association of Prince Edward Island (IBAPEI)
- Insurance Brokers Association of Nova Scotia (IBANS)
- Insurance Brokers Association of New Brunswick (IBANB)
- Regroupement des cabinets de courtage d’assurance du Québec (RCCAQ)
- Insurance Brokers Association of Manitoba (IBAM)
- Insurance Brokers Association of Saskatchewan (IBAS)
- Insurance Brokers Association of Alberta (IBAA)¹³
- Insurance Brokers Association of British Columbia (IBABC)
- Toronto Insurance Council (TIC)
- Insurance Brokers Association of Ontario (IBAO)

¹¹ IBAC 2018

¹² IBAC 2018

¹³ Brokers in Yukon Territory, Northwest Territories and Nunavut Territory are Affiliate Members of IBAA

Section 2: Economic Contribution from Investments and Operating Expenditures

Insurance brokers contribute to the provincial and national economies through capital investments and expenditures. This section presents quantitative estimates of the contribution in terms of industrial output, GDP, employment, labour income, and government revenues, as well as an overview of the modeling methodology and analytical assumptions made to derive the estimates.

2.1 Measuring Economic Contribution

The economic contribution estimates derived in this study are based on estimates of capital and operating expenditures incurred by approximately 1,770 member brokerages across all regional/provincial Member Associations in Canada. These expenditure estimates are based on a broad member survey conducted as part of this study, using 2017 as a base year. The economic contribution analysis is based on an Input-Output ("I-O") methodology, using I-O multipliers published by Statistics Canada in 2014.

The economic contribution is estimated across five variables:

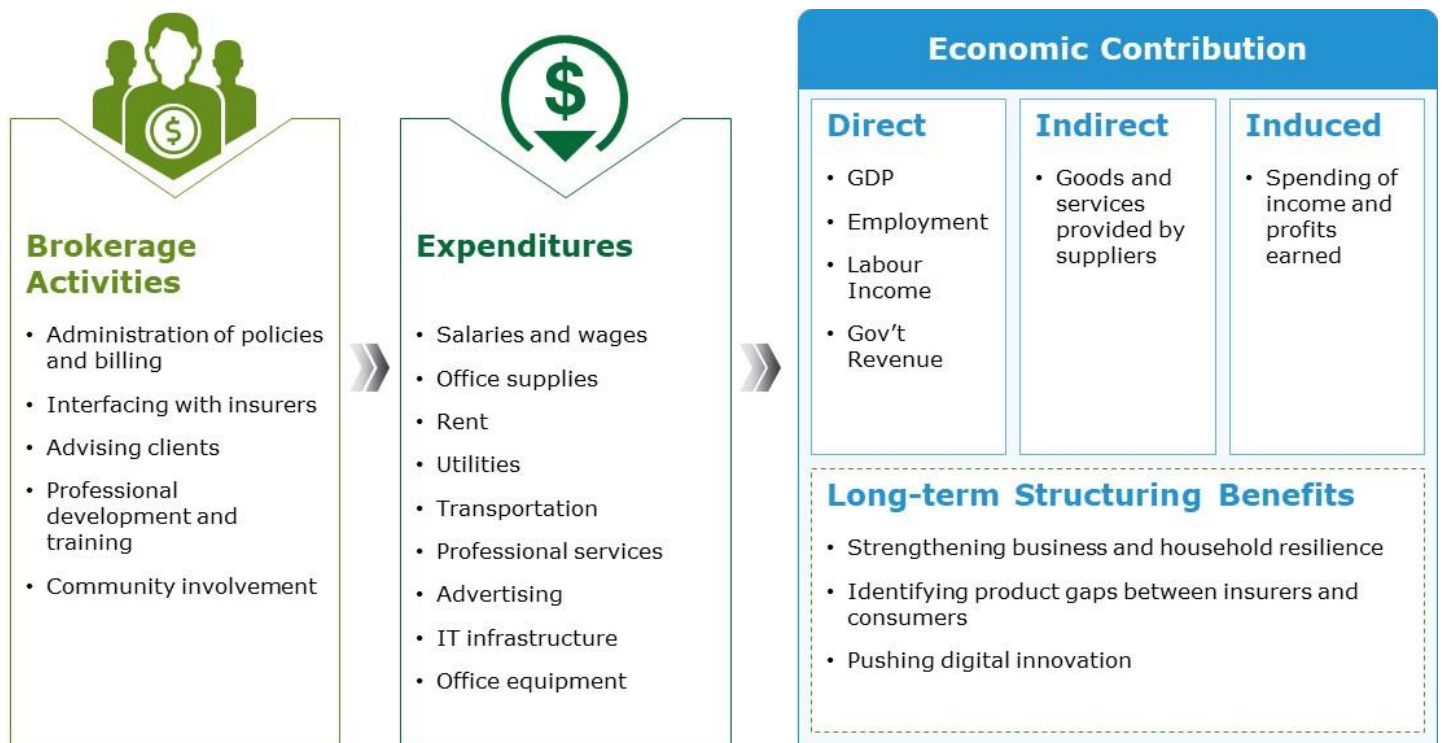
- **Output:** The value of goods and services produced by establishments (e.g. firms), excluding "intermediate" goods and services consumed by the same establishment during the production process (e.g. electricity produced for own consumption). Output includes goods and services sold in the marketplace as well as goods added to inventory.
- **GDP:** Refers to the total unduplicated value of goods and services produced in the economic territory of a country or region during a given period. GDP includes household income from current productive activities (wages, salaries and unincorporated business income) as well as profits and other income earned by corporations. In the context of our study, GDP serves as a measure of the total economic value-added resulting from the spending associated with the categories of expenditure identified.
- **Employment:** In this study employment contribution is estimated in terms of full-year equivalent jobs for ongoing employment (i.e. employment contribution associated with annual expenditures). Full-year equivalent positions are counted according to their duration and not according to whether they were employed on a full-time or part-time basis. That is, two part-time employees would be counted as one full-year equivalent if the total time they spent on the job adds up to one year. This approach is consistent with standard statistical terminology.
- **Labour income:** Labour income represents the total earnings of employees (including employees of suppliers to the projects), consisting of wages and salaries as well as supplementary labour income.
- **Government revenue:** In this study, government revenue is only partially accounted for and specifically includes federal, provincial, and municipal products and production taxes such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, retail sales tax (RST), and payroll taxes. This report does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

The economic contribution is also assessed at three levels:

- **Direct contribution** - associated with spending arising directly as a result of capital investments and ongoing operating operations;
- **Indirect contribution** - associated with the contribution of suppliers to the insurance brokerage industry. These represent, for example, economic activity generated in the manufacturing, wholesale trade, transportation and professional service sectors as a result of demand for materials and services created by the brokers; and
- **Induced contribution** - associated with the spending of wages and salaries earned as a result of the direct and indirect contribution of the insurance brokerage industry. An example of the contribution is purchases of goods and services at the household level.

An illustration of how these impacts occur is presented in figure 3 below:

Figure 3: Economic Contribution Framework



2.2 Economic Contribution Summary¹⁴

Insurance brokers are engaged in a range of business activities including advising clients, interfacing with insurers and administering policies and billing. To undertake these activities, the insurance brokerages incur various types of expenditures, such as investing in IT infrastructure and equipment, paying salaries and wages, rent, and utilities, purchasing office supplies, and procuring external professional services, among others. Based on a survey of 1,770 insurance brokerage owners in Canada conducted as part of this study, it is estimated that in 2017 the operating expenditures and capital investments collectively amounted to **\$2.9B**¹⁵.

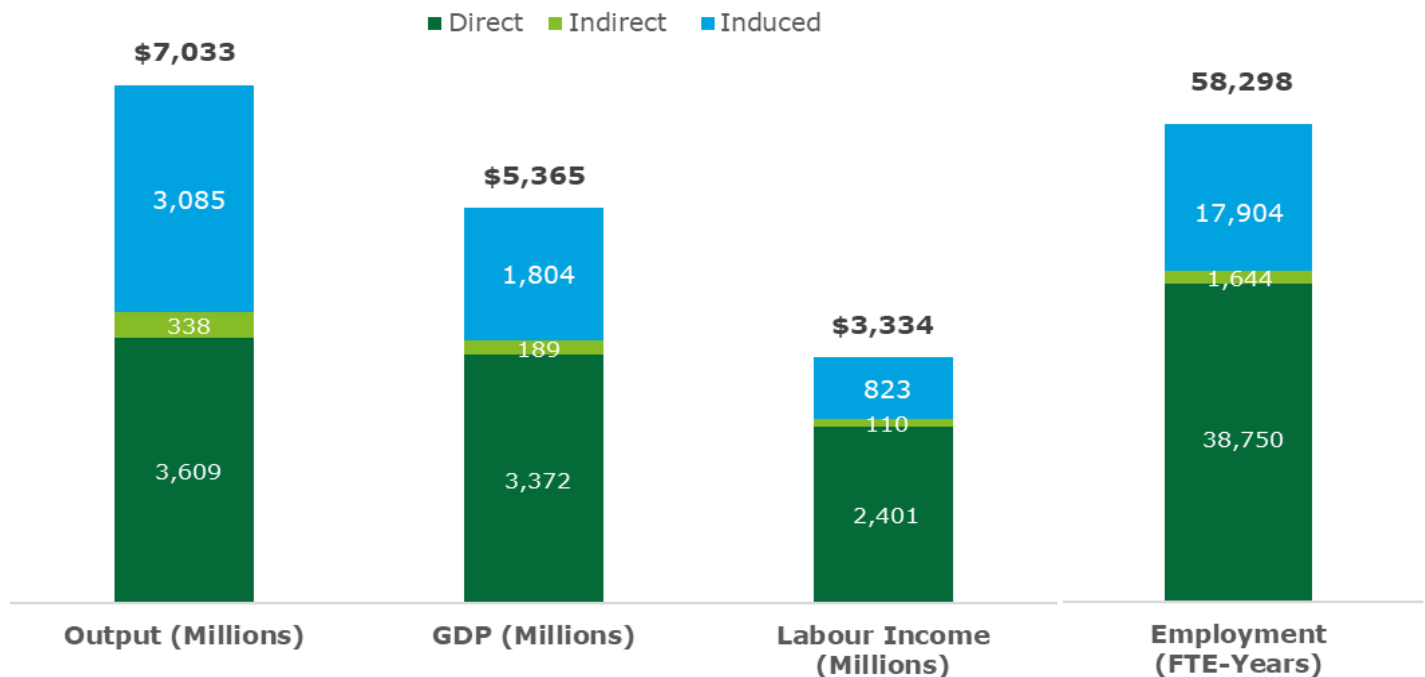
¹⁴ All amounts are expressed in Canadian dollars, unless otherwise stated.

¹⁵ Expenditure data is based on survey responses as well as information from IBAC on employment by Member Association.

These expenditures in turn generate economic contribution at a local, provincial and national level, both directly as well as indirectly, via generating demand for goods and services provided by suppliers (e.g. consulting and legal services providers, technology providers, office equipment and supplies retailers). A third-order of contribution (induced contribution) is generated as a result of the spending of wages and salaries earned by insurance brokers and the employees of their suppliers (i.e. household expenditure). Accounting for the direct, indirect, and induced economic contribution, it is estimated that in 2017 member brokerages contributed approximately **\$7B to Canada's output**, and **\$5.4B to Canada's GDP** in 2017, of which about **\$3.3B** was contribution **to labour income**. It is also estimated that approximately **58,300 FTE** (full-time equivalent)¹⁶ positions were sustained by the industry across Canada. These results imply that:

- For every dollar spent on capital and operating expenditures, the insurance brokerage industry contributes approximately \$1.49 of value-added to the Canadian economy.
- For every million dollars spent on capital and operating expenditures annually, the insurance brokerage industry sustains 16.2 FTEs in Canada.
- The average annual wage in the insurance brokerage sector is \$67,500 compared to the national average¹⁷ of about \$50,800.

Estimated Economic Contribution of Member Brokerages to Canada in 2017

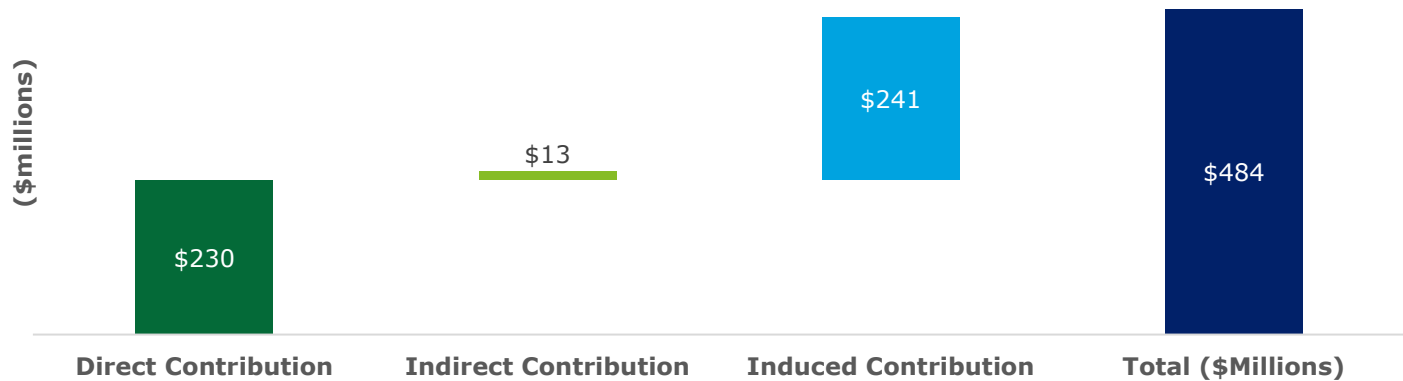


Member brokerages also generate significant direct and indirect tax benefits to the government. In 2017, it is estimated that member brokerages generated more than **\$484MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), retail sales tax (RST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

¹⁶ This number includes 38,750 direct FTEs provided by IBAC for the regional/provincial Member Associations.

¹⁷ Based on Statistics Canada average wage by industry in 2017, industrial aggregate (Table 14-10-0203-01).

Estimated Products and Production Taxes Contribution to Canada in 2017



Additionally, brokerages facilitate the payment of premiums by their customers and the remittance of taxes on premiums to provincial governments. The economic contribution estimated in this report does **not** include these payments as it is difficult to attribute a specific contribution to the insurance brokers themselves. In 2017, the P&C insurance industry as a whole generated \$54.7B in direct written premiums (DWP), as calculated by the Insurance Bureau of Canada.¹⁸ In the same timeframe, the broker channel’s share of DWP was 64% as measured by CIBC¹⁹. Thus in 2017, brokers facilitated the collection and remittance of over **\$30B** in direct written premiums²⁰. The taxes on premiums remitted by brokers vary by province and, according to CIBC, average 3.5% of DWP in Canada.²¹

Table 1 provides a summary of the total estimated expenditures and economic contribution of member brokerages to the national and provincial economies by Member Association, at the direct, indirect and induced levels.

Table 1: Estimated Economic Contribution to the National and Provincial Economies in 2017 (\$MM)²²

	Expenditure (\$MM)	Output (\$MM)	GDP (\$MM)	Labour Income (\$MM)	Employment (FTEs)	Government Taxes (\$MM)
CANADA	\$2,868	\$7,033	\$5,365	\$3,334	58,298	\$484
IBAN -Newfoundland and Labrador	\$63	\$104	\$89	\$68	1,221	\$5
IBAPEI - Prince Edward	\$7	\$15	\$12	\$7	142	\$2
IBANS - Nova Scotia	\$64	\$128	\$103	\$62	1,277	\$13
IBANB - New Brunswick	\$61	\$126	\$98	\$52	1,215	\$15
RCCAQ - Québec	\$285	\$630	\$500	\$299	5,813	\$52

¹⁸ IBC 2018

¹⁹ CIBC 2018

²⁰ The share of DWP handled by brokers is calculated by applying the channel share of 64% to the total P&C insurance DWP.

²¹ CIBC 2018

²² The national level of contribution includes interprovincial leakage owing to spending across provincial borders, while regional/provincial Member Association contribution includes only the economic activity generated within the corresponding province.

	Expenditure (\$MM)	Output (\$MM)	GDP (\$MM)	Labour Income (\$MM)	Employment (FTEs)	Government Taxes (\$MM)
IBAM - Manitoba	\$131	\$283	\$238	\$139	2,591	\$19
IBAS - Saskatchewan	\$112	\$283	\$240	\$116	2,167	\$18
IBAA - Alberta	\$375	\$816	\$653	\$386	5,733	\$55
IBABC - British Columbia	\$648	\$1,362	\$1,116	\$735	13,473	\$75
TIC - Ontario	\$182	\$346	\$266	\$201	3,251	\$28
IBAO - Ontario	\$941	\$2,064	\$1,599	\$1,037	16,936	\$162

Appendix A provides the detailed estimated economic contribution to the national and provincial economies associated with each regional/provincial Member Association.

Section 3: Structuring and Social Benefits

Beyond the economic contribution stemming from insurance brokerages' operating expenditures and investments, the industry brings a range of "structuring" benefits to the broader economy, as well as social impacts to local communities and residents. This section identifies and describes these impacts and provides illustrative examples via specific case studies based on research and further informed by a survey and interviews with select brokers.

In this study, we have focused on examining three specific "structuring" benefits that the insurance brokerage industry brings to the broader Canadian economy:

- Strengthening businesses and household resilience
- Identifying product gaps between insurers and customers
- Pushing digital innovation

This list is by no means exhaustive and the benefits in focus, while tangible, are difficult to quantify. These benefits are important however, as they demonstrate that the economic impact of insurance brokers goes well beyond the expenditures they make on investments and operations. Also, these structuring benefits are genuinely incremental (i.e. do not result in the crowding out of other benefits) and would be diminished in the absence of the brokerages.

In addition to the economic benefits described in this report, the insurance brokerage industry makes certain social contributions to Canadian communities, including:

- Supporting access to insurance in remote and Indigenous communities
- Participating in community initiatives and funding social causes
- Conducting safety education and training
- Promoting workplace diversity and inclusion

The following sections describe each of the above benefits and provide an illustrative case study to bring them to life. All case studies are based on interviews with principal owners and secondary research conducted by Deloitte.

3.1 Structuring Benefits and Case Studies

Strengthening Business and Household Resilience



Insurance plays a major role in supporting the financial resilience of businesses and individuals against disruptions caused by damaging events. By providing experienced advice and customized insurance solutions to clients, brokers help to ensure that individuals and businesses are able to maintain financial stability and quickly return to normalcy, which contributes to the overall resiliency of the economy. This is particularly important in extreme natural and man-made disasters, which occasionally but inevitably take place, causing widespread damage and disruption.

Insurance creates financial resilience through two dimensions²³:

- Amount of damage sustained – appropriately selected insurance reduces the financial burden of a disaster on a business or household, thereby reducing business interruption impacts or the need to use savings or divert other spending to rebuild.
- Speed of recovery from a disaster – the payouts from insurers drive the recovery of a business or household by making funds available in a timely manner.

In 2017 for example, catastrophic events such as wildfires, flooding, hurricanes, and tornados in Canada accounted for \$1.2 billion in insured losses.²⁴ Insurance brokers play an important role in times of these extreme events, as they are often first to the scene to work alongside insurance adjusters to help their clients navigate the claims process. According to the 2018 IBAC National Survey, approximately 63% of brokers are skilled to assist and support clients in the event of catastrophic events, and about one-third of brokers indicated that 25 or more of their employees responded directly to client needs resulting from these events in 2017.²⁵

Flooding is one of the largest sources of catastrophic loss across the country, accounting for about \$590MM in insured losses in 2017.²⁶ The Insurance Bureau of Canada (IBC) states, “in today’s world of extreme weather events, \$1 billion has become the new normal for yearly catastrophic losses – most of this is due to water-related damage”²⁷. Furthermore, non-insured losses are also trending higher. Between 2016/17 to 2021/22, the Government of Canada’s Disaster Financial Assistance Arrangements (DFAA) program expects claims of \$673MM per year for floods of total costs of \$902MM.²⁸

In the spring of 2018, New Brunswick was hit with one of its worst floods in history affecting approximately 12,000 properties in less than a month.²⁹ The Insurance Brokers Association of New Brunswick (IBANB) donated \$10,000 on behalf of its members to Red Cross toward direct and immediate relief efforts for the flood. When impacted with financial hardship, clients often find in their broker a neighbour or a friend who can listen and empathize with their personal experience, and help them get back on their feet.

Resilience is “the ability to prepare and plan for, absorb, recover from, and more successfully adapt to adverse events”

Source: National Research Council 2012

In 2017, flooding accounted for \$590MM in insured losses

²³The World Bank 2014

²⁴ Insurance Bureau of Canada 2018

²⁵ Deloitte/IBAC Survey 2018

²⁶ Insurance Institute 2017

²⁷ Insurance Bureau of Canada

²⁸ Office of the Parliament Budget Officer 2016

²⁹ CTV News Atlantic 2018

Case Study: Rogers Insurance Ltd.



Fort McMurray, Alberta



Rogers Insurance handled over 4,700 claims related to the fire, resulting in more than \$600MM paid out in losses to date

In May of 2016, Alberta experienced its most catastrophic wildfire in Fort McMurray. It destroyed more than 2,500 homes and forced over 85,000 residents to evacuate, making it the largest evacuation in Canadian history.³⁰ It was also the costliest fire in Canadian history, resulting in over \$3.5B of insured damage.³¹ In the days following the fire, insurance brokers played an important role in the crisis management efforts by ensuring that emergency funds were channeled effectively and claims were reported to insurance carriers. A main obstacle faced by policyholders in the event of a crisis is insurance literacy – the majority of clients do not know the name of their insurer nor the details of their coverage, making it important for brokers to act as an advisor and educate them on insurance products.³²

The Fort McMurray branch of Rogers Insurance, with 18 employees and over 5,000 clients, was forced to evacuate from the area and close its office for 30 days. All emails and phone calls were redirected to the Calgary office, and many employees relocated there and to other offices in the province to help with their clients' claims. A team was deployed and brokers worked overtime to send out client communications as well as notices to insurance companies to file losses. According to Nicole Deitz, Commercial Lines Associate & Office Manager, Rogers Insurance handled over 4,700 claims related to the fire, resulting in more than \$600MM paid out in losses to date.³³

Brokers who live or work in the Fort McMurray area were directly impacted by the fire. Dietz left her office as part of the emergency evacuation and her family, including two children, did not reunite until the following day. Rogers Insurance Team Lead Darlene Foster lost her home in the fire and had to relocate to Cochrane, but was one of the first people to be back at work as part of the response team based in Calgary. Foster was able to relate with clients, and handled their issues and concerns in an intrepid manner while navigating her own losses. "I knew what they were going through, and because I experienced the same loss, I knew what I had to do to help them", she says. "Dealing with clients is almost like dealing with family sometimes - they respect you, they trust you and they seek your advice". While there was frustration with insurance carriers and adjusters at times, clients were patient and understanding with their brokers. Deitz shared that hundreds of people from the community visited Rogers Insurance wishing to speak to their broker and discuss their personal experiences. "It was amazing how many people wanted to talk to their broker. Not even about insurance but just to have someone to talk to."

³⁰ CTV News 2018

³¹ CTV News Edmonton 2016

³² Canadian Underwriter 2018

³³ Nicole Deitz 2018

Identifying product gaps between insurers and consumers



By interfacing between clients and insurers, brokers are uniquely positioned to understand client needs and identify potential gaps in insurance product offerings. With the advent of technological innovations such as self-driving automobiles, automated farm equipment, and commercial drones, brokers play an important role in communicating gaps to insurers and ensuring that appropriate solutions are offered that protect Canadian businesses and individuals.

In insurance, brokers may assume the role of the main point of contact between the insurance provider and customer, ensuring that their clients understand the product and receive the proper coverage. Brokers liaise between customers and providers in order to communicate insurance needs and coverage gaps, often even partnering with insurers to develop new products or conduct public consultations.

The Wawanesa Mutual Insurance Company, for example, announced in July 2018 that in Québec, it will now sell its products exclusively through brokers, introducing their commercial insurance products to the Québec market at the same time. This change to their business model in Québec now makes Wawanesa the largest 100% broker-distributed insurance company in Canada. With similar partnerships across the country, Wawanesa expects to see continued success by leveraging the proximity and in-depth understanding that independent brokers have of their communities and clients. "Working with Québec brokers means giving our customers affordable, dependable insurance coverage paired with expert independent advice," says Carol Jardine, President of Wawanesa's Canadian Property & Casualty Operations.³⁴ This is one of many instances where brokers collaborate with insurers to deliver more tailored and effective insurance coverage expected by their clients.

Case Study: Johnston Agencies Inc.



Porcupine Plain, Saskatchewan



"Insurance is very important for farmers as they naturally take on a lot of risk"

Johnston Agencies (Johnston) is a brokerage in the town of Porcupine Plain, Saskatchewan. Although they offer a range of insurance products including home, auto, health, commercial, and hail insurance, 60% of their premiums come from agricultural policies.³⁵ Having had exposure to the farming industry all her life, Amber Hoffus, owner of Johnston Agencies, can relate to her clients and has in-depth knowledge of their unique needs and concerns. "Insurance is very important for farmers as they naturally take on a lot of risk", she says. Farming requires a significant amount of capital up front – a 3,000 acre crop requires approximately \$1MM of investment before equipment costs. Furthermore, business is extremely dependent on uncontrollable factors such as the weather.

³⁴ Wawanesa Insurance 2018

³⁵ Amber Hoffus 2018

Agricultural clients are habituated to accept the possibility of large losses in comparison to other insurance clients, with a large inventory of expensive equipment such as combines and drones, for which there is typically inadequate insurance coverage. Insurance carriers are beginning to see the potential in serving this market, and Johnston is playing a critical role in helping underwriters and actuaries identify coverage gaps and tailor products to the complex needs of farmers.

Johnston works closely with its agricultural clients to understand and relay their needs to providers such as SGI Canada's Farm Business Unit, which has been conducting broker consultations across Western Canada in order to revamp its products. For example, many of Johnston's clients use agricultural drones to monitor their crops. Some farmers have up to 14,000 acres of crops that need daily checks for flooding and pests such as armyworms, the latter of which can destroy an entire crop in just one day. High-resolution commercial drones can be an effective and low-impact way to scan crops quickly, and an increasing number of farmers are investing in them. Ranging in costs of between \$10,000 and \$15,000, certain Transport Canada liability regulations prevent farmers from insuring commercial drones as part of personal coverage. Johnston is working with SGI to introduce broader coverage for agricultural drones, acting as a liaison between agricultural clients and the SGI Canada Farm Business Unit. Leading these initiatives, Amber has facilitated stakeholder discussions on the needs and expectations for this and similar insurance products.

Johnston had also been involved with an initiative to increase the limit for loss-of-use coverage from \$1,000-\$2,000 up to \$50,000, to more accurately reflect the actual cost of farm equipment rentals such as combines. Looking forward, artificial intelligence trends and the introduction of autonomous farm equipment point to the need to redefine coverage of equipment that has traditionally been operated by a person.

With the level of risk farmers take on and changing operating practices, farmers require increasingly complex insurance needs. Johnston is one of many brokerages across Canada that works to understand these needs and leverages their role as the point of contact between providers and clients in order to ensure farmers receive tailored coverage in a timely manner. Having owned the brokerage for over 6 years now, Amber loves working with her clients and team of brokers in an innovative and dynamic environment, where there is always opportunity to learn more about the industry to better serve her clients.

Shaping Digital Innovation



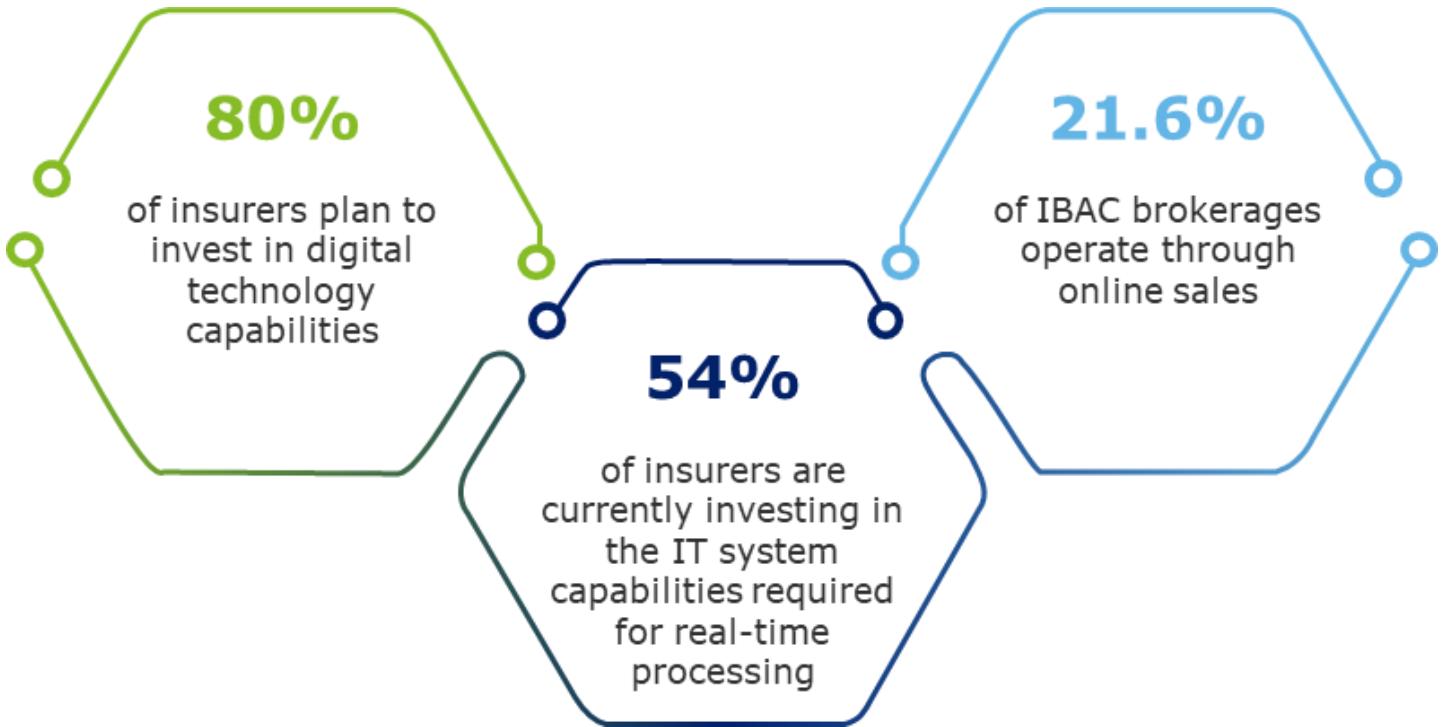
Insurance brokers are leading the way in defining and developing more effective and efficient ways for consumers to understand, purchase, and manage their insurance policies through the broker channel. This includes establishing non-traditional partnerships and building digital capabilities where they did not exist before. Thus insurance brokers contribute to a more innovative, productive and customer-centric industry.

The insurance industry is rapidly evolving. New entrants such as online aggregators are looking for new ways to disrupt the traditional insurance distribution model. Client expectations are also changing – tech-savvy consumers have different communication and information needs, and increasingly expect personalized products and experiences. It has been important for brokers to bring together technology and information in a way that caters to these demands, yet challenges exist to combine inputs from multiple channels and provide the experience that customers expect.

47% of all insurance customers report a positive customer experience, but only **37%** of Generation Y customers stated the same.

Source: i-scoop

The trend of consumers purchasing directly from insurance carriers is growing as companies increasingly digitize their services by investing in sophisticated platforms, simpler product models, needs-analysis tools, and accelerated underwriting. Additionally, non-traditional players such as Google and international retailers such as HEMA are entering the market.³⁶



Deloitte Survey (Future of Advisors), IBAC National Survey (2018)

Customers look to brokers for consultation, policy administration, and claims handling, and those that leverage technology throughout these processes are best positioned for long-term success. Digitization of the distribution process allows brokers to meet consumers' specific needs such as servicing their policies in real time.

Distribution and technology-enabled capabilities such as advanced analytics, automation, and artificial intelligence can be leveraged to enable the evolving service delivery model while driving operational efficiencies. Rethinking distribution and building a mix of technology-enabled capabilities will allow brokers to grow the market by providing tailored advice, and closing any coverage gaps.

"The digital brokerage is the way of the future"³⁷

Gavin Lobo, AVP Marketing at Aviva Canada

³⁶ I-Scoop

³⁷ Cheep Insurance 2016

Case Study: Cheep Insurance



Dartmouth, Nova Scotia



Buy insurance through online quoting, eSignatures, and a mobile app

The first 100% online brokerage in Atlantic Canada launched in June 2016 through a partnership with Aviva Canada's Digital Consulting Team.³⁸ It was founded by two partners from established brokerages, WCL Bauld and Strum Insurance, who recognized the opportunity to innovate and teamed up with Montreal-based entrepreneur Amy Bates to form a vision for a convenient online platform for selling insurance. Their business model aims to simplify the process of buying car, home, and tenant insurance for customers through online quoting, eSignatures, and a mobile app.

Operating solely with a digital storefront, Cheep allows consumers to easily compare quotes and purchase coverage over the phone with a licensed insurance broker. Signatures are captured electronically using a mobile phone's touch screen. From start to finish, the quote and bind process may take as little as 15 minutes. Tenants' insurance can be purchased directly through the website without the need to communicate with an individual broker. Once purchased, clients have access to a number of self-service tools to carry out policy changes and file claims without visiting a broker's office. Cheep also recently launched a feature for clients to save proof of auto insurance slips in their mobile wallets, avoiding the worry of misplacing a physical document.

The added convenience featured by Cheep attracts a variety of younger and tech-savvier customers, with step-by-step instructions and guidance for those who are not used to buying insurance online. Cheep Insurance also operates longer hours than traditional bricks-and-mortar brokerages, with brokers available on evenings and weekends. Its simple online tools and 24/7 access appeals to their modern, busy Nova Scotian customers who are looking to streamline the insurance experience.

With its successes experienced to date, Cheep is planning to obtain its license in other Maritime provinces. After writing over \$1MM in insurance policies in its first year and achieving triple-digit growth in its second year of business³⁹, Cheep was recognized in *Insurance Business Magazine* for being one of the fastest growing insurance brokerages in Canada.⁴⁰ It was also named a technology leader by the *Centre for Study of Insurance Operations (CSIO)* for achieving a score of 100% on CSIO's "Technology Scorecard" assessment.⁴¹ Jennifer Jackson, Director of Business Development & Digital Experience at Cheep Insurance, was also recognized as one of the "Top 10 Insurance Brokers Under 40" in *Canadian Underwriter's* "Canadian Insurance Top Broker Magazine" in 2017, for her role in leading the marketing and business development at Cheep.⁴² Cheep's innovative business model and digital tools have been well-received by customers and continue to reflect positive returns on investments in digital innovation.⁴³

³⁸ Ibid.

³⁹ Jennifer Jackson 2018

⁴⁰ ISSUU 2018

⁴¹ CSIO 2018

⁴² Canadian Underwriter 2017

⁴³ Cheep Insurance 2018

3.2 Social Benefits and Case Studies

Supporting access to insurance in remote and Indigenous communities



Brokers operate across all geographies in Canada – from large metropolitan areas to small, remote, rural communities. Insurance brokers’ presence in rural and Indigenous communities provides access to insurance knowledge and coverage to Canadians who may otherwise face barriers due to geographic, demographic and technological factors or who may lack the financial literacy to select the appropriate insurance coverage.

Rural areas are defined as centers with a population of less than 1000 people and a population density of less than 400 persons per square kilometre.⁴⁴ In 2016, 18.7% of Canada’s population was estimated to be rural.⁴⁵ Furthermore, there are over 1.6MM Aboriginal people living in urban, rural, and remote areas across Canada, most of whom identify as First Nations, Métis, or Inuit.⁴⁶ Making up approximately 5% of the Canadian population, Aboriginal people live mainly in Ontario (22%) as well as the Western provinces and territories (58%).⁴⁷ The Indigenous population is also the fastest-growing segment of Canada’s population and is relatively young with an average age of 32 years, compared to 41 years in the rest of the population.⁴⁸

Rural communities may see lower financial literacy rates and less familiarity in regards to insurance products than urban areas, due to differences in environments, educational backgrounds, and other factors. In metropolitan areas with a population greater than 500,000, about 25% of employed workers have a university degree, while only 10% of the rural population possesses one.⁴⁹ This suggests less knowledge and familiarity when it comes to insurance products, as lower levels of education are correlated with lower financial literacy.⁵⁰ Currently, brokerages surveyed in Canada receive on average 18% of their revenue from rural clients⁵¹. However, greater efforts are needed to increase insurance access to rural and Indigenous communities, and improve education on basic money skills and broader financial literacy.

Many brokers are taking notable steps to ensure that rural and Indigenous populations are receiving fair and well-informed access to insurance. In several provinces, crown corporations such as Saskatchewan Government Insurance (SGI) run non-profit compulsory provincial auto insurance funds, operating driver licensing and vehicle registration programs as well as selling insurance products. SGI Canada works with 400 motor license issuers and 414 independent insurance brokerages to offer products in Saskatchewan, BC, Alberta, Manitoba, and Ontario.⁵² These funds increase access to auto insurance in rural communities and help to educate consumers that are less familiar with insurance products. Brokers are also taking initiatives to target Indigenous populations with tailored insurance products. In February 2017, TIPI Insurance Partners and IMI Brokerage Company partnered to create “Canada’s largest Indigenous-owned insurance agency,” providing property insurance, pension plans and group benefits designed specifically for Indigenous people in Ontario and Western Canada.⁵³ Their aim is not only to provide Indigenous people with the insurance products they need, but also to create jobs and flow back the benefits to the community as well. These kinds of efforts create a meaningful impact and demonstrate the opportunity in educating

⁴⁴ Statistics Canada 2017

⁴⁵ Statistics Canada 2018

⁴⁶ Prosper Canada 2015

⁴⁷ Statistics Canada 2017

⁴⁸ Statistics Canada 2017

⁴⁹ Statistics Canada 2015

⁵⁰ OECD 2005

⁵¹ Deloitte/IBAC Survey 2018

⁵² SGI 2018

⁵³ Canadian Underwriter 2017

and informing rural and Indigenous populations in Canada. Brokers are seeing the potential in targeting these markets and the importance of increasing access to insurance and education on personal finances.

Case Study: Nesika Insurance



Richmond, British Columbia



Nesika serves approximately 700 clients, many of whom are still rooted in their Aboriginal and fishing communities

Nesika Insurance was started in 1991 by the Native Fishing Association in British Columbia to help fishermen in the province buy and finance commercial fishing vessels.⁵⁴ Nesika was founded with the mission of providing insurance for Aboriginal-owned fishing vessels when mainstream insurance was not as widely accessible at the time.⁵⁵ In 2009, Nesika was purchased by Fairway Insurance, an established family-run insurance brokerage with 6 branches in Atlantic Canada. Today, Nesika remains a family-owned and operated business and is headed by President Tom Amirault, a former commercial fisherman with extensive marine experience. Their branch office is located in the fishing hub of Steveston and serves approximately 700 clients, many of whom are still rooted in their Aboriginal and fishing communities.

Nesika is unique in that approximately 25% of its clientele is Indigenous, based out of reserves or other remote areas.⁵⁶ Brokers often visit remote locations such as Ahousaht and Bella Bella to increase access to insurance and promote educational and safety management programs for fishermen and their vessels. Nesika was also the first brokerage in Canada to offer an insurance discount for commercial fishing vessels that have audited safety management programs.

Although he grew up around insurance, Amirault spent many years working in the marine industry and is able to relate to the fact that clients with different cultural backgrounds and livelihoods may not be familiar with the insurance process. The Nesika team works to educate and advise these clients, walking them through the process of submitting insurance claims, and in some cases helping to clarify and pre-fill insurance forms. “We’re doing our job as a broker, which is to explain to people in clear terms what their obligations are and how to go through the insurance process”, says Amirault.⁵⁷ Nesika Insurance values its Indigenous client base and enjoys working with clients in Richmond and in rural communities across the province.

Participating in community initiatives and funding social causes



Many local organizations such as sports teams and community service providers benefit from the direct donations and funds raised by insurance brokers through charity events

⁵⁴ The Native Fishing Association.

⁵⁵ Tom Amirault 2018

⁵⁶ Ibid.

⁵⁷ Ibid.

and volunteering. Brokers donate time, money, and other resources to causes that are important to them as individuals, while ensuring that the brokerage can give back to the towns and cities in which they operate.

In addition to serving their clients' insurance needs, brokers play an active role in their communities. On average, brokers across Canada have 16 community partnerships and donate over \$30,000 per year to charities and other social causes.⁵⁸ Many make direct donations and sponsorships to charitable organizations, social programs, sports teams, schools, and community centres. In addition to monetary amounts, staff also dedicate time to volunteer and run special initiatives in their neighbourhoods. Of survey respondents in Canada, 23% state that their brokerage runs an organized program for employees to donate their personal time for volunteering and assisting non-profit organizations, and 26% dedicate select days for community involvement.⁵⁹ These social contributions make a significant impact and generate a notably positive response from the local population.

Broker associations from each province often make their own contribution as well, typically on behalf of their individual members. For example, both IBABC and TIC support aspiring insurance industry professionals by offering annual scholarships and awards to students entering post-secondary education, ranging from \$1,000 to \$5,000.⁶⁰ By rallying the efforts of broker members, Member Associations can make a positive impact in their communities beyond serving insurance clients.

Case Study: BSI Insurance Brokers Ltd.



Manitoba



The program allocates \$25,000 per year toward funding local projects such as sports arenas, parks, playgrounds, pools, recreation centres, fire halls, and schools

BSI Insurance (BSI) operates 16 branches and serves over 15,000 clients primarily in rural and remote areas across Manitoba.⁶¹ The brokerage prides itself on its commitment to being involved in the communities in which it operates. In 2013, BSI implemented a policy to encourage staff to take four hours per year to volunteer at community events. The company now makes over \$70,000 in direct donations and sponsorships annually to sports teams, festivals, and other social organizations.⁶²

In 2010, BSI decided to eliminate their budget for paper advertising, and instead use the money for local social contribution. They started a program called "*Because We Care*" for which they allocate \$25,000 per year toward funding local projects such as sports arenas, parks, playgrounds, pools, recreation centres, fire halls, and schools. The program was created to benefit the community as a whole in a proactive way, and to foster a culture of

⁵⁸ Deloitte/IBAC Survey 2018

⁵⁹ Ibid.

⁶⁰ Insurance Brokers Association of British Columbia

⁶¹ Ren de Moissac 2018

⁶² Ibid.

disciplined and accountable donation budgeting in the organization. "We're successful because of our communities, and that's why we're giving back", says CEO Ren de Moissac.⁶³

Organizations seeking funding apply online or by referral, and complete a form outlining the details of the project for which they are requesting a donation. A team from BSI then reviews these forms on a quarterly basis and selects the initiatives that have the largest reach and impact. Occasionally, team leaders are proactive in seeking out projects to fund as well. The size of the projects and donations range from \$1,000 to \$5,000, totaling \$25,000 in funding every year since 2010.⁶⁴ The program has received an overwhelmingly positive response, appearing in pop-ups in magazines and online. The far reach of the campaign has in fact proven to be more effective in promoting BSI's brand than the paper advertising it had discontinued.

Promoting workplace Diversity and Inclusion



Insurance brokerages are actively taking initiatives to increase female representation in management level roles and supporting LBGTQ awareness. Brokers also serve their communities at large by conducting business in a variety of languages, including but not limited to English, French, Mandarin, Cantonese, Spanish, Hindi, and Italian. Diversity in gender, thought, beliefs, culture, and inclusive actions helps to drive a more vibrant and competitive local and Canadian economy.

As defined by the Canadian Centre for Diversity and Inclusion, diversity and inclusion is about capturing the uniqueness of the individual; creating an environment that values and respects individuals for their talents, skills and abilities to the benefit of the collective.⁶⁵ The insurance industry is making strides in promoting diversity and inclusion in the community and workforce across areas such as language, gender, ethnicity, and culture. Across Canada, brokers are able to serve their communities at large by conducting business in a variety of languages; a survey showed that 51.4% of brokerages conduct business in two or more languages.⁶⁶

Gender diversity is a topic of interest, as female representation at the senior leadership level is not representative of the number of women who work in the insurance industry as a whole. Demographic research conducted by the Insurance Institute of Canada shows that, although women made up 62% of the Canadian P&C insurance industry in 2017, only 50% of management-level employees were female. The Ontario Government stated in March of 2018 that it plans to encourage businesses to set a target to ensure that at least 30% of the directors on their boards are women. This move was backed by the Insurance Brokers Association of Ontario (IBAO), as insurance industry company boards "are still quite male dominated," says CEO Colin Simpson. "Based on the fact that our industry has a very high percentage of female employees, it's going to be interesting to see how that unfolds." He added that IBAO is "very supportive" of the proposal to encourage diversity on corporate boards set out in the Ontario government's 2018-2019 budget.⁶⁷ Among IBAO's broker members, there is 63% female representation.⁶⁸

The industry is also taking initiative to promote action on increasing diversity and inclusion in the workplace. "Dive In" is a festival initiated by Inclusion@Lloyd's in 2015 to highlight the business case for diverse and inclusive workplaces and provide practical ideas and inspiration for bringing about positive change.⁶⁹ This year, festivals took place in many cities such as Toronto, New York City, London, Zurich, Bermuda, Beijing, Perth, Melbourne, Leeds, Mumbai, and more. Globally, there were over 80 events and 7,000 registrants in 17 countries and 32 cities.⁷⁰ The

⁶³ Ibid.

⁶⁴ BSI Insurance

⁶⁵ Insurance Institute 2017

⁶⁶ Deloitte/IBAC survey 2018

⁶⁷ Canadian Underwriter 2018

⁶⁸ Insurance Brokers Association of Ontario 2018

⁶⁹ Insurance Institute 2017

⁷⁰ Ibid.

theme of the Dive In Festival in 2017 was Diversity Dividend, stressing the importance of a diverse workforce and an inclusive culture in driving productivity and innovation across the market. Many firms are taking action to adopt more diverse and inclusive cultures as well as promote awareness in their communities.

Case Study: Aon plc. (Canada)



Toronto, Ontario



It is invaluable to have a variety of team members with different backgrounds and perspectives, regardless of gender, sexual orientation, ethnicity, or any other trait

Aon Insurance, a member of the Toronto Insurance Council (TIC), partnered with *It Gets Better Canada* to launch a Pride campaign with the goal of improving the lives of LGBTQ youth in Canada.⁷¹ It commenced in Toronto in 2016 with an LGBT networking event aimed at breaking through the perception that the insurance industry is traditional and stuffy. The inspiration for the campaign, “Pride in Business, Pride in Community”, was a response to the terrorist shooting at a gay nightclub in Orlando in 2016. Sean Kavanaugh and the team from Aon Insurance decided to initiate the campaign to cater to the sizable LGBTQ population in Toronto and encourage diversity within the insurance industry.

The campaign now includes fundraising events in Toronto, Montreal, Vancouver, and Calgary, with plans to expand to Edmonton and Halifax in 2019. In 2018, over 500 industry colleagues were in attendance across the various events.⁷² Money raised through door entry, raffle tickets, and drink sales is donated to *It Gets Better Canada*, a charity that focuses on connecting and empowering LGBTQ youth in the community through online content and activism. Other sponsors that have rallied behind the campaign include AIG, Allianz, Liberty Mutual, Lloyds of London, Northbridge, RSA, Swiss Re, and Travelers Insurance; their sponsorship ensures that event costs are covered and 100% of the attendees’ proceeds go directly to the charity.

The campaign has received an overwhelmingly positive response from the industry. It raised \$2,000 in its first year and \$15,000 in 2018, with attendance numbers growing five-fold over two years.⁷³ Aon sees diversity as an important part of business, as viewing issues from a multi-faceted context helps to deliver a better product in the end. “At Aon, we’re creating an inclusive culture where everybody’s in and engaged in bringing the best capabilities Aon has to offer,” said Aon Risk Solutions Canada President and CEO Christine Lithgow.⁷⁴ It is invaluable to have a variety of team members with different backgrounds and perspectives, regardless of gender, sexual orientation, ethnicity, or any other trait.

Conducting safety education and training



By partnering with the government to promote safety education and training, insurance brokers help mitigate risky behavior that may result in significant harm or damages.

⁷¹ Insurance Business Canada 2018

⁷² Sean Kavanaugh 2018

⁷³ Ibid.

⁷⁴ Insurance Business Canada 2018

This helps reduce avoidable hardship in local communities and reduces the burden on public services.

Brokers across the country take part in providing educational resources within their communities, both to clients and to the public. They are proactive in helping to promote risk mitigation and informing the public on insurance products available to address these risks. As an example, the Regroupement des cabinets de courtage d'assurance du Québec (RCCAQ) was active in advocating to the Public Finance Committee in Québec to amend Bill 141 to increase insurers' advisory responsibility and enforce greater transparency with consumers.⁷⁵ Brokers' advisory responsibilities include but are not limited to educating clients on their insurance options and additional ways to reduce risk, such as using snow tires or constructing a home using safer materials. The RCCAQ and other IBAC Member Associations continuously work to ensure that brokers are active in educating their communities on ways to mitigate risks.

Case Study: Wedgwood Insurance Ltd.



St. John's, Newfoundland



By December 2018, the program trained approximately 1,000 local students on safety techniques when crossing roads

Wedgwood Insurance, an active player in the Newfoundland insurance industry since 1978, is taking a stance against unsafe driving in the province. In response to a chain of serious motor incidents locally in September 2017, President Tom Hickey released a statement to all of their auto insurance customers and stated on social media that Wedgwood does not want business from individuals who practice unsafe driving and/or speeding.⁷⁶ At that time, Newfoundland had experienced 16 fatalities over 6 weeks due to speeding on the highway.⁷⁷

In addition to this public statement, Wedgwood Insurance is also taking action to promote crosswalk safety to elementary school children. The "Be Seen Be Safe" initiative was launched in June 2018 in partnership with the Royal Newfoundland Constabulary (RNC), where students were taught safety techniques when crossing roads and provided with additional flyers and other material to take home to their families. Approximately 1,000 local students will have benefited from this education campaign by the end of December 2018. A social media campaign was conducted in conjunction with the local police force, with over 50,000 impressions received through Facebook, Twitter, and Instagram.⁷⁸ Phase 2 of the "Be Seen Be Safe" program will be launched in the spring of 2019, which will include the installation of mobile speed signs in and around school zones to further enforce safe driving in the province. Other similar initiatives Wedgwood conducts include an undistracted driving program as well as lunch and learns for commercial clients on common insurance and liability issues.

⁷⁵ RCCAQ 2018

⁷⁶ CBC 2017

⁷⁷ CBC 2017

⁷⁸ Jamie Ross 2018

Section 4: Appendices

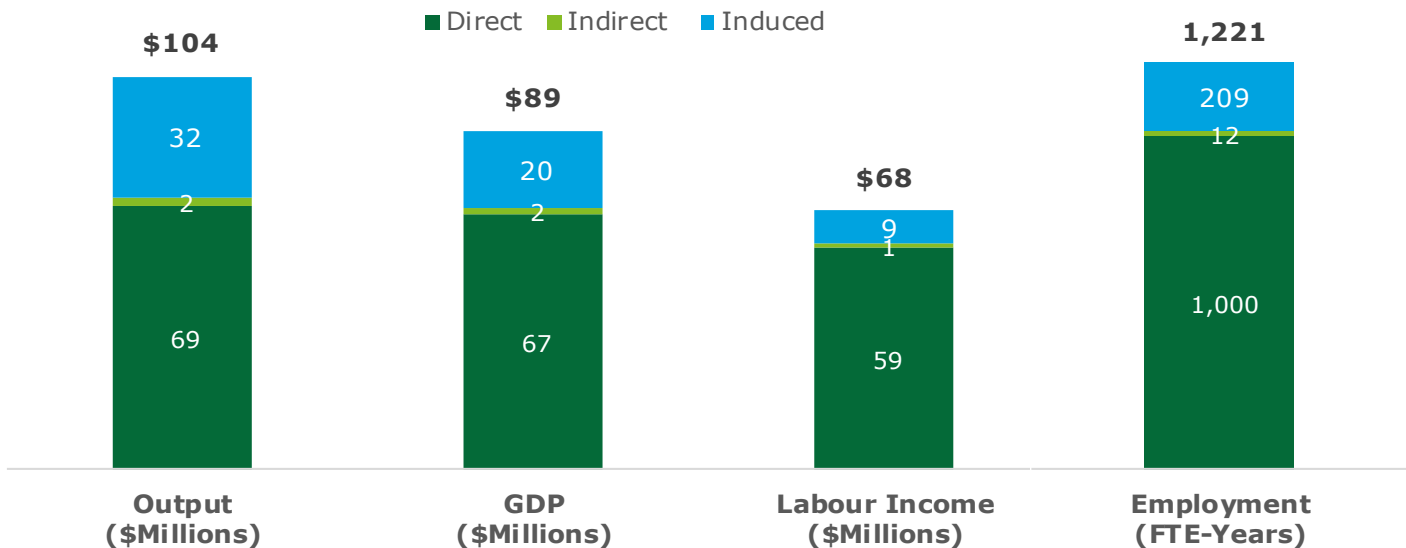
Appendix A: Estimated Economic Contribution by Provincial/Regional Member Association

A.1 Economic Contribution of IBAN Member Brokerages to Newfoundland and Labrador

Accounting for the direct, indirect, and induced economic contribution, the capital and operating activities are estimated to contribute \$103.5MM to NL’s output, and \$89.0MM to NL’s GDP, of which nearly \$68.2MM is contribution to labour income. It is also estimated that 1,221 FTEs are created or sustained across NL. This indicates that:

- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.28 GDP of value-added to NL’s economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 17.6 FTEs in NL.
- The average annual wage in the insurance brokerage sector is \$58,700 compared to the provincial average⁷⁹ of about \$53,800.

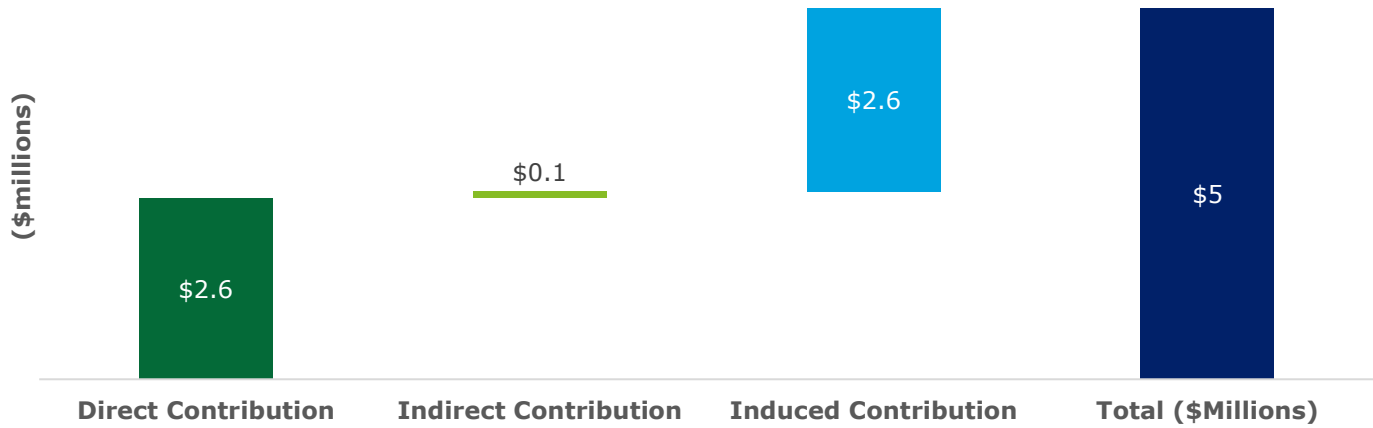
Estimated Economic Contribution to Newfoundland and Labrador in 2017



In addition, it is estimated that member brokerages generated **\$5.2MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), retail sales tax (RST), property tax and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

⁷⁹ Based on Statistics Canada average wage by industry in 2017, industrial aggregate (Table 14-10-0203-01)

Estimated Products and Production Taxes Contribution to Newfoundland and Labrador in 2017

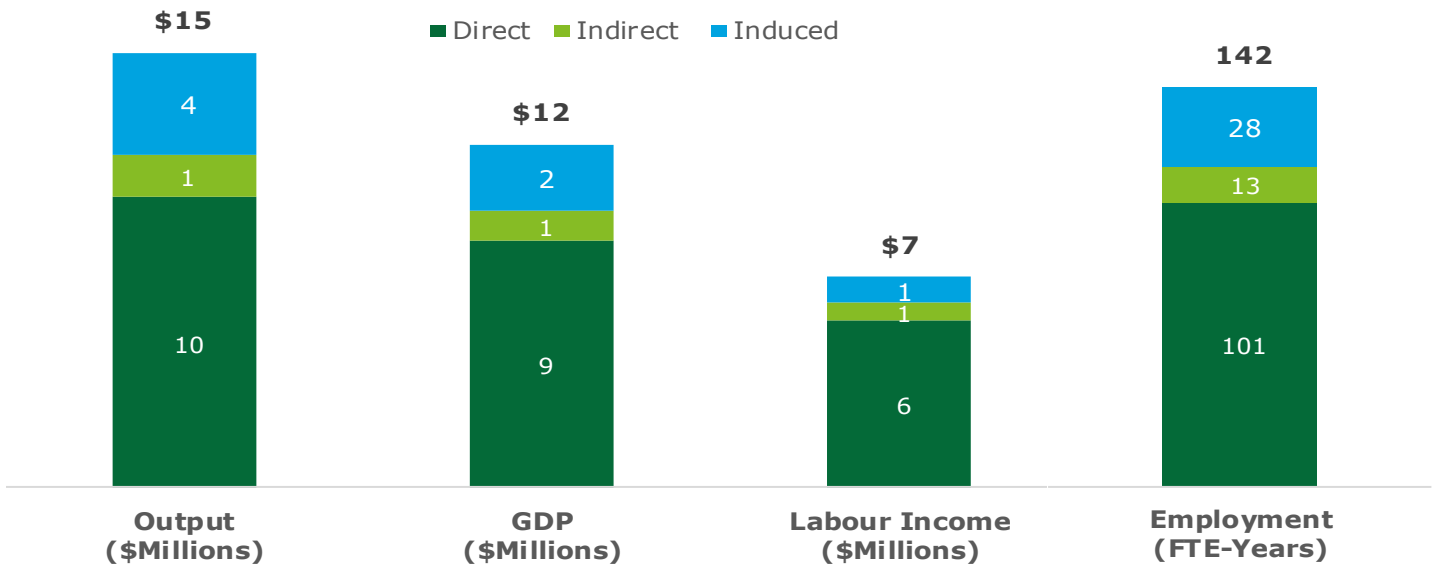


A.2 Economic Contribution of IBAPEI Member Brokerages to Prince Edward Island

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$15.0MM to PEI's output, and \$11.8MM to PEI's GDP, of which nearly \$7.3MM is contribution to labour income. It is also estimated that 142 FTEs are created or sustained across PEI. This indicates that:

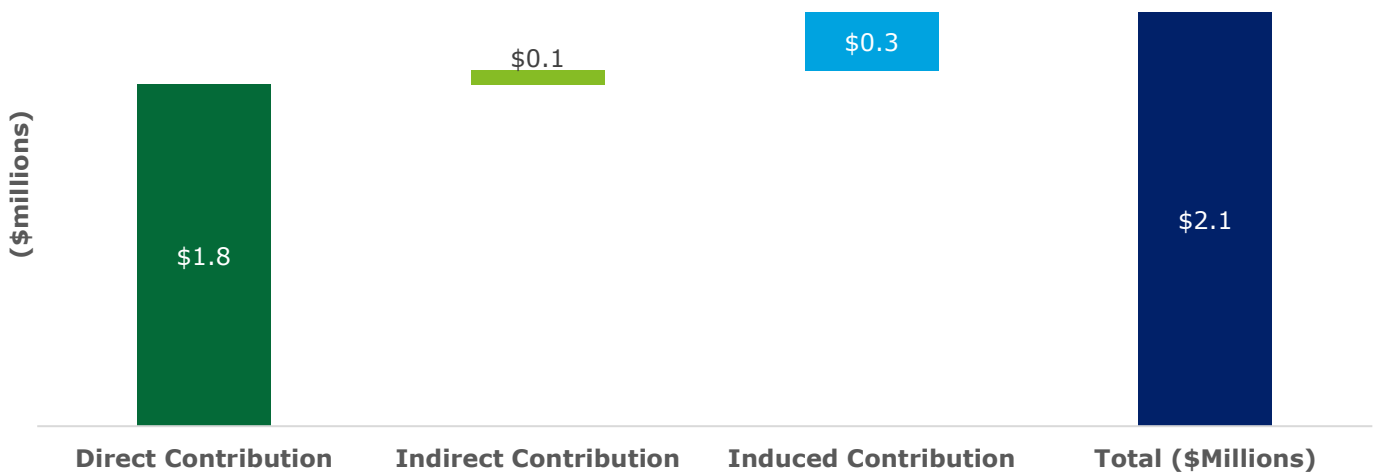
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.18 of value-added to PEI's economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 14.2 FTEs in PEI.
- The average annual wage in the insurance brokerage sector is \$57,100 compared to the provincial average of about \$42,800.

Estimated Economic Contribution to Prince Edward Island in 2017



In addition, it is estimated that member brokerages generated **\$2.1MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Prince Edward Island in 2017



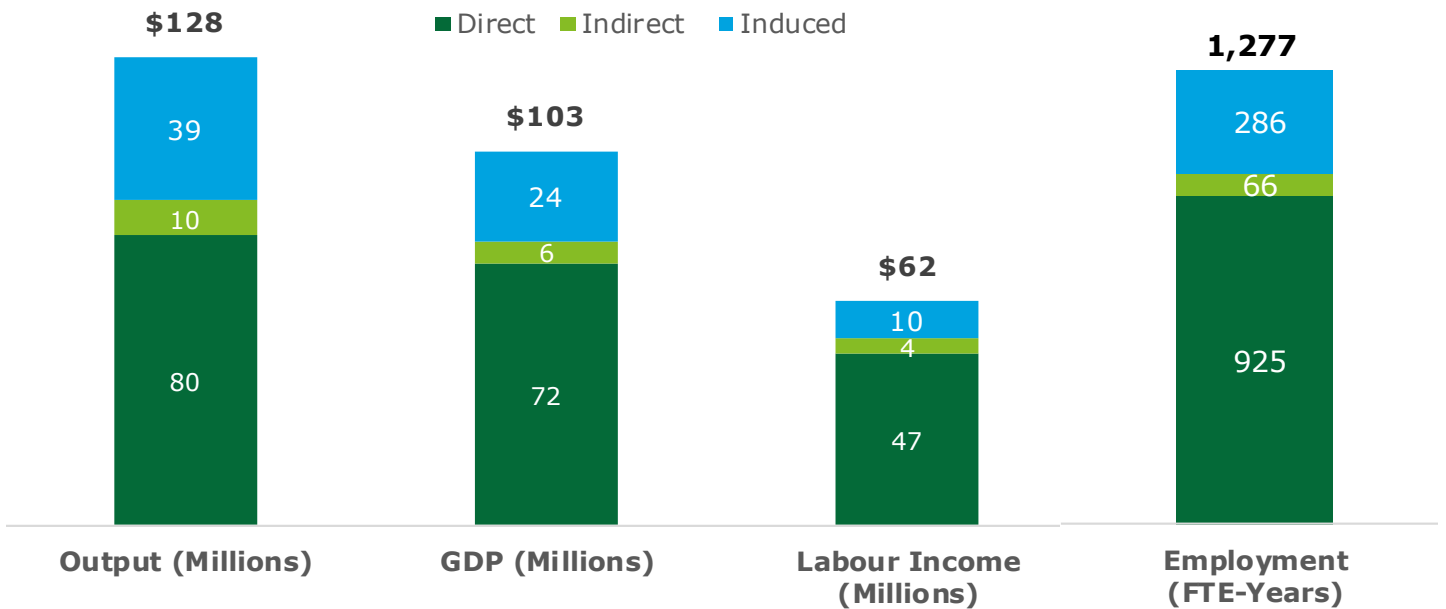
A.3 Economic Contribution of IBANS Member Brokerages to Nova Scotia

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$128.3MM to NS' output, and \$102.6MM to NS' GDP, of which nearly

\$61.6MM is contribution to labour income. It is also estimated that 1,277 FTEs are created or sustained across NS. This indicates that:

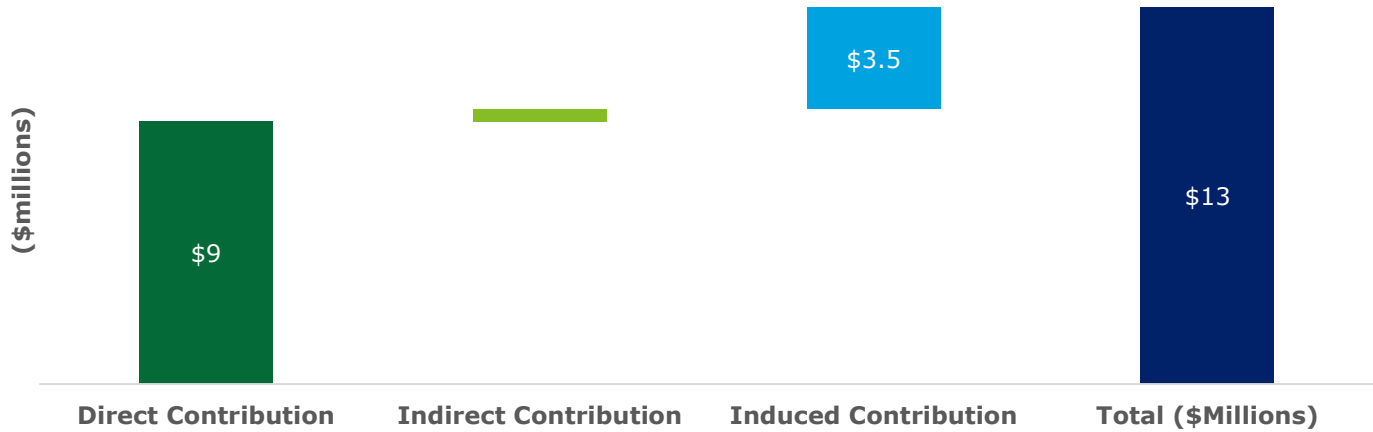
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.29 of value-added to NS' economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 16.0 FTEs in NS.
- The average annual wage in the insurance brokerage sector is \$51,200 compared to the provincial average of about \$44,800.

Estimated Economic Contribution to Nova Scotia in 2017



In addition, it is estimated that member brokerages generated **\$12.9MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Nova Scotia in 2017

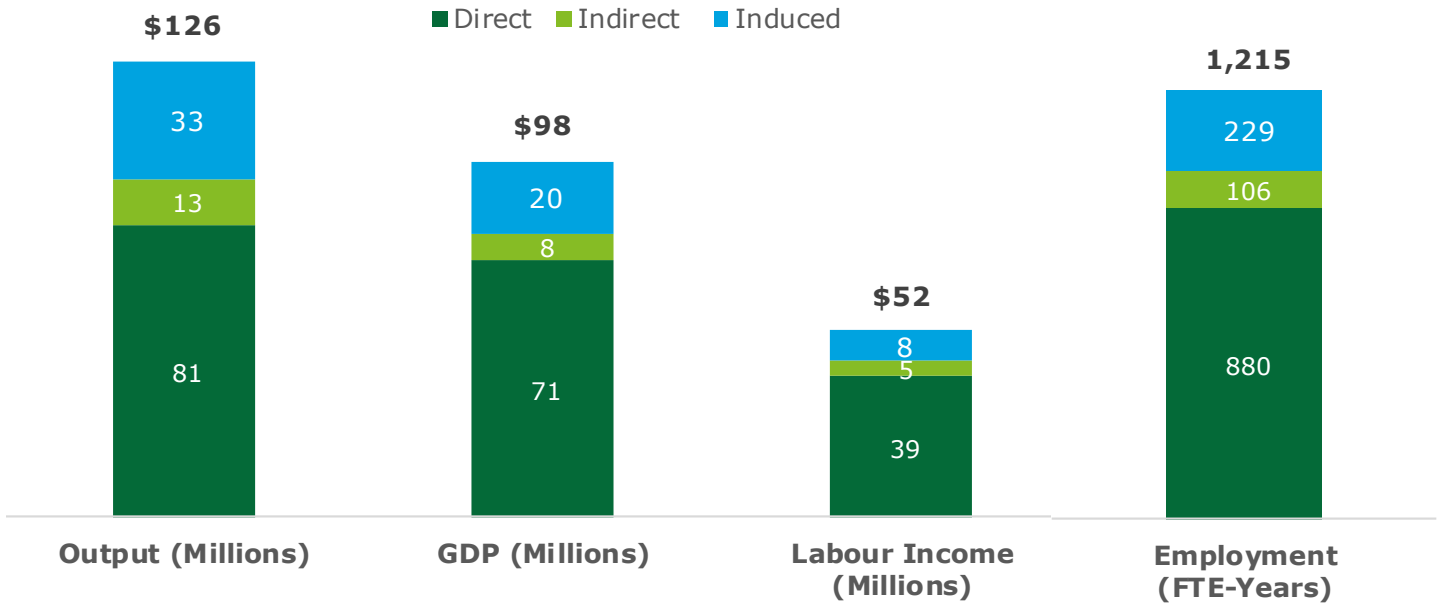


A.4 Economic Contribution of IBANB Member Brokerages to New Brunswick

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$126.1MM to NB’s output, and \$98.4MM to NB’s GDP, of which nearly \$51.5MM is contribution to labour income. It is also estimated that 1,215 FTEs are created or sustained across NB. This indicates that:

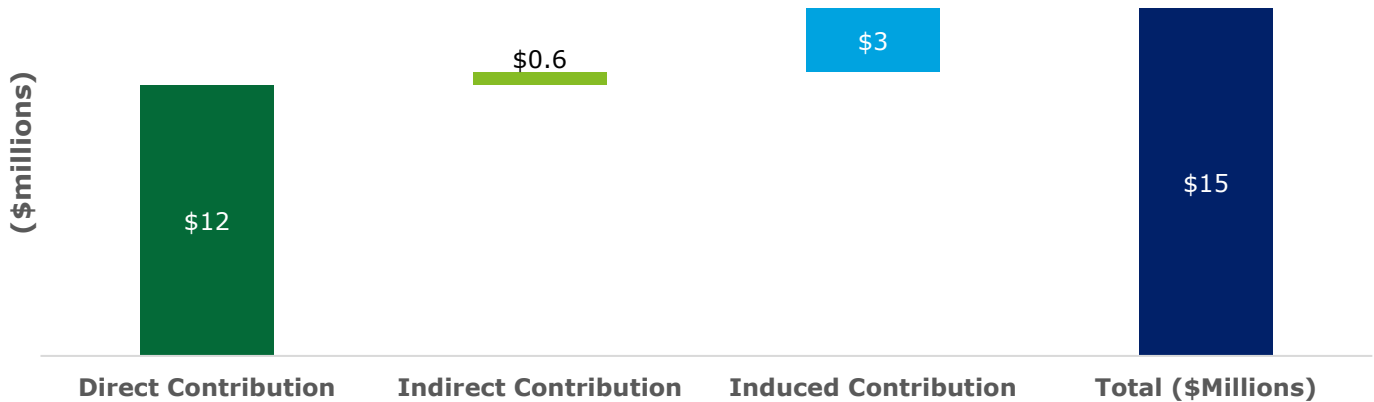
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.22 of value-added to NB’s economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 15.0 FTEs in NB.
- The average annual wage in the insurance brokerage sector is \$44,300 compared to the provincial average of about \$46,100.

Estimated Economic Contribution to New Brunswick in 2017



In addition, it is estimated that member brokerages generated **\$15.4MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to New Brunswick in 2017



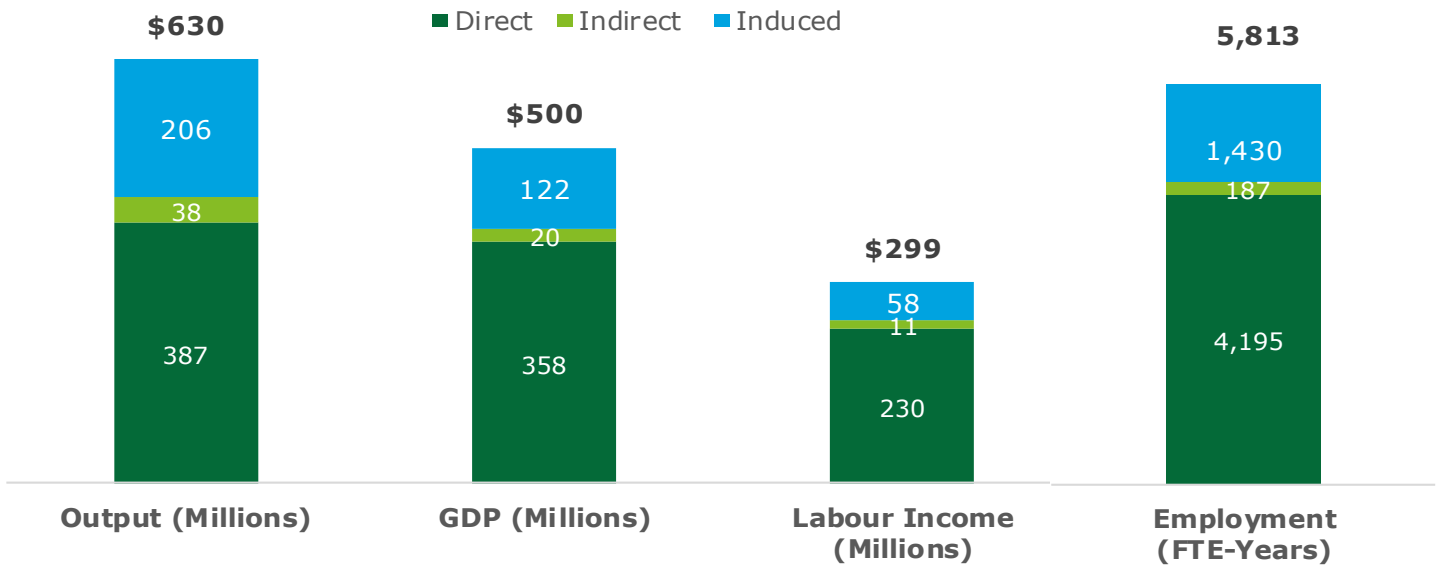
A.5 Economic Contribution of RCCAQ Member Brokerages to Québec

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$630.2MM to QC’s output, and \$499.6MM to QC’s GDP, of which

nearly \$299.3MM is contribution to labour income. It is also estimated that 5,813 FTEs are created or sustained across QC. This indicates that:

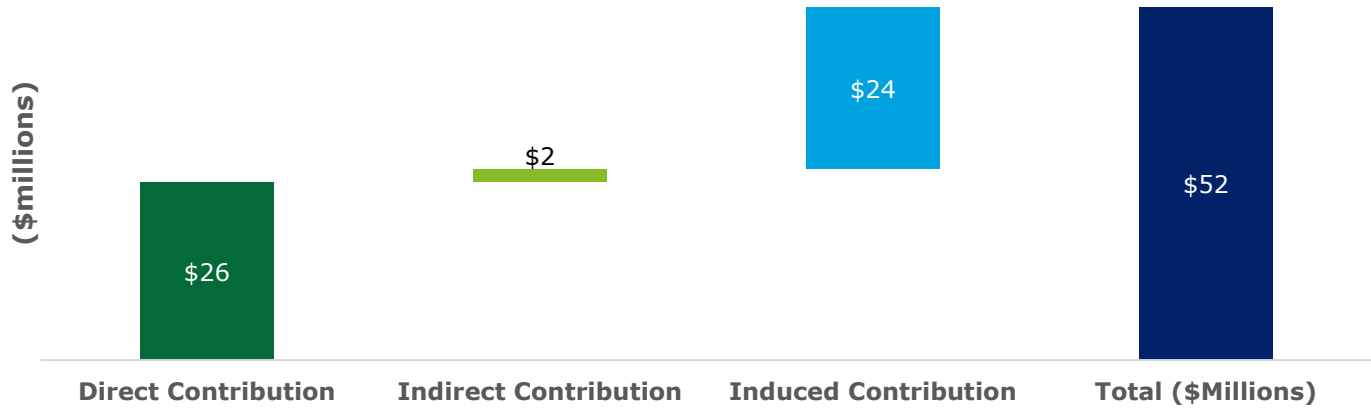
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.29 of value-added to QC's economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 15.0 FTEs in QC.
- The average annual wage in the insurance brokerage sector is \$54,800 compared to the provincial average of about \$47,000.

Estimated Economic Contribution to Québec in 2017



In addition, it is estimated that member brokerages generated **\$51.9MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), retail sales tax (RST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Québec in 2017

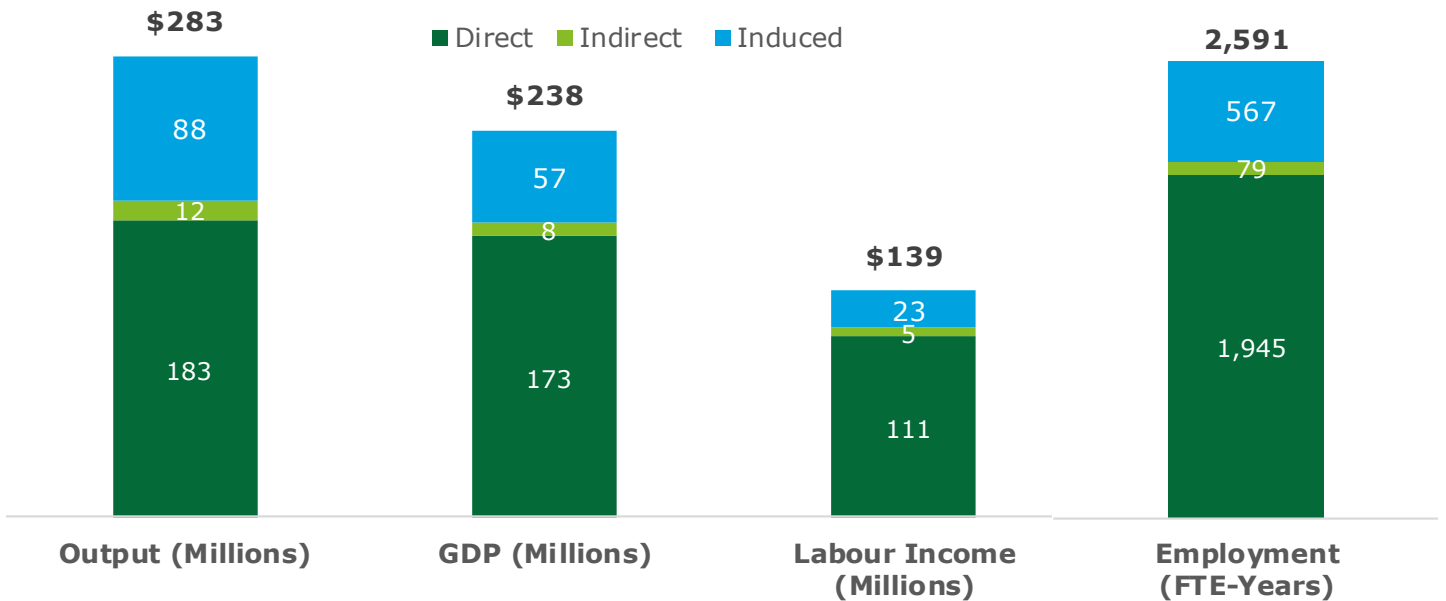


A.6 Economic Contribution of IBAM Member Brokerages to Manitoba

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$283.4MM to MB's output, and \$238.3MM to MB's GDP, of which nearly \$139.4MM is contribution to labour income. It is also estimated that 2,591 FTEs are created or sustained across MB. This indicates that:

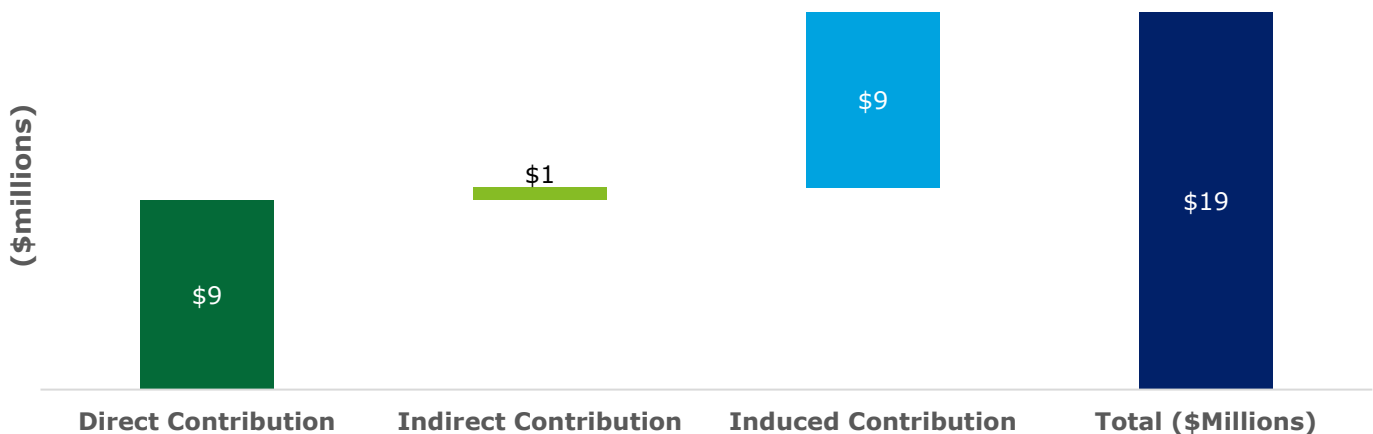
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.30 of value-added to MB's economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 14.1 FTEs in MB.
- The average annual wage in the insurance brokerage sector is \$57,300 compared to the provincial average of about \$47,400.

Estimated Economic Contribution to Manitoba in 2017



In addition, it is estimated that member brokerages generated **\$18.5MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), retail sales tax (RST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Manitoba in 2017

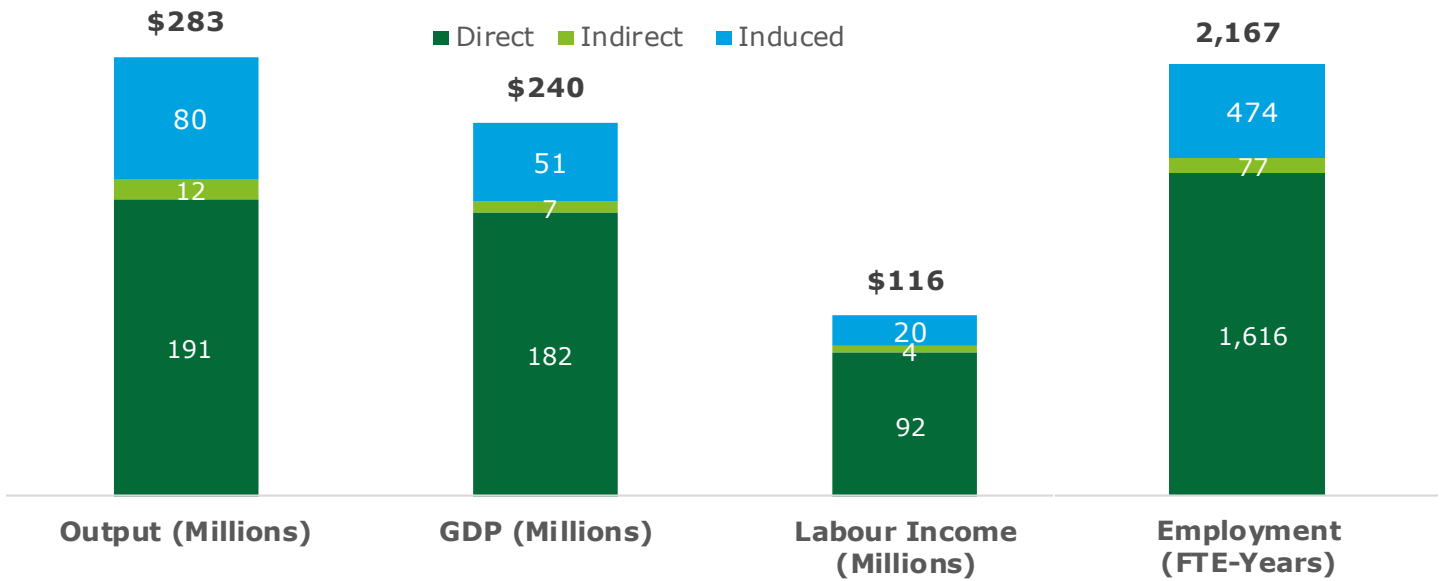


A.7 Economic Contribution of IBAS Member Brokerages to Saskatchewan

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$282.5MM to SK’s output, and \$240.2MM to SK’s GDP, of which nearly \$116.2MM is contribution to labour income. It is also estimated that 2,167 FTEs are created or sustained across SK’s. This indicates that:

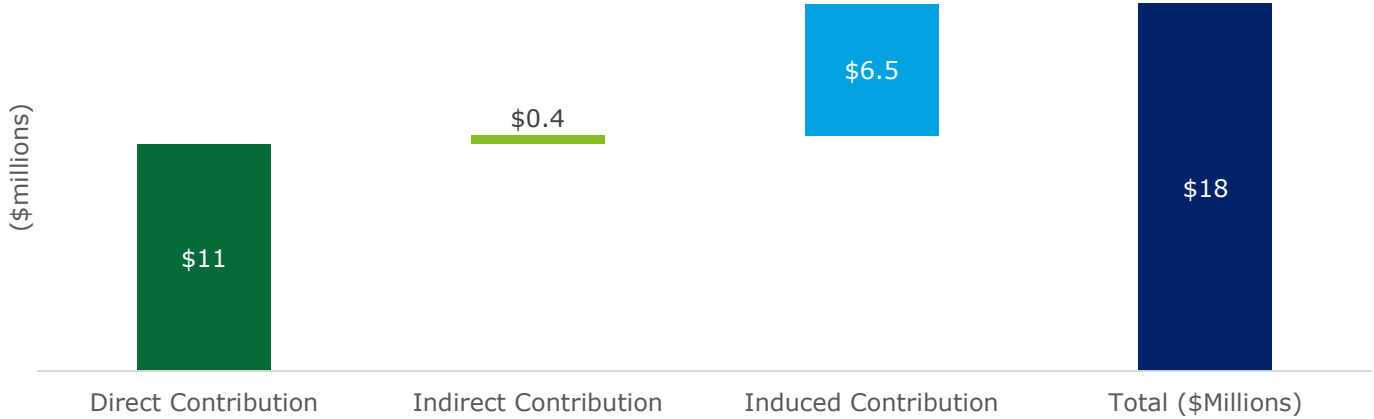
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.26 of value-added to SK's economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 11.3 FTEs in SK's.
- The average annual wage in the insurance brokerage sector is \$57,000 compared to the provincial average of about \$52,500.

Estimated Economic Contribution to Saskatchewan in 2017



In addition, it is estimated that member brokerages generated **\$18.0MM** in products and production taxes, such as sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Saskatchewan in 2017

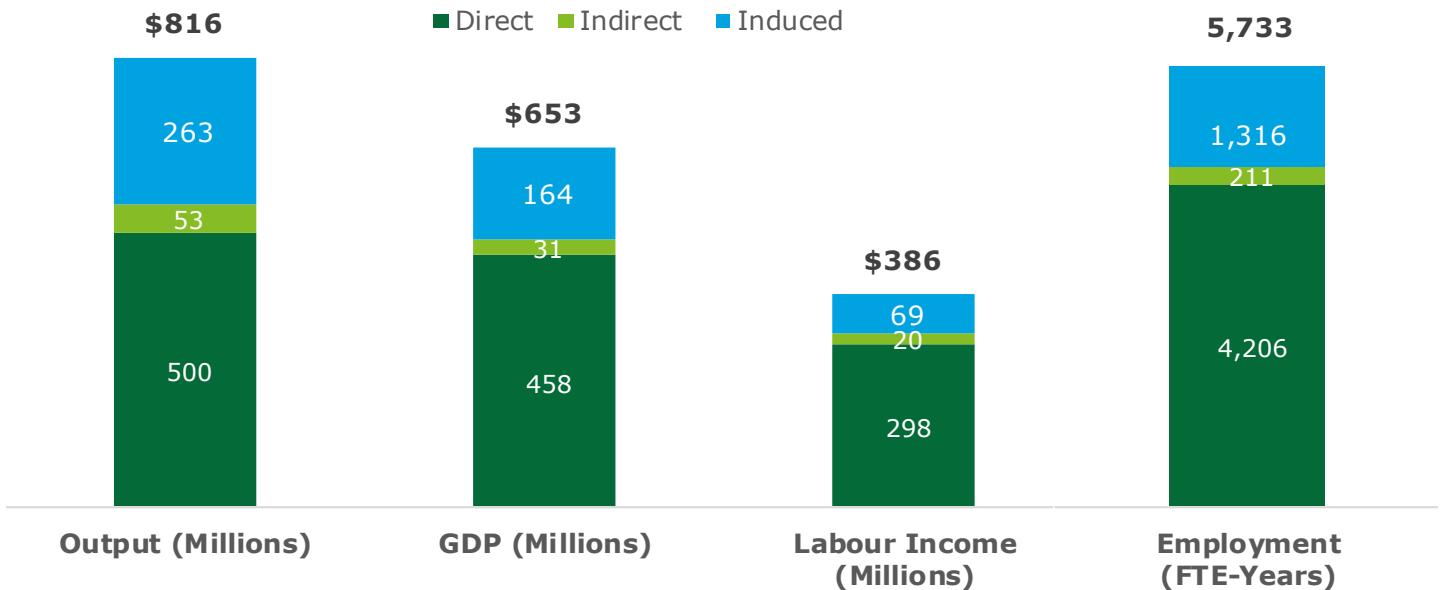


A.8 Economic Contribution of IBAA Member Brokerages to Alberta

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$816.1MM to AB's output, and \$653.5MM to AB's GDP, of which nearly \$386.1MM is contribution to labour income. It is also estimated that 5,733 FTEs are created or sustained across AB. This indicates that:

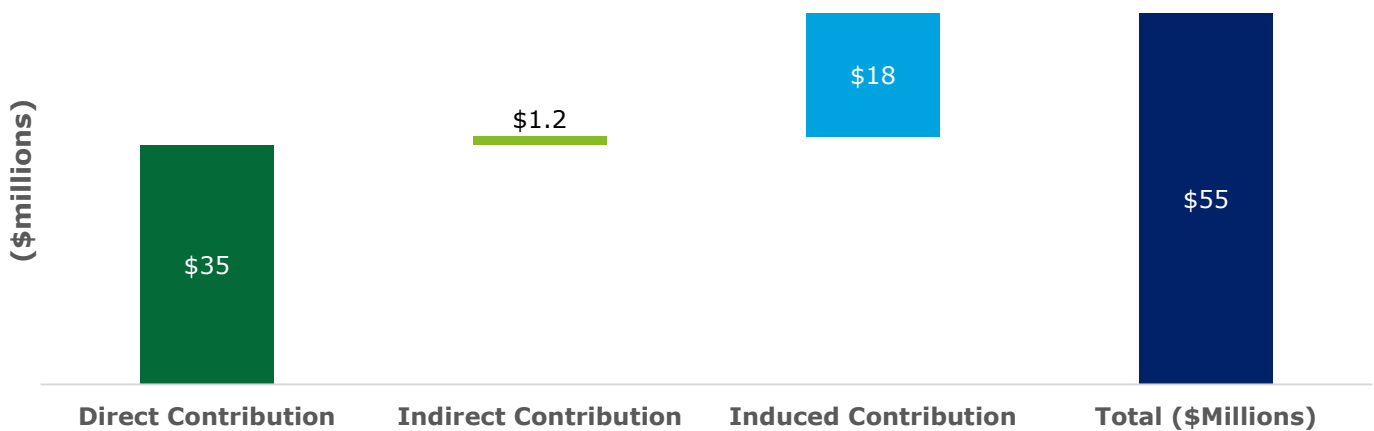
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.31 of value-added to AB's economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 11.5 FTEs in AB.
- The average annual wage in the insurance brokerage sector is \$70,800 compared to the provincial average of about \$58,800.

Estimated Economic Contribution to Alberta in 2017



In addition, it is estimated that member brokerages generated **\$54.7MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Alberta in 2017

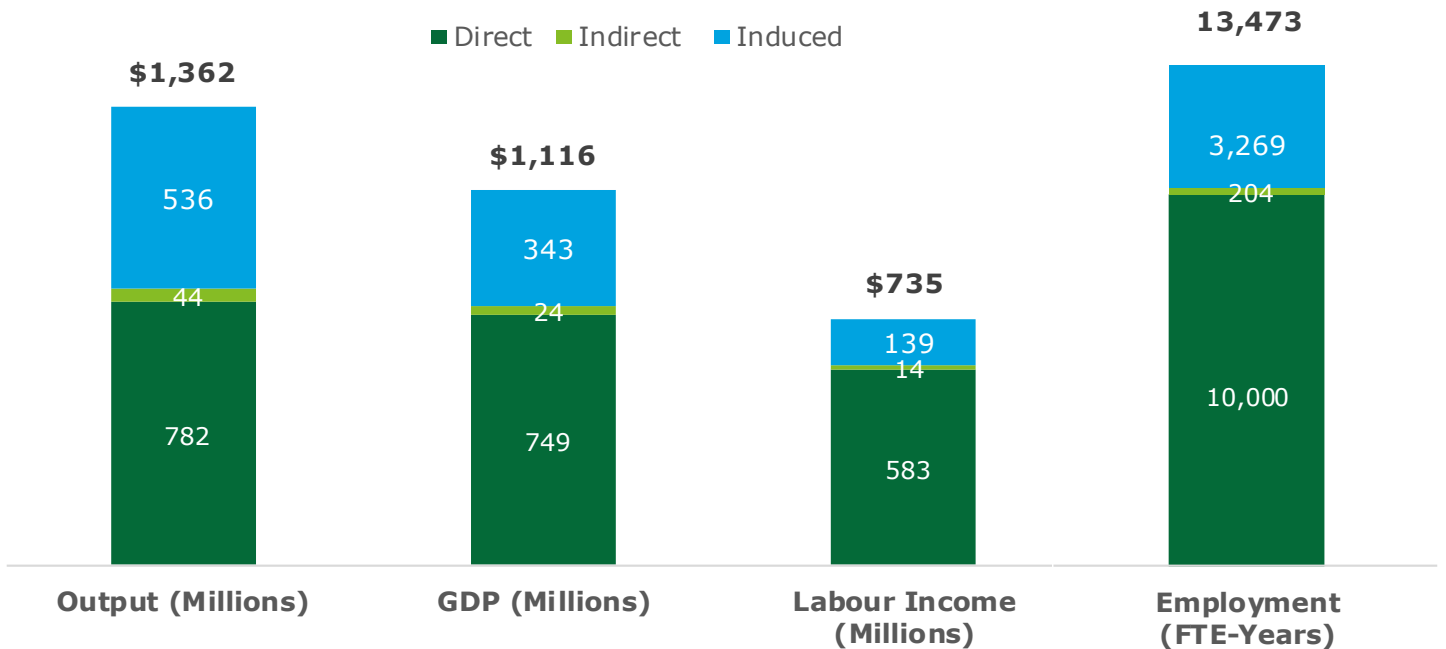


A.9 Economic Contribution of IBABC Member Brokerages to British Columbia

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$1.4B to BC's output, and \$1.1B to BC's GDP, of which nearly \$735.2MM is contribution to labour income. It is also estimated that 13,473 FTEs are created or sustained across BC. This indicates that:

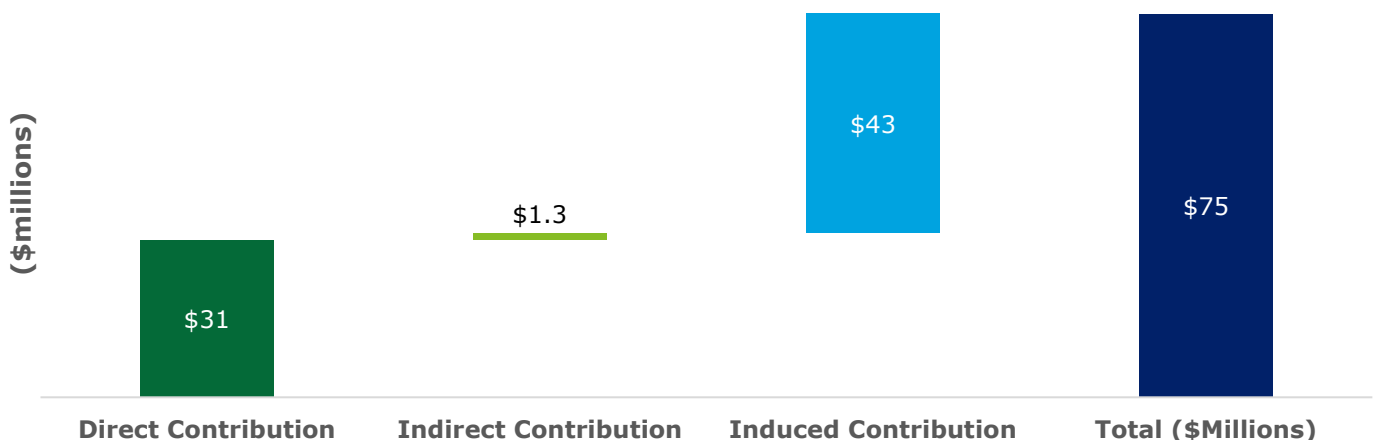
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.43 of value-added to BC's economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 17.2 FTEs in BC.
- The average annual wage in the insurance brokerage sector is \$58,300 compared to the provincial average of about \$49,000.

Estimated Economic Contribution to British Columbia in 2017



In addition, it is estimated that member brokerages generated **\$75.3MM** in products and production taxes, such as sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to British Columbia in 2017

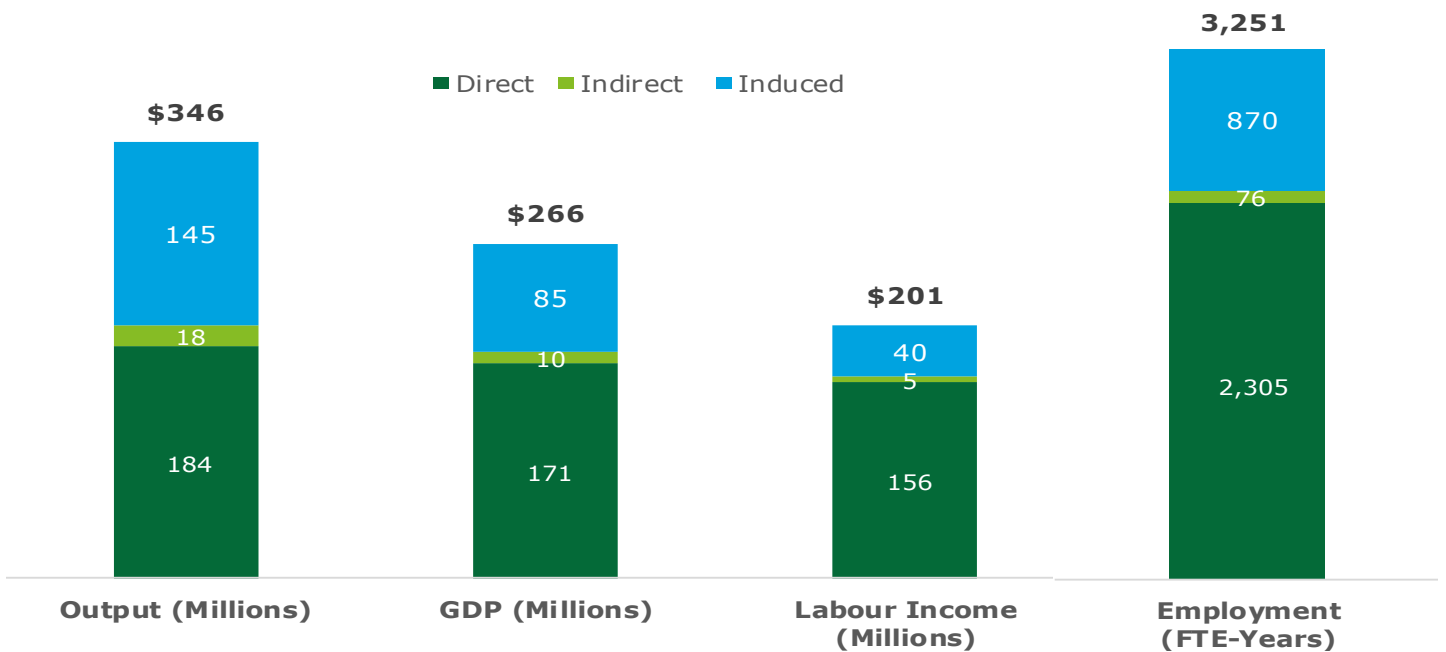


A.10 Economic Contribution of TIC Member Brokerages to Ontario

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$346.3MM to ON’s output, and \$265.7MM to ON’s GDP, of which nearly \$200.6MM is contribution to labour income. It is also estimated that 3,251 FTEs are created or sustained across ON. This indicates that:

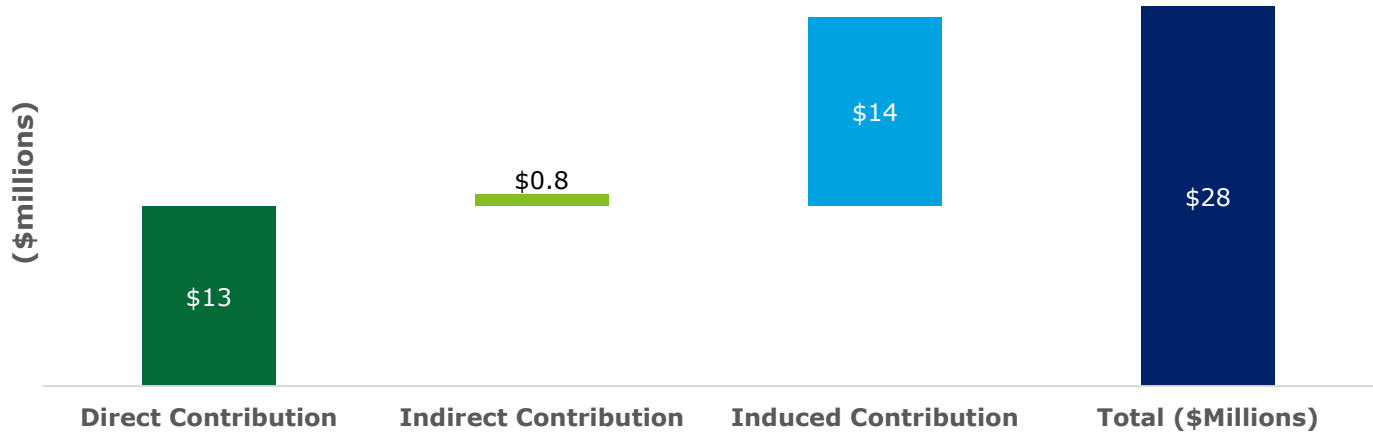
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.44 of value-added to ON’s economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 17.7 FTEs in ON.
- The average annual wage in the insurance brokerage sector is \$67,500 compared to the provincial average of about \$51,600.

Estimated Economic Contribution to Ontario in 2017



In addition, it is estimated that member brokerages generated **\$28.0MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax retail, sales tax (RST), and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Ontario in 2017

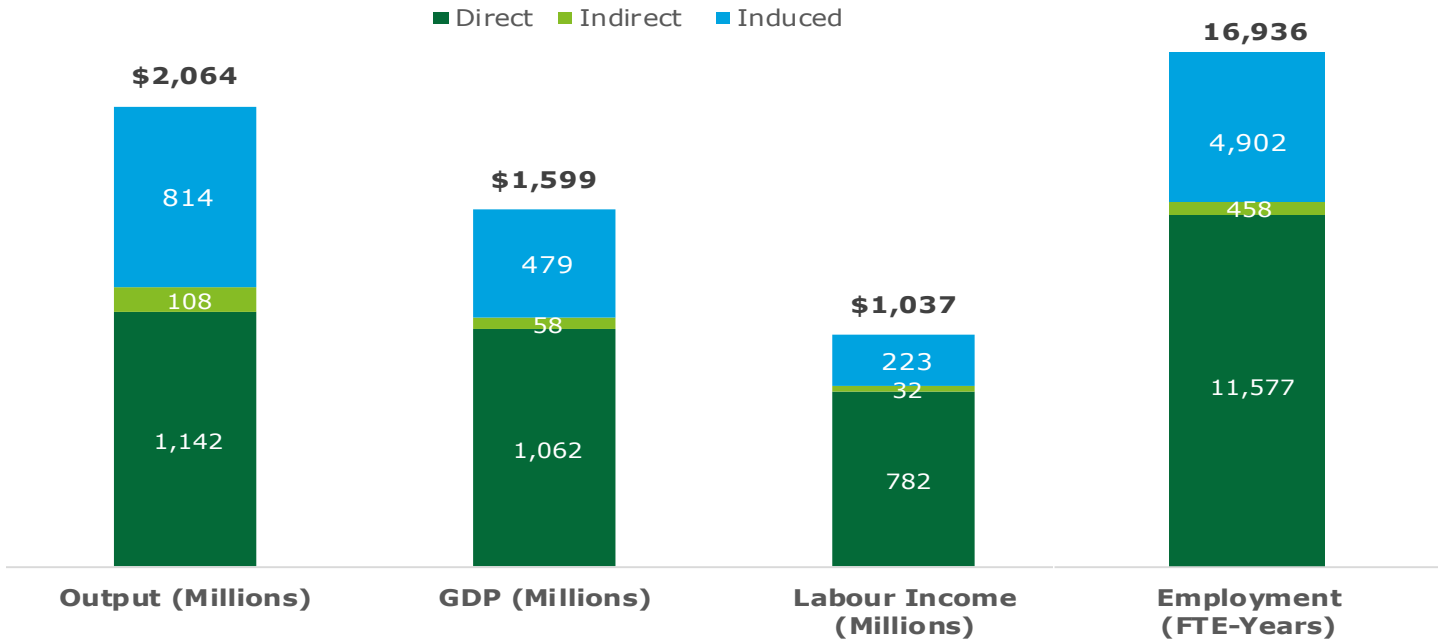


A.11 Economic Contribution of IBAO Member Brokerages to Ontario

Accounting for the direct, indirect, and induced economic contribution, the capital and operating expenditures from member brokerages are estimated to contribute \$2.1B to ON's output, and \$1.6B to ON's GDP, of which nearly \$1.0B is contribution to labour income. It is also estimated that 16,936 FTEs are created or sustained across ON. This indicates that:

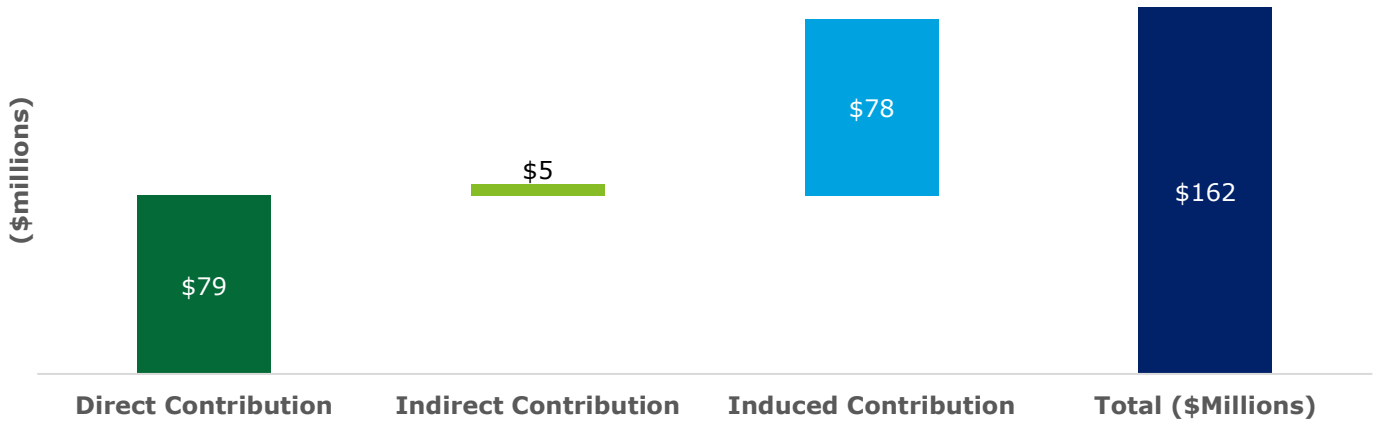
- For every dollar spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to contribute \$1.4 of value-added to ON's economy.
- For every million dollars spent on capital and operating expenditures by member brokerages, insurance brokers are estimated to create or sustain 14.8 FTEs in ON.
- The average annual wage in the insurance brokerage sector is \$67,500 compared to the provincial average of about \$51,600.

Estimated Economic Contribution to Ontario in 2017



In addition, it is estimated that member brokerages generated **\$161.7MM** in products and production taxes, such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, retail sales tax (RST), and payroll taxes, to the federal, provincial, and municipal governments. This estimate significantly understates the total government revenue generated by the industry as it does not include corporate income tax, personal income taxes, and healthcare levies paid by member brokerages.

Estimated Products and Production Taxes Contribution to Ontario in 2017

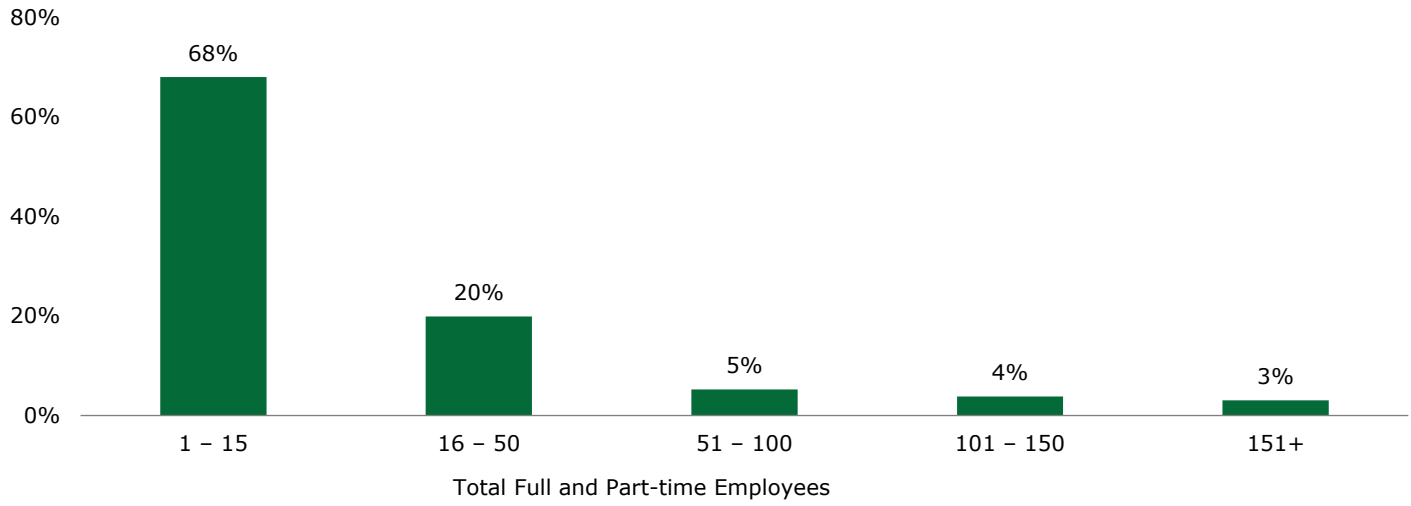


Appendix B: Summary of Survey Results

A survey was disseminated in 2018 to approximately 1,770 brokerage owners across Canada to collect data for this study. Some of the key insights gathered from the data and associated responses are included below:

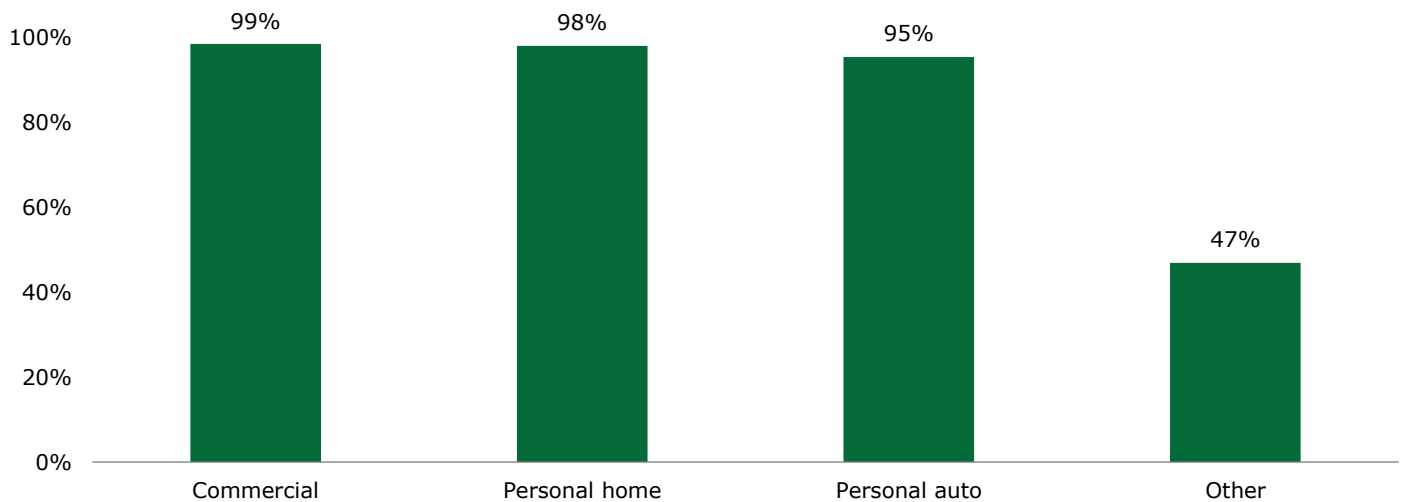
Nearly all brokerages are small enterprises: Over 90% of brokerages surveyed are small enterprises (i.e., 100 employees or less). About 7% of brokerages surveyed have greater than 100 employees.

Share of Brokerages by Number of Employees



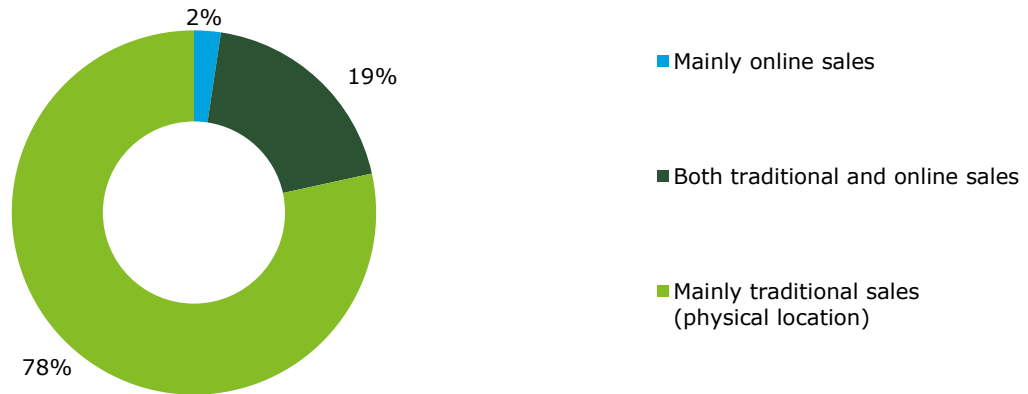
Product offerings are standardized across the industry: Nearly 100% of respondents indicated that their brokerages offer commercial, personal home and personal auto insurance. About 47% of the respondents indicated that they offer other insurance types.

Percent of Brokerages Offering Each Insurance Type

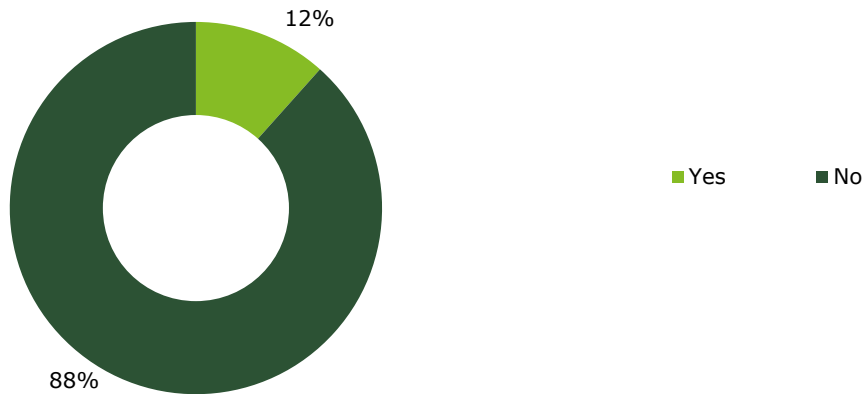


Online sales are still a limited portion of brokerage operations: Approximately 21% of respondents indicated that they operate using an online sales model with 78% of respondents indicating their sales are mostly performed at physical offices.

Brokerages by Operational Model Type

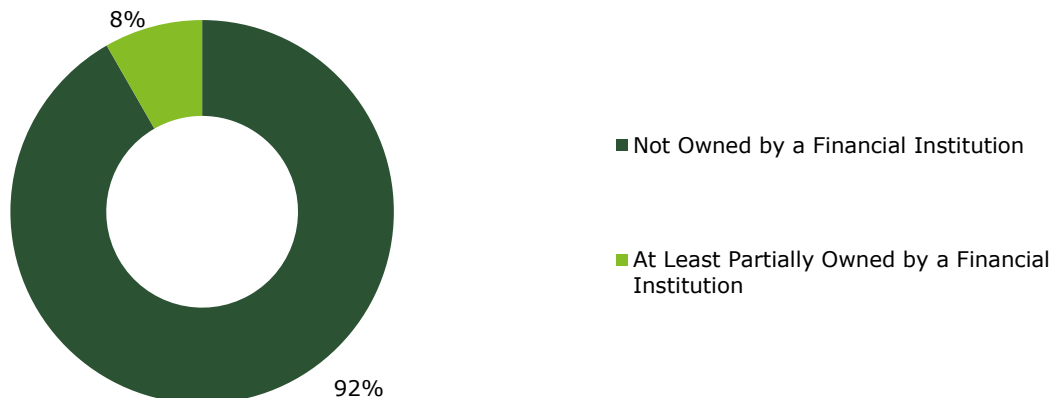


Most brokerages are local independent business operations. Approximately 88% of the respondents indicated not being part of larger regional, national or multi-national insurance broking business.



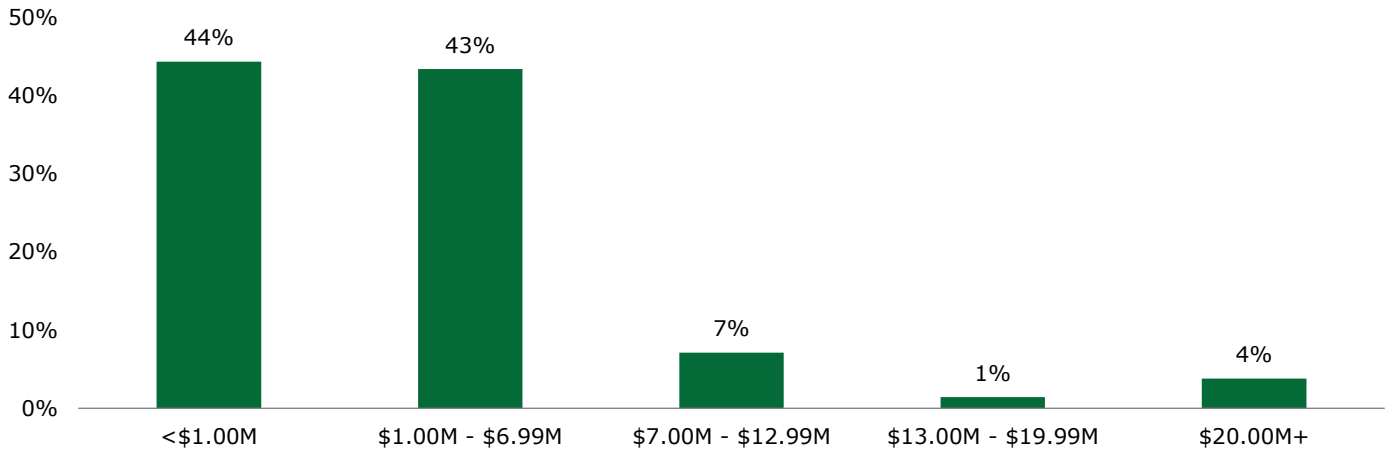
Financial institutions do not play a large role in owning brokerages: Approximately 92% of respondents indicated they are not owned by a financial institution.

Share of Brokerages Owned or Controlled by Financial Institutions



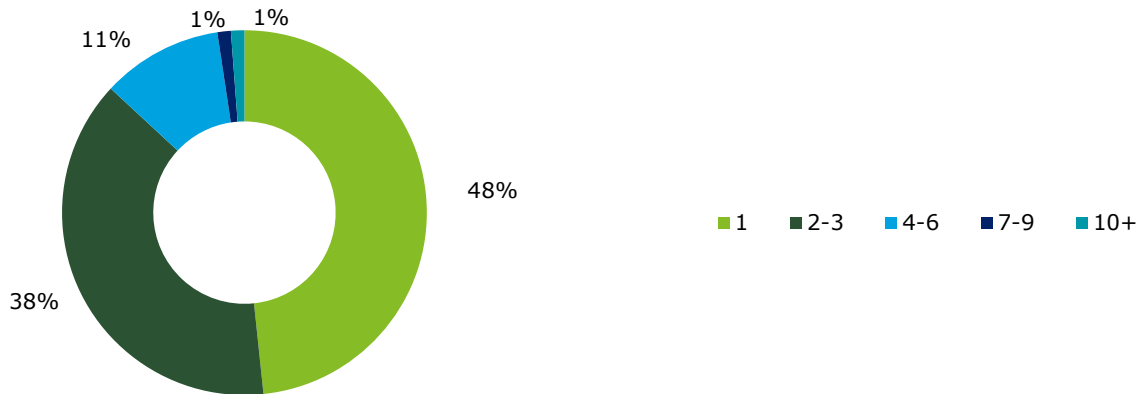
Based on the revenue share, nearly all brokerages are small enterprises: About 96% of brokerages surveyed are small enterprises (i.e., less than \$20M in annual revenue). Only 4% of brokerages surveyed have greater than \$20 million in annual revenue.

Share of Brokerages by Total Commission Revenue in Canada (2017)



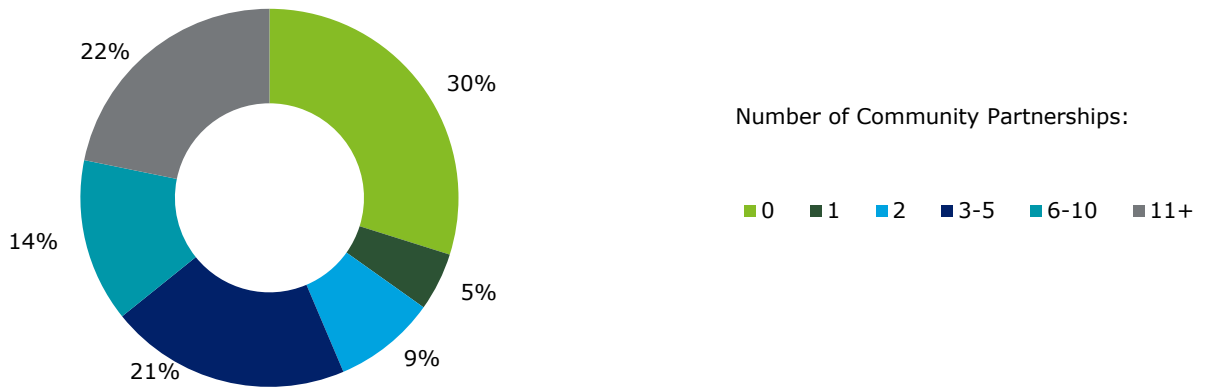
Brokers communicate and reach diverse groups within the community: About 51% of brokerages conduct business in two or more languages.

Share of Brokerages by Number of Languages they are able to Conduct Business In



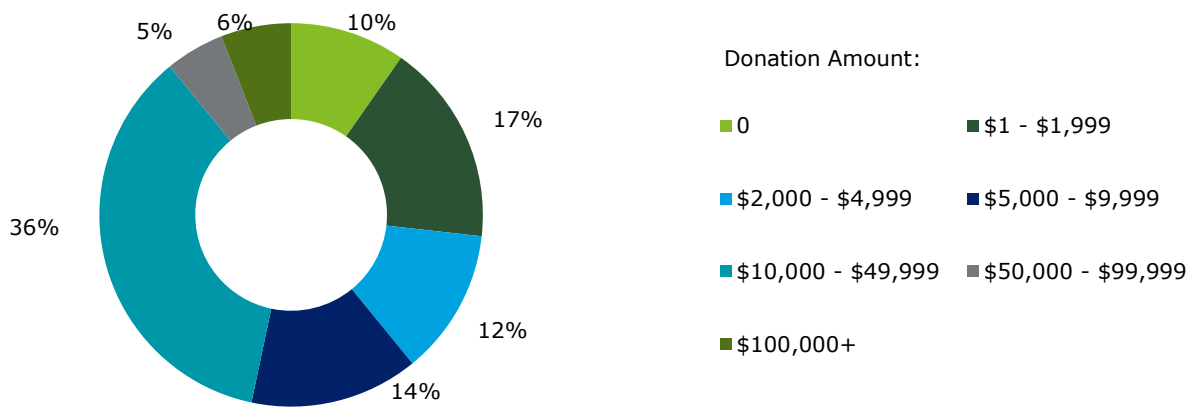
Brokers are important partners in the communities they work in: About 57% of respondents indicated that their brokerages have over three community partnerships.

Share of Brokerages by Level of Community Engagement (2017)



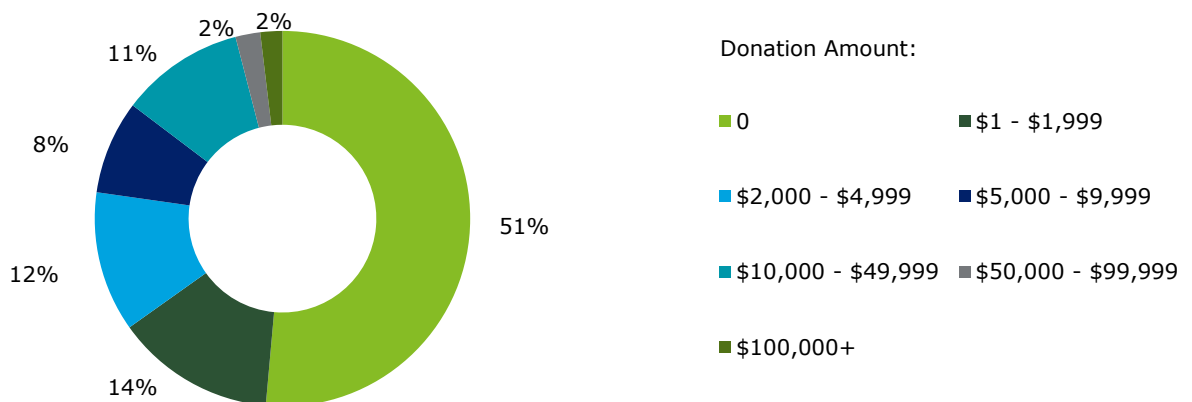
Brokers provide financial support to their community by donating to charities and social causes: Nearly 50% of respondents indicated that their brokerages donated at least \$10,000 to charities and social causes in 2017, with nearly 75% donating at least \$2,000 in 2017.

Share of Brokerages by Direct Donations Provided (2017)



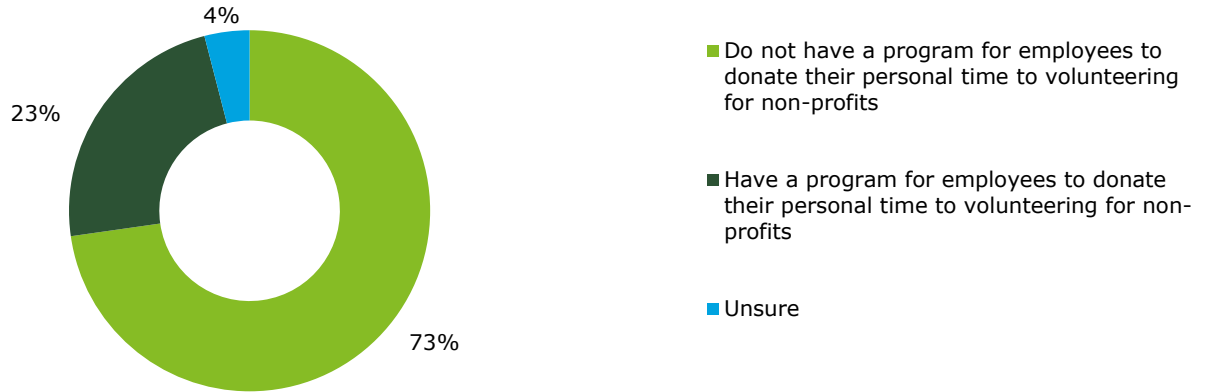
Brokers amplify their financial support to communities by hosting fundraisers: About 35% of respondents indicated that they raised at least \$2,000 in donations via fundraisers in 2017.

Share of Brokerages by Direct Donations Provided via Fundraisers (2017)



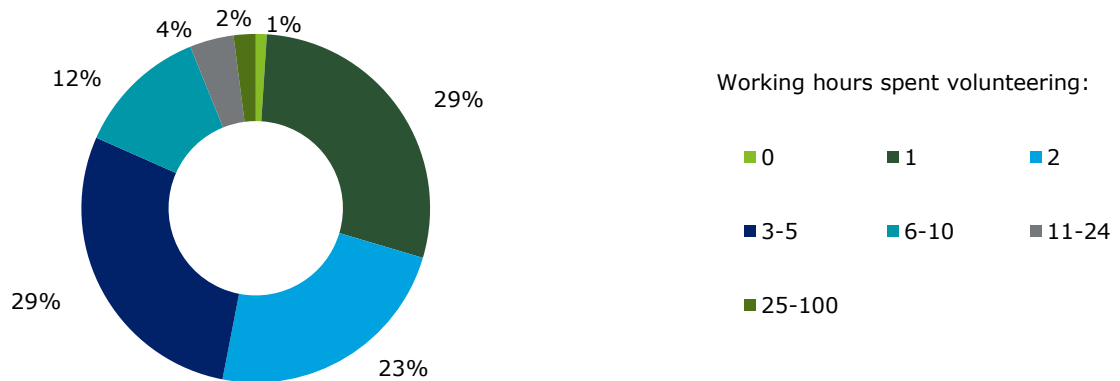
Brokerages encourage community involvement: Approximately 23% of respondents indicated that their brokerage has a program for **employees** to donate their personal time to volunteering for non-profits.

Share of Brokerages by Offices Offering Volunteer Programs for Employees



Brokers are active supporters and participants in their communities: Approximately 70% of respondents indicated that their employees spent at least 2 hours volunteering in their communities in 2017. Another 18% of respondents indicated that their employees spent at least 6 hours volunteering in their communities in 2017.

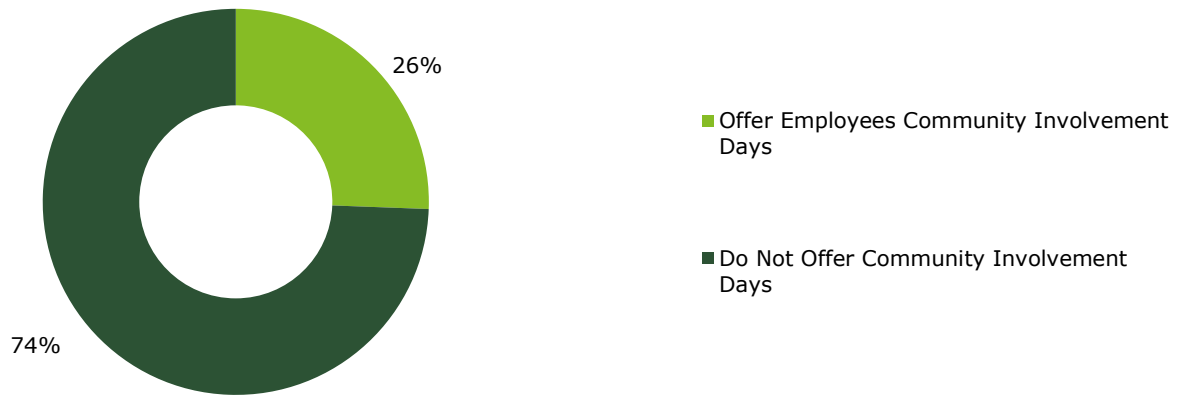
Share of Brokerages by Volunteer Hours by Employees (2017)*



*Share of respondents that answered 'yes' to offering a program for employees to donate personal time to volunteering for non-profits

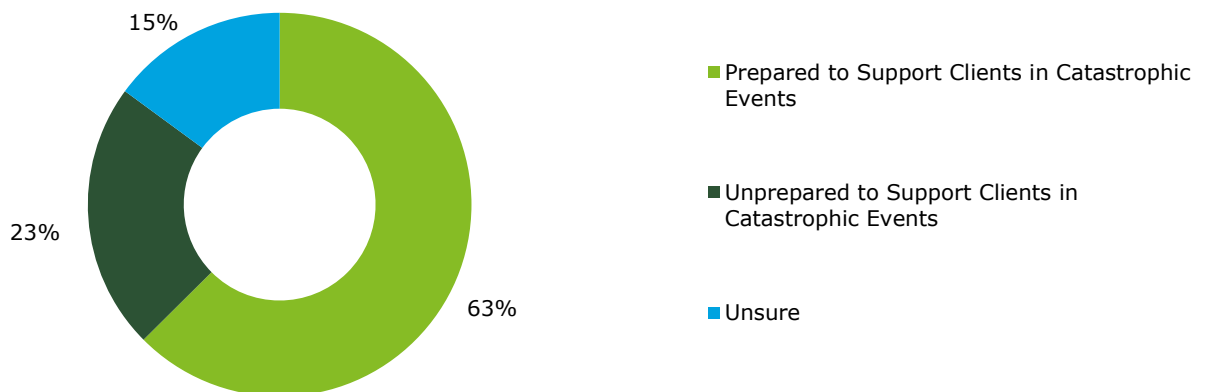
Brokerages invest in their community development: About 26% of respondents indicated that their brokerage has community involvement days organized by their office.

Share of Brokerages with Employee Community Involvement Days (2017)



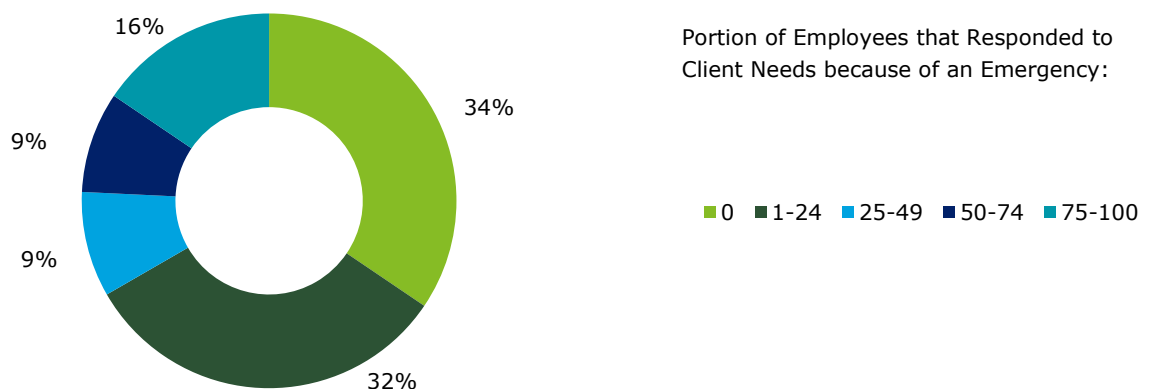
Brokers are prepared to help their clients in an emergency: About 63% of respondents indicated that their employees are prepared to support clients in the event of an emergency or catastrophic event such as floods, forest fires and earthquakes.

Share of Brokerages by Those Prepared to Support Clients in the Event of a Catastrophic Event (2017)



Brokers contribute towards strengthening business and household resilience: One-third of respondents indicated that 25 or more of their employees responded to client needs resulting from a catastrophic event in 2017.

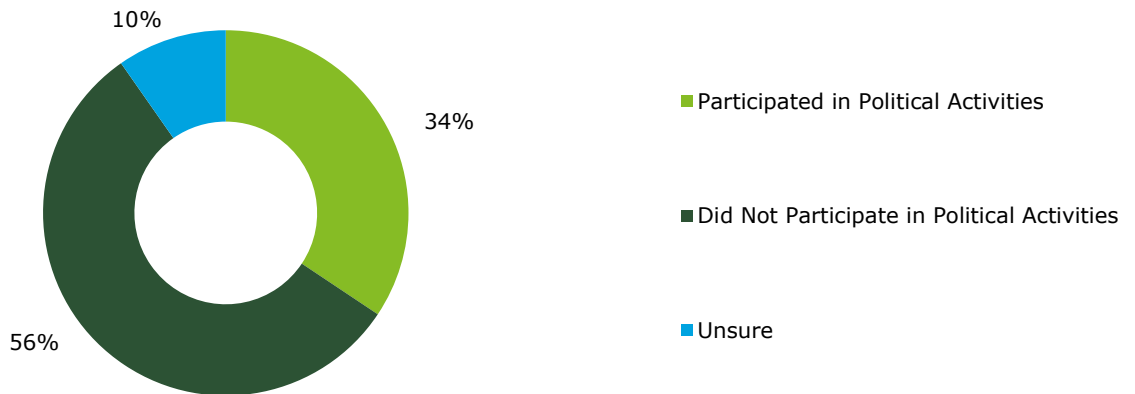
Share of Brokerages by Proportion of Employees who Responded to Clients regarding Catastrophic Events (2017)*



**Of respondents who answered 'yes' to having employees skilled to assist in catastrophic events (e.g., fire, flood)*

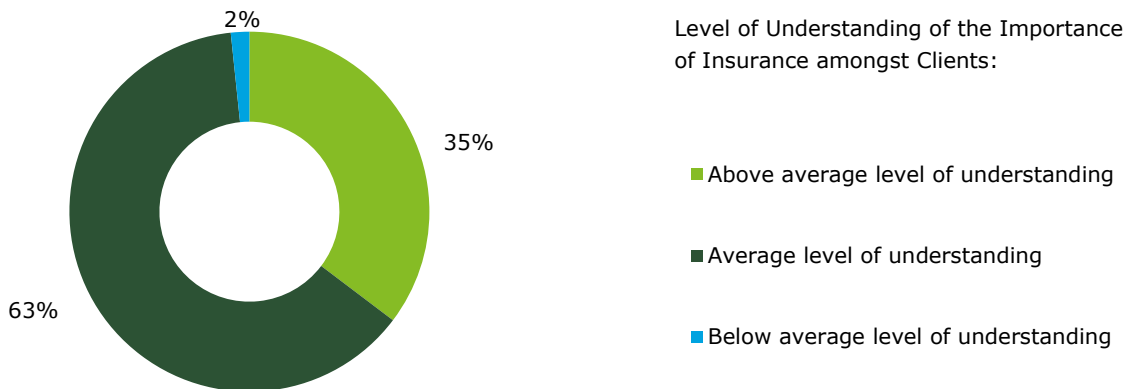
Brokers are politically engaged: About 34% of respondents indicated that their employees participated in political activities at the Municipal, Provincial, and/or the Federal level in 2017.

Share of Brokerages by Employee Participation in Political Activities (2017)*



Brokerage clients are generally aware of the importance of insurance: Approximately 63% of respondents indicated that their clients have an average level of understanding of the importance of insurance. An additional 35% indicated their clients have an above average understanding.

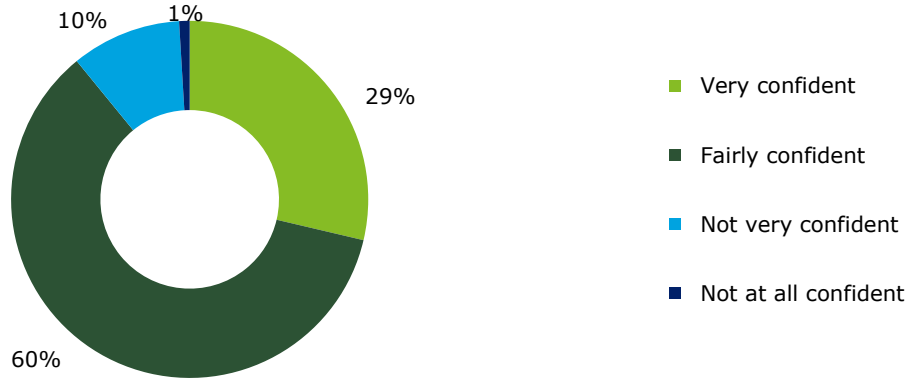
Share of Brokerages by their Clients' Level of Understanding of Insurance*



**Respondents how they would characterize the level of understanding of the importance of insurance among clients served by their office*

Brokers are technically skilled and prepared to help clients make informed decisions: About 89% of respondents indicated that they are fairly or very confident in their employees' ability to make informed financial decisions regarding their clients' insurance needs.

Share of Brokerages by Level of Confidence in their Office's Ability to Make Informed Financial Decisions for Clients*



Appendix C: Detailed Methodology, Assumptions and Data Sources

C.1 Definition of Terminology for Economic Analysis

The economic analysis model examines direct, indirect, and induced economic contribution in terms of output, GDP, employment, labour income, and government taxes as defined below:

Measures	Description
Direct Contribution	Direct economic contribution represents the economic value added directly associated with capital investments and associated operations. For example, they include the employment and income of employees and contractors directly involved in the business, as well as the associated product, production taxes, including federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, retail sales tax (RST), and payroll taxes, to the federal, provincial, and municipal governments.
Indirect Contribution	Indirect economic contribution represents the economic value added resulting from the demand for materials and services that the business generates in supplier industries. They represent, for example, economic activity generated in the manufacturing, wholesale trade, transportation and professional service sector as a result of demand for materials and services generated by insurance brokers.
Induced Contribution	Induced contribution represents general income effects associated with the expenditure of wages earned as a result of the direct and indirect contribution. An example is the purchase of goods and services at the household level.
Output	The value of goods and services produced by establishments (e.g. firms), excluding “intermediate” goods and services consumed by the same establishment during the production process (e.g. electricity produced for own consumption). Output includes goods and services sold in the marketplace as well as goods added to inventory.
Gross Domestic Product (GDP)	GDP is the total unduplicated value of goods and services produced in the economic territory of a country or region during a given period. GDP includes household income from current productive activities (wages, salaries and unincorporated business income) as well as profits and other income earned by corporations. In the context of our study, GDP serves as a measure of the total economic value-added resulting from the spending associated with the categories of expenditure identified.
Employment	In this study, employment contribution is estimated in terms of full-year equivalent positions for ongoing employment (i.e. employment contribution associated with annual expenditures). Full-year equivalent positions are counted according to their duration and not according to whether they were employed on a full-time or part-time basis. That is, two part-time employees would be counted as one full-year equivalent if the total time they spent on the job adds up to one year. This approach is consistent with standard statistical terminology.
Labour Income	Labour income represents the total earnings of employees (including employees of suppliers), consisting of wages and salaries as well as supplementary labour income (such as employer contributions to pension funds, employee welfare funds, the Unemployment Insurance Fund and Workers Compensation Fund).

Measures	Description
Government Revenue	In this study, government revenue is only partially accounted for, specifically including federal, provincial, and municipal products and production taxes such as federal sales tax on claims and expenses (GST), provincial sales tax (PST/QST), property tax, retail sales tax (RST), and payroll taxes, as applicable. This estimate does not include analysis of corporate income tax, personal income taxes, healthcare levies, and premium taxes, which are beyond the scope of this report.

C.2 Methodology

Deloitte's economic impact model has been configured using Statistics Canada supply-use tables and Input-Output (I-O) multipliers to estimate the economic contribution this study, based on an analysis of the operating and capital expenditures reported by IBAC member brokerages through a survey. The expenditure data is then used to simulate the corresponding shocks to the economy of the provincial and national economies using industry and commodity input-output multipliers published by Statistics Canada.⁸⁰ The analysis is primarily based on 2014 economic multipliers⁸¹ with supplemental inputs sourced from the most current data published such as 2017 annual wage.

C.3 Brokers Expenditure Data Analysis and Assumptions

Expenditure data

Expenditure data is primarily sourced from the survey with a few data points supplemented by secondary data sources.

- Direct employment – The number of jobs for each regional/provincial Member Association were provided by IBAC and are assumed to be accurate.
- Salaries and Wages – Model output based on the direct employment numbers provided by IBAC.
- Principal owners in each province are assumed to have similar expenditure profile (based on extrapolation approach).

Data Extrapolation Process

Upon collecting the survey data, we defined and removed potentially erroneous data points and outlier data points from our sample.

- **Erroneous Data** – Erroneous data points are illogical and/or unreasonable. For example, total expenditures that amount to \$0.00 were deemed erroneous. Unexplained missing data points were also deemed erroneous.
- **Outliers** – Outliers were defined for numerical variables by applying the 1.5 inter-quartile range rule, a standard, data driven threshold.

We computed measurements of central tendency (likely median) for each variable relevant to the economic impact modelling (e.g. salaries and wages), per province.

Using the median values, we computed the total expenditure for each variable by multiplying the medians, per province, by the total number of IBAC member firms (principal owners), per province.

⁸⁰ Statistics Canada (15F0009X)

⁸¹ 2014 multipliers are the most recent provincial multipliers published at the time of undertaking the analysis.

C.4 I-O Modeling Approach

Input-Output (“I-O”) modeling is a quantitative technique used in economics to estimate the potential effects of a change or a shock (e.g. new investment or industry expansion) in a given jurisdiction’s economy (provincial, national or otherwise). The model uses data on inter-industry relationships to trace through all of the changes in the output of supplier industries that are required to support an initial increase in an industry’s output, or an increase in expenditures. This simulation results in estimates of the direct, indirect and induced impacts on output, GDP, employment, labour income and government revenues described further below.⁸²

The analysis conducted in this report is passed on I-O multipliers published by Statistics Canada. These multipliers are based on Statistics Canada’s Inter-jurisdictional Input-Output Model, which is widely used in Canada.

Economic Contribution Assumptions

- We assume the information provided by IBAC on FTEs is accurate and complete (i.e. our work did not include reviewing the accuracy or completeness of such information).

The model is subject to a number of general assumptions and limitations, including:⁸³

- The model reflects a simplified macroeconomic structure, and does not include some variables of interest for macroeconomic analysis such as interest rates, unemployment rates, or income tax rates.
- The model assumes that the Canadian economy has the capacity to produce the goods and services stimulated by the economic shock. The model is not able to forecast situations in which demand may outpace the capacity to produce the required goods and services.
- The model makes a basic underlying assumption that the number of jobs created maintains a linear relationship with short-term gross output. This approach can be considered sound if the value and quantity measures are for the same year and the analysis is focusing on the structure of the economy for that same year. When used for projecting beyond the IO model year, the relationship between values and quantities may be impacted by price variations.
- The I-O model captures the backwards linkages in the economy i.e. when the firms producing the commodity purchase additional inputs from other firms. The model assumes that prices are fixed, and cannot be altered (a change in price would be interpreted as a change in volume).
- The analysis employs 2014 economic multipliers, the most up-to-date data available. As such, the model does not reflect any structural changes to the Provincial and Canadian economy since the period of publication.

It is important to note that the economic contribution results should be interpreted as a snapshot of the economic activity associated with the insurance brokerage industry. These results do not take account of the opportunity cost of the labour, capital and intermediate resources used for capital and operating activities. As such, the economic contribution results do not represent incremental economic impacts.

⁸² Statistics Canada (15F0009X)

⁸³ Statistics Canada’s Guide to using the input-output simulation model.

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Appendix D: IBAC Member Associations

The overview of the IBAC Member Associations is provided below:

Insurance Brokers Association of Newfoundland and Labrador (IBAN)

IBAN is an association of 15 brokerages that employ more than 1,100 people in Newfoundland and Labrador. Brokers in almost 70 brokerage locations work on the consumer's behalf to secure the best coverage in the market from trusted and secure federally regulated insurance companies.⁸⁴

IBAN members are active in their local communities, working with partners to educate the public on ways to mitigate risks. Community partners include the Royal Newfoundland Constabulary (RNC), the RCMP, Crime Stoppers, and St. John's Regional Fire Department, to name a few.

Insurance Brokers Association of Prince Edward Island (IBAPEI)

Despite its relatively small landmass, brokers in P.E.I. are employed in 17 offices across the island. According to a statement released by the Insurance Bureau of Canada (IBC), P.E.I. also posts the lowest average auto insurance premiums at \$796 in 2017.⁸⁵ Given its location in the Maritimes, brokers play an advisory role in educating local residents on protecting their assets against common risks posed by Atlantic storms – power outages, property damage due to ice accumulation, and travel hazards.

Insurance Brokers Association of Nova Scotia (IBANS)

IBANS was formed in 1949 to be the voice of insurance brokers in Nova Scotia. Today, more than 900 broker members work collaboratively to strengthen relationships with stakeholders and promote the advantages of the broker distribution system.⁸⁶

IBANS members create a business environment that enables brokers to approach stakeholders with common concerns about insurance issues in Nova Scotia, as well as being a resource to consumers, the government, and industry partners. They also work actively to educate clients on risks, including the various types of flooding to which Nova Scotia residents are exposed.

Insurance Brokers Association of New Brunswick (IBANB)

IBANB was established in 1919 with the original goal to have Canadian brokers work more closely together. Since then, their mission has evolved to support and promote the development and growth of insurance brokers in New Brunswick.

The vision of the organization is to continuously drive for a future where consumers are well-served by brokers with products available to meet their needs; there is public confidence in the broker distribution channel and process; there is a strong relationship between brokers and insurers; and a more diverse brokerage workforce serves the insurance consumer.⁸⁷

There are over 140 brokerage locations in New Brunswick helping local communities protect against floods, ice storms, commercial marine, and other general risks.

⁸⁴ IBAN 2018

⁸⁵ IBC 2018

⁸⁶ IBAC 2018

⁸⁷ IBANB 2018

Regroupement des cabinets de courtage d'assurance du Québec (RCCAQ)

RCCAQ represents approximately 4,200 brokers and 500 brokerages and branch offices in Québec, with a mission to promote and defend the socio-economic interests of its members and consumers.⁸⁸ By giving brokers a voice in public affairs and in dealings with regulatory organizations and lawmakers, RCCAQ aims to foster healthy competition between all stakeholders in the insurance distribution chain.

Brokers in Québec work actively to ensure that consumers are provided with fair and appropriate insurance products. In consultation with IBC in August 2017, RCCAQ also called for brokers to be given the flexibility to properly advise clients and offer tailor-made condominium insurance coverage where required.⁸⁹

Insurance Brokers Association of Manitoba (IBAM)

IBAM represents approximately 2,000 insurance brokers from all communities across Manitoba. Their purpose is to act in the best interest of consumers and speak with a collective voice as the insurance authority in the province. IBAM's core responsibilities and activities include managing political / government relations, insurer relations, issues concerning broker interest in the public domain as well as professional development / education, etc.⁹⁰

Similar to British Columbia, the provincial government, through Manitoba Public Insurance (MPI), mandates basic auto insurance. The not-for-profit Crown Corporation partners with over 300 Autopac brokers across the province to sell and service insurance policies.⁹¹ These brokers are especially valuable in rural and remote communities where they are able to provide driver and vehicle licensing services on behalf of the government.

Today, IBAM members work actively on serving the public's interests and acting as the primary provider of insurance services across the province.

Insurance Brokers Association of Saskatchewan (IBAS)

IBAS was established in 1952 and is comprised of more than 95% of all independent insurance brokers across the province, directly representing 206 member brokerages, in 378 branches, throughout 249 Saskatchewan communities. IBAS champions the interests of both its members and consumers to government, the industry at-large, and the general public. Its mission is to ensure Saskatchewan brokers are recognized as the most trusted, knowledgeable, and consumer-centric distributors of insurance in the marketplace. In 2018, the IBAS Broker Issues Survey found that more than 80% of brokerage principals spend at least 10 hours per week working directly with customers in a broker capacity. Additionally, Saskatchewan Government Insurance (SGI) partners with brokerages to serve as motor license issuers, providing drivers with a basic suite of insurance coverage packaged with their vehicle registrations.

Insurance Brokers Association of Alberta (IBAA)

IBAA is a not-for-profit trade association representing over 4,200 members through approximately 260 individual brokerages, and working in over 550 offices throughout Alberta, Yukon Territory, the Northwest Territories, and Nunavut Territory. IBAA members live and work in over 150 communities, covering a mix of both urban and rural neighbourhoods.⁹²

In the Alberta market, brokers serve clients with all P&C products and ensure communities are protected against losses due to events such as wildfire and flood in particular. Catastrophic events in the last decade have included the 2011 Slave Lake and 2016 Fort McMurray wildfires, as well as the 2013 Alberta floods that overwhelmed towns and

⁸⁸ RCCAQ 2018

⁸⁹ Ibid.

⁹⁰ IBAM 2018

⁹¹ Manitoba Public Insurance 2018

⁹² IBAA 2018

cities near multiple rivers. Given its location geographically and related weather patterns, Alberta led in broker written premiums for hail insurance in 2017.

With its origins dating back to 1921, IBAA's mission today is dedicated to preserving and strengthening the insurance broker, with a vision to be a professional, progressive, and innovative association.⁹³

Insurance Brokers Association of British Columbia (IBABC)

IBABC serves as the voice of the general insurance brokerage industry and currently represents 870 P&C insurance brokerages that employ more than 13,000 licensed brokers in over 140 communities. In addition to serving as the voice of the member brokerages, IBABC's role also includes being the primary resource for professional development of its members, and promoting strong business relationships with insurance companies that support the distribution system.⁹⁴

Currently there are approximately 15,000 general insurance licensees in B.C who are licensed and regulated by the Insurance Council of B.C. under the mandate of the Financial Institutions Act.⁹⁵ Their role is unique in that the Insurance Corporation of British Columbia (ICBC) sells its Autoplan insurance exclusively through a network of 900 licensed brokers.⁹⁶ Services provided by these brokers also include renewals, transfers, vehicle registration, government debt collection and many of the physical locations operate as driver licensing offices, especially in rural or remote communities.

IBABC can trace its roots back to prospecting days with the discovery of gold on the Fraser River in 1858; fire protection was introduced in Victoria the following year and the first documented insurance policy was sold in 1860. Today, IBABC strives to promote the member brokerages as the premier distributor of general insurance products and services in British Columbia.⁹⁷

Toronto Insurance Council (TIC)

Since 1918, TIC has provided a forum for commercial insurance brokerages to gather and address common issues. Membership is comprised of national and regional brokerage firms located in the Greater Toronto Area. Today, 19 member brokerages gather to discuss issues such as regulation updates, autonomous vehicles, cannabis legislation, drones, technology shifts, etc.⁹⁸

The way in which the large commercial brokerages operate and serve their clients hinges upon maintaining and building stronger, more streamlined relationships with insurer partners. TIC broker members strive to leverage their scale and technology innovations to work more efficiently, reduce costs for consumers, and deliver a better overall insurance experience.⁹⁹

Insurance Brokers Association of Ontario (IBAO)

IBAO represents approximately 12,000 members and 1,250 brokerages across Ontario. They work to ensure that the interests of brokers and consumers are represented to government and industry partners, and continue to strengthen

⁹³ IBAA 2018

⁹⁴ IBABC 2018

⁹⁵ BC Broker 2018

⁹⁶ ICBC 2018

⁹⁷ Ibid.

⁹⁸ TIC 2018

⁹⁹ Ibid.

their relationships with business partners and stakeholders.¹⁰⁰ Brokers in Ontario have a role in shaping and implementing regulatory and auto reform, and other public policy issues.

In addition to providing ongoing education to member brokers, IBAO also focuses on technology innovations to better serve consumers and increase awareness of insurance products and services. They have pushed the agenda on enhancing the ease of doing business with the broker network, for example facilitating the distribution of electronic documents as outlined in the Ontario Government's 2017 Budget.¹⁰¹

¹⁰⁰ IBAO 2018

¹⁰¹ Ibid.

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