



Canadian

underwriter

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YOUR GUIDE TO INSURANCE SUCCESS. SINCE 1934

EXECUTIVE OUTLOOK 2021

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P&C INDUSTRY
WILL LOOK LIKE

BOGEYMAN FOR BROKERS

Why the economic
impact of COVID
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Clint Smith

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2021 FORECAST

BROKER EXECUTIVE OUTLOOK

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It's been a tough year to be a property and casualty insurance broker.

Things started off with the market continuing to harden in 2020 Q1 — or “firmly settle in place,” depending on to whom you talked and business line being discussed. Some may wish they could go back to those times, because what happened in March 2020 was unlike anything they'd ever seen.

When the global COVID-19 pandemic first arrived in Canada, brokers were thrust into a world of uncertainty. They had to pack up their offices and work out of their kitchen. A social bunch by nature, they were now confined to their homes, able to see their clients only through a computer monitor.

Phone lines lit up as personal lines clients were laid off and looking for ways to save money on their insurance. Commercial clients, too, were asking about relief, and whether or not this situation could be considered a business interruption claim.

As the pandemic wore on, Canada's economy groaned under the strain of massive personal and corporate debt. Interest rates essentially bottomed out, significantly reducing carrier's investment income. As a result, underwriting rules became stricter, capacity shrunk, and some insurers exited unprofitable lines of business. That put pressure on brokers to even find coverage for their clients, let alone for a reasonable price.

Brokers worked tirelessly and without compensation to help their clients adjust to the new circumstances. The broker value proposition shined: Clients got a front-row seat of the true value of a broker as a trusted advisor.

Now, with the news of successful COVID-19 vaccine testing, there appears to be a light at the end of the tunnel. What will the broker channel look like in a post-COVID world? We went to 10 of Canada's top brokerage leaders and asked them how they see brokers changing in the next 12 months. They told us about their upcoming challenges and opportunities. In alphabetical order, here's what they said...



Barry F. Lorenzetti

President, CEO, Founder
BFL Canada

COVID-19 has been a massive disruptor in every aspect of our lives and we continue to work through and endure a very tough insurance market.

Tech is king, with brokers moving towards a work-from-home protocol for certain categories of employees. Going forward, brokers who do not embrace available technology will be left behind: Clients are seeking more efficient ways to manage their risk management needs, in combination with accessing deeper and more relevant data analytics. Brokers need to be open to operational changes; they need to embrace new ideas for how to engage with their clients. Greater sophistication is needed on how they prevent risks.

Post-COVID, I see a flexible mix of in-office/remote work. This will be coupled with innovative and efficient brokerage technology that is integrated with insurer technology. This will help brokers grow their books of business effectively while monitoring off-site employees and managing their performance. The core business will remain unchanged, but there will be an increased need to focus on collaborating and communicating effectively both inside and outside the firm.

We all know the market was hardening pre-COVID. The pandemic now provides underwriters with additional reasons to be selective in the risks they chose to write. Two years ago, completing placements was not problematic. However, shrinking capacity compounded by COVID has made placements even more difficult and challenging. Direct access to reinsurance markets has assisted our firm greatly.

Challenges will be numerous. Losing sight of the importance of personal relationships and physical interaction is one of them. Teamwork wins and this is even more relevant today.

In terms of opportunities, brokers armed with strong market accessibility will do well, particularly against smaller regional brokers. Those with the technical resources to win accounts that are currently being underserved by the global brokers will fare well. There are always opportunities if you have market access (both domestic and abroad) and strong relationships.

Firms that transition well and have the ability to seamlessly integrate acquisitions and new recruits will continue to be successful.

Aneill MacCaul

President
AA Munro Insurance



Moving forward through COVID and into a post-COVID world, the biggest operational change for brokers will be the continued automation of simple customer transactions.

Policy inquiries, payments, requests for liability cards, and renewal transactions will all become faster and easier for customers.

While automation has been developing for some time, it has sped up dramatically.

Brokers are investing in both technology and people to achieve a new customer experience. They have to — the market has changed. Customers now trust and expect fast, omnichannel service. Brokers successful in their investments will spend more time solving complex issues for their customers, working through challenges created by rapidly changing carrier appetites and processes.

One example is in commercial lines. As capacity shrinks and carriers continue to shift underwriting

away from individuals and towards algorithms, customers and brokers in the commercial space are being forced to shop more frequently and in different ways. This means investing in new tools and new talent for a fast-moving, digitized world.

While many industries seem to be challenged in their ability to service customers in a digital world, brokers have flourished. Pre-COVID, I would not have expected this. But brokers have proven to be nimble, regionalized, and fast-acting enough to shift operations in a manner that best reflects their customers' expectations.

As doors across the country begin to open, we may see customer preference turn in favour of the local approach, presenting an increased opportunity for digitally engaged brokers who also have a physical presence and deep connections within their communities.

It's an exciting time to be a broker.