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WHAT IS THE WORTH OF AN INDEPENDENT INSURANCE BROKER?

The other day I walked to the office, I was met with a considerable number of people in Scotia Plaza announcing their new Property and Casualty Company and requesting my business. My obvious answer was “No”. But couldn’t help be impressed with their marketing tactics and the money they were able to throw at attracting new customers to their new company. It also dawned on me that many of those customers would likely come from the P&C broker distribution channel.

By chance, that very day, I spoke to a person who was lamenting their own claims situation that involved an accident where their car was totalled in a not so clear “who’s at fault situation”. Thankfully there were no serious injuries, but there were a series of

issues that followed the accident including: a leased vehicle, an underage driver (who may have not been at fault), a towing company that was caught cheating the system – the vehicle was held by the towing company who denied having it, so it was “lost” for a period of time and then an issue with the coverage that ended up denying the policyholders a rental vehicle even though they had the coverage on the policy.

On top of all the other issues, 7 weeks later the *second* lease payment is coming out of the policyholder’s account and the leasing company is arguing over the value of the vehicle with the insurance company (and we are not talking about a high valued vehicle here). To add insult to injury, the underwriters were never informed to take the totalled vehicle off the policy,

so the premium payments were still including that totalled vehicle. Talk about a mess.

Why so many issues? It turns out that this person had their insurance through a captive agent of a direct writer. When the loss occurred they were quickly pointed in the direction of the claims adjuster and that was that. Now how does this person think about the “good deal” they got on the insurance in the first place? I know they are looking for an Independent Insurance Broker now – my advice. Of course, after a claim it will make the going just a bit tougher; a bitter pill to swallow.

Read more on Page 2

WHAT IS THE WORTH OF AN INDEPENDENT INSURANCE BROKER? (CONTINUED)

Insurance is an intangible product that most treat like death and taxes. For most of us, we will never see a claim; the only tangible proof that what you paid for in your policy premiums exists. For those that do, it could be a bitter awakening as well as a costly adventure if the insurance wasn't purchased through an Independent Insurance Broker.

Now I am not about bashing our direct writing competitors. Competition is what makes you sharper and delivers more for our clients. However, we are not selling a tangible product like cars or candy bars. We sell complex intangible policies that have a multitude of options including clauses that, at the end of the day, may invalidate or certainly limit a policyholder's rights with respect to claims settlement.

With the Independent Broker distribution channel there are checks and balances that simply don't exist with the

direct writers. Firstly, I know of very few people (including those in our P&C industry) that could clearly understand the array of options with respect to their homeowners or automobile policies. Even the cleverest of our younger generations couldn't possibly understand what they are shopping for (other than price). Without the advice of an Independent Insurance Broker, I would estimate that almost 100% of those purchasing insurance through a non-broker distribution channel would not be able to tell you what they bought.

The aforementioned ill-fated claims story clearly demonstrates the issues that consumers can face if they "act" as their own insurance broker. With no one to advise on coverage, offer distinct options to place coverage, to advocate in the event of a claim our consumer is stuck with whatever their direct writer provides. In this specific situation, it did not turn out to be a very good deal.

I know that I am preaching to the Choir, but we are in a battle and our competition has lots of resources. They can *sell* insurance but they can't provide impartial advice (only sells one company's products), don't maintain relationships (can you name your bank teller?), and can't advocate on your behalf in the event of a claim (advocate to who?). Independent insurance brokers don't just *sell* insurance; they do a whole lot more and are worth it!



"Independent insurance brokers don't just *sell* insurance; they do a whole lot more ..."

IS YOUR VOICE BEING HEARD?

by Renee Durepos, VP Operations, Keal Technology

Keal recently co-sponsored the 2010 P&C Insurance Technology Conference in Toronto. The awards and sessions revolved around leveraging technology to increase efficiencies under the theme: *Agile, Integrated and Aligned*. We were honoured with an Insurance Canada Technology Award for our new integration between our Broker Management System, sigXP and blueC802's call recording software, blueButler.

Conference sessions ranged from navigating a brokerages use of social media to broker/carrier relations. The chatter surrounding real-time transactions between brokers and insurers is hardly new. However, renewed optimism is emerging as two initiatives make significant headway: ORBIT (Organization of Real time Brokers Implementing Technology) and IBAC's (Insurance Brokers Association of Canada) Ideal Electronic Workflow Initiative.

Both initiatives believe brokers should start and end workflows in their Broker Management System (BMS) without ever seeing an insurance company website. The use of CSIO XML

standards is critical, as is the involvement of all stakeholders; brokers, BMS vendors, CSIO, and insurance companies. Here's one example, from the IBAC initiative, illustrating why:

IBAC has defined for the industry a vision of an ideal workflow for broker-insurer data exchange. In order to prove that concept, they invited the major BMS vendors to cooperate together on testing Policy Change transactions. Phase One was to create a policy change request using one standard CSIO XML data stream coming from the participating BMS'. Keal was the first to complete the task with BMS, sigXP. Phase Two is underway, evaluating how that same CSIO XML data can be used by five participating carrier systems (RSA, Intact, Gore Mutual, Economical, Guarantee Company) without user intervention.

The benefits for brokers will be extraordinary which is why all BMS vendors should devote the necessary resources to fully support IBAC. Not only will this initiative minimize E&O risks

but it will make brokers incredibly more efficient and therefore more profitable.

What can you do? Brenda Rose, Technology Champion, IBAC, explains, "Brokers need to make their voices heard. They can get involved by supporting their provincial broker associations, verifying their BMS' participation, and encouraging their carriers to contribute. IBAC represents the Canadian broker associations who speak for their broker members. With increasing competition, we must work together in support of the broker distribution channel, in order to better serve our clients."

BMS vendors have an important responsibility to support brokers, one Keal takes very seriously. We will continue to work on projects that will strengthen Canadian brokers and we encourage all stakeholders to get involved.

" The use of CSIO XML standards is critical... "

XML STANDARDS

We held our first annual XML National Standards Workgroup on March 26, 2010.

There were several Maintenance Requests reviewed and approved at that meeting. They include a number of changes requested by our members to support implementations of the XML standards, changes that were needed due to EDI Maintenance Requests and a proposal to access code changes as soon as they have been approved rather than having to wait for the next release to be published.

The CTAG meeting was held on April 29 and ballots were sent out for voting on the approved changes following that.

The next National Standards Workgroup is scheduled to be held in our Montreal office on September 24, 2010.

We are working with ACORD to improve the packaging of our CSIO XML standards and to have changes that we identify which apply to the insurance industry in general included in the ACORD standard. Specifically, one of the maintenance requests identified in the current cycle by CSIO was submitted to ACORD. It was a change that would apply to handling Commercial Automobile data in general, not just in the Canadian market.

This request has been accepted by ACORD and was reviewed and approved by their Plenary and Review Workgroups. It will now be included in the Spring 2010 ballot package. Assuming that it is approved in voting by the ACORD membership, the change will be included in the next ACORD release which will be reflected in the CSIO XML standard.



XML TRAINING COURSES

We have XML Training Courses scheduled for May 28, 2010 in our office at 110 Yonge Street, Suite 500, Toronto. There are 2 sessions. The "XML Standards" in the morning which is an introduction and overview of the CSIO XML standards and "XML Schema" in the afternoon which provides more technical details. These courses are provided for free to our members and spaces are still available. If you would like to participate in one or both of these sessions, please register on our website. The next training courses will be on November 26, 2010.

" ... provided for free to our members ..."

EDI STANDARDS

We held our first annual EDI National Standards Workgroup on March 25, 2010. Along with the various Maintenance Requests presented, we also presented the necessary amendments to the Standards to support the Ontario Automobile Insurance Reform.

The ballot for the Maintenance Requests presented at the March workgroup have been sent to our voting members, however, note that the Ontario Automobile Insurance Reform changes are approved and can be used now. They will be presented on the ballot as housekeeping items only. The revised 2010 Standards will be available in June.

The next National Standards Workgroup is scheduled to be held in our Montreal office on September 23, 2010.

EDI TRAINING COURSES

We have EDI AL3 Training Courses scheduled for May 26 and May 27, 2010 in our office at 110 Yonge Street, Suite 500, Toronto. These courses are provided for free to our members. Unfortunately there are no more spaces available. The next training courses will be on November 24 and November 25, 2010.

"...Ontario
Automobile
Insurance Reform
changes are
approved ..."



EDI VALIDATION TOOL

Our EDI Validation Tool has now been moved to a secure website. The link to the new secured website is <http://www.csio.com/en/standards/standpersonallines.html>. We have added a new feature to the tool to generate a report listing all the errors found in the data. This report can either be printed or saved to your computer.

To access this tool on the secure website, you will require your user id and password. You can request access at

<http://www.csio.com/en/downloadrequest.cfm?Category=Forms>.

ONTARIO AUTOMOBILE INSURANCE REGULATION CHANGES

The Ontario Automobile insurance regulation changes have been approved and must be implemented for new business policies and renewal policies effective on or after September 1, 2010.

The required changes to the CSIO AL3/EDI Standards and XML Standards are minor. These changes were presented at the National Standards Workgroups of March 25 and 26, 2010 with a follow-up telephone conference on May 10, 2010.

The following Optional Increased Accident Benefits & Endorsement coverage codes are in the Standards:

<u>Code</u>	<u>Description</u>
WIB	INCOME REPLACEMENT
CHHMB	CAREGIVER, HOUSEKEEPING & HOME MAINTENANCE
MEDRH	MEDICAL & REHABILITATION
ACB	ATTENDANT CARE
MRB	MEDICAL, REHABILITATION & ATTENDANT CARE
DFB	DEATH & FUNERAL
DCB	DEPENDANT CARE

IDB	INDEXATION BENEFIT (CONSUMER PRICE INDEX)
48	OPCF48 ADDED COVERAGE TO OFFSET TORT DEDUCTIBLES ENDORSEMENT
87	OEF87 ADDED COVERAGE TO OFFSET TORT DEDUCTIBLES ENORSEMENT (NOTE: THIS IS FOR GARAGE AUTOMOBILE POLICIES)

The Certificate of Automobile Insurance (Ontario) has been created and forwarded to FSCO for approval. FSCO have advised they will not be approving this form on behalf of CSIO as CSIO is not an insurance company. Each company is expected to develop their own and each of them must send it in individually for approval.

So far, CSIO has not received a copy of the updated Ontario Automobile Insurance Application from FSCO. As soon as we receive the updated application, we will create it and forward it on to the broker management system vendors. FSCO have advised that we do not require approval for this form as long as it is identical to their sample.

We will keep you updated as more information becomes available.

“We will keep you updated...”

FORMS

So far this year, we have held three National Forms Workgroups.

The following forms have been finalized and will be going to ballot shortly:

- MOBILE HOME SUPPLEMENT
- VACATION TRAILER SUPPLEMENT
- SOLID FUEL HEATING QUESTIONNAIRE
- PERSONAL LINES UMBRELLA INSURANCE APPLICATION
- CERTIFICATE OF LIABILITY INSURANCE

Once they get approved, they will be translated, mapped to the Standards, programmed, tested and released. We expect to have these released by September 1, 2010.

We are currently working on a new Certificate of Property Insurance, a revised Payment Authorization Form, and revision to the Habitational Insurance Application to support new fields relating to Property Valuation. We know how important the Payment Authorization Form is so we will send it out for approval as soon as it is complete so we can release at the earliest possible time.



HOW TO BECOME A CSIO MEMBER?

Insurance Companies

Insurance companies are eligible to become CSIO voting members if they are principally engaged with the independent broker distribution channel. Annual membership fees are based on a board approved formula involving annual Direct Written Premium (DWP). New members must seek the approval of the CSIO Board of Directors.

Some of the benefits of CSIO membership for Companies include:

- Allows the organization to take part in National Standards Workgroups to further enhance and develop CSIO industry standards
- Member only access to the standards (annual and interim releases)
- Participation in Open Forums. These forums offers a venue for brokers, companies and vendors to exchange ideas
- Free participation for employees in EDI (training) Implementation Workshop and XML standards seminars
- Access to over 70 property and casualty insurance applications, questionnaires and specialty forms
- Provides networking opportunities within the insurance industry and input to the directions for P&C standards

Insurance Brokers

Insurance Brokerages are automatically members of CSIO via IBAC and their membership in their provincial brokers' association.

Benefits of working with CSIO for a Broker include:

- Unlimited access to forms, applications

including a voice in the "forms building process"

- Access to common solutions with CSIO members
- Information about and invitations to Workgroups, Forums, Training and other related Standards meetings

Industry Suppliers and Vendors

If you are a system vendor or insurance industry supplier you may become a CSIO Standards Participant. There are two categories of participants, voting and non-voting trading partners. Membership is a flat fee paid at the time you join CSIO and then payable annually in the first quarter of each subsequent year of membership.

Benefits of being a CSIO Standards Participant include:

- Participation in workgroups that create and maintain Commercial and Personal Lines EDI and XML Standards
- Free and full on-line access to the CSIO Standards for EDI, XML and standardized Forms
- Participation in workgroups to develop and maintain Forms and help determine technological directions for Standards
- Participation in industry Forums to resolve Standards implementation issues
- Paid Voting Participants obtain voting privileges in Standards Workgroup process
- Eligible to send employees to CSIO standards training

For further information please contact [Sebastian Penalosa](#) at 416-360-1773 ext 2324.



CSIO ON THE ROAD

The 2010 conventions are now well under way. CSIO has enjoyed meeting with our members and hearing what's on the broker's minds.

To date we have attended the following conventions:

- Insurance Technology Conference on February 22nd
- SGI Convention on March 19th - 20th
- IBAM Convention on April 28th - 30th
- IBAA Convention on May 16th - 18th

These conventions have given us a great opportunity to meet face to face with some of our members we don't get to see very often. We all know that regardless of all the new technology out there, there's no better way of communicating than face to face. We were also able to speak with the brokers that attended these conventions and were able to address their concerns as well as inform them as to what CSIO does to assist them.

In the coming weeks we will be attending the IBABC Convention on June 16th - 18th, so if you're attending this convention it would be our pleasure to address any questions or concerns you may have. If you would like to set up a meeting prior to the convention, please contact Sebastian Penalosa at spenalosa@csio.com. If you are unable to attend these conventions we would also like to hear from you so please don't hesitate to contact us.

Keep an eye out for our next newsletter where we will announce where you will be able to find us in the second half of 2010!

THERE ARE LOTS OF THINGS HAPPENING AT CSIO IN 2010!

In addition to being here to research and answer your questions about the Forms, EDI and XML Standards we support, the CSIO staff has scheduled several Training sessions and Workgroups for our members in 2010.

If you have participated in the meetings in the past or if your organization has requested that you be notified, you will receive an invitation with the link to the registration for these events approximately a month before but even if you don't receive an email, all members are welcome to attend and can do so by

completing the registration form for the event on the CSIO website (www.csio.com).

These meetings will be held at the CSIO office at 110 Yonge Street in Toronto. Some events later in the year will be held in Montreal. You can also participate via teleconference if you are not able to join us in person.

There are more events scheduled for later in 2010!

Upcoming Events—Courses

Introduction to EDI

May 26, 2010

EDI Implementation

Workshop

May 26 & 27, 2010

XML Standards & CSIO XML Schema

May 28, 2010

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CSIO, the National Standards Association for Property & Casualty Insurance has 2 offices. One in Toronto and one in Montreal. Many of our staff are fluent in both English and French. Please feel free to contact us if you have any questions.

CSIO's central mandate is to seek ways to provide a competitive advantage for the Independent Broker Distribution Channel. The activities resulting from this mandate are diverse and are expanding as technological opportunities broaden.

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