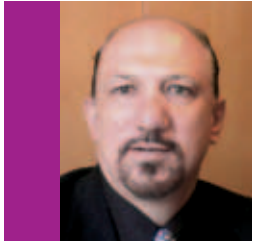


# UNDERWRITING UPDATE



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## Warming Up to Innovation and Precision

**Yes Virginia, there is a ... Most of you will remember how that line ends.**

With the holiday season upon us, our thoughts turn to holiday myths and stories. The kids, and, yes, I'm guilty as well, can't wait for the old I've-seen-them-100-times-but-I-still-watch-them classic holiday movies and cartoons.

A common myth in the insurance industry is that innovation and new concepts are stymied. That getting an auto rate filing that uses new tools and approaches approved by the regulators is tantamount to seeing old Saint Nick himself squeezing down the

chimney. Nothing could be further from the truth.

Regulators, not only in Ontario, but across the country, are warming up to the idea that tools like predictive analytics are fast becoming prevalent in the industry, and they should support, not suppress, innovation and precision.

You'll be hard pressed these days to find an industry conference that does not include a session on predictive analytics or modelling on the agenda. Regulators are adding the topic to their own conferences and internal meetings to ensure they're aware of what some companies are likely to be using, if they are not already, as part of their rate filings.

A few large insurers in Ontario have already successfully filed auto rate changes in the province using new innovative approaches to better segment their risks and create pricing that is more reflective of the risk being underwritten. Everybody keeps looking for that golden nugget that will give them a competitive advantage.

Some of these large insurance companies with the right resources have been developing their own tools and processes, but with more frequency are realizing that third party applications provide a distinctive advantage. These tools are continuously being improved and take

advantage of experiences learned as their use is becoming increasingly prevalent. The tools used by these insurers may end up being similar, but it's how you use them and implement the findings that will give you that distinct advantage.

It isn't only large companies, however, that are turning their attention to innovation and precision. More and more, we're seeing small to medium size companies inquiring about these new tools and are taking steps to find their own golden nuggets as they realize they can't sit idly by.

With some insurers already on board and regulators clearing the way for new innovation, the only ones with a coal in their stockings will likely be those insurers that decide to take a wait and see approach. They will not like what awaits them, and it could be two or three years down the road before they realize that because of their lack of vision, they were adversely selected against.

So now is the time to decide how to advance your business to greater profitability; and remember, be smart in what you deem mythical this holiday season and beyond.

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