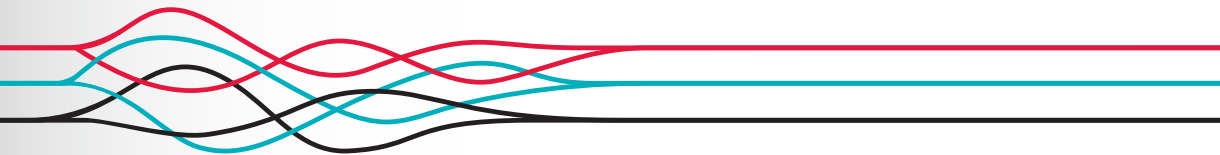


TOP OF MIND

THE INTACT INSURANCE NEWSLETTER FOR BUSINESS INSURANCE BROKERS



ISSUE NUMBER 3: FOCUS ON RETAIL BUSINESS



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THE INTACT INSURANCE NEWSLETTER FOR BUSINESS INSURANCE BROKERS

Interested in the retail industry?
Then this new issue of TOP OF MIND
is for you! You'll find an overview
of the industry and tips on how to advise
your retail business policyholders.

Enjoy reading, and have
a great summer!

TOP OF MIND, June 2016

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Economic indicators

INDICATORS	REFERENCE PERIOD	LEVEL	YEAR OVER YEAR CHANGE
Gross Domestic Product (GDP) (billions of chained dollars – 2007)	March 2016	1,660.9	1.1%
Consumer Price Index (CPI) (2002=100) and Inflation	April 2016	128.3	1.7%
Unemployment Rate	April 2016	7.1	4.4%
Non-residential Construction Price Index	1 st Quarter 2016	—	1.0%

Sources: Latest monthly figures from Statistics Canada, as of 2016-06-09



CLICK ON THE LINK AT THE BOTTOM
OF ANY PAGE TO RETURN TO THE CONTENTS.



THE RETAIL INDUSTRY IS DOING JUST FINE!

By Stéphane Desjardins

One closing down sale after another. Big names vanishing. More and more empty commercial spaces. Nevertheless... the retail industry is doing better than ever!

In fact, 2015 saw retail sector sales excluding gasoline increase by 3.9% (0.9% with gas), according to Quebec retail organization le Conseil québécois du commerce de détail (CQCD). February's latest available data even shows a 5.8% rise. As for inflation, it steadied around 1.5% last year.

"Quebec's retail sector is doing very well," confirms the head of the CQCD, Léopold Turgeon, without batting an eyelid. "In spite of multiple closures over recent years, our industry hasn't lost any jobs. Sales have gone from \$108 billion in 2014 to \$109 billion in 2015."

Mr. Turgeon estimates that Quebecers saved \$2.6 billion at the pumps last year, in comparison with 2014. They took advantage of this windfall by spending it. And they made many more unplanned purchases. The automobile, apparel, healthcare and beauty sectors all saw more than 6% growth last year. So why does the media keep spreading bad news? Because the retail industry is constantly evolving.

[Read more →](#)

INSURANCE COSTS

Alain Lessard, Senior Vice President, Commercial Lines

The market has had to deal with substantial increases in insurance costs over the last three or four years. Alain Lessard, Senior Vice President of Commercial Lines at Intact Insurance, puts these increases at between 8% and 10% annually for the last two years. “Retailers benefited from falling or stable premiums for several years,” he says. “Today, when you review the portfolio, you realize that those prices didn’t reflect reality. And the 2013 catastrophes were a game-changer.”

The successive floods in Calgary (\$3.7 billion of insured losses, according to A.M. Best) and Toronto (\$1.5 billion, including \$850 million covered by insurers, according to A.M. Best), as well as windstorms and hailstorms in Ontario and western Canada, made 2013 the costliest year in Canadian insurance history... which was before this year’s forest fires in Fort McMurray. And flooding is typically covered by commercial insurance.

However, the adjustments made over the last few years have begun to redress the situation. We should expect a return to normal for retailers in the coming years, with premiums aligned with inflation. Obviously, though, each case is unique and rated according to the specific risk involved.

The internet threat

Whatever their size, all Quebec retailers have to deal with a new reality: online shopping. And they’re doing it very badly.

“Barely 5% of our retailers have an e-commerce website. Six retailers in ten have an online presence. And yet, not a single retailer, even a corner store, can afford not to be on the internet,” comments Jacques Nantel, professor and head of the marketing faculty at Montreal’s HEC business school.

We can take heart from the fact that Quebec is not alone: 60% of small businesses with five employees or fewer, in Canada, the US and the UK do not have a website, according to a 2015 study by GoDaddy and Redshift. A significant number of these are retailers.

In spite of this, 45% of Quebecers’ online shopping is done outside the province, according to Jacques Nantel. And that represents \$7 billion in sales (a 10% annual increase) and \$440 million in lost tax revenues. However, Quebecers spent \$8 billion on online shopping in 2015, which is 22% more than in 2014, according to research by CEFRIO.

And 73% of them shop online. This wake-up call might be tough to take for our retailers, because setting up and building awareness for an e-commerce site costs a bundle. In the United States, online shopping has driven down the in-store share of retail profits by 25%, even for those retailers who have an e-commerce website as well as a brick-and-mortar shop, according to a study published in April by HRC Advisory.

“In fact, markets are becoming global,” continues Mr. Nantel. “Smart, new players have emerged, such as Amazon, eBay and Alibaba. And Canada’s biggest retailer isn’t Amazon.ca but Amazon.com.”

Retailers will need to get out of their geographical comfort zone. Léopold Turgeon gives the example of the women’s apparel store Vickie, in Saint-Joseph-de-Beauce, with 40% of sales coming from the rest of the country through its website, and which has a significant Facebook following. Or Frank & Oak, which aimed global from day one.

[Read more →](#)

CYBER RISKS

Cybercrime is a concern.

“I met a retailer who lost \$100,000 online in a few weeks because of an issue with fake credit cards,” says Mr. Turgeon. But cybercrime doesn’t worry Jacques Nantel. “Retail fraud has always existed and represents around 1% of losses, compared with 30% that comes from employees.”

Nevertheless, 70% of Canadian companies reported suffering a cyberattack in 2012, according to a report from the International Cyber Security Protection Alliance (ICSPA). And PwC reported that there were 42.8 million cyberattacks (around 120,000 per day) globally in 2013. This figure is rising by 50% every year. According to HSB BI&I, 87% of Canadian businesses were hit by one or more hack attacks in 2014. Almost every major retailer has been a victim, the most well-known being Target, Home Depot and RONA.

The cost of cyber risks is \$0.38 per \$1,000 of revenue, according to the 2016 RIMS Benchmark Survey, which added that the Canadian market for cyberattack insurance could reach \$5 billion by 2020. A dozen or so of the country’s general insurers now offer this coverage. And this segment’s sales are increasing by 20% annually, according to the Journal de l’Assurance. Alain Lessard reports that, to date, 47% of Intact Insurance’s Quebec customers have purchased cyber risk insurance since it was launched in April 2015.

One thing worth noting: some insurers will deny coverage to a company that collects too much personal data from its customers. This will not be the case for Intact Insurance. “The majority of retailers who are active online manage risk better than they used to, but some still don’t understand the potential implications of maintaining a large database of customer information,” continues Mr. Lessard.

Intact Insurance will soon be increasing its limits, from the current \$25,000 for the cost of fixing a privacy breach and notifying customers, to a new maximum of \$100,000. Business interruption coverage of \$25,000 is also included in the basic protection. Intact Insurance is preparing to offer additional legal defence coverage, confirms Alain Lessard. “The risks inherent in selling online in the United States are much higher than in Canada because of their more expensive legal system,” he explains. “For example, we intend at some point to cover compensation when a company is successfully sued, but before doing so, we want to take the time to properly understand this reality. And it’s the same for practically all insurers who offer or plan to offer this coverage. Our industry is evolving, just like the coverage on offer.”

[Read more →](#)



Ongoing adaptation

A number of retailers, commercial streets and shopping centres have failed to adapt to changing consumer behaviour. “You have to be wherever they are shopping and offer them the experience they’re looking for, whether in store or online,” points out Mr. Turgeon.

“To survive, retailers need to constantly adjust their stock on a geographical basis,” adds Jacques Nantel, “in keeping with the just-in-time principle that involves leaner, faster supply chains. They need to be edgy and smart. You can’t settle for filling up a store and distributing flyers.” Mr. Nantel cites the example of Bovet, whose executives, personal acquaintances of his, admitted to him that they weren’t quick enough and closed down after a century in business.

The competition, especially foreign players, is more aggressive than ever. Léopold Turgeon is aware that retailers here are finding it tough

going. “They’re spread too thin. They have to put on more promotions and marketing events to maintain sales. And they also deal with a lot of government red tape.” In addition, Mr. Turgeon considers that corporate tax laws are unhelpful to entrepreneurs, who find it difficult to transfer ownership of their business to their children. “Quebec has the country’s highest level of payroll tax,” he says. “A great many of our competitors aren’t burdened in this way.”

Last April, Peter Simons spoke out against foreign companies that performed every single transaction without paying taxes or import duties. “Alibaba, eBay, Apple’s iTunes store, Airbnb, Netflix, Amazon, to name just a few, have a clear advantage over traditional retailers. This situation is unfair and governments are dragging their feet,” adds Mr. Turgeon. Apart from taxes, the major international online retailers don’t pay rent here, have lower labour costs, and possess huge resources to adopt new technologies.

Distinct society

This is all the more the case since Quebec is, as in many ways, a distinct society: 65% of our retailers are small businesses, sometimes tiny ones, and over 35% are run by independent owners, which is the exact opposite of the rest of the country. Added to the mix are around fifty major players, often publicly traded companies, the majority of which have head offices located outside Quebec, as well as more than 150 mid-sized companies.

Can the independents, even the smallest ones, manage to hold their own, despite all this? “Absolutely,” believes Jacques Nantel, “They are more agile, more innovative and often younger. There are so many examples. Several are on the road to success, such as Plomberium, Bon Look, Altitude Sports, Chocolats Favoris...”

“Five years from now, commercial real estate space devoted to retail will have shrunk by a quarter. Stores will be smaller and focused more on the experience than on the product. And local stores will be booming. Many retailers have already turned this corner,” concludes Jacques Nantel.

In the retail industry as in others, it seems the future belongs to those who can move with the times while focusing on the customer. The key to success will be to provide every client with an exceptional experience that exceeds their expectations.

RETAIL INDUSTRY DATA

Quebec retail industry, 2015

445,000

jobs

\$109

billion in sales

25,000

SMEs with 15 employees
or fewer

Source : CQCD

Canadian retail industry, 2008-2013

7%

increase in sales
compared

to 6%

(population increase)

-3.5%

reduction in the number
of retail outlets

1%

average increase
in sales per person

Source : Jacques Nantel



Quebec online shopping in 2015

\$8

billion in sales
(+22% compared to 2014)

28.5%

made purchases using
their mobile device

32.2%

of Quebec adults bought
online (+3.3% compared
to 2014) 46.5% of
purchases by the 18-44
age group are online

12%

of apparel sales
were made online

15.7%

of purchases by
over-55s were made
online

Purchases made:

39.5%

at virtual stores
(Amazon, Canadian Tire,
Simons)

34%

on classified ad sites
(Kijiji, Les PACS)

19.4%

on auction sites (eBay)

13.8%

on group-buying sites
(Tuango, Groupon)

Source: CEFRIO, Jacques Nantel

Online shopping

73.7%

use the internet to
do research before
buying online or in store

16.7%

use social media
to get information
before buying

57.9%

factor in online opinions
and recommendations
before buying

23.2%

buy or compare prices
on their mobile phones
while in a store

18%

of online sales in
the United States were
generated by Amazon.com
(US\$44B) and Walmart.
com (US\$10B) in 2014.

Source: CEFRIO

Source : Jacques Nantel

ALREADY DOWN OR ALMOST OUT

Ailes de la mode
Ainsi Soit-Elle Lingerie
Boutique Cleo
Bovet
Charmante
Esprit
Future Shop
Historia
Jacob
JB Lefebvre
Le Château
Limité
Lindor
Mexx
Parasuco
Sony
Target

Various sources

BRANDS THAT GREW 2004-2014

American Eagle Outfitters
Ardene
Atmosphere
Banana Republic
Chaussures POP
Empire
Forever 21
H&M
Jack & Jones
L'Aubainerie
La Cordée
La Vie en Rose
Lululemon
M/2 Boutiques
Mountain Equipment Co-op
Michael Kors
Old Navy
RW&Co.
Sail
Souris Mini
Sports Experts
Stitches
Urban Planet
Winners
Zara

Source: Jacques Nantel

BIG NAMES THAT ARE NOW HISTORY

(Quebec market)

A&P
Au Coton
Aventure Électronique
Beaver Lumber
Club Biz
Cumberland
Dionne Écono-Mart
Discus
Consumers Distributing
Direct Film
Dominion
Dupuis & Frères
Eaton's
Greenberg
Héritage
K-Mart
Kresge
Loeb
Magasins M
Miracle Mart
N.G. Valiquette
Pantorama
Pascal
Perrette
Pinky
Sam The Record Man
Simpson's
Super Carnaval
Steinberg
W.H. Perron
Wise
Woolco
Woolworth
Zellers

Various sources



INSURING A RETAIL BUSINESS: A GUIDE TO ADVISING YOUR CLIENT

Your customers are proud of their businesses. So they want the best protection the marketplace has to offer. That's where you come in. How? By acting in your advisory role and showing your interest in their business operation. You can use your interaction with them to work out, together, the best insurance solution for their retail store.



QUICK GUIDE TO RETAIL BUSINESS INSURANCE

Questions to help you know...

YOUR CLIENT

- How long have you been in business?
- How much experience do you have in this sector?
- Are you already insured?
If so, who is your previous insurer?
- Have you ever had insurance cancelled or not renewed by a previous insurer?
- Do you have any other business operations?
- What name does the other operation use?
(The provincial government's enterprise register should be checked to verify this information)
- Are you the business's sole proprietor?
If not, how many owners are there?
- What are your business's gross revenues?
- Have you ever had any claims?
- To allow us to present the best offer available from an insurance company, do you authorize us to obtain your credit information from credit agencies?
- What premium range are you hoping to pay?

THEIR BUSINESS

- What type of retail store do you operate?
- What exactly do you sell, and to whom?
(to determine whether it is a retailer or wholesaler)
- Do you have any sales outside Quebec?
Outside Canada?
- Is your store protected by an alarm system?
- Do you have a safe inside the store?
- How many employees do you have in total?
How many of them handle money?
- Where do the products come from?

Important information to obtain for this type of risk:

- Physical risk: total building area, business premises area, type of construction, year of construction, renovations, etc.)
- Building occupants and neighbourhood
- Business continuity plan: could the customer maintain operations in case of a major loss?

Coverages to recommend to your customer

- Value of contents (including stock, equipment and leasehold improvements)
- Replacement cost
- Gross earnings: always offer Actual Loss Sustained coverage (with no coverage limit, no coinsurance, and an indemnity period that goes beyond resumption of operations); premium basis should be receipts
- Crime coverages: to protect the business against criminal acts.
Coverage for stock, money or other property against employee dishonesty, depositor's forgery, robbery, and theft of securities
- Equipment Breakdown
- Commercial General Liability: minimum \$2,000,000 limit
- Cyber risk coverage
- Earthquake
- Flood and sewer back-up

Our products to offer a retail business

- My business and me or My business and me +: flexible solutions to suit the business's needs
- Our CIVICA line of liability insurance
- Cyber endorsement
- Legal Guard (including a legal assistance hotline for businesses)
- Synchro for Business: save time and money by combining commercial property and auto insurance

COUNT ON US FOR SMALL BUSINESS INSURANCE!

At Intact Insurance:

WE UNDERSTAND WHAT REALLY MATTERS TO YOU:

1. Fast and efficient claims handling;
2. Expertise and innovative solutions to meet your customers' needs.

WE'RE READY TO FULFILL YOUR EXPECTATIONS!

ACCEL: fast and efficient

Have you been contacted by a customer who owns a grocery store, clothing boutique, flower shop, sporting goods store or similar type of outlet, with a request to insure their business?

- For coverage up to a maximum of \$5,000,000 (building and contents) for one or two locations, your region's ACCEL underwriting team will be able to meet your expectations, quickly and efficiently.
- For manufacturers, retailers, wholesalers or contractors, other than very large risks, the Classic department and our experienced underwriters can provide all the service you need.

We're a driving force for innovation.

Our capacity for innovation has been clearly demonstrated for quite some time. Think of our wide variety of products such as CIVICA and My business and me, or our products at the forefront of changing customer needs, like the Cyber endorsement and Drone Insurance.

Whichever department you're dealing with – ACCEL or Classic – you'll get fast action to meet your customers' needs. All our professionals in your region are committed to providing you with the best turnaround times in the business. A commitment shared by the Regional Directors that head up our teams.



Alain Moreau
Director - Commercial Lines
Montreal Region



Daniel Viau
Director - Commercial Lines
2020 Region



Daniel Viau
Director - Commercial Lines
St. Hyacinthe Region



Yannick Moreau
Director - Commercial Lines
Quebec Region

Strong points of the Intact Insurance offering for small and mid-sized business

FOR YOU

Distinctive advantages in handling your property, equipment breakdown and liability risks.

- Most SME risks are processed by ACCEL (quotes within 2 hours/policies issued within 5 days) or by our Classic service (quotes within 72 hours/policies issued within 5 days)
- Highest quality service standards / Fast response to your customers' needs
- Simplicity, competitive prices
- Experienced underwriters
- Product line: property, equipment breakdown, liability (CIVICA)

FOR YOUR CUSTOMERS

Talk about all the advantages that make up our value proposition. Your customers want:

- the right protection for their situation: they get it with the My business and me product line that provides solutions tailored to the size and needs of their business (property, liability, breakdown, etc.)
- to deal with an insurer that has a good reputation for settling claims, one that is known for rock-solid financial strength and is locally based: this is Intact Insurance.
- expert advice on prevention: our loss prevention specialists are here to help them.
- to know they can trust your recommendations: this is your added value as a broker!



**ENHANCED
CYBER COVERAGE:**
MORE PROTECTION,
MORE FLEXIBILITY
BUT STILL THE
SAME PRICE!

The new, enhanced version of our Cyber product is now available! Our protection against privacy breaches has been enhanced to give you a more complete, more flexible solution to offer your customers – but the price hasn't gone up! Our new Cyber solution is still offered at last year's introductory premium of just \$96. Check out the table at right for the new options and some of the added features.

**Our new
Cyber protection**

- A comprehensive solution in case of a privacy breach
- More flexibility
- Enhanced protection
- At the same price!



Privacy breach remediation expenses \$25,000*	Business Interruption \$25,000*
\$50,000	\$50,000
\$75,000	\$75,000
\$100,000	\$100,000

\$25,000*
\$50,000

NEW

*Basic coverage amount available for \$96

DRONE INSURANCE: A SOLUTION TO MEET YOUR CUSTOMERS' SOARING EXPECTATIONS

Land surveying, aerial photography, and property inspection are just a few of the ways small businesses use unmanned aerial vehicles (UAV), commonly known as drones. As this new technology becomes more and more widely used for commercial purposes, your customers will rely on you to find equally innovative insurance solutions for them. Offer them the new Intact Insurance Unmanned Aerial Vehicle (Drone) product.



Complete protection that's easy to add to the policy

Designed for your customers who use UAVs on an incidental basis to support their regular business operations in Canada, our Drone solution includes both property and liability coverages.

Property coverage

- Based on replacement cost or actual cash value.
- Your customers can opt for either Broad Form or Named Perils coverage.
- With 90% coinsurance, there's protection for the drones, ground station equipment and apparatus (optional), cameras, surveying and sensing equipment installed in or on the insured UAV (optional), and spare parts (optional).

Liability coverage

- Offered as an extension to the CGL policy.
- Includes an amendment to the aircraft operation exclusion.
- Your customer can choose liability limits up to \$2,000,000.
- Liability limit is part of, and not in addition to, the overall CGL limit.

We are the only general insurer offering a direct solution for aerial drone insurance that does not require you to go through a specialized market. By adding this innovative solution to your product line, you're positioning yourself to meet the evolving needs of all your existing and new customers.

More good news! Your customers can now insure drones used in their farming operations: Intact Farm Insurance recently received approval from the Autorité des marchés financiers to sell the Unmanned Air Vehicle (UAV) endorsement. For details, see the upcoming "Bulletin agricole" on the Broker Portal.

INTACT INSURANCE: PRESENTER OF STRATÉGIES PME 2017

Stratégies PME 2017, Quebec's leading annual small business fair, will be held November 23-24, 2016 at Montreal's Palais des Congrès. With an expected 6,000 small business owners and managers in attendance, the fair provides an excellent platform for Intact Insurance to get close to your business customers and raise awareness of the broker network in this segment.

Added visibility with SME executives

This is the fourth consecutive year we will be participating. And this year, Intact Insurance will be have higher visibility in our role as a presenter of Stratégies PME 2017.

We will be presented as a principal partner of the conference across all promotional activities for this major event, which is likely to have a high impact on our positioning within the small business market. Aside from our participation as a sponsoring presenter, we will also be on site as an exhibitor. Our Commercial Lines professionals will be in the booth to answer your customers' questions and share the benefit of their expertise in how best to insure their business.

In short, Intact Insurance will be making the most of this major annual gathering of small and medium enterprise executives to confirm its leadership in Quebec's business insurance industry.



IN THE THICK OF THE ACTION AT THE BUS CARRIERS FEDERATION ANNUAL CONVENTION

We will once again have a presence at the Bus Carriers Federation annual convention, to be held this July 1st and 2nd at the Fairmont Tremblant hotel. In fact, we're sponsoring the event's closing banquet that will have as its theme: "Being where the action is."

When it comes to safety, Intact Insurance has been in the thick of the action for quite some time! For several years now, we have supported the Bus Carriers Federation in its annual campaign to raise general awareness of the importance of putting safety first around school buses. Our presence at the annual convention will provide a great opportunity to highlight our support.

WE WERE ALSO AT THE ACQ CONVENTION

Intact Insurance was also present as a Gold partner at the 65th annual convention of Quebec's trucking association, the ACQ (Association du camionnage du Québec) which took place at the Hilton Hotel in Quebec City from April 28th to 30th.

"Performance comes first" (Misons sur la performance) was the theme of the 2016 edition which welcomed over 700 attendees. The vast majority of the participants were freight carriers, allowing us to promote our trucking insurance offering to this customer segment.

We also underlined the quality of our offering in the ACQ's new membership communications tool, the Bulletin des experts, with an article entitled, "At Intact Insurance, performing means... what we do every day to provide coverage and support to freight carriers". This article will provide visibility for Intact Insurance and the broker network among your trucking clientele.



2 PDU FOR OUR TRAINING COURSE ON MY FLEET SOLUTION

Good news! Our presentation on the my Fleet Solution program has been approved by the Chambre de l'assurance de dommages for 2 PDUs. By taking this training, entitled Programme de télématique pour les flottes automobiles (Automobile Fleet Telematics Program) and delivered by Ingrid Marini, Program Manager at Fleet Complete, you can now earn two professional development units. Ms. Marini has received her accreditation as a trainer from the ChAD. To enrol, contact your Business Development Advisor.

A billboard advertisement for TGVV commercial auto insurance quotes. The billboard is mounted on a silver pole and features the TGVV logo in red and white. The text on the billboard reads: "GETTING A COMMERCIAL AUTO INSURANCE QUOTE HAS NEVER BEEN SO QUICK AND SIMPLE" and "TRY US OUT! CALL YOUR REGIONAL OFFICE TODAY." The billboard is set against a white background with a grey border.

TGVV
HIGH SPEED RATING HOTLINE
FOR TELEPHONE QUOTES

GETTING A
COMMERCIAL AUTO
INSURANCE QUOTE
**HAS NEVER
BEEN SO QUICK
AND SIMPLE**

TRY US OUT!
CALL YOUR REGIONAL OFFICE TODAY.