



Our Canadian team's expertise goes beyond traditional underwriting; we provide end-to-end cyber risk management solutions to our clients, including refined cyber modelling and reports.

How we're prioritizing privacy and cyber security to protect Canadians

By: Emma Suschkov, Underwriter, Cyber and Professional Liability

An increasing number of Canadian organizations are viewing cyber security and privacy related risks as a top organizational priority. This is a reasonable concern given the increasing number of cyber-attacks against Canadian businesses. According to [research by Statistics Canada](#), one in five Canadian businesses were impacted by cyber security incidents in 2017 – and numbers for 2018 and 2019 will likely be even higher.

To help clients address this primary concern, AIG has developed a revolutionary [Cyber Smart Application](#), with the goal to connect cyber risk assessment with the insurance purchasing process. This transparency around risk assessment is achieved through [SAR](#) and [ESR](#) reports, which are provided on a complimentary basis to all of our clients who complete the application process. Our Canadian team's expertise goes beyond traditional underwriting; we provide end-to-end cyber risk management solutions to our clients, including refined cyber modelling and reports. Furthermore, our [cyber risk consulting and complimentary loss prevention services](#) have helped our clients

prevent incidents before they occur. We are not just underwriters – we are partners.

At AIG Canada, our cyber team is proud to partner with Canadian clients of all sizes and from a wide variety of industries. Our team has a coast-to-coast presence comprising eleven underwriters and our experience is rooted in AIG Canada's 20-year history of designing and underwriting cyber insurance. AIG was the first cyber insurer in Canada in 1999 and has continued its tradition of product innovation with coverage that goes beyond standard cyber policies. Our suite of CyberEdge products includes a comprehensive range of first- and third-party coverages. Our pioneering [CyberEdge Plus](#) policy addresses the pitfalls of silent cyber by [providing solutions to address gaps](#) among insurance policies for cyber risk.

In subsequent newsletters, we will share key information and developments in cyber security and privacy; in the meantime, come meet us at the upcoming NetDiligence and ICRMC conferences.

Helping your clients manage risk abroad

By: Zachary McWhirter, Manager, Public Accounts

Working hand-in-hand with AIG Multinational, a Financial Lines underwriter can create a Multinational Program tailored specifically for your client's needs around the world. Whether based on compliance, local claims response, regulatory and tax requirements, local evidence of insurance, jurisdictional coverage nuances or simply local preferences, AIG will work with you to create a program to address your client's needs.

The placement of a multinational program can be very rewarding for all parties involved. The process of gathering the information required to build one requires a deep understanding of our client's exposures and operations around the world; it's what enables these programs and consequently, long-term partnerships, to be successful. Some examples of information we may require include: local revenues, employee counts and names of insured companies and persons, local operational details and local coverage requirements to name a few (these can all vary depending on country). With planning and communication, together we can build a tailored program to suit your client's needs; demonstrating real value as their broker and insurer.

To that end, in our first newsletter I wanted to share the many resources available to you which help facilitate these valuable programs:



EDUCATION:

- [AIG Multinational Article "What Can Go Wrong When Something's Not Right"](#)
- [The End to End Process](#) which outlines timelines and requirements
- [AIG Multinational Playbook](#) – outlines Why AIG
- [AIG Multinational Knowledge and Insights](#)



FACILITATION:

- [Multinational Program Design Tool](#) – Helps identify program priorities and design (please click through for access to this tool)
- Multinational Client Briefs and other MN Xpress output documents – country by country analysis of your client's current or proposed program (ask your underwriter to provide you with a copy)
- Stay up to speed on local country policy issuance and invoicing to manage your program (ask your underwriter for access)

Please utilize these great resources to access AIG's expertise in Multinational and to develop your own. I also encourage you to reach out to me or any other member of our Financial Lines team with any questions you may have or to review any of the tools and resources I've mentioned. In future newsletters, we'll explore in more depth, specific aspects of Multinational programs and their design.

RECENT & UPCOMING EVENTS

02.03-06.19

ABA Insurance Risk Management

Forum: AIG Canada's Candace Colquhoun and Marc Lipman attended the conference. Participation included meetings with large Canadian banking institutions, as well as attendance of conference panel discussions on relevant risk management issues for banks.

02.06-07.19

PLUS D&O Symposium:

Cory Arabia and Michelle Alexander attended the conference on behalf of AIG Canada. Participation included client meetings and attendance of conference panel discussions on current D&O insurance topics.

03.07.19

AIG University Presentation –

Securities Class Action: Alex Asai will be presenting as part of the AIG University program in Vancouver.

03.11-15.19

Multinational – Client Portal

Demonstrations: Zachary McWhirter and Daniella Laferriere, along with Gina Cornick, visited multiple brokerages in Calgary and Vancouver to discuss Multinational and AIG's Client Portal.

04.03-05.19

NetDiligence Cyber Risk

Summit: Ruby Rai and Joe Fidilio will be participating in separate panel presentations, discussing CAT Cyber exposure and assessing BI Claims, respectively.

04.15-16.19

International Cyber Risk

Management Conference: Ruby Rai will be presenting on one of the panel discussions and the full Cyber team will be in attendance, along with members of the FI and Claims teams.

2019 first quarter current events

By: Alex Fernandes, Senior Underwriter, Public Accounts



NERA Economic Consulting published *Trends in Canadian Securities Class Actions: 2018 Update* in February, which used NERA's database of securities class action information.

Some highlights include: eight Canadian securities class actions were settled during 2018, the largest number of annual settlements since 2008; nine actions involving Canadian-domiciled issuers were filed in the U.S. during 2018, tied for the highest in any year since 2006; eight new securities class actions were filed in Canada during 2018, six of which involved companies with shares listed on a public stock exchange; five of the eight new Canadian cases had a parallel class action filed in the U.S.¹

- Note – NERA also published *Recent Trends in Securities Class Action Litigation: 2018 Full-Year Review* in January, which noted that 441 new securities class actions were filed in U.S. federal courts in 2018, the highest number of filings since 2000. This record is combined with a record number of cases (351) being resolved in 2018, aggregate plaintiff legal fees totaling 70% more than in 2017, and median settlement almost reaching double that of 2017.²

In the *Orphan Well Association v. Grant Thornton Ltd* case, the Supreme Court of Canada ruled that companies and/or their receivers may not abandon environmental liabilities and transfer those costs to an industry-funded group (Orphan Well Association [OWE]), which typically handles cleanup of abandoned sites. The specific case involved Redwater Energy, an oil and gas company that filed for bankruptcy in 2015, whose receiver alleged that creditors come first under *Canada's Bankruptcy and Insolvency Act*.³ The opposing argument was that the sale of assets should be used to restore the company's sites. Energy Minister Margaret McCuaig-Boyd noted that the ruling was "in favour of the polluter-pays principle".⁴

Vale SA's Feijao dam breach in Brazil caused significant damages, injuries and deaths, as well as a significant stock drop which eliminated \$18B in market value.⁵ Two Vale executives were arrested on February 15th, and 17 employees have been detained for questioning.⁶

A derivative suit related to Yahoo's data breach (which may have impacted up to 3B users) settled for \$29M. Shareholders had previously filed a securities class action lawsuit against Yahoo and specific directors and officers, which settled for \$80M in March of 2018. In addition to the securities claim, several derivative lawsuits were launched against directors and officers, which were later consolidated. The combined claim alleged breach of fiduciary duty, insider trading, unjust enrichment, and waste.⁷

The U.S. Government Shutdown has had an impact on the U.S economy, and directly affected publicly traded companies in the U.S as well as potential U.S IPOs.

Without the ability to obtain SEC approval, the shutdown has forced companies to delay, creating a significant backlog of offerings. This issue is especially relevant this year, with many private tech companies (dubbed as "unicorns") looking to go public as investors attempt to monetize their positions. There have been situations where companies have gone public without SEC approval, but this path can carry substantial risk.⁸ Delayed public offerings could impact those companies that have planned for an influx of proceeds to assist with operations, and/or impact those investors that have planned their monetization strategies. The shutdown, as it affected the U.S. economy, also affected corporations' financial performance and growth prospects in the U.S., which could have a negative effect on shareholder sentiment as well as businesses' ability to meet obligations.⁹

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The Brexit vote was passed on June 23, 2016, with 51.9% voting to Leave. The UK subsequently invoked Article 50 of the Lisbon Treaty which set a two year period to agree on the terms of the split. This two year process was triggered on March 29, 2017, which means the UK was scheduled to leave the European Union on March 29, 2019. At the time of writing, EU leadership agreed to extend the deadline to April 12, 2019. As this situation is fluid, a number of options are on the table. If a deal cannot be reached, the UK may sever all ties with the EU immediately (called a “no-deal Brexit”). Leaving without a deal could have a significant impact on the UK economy, as travel/trade between borders could be substantially strained.¹⁰

AIG's plans for Brexit can be explored here: www.aig.ie/microsites/brexit

¹ Heys, B. A., & Patton, R. (2019, February 13). “Trends in Canadian Securities Class Actions: 2018 Update”. NERA Economic Consulting. Retrieved February 19, 2019, from <https://www.nera.com/publications/archive/2019/trends-in-canadian-securities-class-actions--2018-update.html>

² Boetrich, S., & Svetlana, S. (2019, January 29). “Recent Trends in Securities Class Action Litigation: 2018 Full-Year Review”. NERA Economic Consulting. Retrieved February 15, 2019, from <https://www.nera.com/publications/archive/2019/recent-trends-in-securities-class-action-litigation--2018-full-y.html>

³ Orland, K. (2019, January 31). “Bankrupt oil firms must fund cleanup of old wells, top court rules”. BNN Bloomberg. Retrieved February 15, 2019, from <https://www.bnnbloomberg.ca/bankrupt-energy-companies-can-t-abandon-old-wells-top-rules-1.1207168>

⁴ Schmidt, C. (2019, January 31). “Supreme Court of Canada upholds ‘polluter-pays’ principle regarding orphan wells”. CTV News Calgary. Retrieved February 15, 2019, from <https://calgary.ctvnews.ca/supreme-court-of-canada-upholds-polluter-pays-principle-regarding-orphan-wells-1.4276641>

⁵ Watson, R. T., Andrade, V., & Spinetto, J. (2019, January 28). “Vale’s Dam Breach in Brazil Leaves Dozens Dead; Stock Plunges”. Bloomberg. Retrieved February 15, 2019, from <https://www.bloomberg.com/news/articles/2019-01-28/after-dam-disaster-vale-s-board-considers-suspending-dividends>

⁶ (2019, February 15). “Brumadinho dam collapse: Eight arrests at Brazil’s Vale”. BBC News. Retrieved February 15, 2019, from <https://www.bbc.com/news/business-47252043>

⁷ LaCroix, K. (2019, January 21). “Yahoo Data Breach-Related Derivative Suit Settled for \$29 Million”. The D&O Diary. Retrieved February 15, 2019, from <https://www.dandodiary.com/2019/01/articles/cyber-liability/yahoo-data-breach-related-derivative-suit-settled-29-million/>

⁸ Pisani, B. (2019, January 24). “The government shutdown is now altering the IPO business”. CNBC. Retrieved February 15, 2019, from <https://www.cnbc.com/2019/01/24/the-government-shutdown-is-now-altering-the-ipo-business.html>

⁹ McCormick, E. (2019, January 24). “What corporate America is saying about the government shutdown”. Yahoo Finance. Retrieved February 15, 2019, from <https://finance.yahoo.com/news/corporate-america-ceos-saying-government-shutdown-133652692.html>

¹⁰ Hunt, A. & Wheeler, B. (2019, January 31). “Brexit: All you need to know about the UK leaving the EU”. BBC News. Retrieved February 15, 2019, from <https://www.bbc.com/news/uk-politics-32810887>

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