SECTION 2

Canada’s P&C insurance industry by line of business

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In the event of an automobile collision, auto insurance covers the owner of the vehicle, the driver operating the vehicle with the owner’s consent, passengers, pedestrians and property.

In 2019, auto insurance, which is required by law in every Canadian province and territory, accounted for approximately half of the insurance business written by P&C insurers.

There are about 109 private P&C insurance companies competing for auto insurance business in Canada. In addition to these private insurers, government-owned insurers in British Columbia, Saskatchewan and Manitoba provide the mandatory component of auto insurance in those provinces, in addition to some optional coverages. In Quebec, a portion of the mandatory component is provided by the government-owned insurer and the other portion by private insurers.
MANDATORY INSURANCE

There are three kinds of mandatory coverage:

Accident benefits coverage helps people recover from injuries sustained in a collision. It pays for medical care, rehabilitation, income replacement and other applicable benefits to aid the recovery of collision victims, including drivers, passengers and pedestrians. In the case of a death, this coverage also provides funeral expenses and survivor benefits. This insurance is mandatory in all provinces except Newfoundland and Labrador. In some provinces, it is referred to as “Section B” benefits.

Accident benefits are paid on a no-fault basis. This means that the benefits are available to anyone injured in a vehicle collision regardless of whether he or she was “at fault” for the collision. See details under the “No-Fault Insurance” heading in this section.

Third-party liability (TPL) coverage protects the insured driver and/or owner of the vehicle if the motor vehicle injures or kills someone or damages someone’s property through the fault of the driver. TPL is required by law in all provinces. Within TPL coverage, most provinces operate a direct compensation property damage (DCPD) vehicle damage framework, whereby a driver works with his or her own insurer to repair his or her vehicle and other damaged property inside the vehicle instead of recovering damages from the at-fault driver. DCPD is in place in Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

Uninsured auto coverage protects an insured person if he or she is injured through the fault of a driver who does not have auto insurance or is unidentified.

OPTIONAL INSURANCE

Collision and comprehensive insurance are optional in all provinces except Saskatchewan and Manitoba, where both are mandatory.

Collision coverage pays for the cost of repairing or replacing a vehicle following a collision with another vehicle or object, such as a tree, house, guardrail or pothole. Comprehensive coverage pays for repairs to or replacement of a vehicle for damage caused by something other than a collision; for example, fire, theft, vandalism or wind.

“NO-FAULT” INSURANCE

The concept of “no-fault” insurance developed over time as a way to reduce the legal and administrative costs associated with having to prove fault in a vehicle collision.

Before no-fault, insurers required those involved in a collision to establish which driver was at fault. The insurer of the at-fault driver would be responsible for covering the losses resulting from injuries arising from the incident that were suffered by those who were not at fault. This process was lengthy and required expensive investigation and often litigation.

In a pure no-fault car insurance system, if a person is injured or his or her car is damaged in a collision, the person deals directly with his or her own insurance company, regardless of who is at fault. The injured person does not have the right to sue the person who was at fault to recover damages for his or her injury.

In most provinces and territories, the person who did not cause the collision has the right to sue the at-fault driver for damages. In some provinces, however, the person who did not cause the collision has the right to sue the at-fault driver for pain and suffering damages only if his or her injuries meet a prescribed threshold.

Every province offers some degree of no-fault insurance. Two provinces – Manitoba and Quebec – have pure no-fault systems. Other provinces use a mix of no-fault and tort-based systems. Some specify accident benefits limits and the right to sue for additional compensation under certain specified situations, such as when injuries are determined to be permanent and serious.

Every province and territory offers some degree of no-fault insurance.
Auto insurance falls within provincial jurisdiction and the rules are slightly different in each province. The following charts compare provincial regulations and have been abbreviated for space and edited for consistency and clarity.

This information is for educational purposes only; IBC recommends consulting a qualified professional for further assistance.

A note about terminology: Some provincial acts refer to “spouse” and some to “spouse/partner,” which have different definitions. Some provinces use the term “unpaid housekeeper,” which is called “homemaker” or “non-earner benefit” in other provinces. “Head of household” is usually defined as the spouse or partner with the larger income in the previous 12 months. For the full legal terminology, see the links in the Sources section at the end of each provincial chart.
SECTION 2
AUTO INSURANCE

British Columbia
as of January 1, 2020

MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $20,000.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Not applicable.

MEDICAL PAYMENTS:
Up to $300,000/person.

FUNERAL EXPENSE BENEFITS:
Up to $7,500.

DISABILITY INCOME BENEFITS:
Up to $740 per week; homemaker up to $280 per week.

DEATH BENEFITS:
Up to $30,000 to spouse and up to $6,000 to each dependent child.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes. If injury is deemed “minor” under provincial legislation, maximum award is $5,500.

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Government (limited competition between government and private insurers for optional and additional coverage).

Sources:

Comparison of mandatory private passenger auto insurance coverage by province

Quebec nwt pei yukonalberta nun
sask newf ont nb mbbc ns
MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $10,000.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Not applicable.

MEDICAL PAYMENTS:
Up to $50,000/person.

FUNERAL EXPENSE BENEFITS:
$5,000.

DISABILITY INCOME BENEFITS:
80% of gross weekly wages to maximum $400/week; up to 104 weeks for total disability; nothing payable for the first seven days of disability; non-earner benefit (unemployed person 18 years or older) $135/week, up to 26 weeks.

DEATH BENEFITS:
Death of head of household $10,000, plus 20% ($2,000) for each dependent survivor after first, plus additional $15,000 for first survivor and $4,000 for each remaining survivor; death of spouse/adult interdependent partner of head of household $10,000; death of dependent relative, according to age, maximum $3,000; grief counselling up to $400 per family with respect to death of any one person.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes. If injury is deemed “minor” under provincial legislation, maximum award is $5,296.

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Private insurers.

MANDATORY MINIMUM THIRD-PARTY LIABILITY: $200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $10,000.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED? Not applicable.

If no-fault option selected:

**MEDICAL PAYMENTS:**
Up to $7,194,892/person.

**FUNERAL EXPENSE BENEFITS:**
$10,790.

**DISABILITY INCOME BENEFITS:**
90% of net wages based on actual gross annual income that is less than $98,643/year; nothing payable for the first seven days of disability, unless catastrophically injured.

**DEATH BENEFITS:**
45% of deceased’s net income benefit to spouse; 5% of deceased’s net income to each dependent child; if no spouse, $16,494 to each surviving parent or child (21 years or older), to maximum $74,226; death of dependent child $32,988.

**IMPAIRMENT BENEFITS:**
Up to $206,181/person for non-catastrophic injury, up to $251,821 for catastrophic injury.

**RIGHT TO SUE FOR PAIN AND SUFFERING?**
No.

**RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?**
Yes.

**ADMINISTRATION:**
Government (government and private insurers compete for optional and additional coverage).

Sources:
- SGI Basic Auto Injury Insurance, https://www.sgi.sk.ca/basic-auto-injury-insurance

If tort option selected:

**MEDICAL PAYMENTS:**
Up to $28,159/person for non-catastrophic injury, up to $211,189 for catastrophic injury.

**FUNERAL EXPENSE BENEFITS:**
$7,040.

**DISABILITY INCOME BENEFITS:**
Up to two years; $453/week for total disability (lifetime if unable to return to any job); $226/week for partial disability; maximum $23,556/year.

**DEATH BENEFITS:**
45% of deceased’s net income; 5% of calculated death benefits to each dependent child; if no spouse or dependant, estate receives up to $14,079.

**IMPAIRMENT BENEFITS:**
Up to $14,079/person for non-catastrophic injury, up to $183,031 for catastrophic injury.

**RIGHT TO SUE FOR PAIN AND SUFFERING?**
Yes, subject to deductible of $5,000.

**RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?**
Yes.

**ADMINISTRATION:**
Government (government and private insurers compete for optional and additional coverage).
SECTION 2
AUTO INSURANCE

Manitoba
as of March 1, 2020

**MANDATORY MINIMUM THIRD-PARTY LIABILITY:**
$200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $20,000.

**DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?**
Not applicable.

**MEDICAL PAYMENTS:**
No time or amount limit.

**FUNERAL EXPENSE BENEFITS:**
$8,951 (maximum).

**DISABILITY INCOME BENEFITS:**
90% of net wages based on actual gross annual income that is less than $101,000/year; nothing is payable for the first seven days of disability.

**DEATH BENEFITS:**
Death any time after injury; benefits for partners depend on wage and age of deceased, minimum $65,674; benefits for dependent children are age-defined and range from $31,193 to $57,465; disabled dependants receive an additional $28,731; non-dependent children or parents receive $14,625.

**IMPAIRMENT BENEFITS:**
Minimum $821/week to maximum $164,181 for non-catastrophic injury; maximum $259,245 for catastrophic injury (includes indemnity for non-catastrophic injury of $164,181).

**RIGHT TO SUE FOR PAIN AND SUFFERING?**
No.

**RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?**
No.

**ADMINISTRATION:**
Government.

**Sources:**
Ontario
as of January 1, 2020

MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $10,000.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Yes.

MEDICAL PAYMENTS:
Up to $3,500 for minor injury; up to $65,000/person for non-minor, non-catastrophic injury for up to five years; up to $1 million for catastrophic injury.

FUNERAL EXPENSE BENEFITS:
$6,000 (if optional indexation coverage is purchased, this amount may be higher).

DISABILITY INCOME BENEFITS:
Income replacement benefit: 70% of gross wages to maximum $400/week, minimum $185/week for 104 weeks (longer if victim is unable to pursue any suitable occupation); nothing is payable for the first seven days of disability.

Non-earner benefit (disabled unemployed persons, students enrolled in education full-time, or students who completed their education less than one year before the accident and are not employed): $185/week for 104 weeks; four-week wait; limit two years. Not available if the insured is eligible for, and elects to receive, the income replacement or caregiver benefit.

DEATH BENEFITS:
Death within 180 days of accident (or three years if continuously disabled prior to death); $25,000 minimum to spouse, $10,000 to each surviving dependant, $10,000 to each parent/guardian (if optional indexation coverage is purchased, these amounts may be higher).

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes, if injury meets severity test (called “threshold”), and subject to deductible. Lawsuit allowed only if injured person dies or sustains permanent and serious disfigurement and/or impairment of important physical, mental or psychological function. The court assesses damages and deducts $39,556 ($19,778 for a Family Law Act claim).

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
Yes. Income replacement award above no-fault benefit is based on net income after deductions for income tax, Canada Pension and Employment Insurance. Injured person may sue for 70% of net income loss before trial, 100% of gross after trial; also for medical, rehabilitation and related costs when injury meets severity test for pain and suffering claims.

ADMINISTRATION:
Private insurers.

Sources:
Quebec
as of January 1, 2020

PRIVATE INSURANCE
MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$50,000 is available for any one accident; liability limits relate to property damage claims within Quebec and to personal injury and property damage claims outside Quebec.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Yes.

PUBLIC INSURANCE
MEDICAL PAYMENTS: No time or amount limit.
FUNERAL EXPENSE BENEFITS: $5,479.
DISABILITY INCOME BENEFITS: 90% of net wages based on actual gross annual income that is less than $78,500/year; nothing is payable for the first seven days of disability; indexed.

DEATH BENEFITS:
Death any time after accident; benefits depend on gross annual income multiplied by a factor between one and five, depending on age of victim; benefits for spouse range from $73,115 to $392,500; benefits for dependent children are age-defined and range from $34,728 to $63,978; if there is no surviving spouse/dependant, parents or estate receive $58,603.

IMPAIRMENT BENEFITS: Up to $256,383.

RIGHT TO SUE FOR PAIN AND SUFFERING?
No.

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
No.

ADMINISTRATION:

MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $20,000.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Yes.

MEDICAL PAYMENTS:
Up to $50,000/person; four-year time limit.

FUNERAL EXPENSE BENEFITS:
$2,500.

DISABILITY INCOME BENEFITS:
Maximum $250/week; 104 weeks for partial disability, lifetime for total disability; must be disabled for at least seven days to qualify; unpaid housekeeper $100/week, maximum 52 weeks.

DEATH BENEFITS:
Death within 180 days (or two years if continuously disabled prior to death); death of head of household $50,000, plus $1,000 to each dependent survivor after first; death of spouse/partner $25,000; death of dependant $5,000.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes. If injury is deemed “minor” under provincial legislation, maximum award is $8,305.50.

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Private insurers.

Nova Scotia
as of January 1, 2020

MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$500,000 is available for any one accident.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Yes.

MEDICAL PAYMENTS:
Up to $50,000/person; four-year time limit.

FUNERAL EXPENSE BENEFITS:
$2,500.

DISABILITY INCOME BENEFITS:
Maximum $250/week; 104 weeks for partial disability; lifetime for total disability; must be disabled for at least seven days to qualify; unpaid housekeeper $100/week, maximum 52 weeks.

DEATH BENEFITS:
Death within 180 days after accident (or two years if continuously disabled prior to death); death of head of household $25,000, plus $1,000 to each dependent survivor after first; death of spouse/partner $25,000; death of dependant $5,000.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes. If injury is deemed “minor” under provincial legislation, maximum award is $8,911.

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Private insurers.

Sources:
NSPF No. 1 Automobile Policy (owner’s form) for Nova Scotia, December 18, 2018, https://www.novascotia.ca/finance/site-finance/media/finance/insurance/NSPF_no1_Standard_Automobile_Policy.pdf
MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a
claim involving both bodily injury and property damage
reaches this figure, payment for property damage will be
capped at $10,000.

DIRECT COMPENSATION PROPERTY
DAMAGE REQUIRED?
Yes.

MEDICAL PAYMENTS:
Up to $50,000/person; four-year time limit.

FUNERAL EXPENSE BENEFITS:
$2,500.

DISABILITY INCOME BENEFITS:
Maximum $250/week; 104 weeks for partial disability;
lifetime for total disability; must be disabled for at least
seven days to qualify; unpaid housekeeper $100/week,
maximum 52 weeks.

DEATH BENEFITS:
Death within 180 days after accident (or two years if
continuously disabled prior to death); death of head of
household $50,000, plus $1,000 to each dependent survivor
after first; death of spouse of head of household $25,000;
death of dependant $5,000.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes. If injury is deemed “minor” under provincial
regulation, maximum award is $7,952.

RIGHT TO SUE FOR ECONOMIC LOSS IN
EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Private insurers.

Sources:
Insurance Act, R.S.P.E.I. 1988, c I-4,
S.P.F. No. 1 Standard Automobile Policy for Prince Edward Island, Effective on or after October 1, 2015,
https://www.princeedwardisland.ca/sites/default/files/publications/standard_owners_policy_-_s.p.f._
no_1_for_accidents_occuring_on_or_after_october_1_2015.pdf
Office of Superintendent of Insurance – Bulletin: Automobile Insurance Minor Injury Cap – Annual
cap-annual-indexation
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Newfoundland and Labrador
as of January 1, 2020

MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a
claim involving both bodily injury and property damage
reaches this figure, payment for property damage will be
capped at $20,000.

DIRECT COMPENSATION PROPERTY
DAMAGE REQUIRED?
Yes.

MEDICAL PAYMENTS:
(Optional to buy.) Up to $25,000/person; four-year
time limit.

FUNERAL EXPENSE BENEFITS:
(Optional to buy.) $1,000.

DISABILITY INCOME BENEFITS:
(Optional to buy.) Maximum $140/week; 104 weeks
for partial disability; lifetime for total disability; must
be disabled for at least seven days to qualify; unpaid
housekeeper $70/week, maximum 12 weeks.

DEATH BENEFITS:
(Optional to buy) Death within 180 days (or two years if
continuously disabled prior to death); death of head of
household $10,000, plus $1,000 to each dependent survivor
after first; death of spouse $10,000; death of dependant
$2,000.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes. Awards are subject to deductible of $5,000
(as of January 1, 2020).

RIGHT TO SUE FOR ECONOMIC LOSS IN
EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Private insurers.

Sources: Automobile Insurance Act, Chapter A-22,
https://www.assembly.nl.ca/Legislation/ni/statutes/a22.htm
Newfoundland and Labrador Standard Automobile Policy S.P. No.1, effective January 1, 2020
(not available online)
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AUTO INSURANCE

Yukon
as of January 1, 2020

MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $10,000.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Not applicable.

MEDICAL PAYMENTS:
Up to $10,000/person; two-year time limit.

FUNERAL EXPENSE BENEFITS:
$2,000.

DISABILITY INCOME BENEFITS:
80% of gross wages to maximum $300/week; 104 weeks for temporary or total disability; nothing is payable for the first seven days of disability; unpaid housekeeper $100/week, maximum 26 weeks.

DEATH BENEFITS:
Death any time after accident; death of head of household $10,000, plus $2,000 to each dependent survivor other than the first, and 1% of total principal sum to each dependant/survivor after first, for 104 weeks; death of spouse of head of household $10,000; death of dependent relative, according to age, maximum $3,000.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes.

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Private insurers.

Sources:
Insurance Act, Schedule of Benefits, O.I.C. 1988/090,
Yukon Territories Standard Automobile Policy S.P. No. 1 (not available online)
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AUTO INSURANCE

Northwest Territories and Nunavut
as of January 1, 2020

MANDATORY MINIMUM THIRD-PARTY LIABILITY:
$200,000 is available for any one accident; however, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage will be capped at $10,000.

DIRECT COMPENSATION PROPERTY DAMAGE REQUIRED?
Not applicable.

MEDICAL PAYMENTS:
Up to $25,000/person; four-year time limit.

FUNERAL EXPENSE BENEFITS:
$1,000.

DISABILITY INCOME BENEFITS:
80% of gross weekly wages to maximum $140/week; 104 weeks for temporary disability; lifetime for total disability; nothing is payable for the first seven days of disability; unpaid housekeeper $100/week, maximum 12 weeks.

DEATH BENEFITS:
Death within 180 days after accident (or two years if continuously disabled prior to death); death of head of household $10,000, plus $1,500 to single survivor or $2,500 to each survivor after first if more than one; death of spouse of head of household $10,000; death of dependant $2,000.

IMPAIRMENT BENEFITS:
Not applicable.

RIGHT TO SUE FOR PAIN AND SUFFERING?
Yes.

RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS?
Yes.

ADMINISTRATION:
Private insurers.

Sources:
Northwest Territories Standard Automobile Policy S.P.F. No.1 (not available online)
Nunavut Territories Standard Automobile Policy S.P.F. No.1 (not available online)
### Premiums and claims

Private insurers wrote auto insurance policies for a total of $27.5 billion in direct written premiums in 2019.

Automobile insurance premiums, like all insurance premiums, are determined based on risk. Insurers estimate how likely it is that a customer – and a group of customers with a similar set of circumstances – will make a claim, and how much those claims will likely cost in a given year. A number of factors help to determine car insurance premiums. These include where a customer lives, the type of vehicle the customer drives, how the vehicle is used, and the customer’s driving record and driver profile. (A driver profile includes the claims history of a group of customers of the same age, for example.)

In 2019, Canadian private P&C insurers paid out $20.3 billion in direct claims incurred to policyholders for all types of auto insurance coverage: third-party liability, accident benefits, collision and comprehensive, and other coverages. Third-party liability claims payouts accounted for 47.1% of all direct claims incurred. The vast majority of claims – 83.5% – were for incidents involving private passenger vehicles.

A note about terminology: The following three tables show claims costs by accident year, which is how much insurers will have to pay out regarding all incidents that occurred in that year (in some instances claims arising from those incidents may be paid in future years).

### Costs of Claims for Private Passenger Auto by Type of Coverage in $000, 1994 to 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Third-Party Liability (Includes DCPD Where Applicable)</th>
<th>Accident Benefits</th>
<th>Collision</th>
<th>Comprehensive</th>
<th>Other</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>1994</td>
<td>1,844,546</td>
<td>1,404,122</td>
<td>777,597</td>
<td>655,119</td>
<td>110,267</td>
<td>4,791,652</td>
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<td>1995</td>
<td>1,873,421</td>
<td>1,326,969</td>
<td>745,668</td>
<td>668,055</td>
<td>142,629</td>
<td>4,756,741</td>
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<td>1996</td>
<td>2,042,668</td>
<td>1,299,208</td>
<td>741,631</td>
<td>670,471</td>
<td>161,114</td>
<td>4,915,092</td>
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<td>1998</td>
<td>2,601,141</td>
<td>1,132,328</td>
<td>735,814</td>
<td>578,644</td>
<td>251,870</td>
<td>5,299,796</td>
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<td>1999</td>
<td>3,050,302</td>
<td>1,365,574</td>
<td>829,869</td>
<td>537,762</td>
<td>282,720</td>
<td>6,066,227</td>
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<td>2000</td>
<td>3,321,590</td>
<td>1,615,065</td>
<td>964,951</td>
<td>579,363</td>
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<td>2001</td>
<td>3,490,779</td>
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<td>2002</td>
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<td>8,098,790</td>
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<td>2003</td>
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<td>2004</td>
<td>3,258,054</td>
<td>1,774,309</td>
<td>934,936</td>
<td>486,695</td>
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<td>2005</td>
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<td>989,146</td>
<td>534,151</td>
<td>409,870</td>
<td>7,146,476</td>
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<td>2006</td>
<td>3,452,617</td>
<td>2,179,485</td>
<td>1,065,165</td>
<td>533,692</td>
<td>415,216</td>
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<td>2007</td>
<td>3,804,933</td>
<td>2,499,385</td>
<td>1,246,512</td>
<td>637,617</td>
<td>442,290</td>
<td>8,630,738</td>
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<tr>
<td>2008</td>
<td>3,924,424</td>
<td>2,861,450</td>
<td>1,265,991</td>
<td>663,710</td>
<td>463,426</td>
<td>9,179,001</td>
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<tr>
<td>2009</td>
<td>4,284,666</td>
<td>3,964,697</td>
<td>1,208,918</td>
<td>664,655</td>
<td>482,248</td>
<td>10,605,184</td>
</tr>
<tr>
<td>2011</td>
<td>4,184,042</td>
<td>2,329,416</td>
<td>1,236,996</td>
<td>643,629</td>
<td>458,496</td>
<td>8,852,579</td>
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<tr>
<td>2012</td>
<td>4,277,284</td>
<td>2,387,209</td>
<td>1,238,674</td>
<td>787,297</td>
<td>421,193</td>
<td>9,111,656</td>
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<td>2013</td>
<td>4,646,659</td>
<td>2,626,543</td>
<td>1,384,071</td>
<td>802,441</td>
<td>459,440</td>
<td>9,919,155</td>
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<tr>
<td>2014</td>
<td>4,847,109</td>
<td>2,678,646</td>
<td>1,491,894</td>
<td>856,949</td>
<td>483,262</td>
<td>10,357,860</td>
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<td>2015</td>
<td>5,448,984</td>
<td>3,022,762</td>
<td>1,602,331</td>
<td>895,524</td>
<td>537,865</td>
<td>11,507,466</td>
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<tr>
<td>2016</td>
<td>5,696,291</td>
<td>3,143,518</td>
<td>1,743,591</td>
<td>1,105,532</td>
<td>620,587</td>
<td>12,309,519</td>
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<tr>
<td>2017</td>
<td>5,739,251</td>
<td>2,837,216</td>
<td>1,913,729</td>
<td>949,978</td>
<td>701,711</td>
<td>12,141,884</td>
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<tr>
<td>2018</td>
<td>5,828,420</td>
<td>2,863,925</td>
<td>2,086,217</td>
<td>1,077,590</td>
<td>837,823</td>
<td>12,693,976</td>
</tr>
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</table>

Source: GISA Automobile Insurance Experience Exhibits
PRIVATE PASSENGER AUTO INSURANCE CLAIMS, 2018

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third-party liability</td>
<td>1,198,374</td>
<td>1,198,117</td>
<td>8,321,193</td>
<td>9,218,521</td>
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<tr>
<td>Accident benefits</td>
<td>424,966</td>
<td>128,580</td>
<td>294,866</td>
<td>299,801</td>
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<tr>
<td>Collision</td>
<td>5,828,420</td>
<td>2,863,925</td>
<td>2,086,217</td>
<td>1,077,590</td>
<td></td>
</tr>
<tr>
<td>Comprehensive</td>
<td>13,667</td>
<td>26,140</td>
<td>6,188</td>
<td>2,999</td>
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</tr>
</tbody>
</table>

COMMERCIAL AUTO INSURANCE CLAIMS, 2018

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third-party liability</td>
<td>1,046,448</td>
<td>1,040,690</td>
<td>401,186</td>
<td>516,188</td>
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<tr>
<td>Accident benefits</td>
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<td>2,854</td>
<td>8,184</td>
<td>10,705</td>
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<tr>
<td>Collision</td>
<td>556,741</td>
<td>81,458</td>
<td>91,764</td>
<td>90,445</td>
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<td>Comprehensive</td>
<td>495,13</td>
<td>2,086,217</td>
<td>2,086,217</td>
<td>2,086,217</td>
<td></td>
</tr>
</tbody>
</table>

Average losses

Insurers track loss amounts in two ways. They calculate the average cost per claim (severity) and the average cost per insured vehicle (loss cost).

The average cost per claim is calculated by dividing the total cost of claims by the number of claims. In 2018, the national average cost per claim for private passenger auto insurance claims was $12,693,976,325 ÷ 1,249,561 = $10,159.

The average cost per insured vehicle is calculated by dividing the total cost of claims by the number of insured vehicles. In 2018, the national average cost per insured private passenger vehicle was $12,693,976,325 ÷ 11,983,740 = $1,059.27.

AVERAGE COST ($) PER CLAIM BY TYPE OF COVERAGE FOR PRIVATE PASSENGER AUTOMOBILE INSURANCE, 2014 TO 2018

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third-party liability</td>
<td>12,665</td>
<td>13,667</td>
<td>14,147</td>
<td>13,684</td>
<td>13,715</td>
</tr>
<tr>
<td>Accident benefits</td>
<td>25,019</td>
<td>26,140</td>
<td>25,619</td>
<td>22,275</td>
<td>22,274</td>
</tr>
<tr>
<td>Collision</td>
<td>5,910</td>
<td>6,188</td>
<td>6,600</td>
<td>6,825</td>
<td>7,075</td>
</tr>
<tr>
<td>Comprehensive</td>
<td>2,934</td>
<td>2,999</td>
<td>3,352</td>
<td>3,267</td>
<td>3,594</td>
</tr>
</tbody>
</table>

AVERAGE COST ($) PER INSURED VEHICLE BY TYPE OF COVERAGE FOR PRIVATE PASSENGER VEHICLES, 2014 TO 2018

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third-party liability</td>
<td>439.87</td>
<td>484.31</td>
<td>495.13</td>
<td>489.29</td>
<td>486.36</td>
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<tr>
<td>Accident benefits</td>
<td>243.42</td>
<td>269.06</td>
<td>273.50</td>
<td>241.92</td>
<td>239.04</td>
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<tr>
<td>Collision</td>
<td>193.77</td>
<td>202.41</td>
<td>215.27</td>
<td>233.57</td>
<td>250.71</td>
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<tr>
<td>Comprehensive</td>
<td>98.04</td>
<td>100.20</td>
<td>121.91</td>
<td>104.09</td>
<td>116.89</td>
</tr>
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</table>

Source: 2018 GISA Automobile Insurance Experience Exhibits
Major issues – affordable, effective auto insurance

In Canada, the provincial and territorial governments are responsible for most aspects of auto insurance. The P&C insurance industry works closely with governments to improve the auto insurance product and system for consumers.

British Columbia: The industry continues to advocate for greater involvement of private insurers in the British Columbia auto insurance market. British Columbia drivers must purchase mandatory basic coverage from the Insurance Corporation of British Columbia (ICBC), a government-run monopoly that also has a virtual monopoly on optional coverages.

ICBC’s annual premiums have risen to an average of $1,808 (2019), the highest in Canada. A January 2018 report commissioned by IBC found that opening ICBC to competition could save British Columbia drivers up to $325 a year. Despite drivers in British Columbia paying higher insurance premiums than drivers in other provinces, they do not receive more when they make a claim.

Customer satisfaction with government-run insurers is typically well below the private industry average. In January 2019, IBC commissioned Maple Leaf Strategies to partner on a consumer attitude survey that found 82% of British Columbians want choice and competition in auto insurance. A January 2020 report commissioned by IBC and authored by consulting firm MNP LLP found that the changes made to British Columbia’s auto insurance system in April 2019 make it substantially similar to that of Alberta, except that British Columbia drivers pay up to 42% more for auto insurance than their Alberta neighbours.

To address its ongoing financial challenges, in September 2019, ICBC also radically changed the way it prices car insurance by basing its premiums on driver risk, just like every private insurer in Canada already does. Then in February 2020, ICBC announced that it will transition to a no-fault auto insurance system in 2021. The new system would eliminate the ability for drivers to sue, while raising the maximum medical and rehabilitation benefits from $300,000 to $7.5 million.

The Crown corporation anticipates that changing to a no-fault system could lower ICBC premiums by $400 per driver on average, or $1.5 billion in the first full year. However, British Columbia drivers would still be paying among the highest premiums in the country.

IBC and the P&C insurance industry continue to communicate the benefits of increased competition to external stakeholders and the media, as well as the government and opposition parties. The opposition BC Liberal Party has committed to bringing more choice and competition to auto insurance as part of its platform for the next provincial election, which will be held by October 2021.

Alberta: Court decisions in 2012 and 2015 weakened the effectiveness of the minor injury pain and suffering damages cap in Alberta, leading to an increase of almost 10% per year in claims costs. By early 2019, some insurers were paying out an average of $1.30 for every $1 they collected in premiums.

The government lifted its arbitrary annual 5% rate cap on private passenger vehicle rate increases in August 2019, and 92% of Alberta companies applied for rate increases, causing premiums to increase by 10.5% on average.

IBC is advocating for transformational change to Alberta’s auto insurance system through its “More Care, Less Court” strategy, which a group of senior insurance experts developed by researching best practices around the world. The group concluded that the best products lean mostly, but not entirely, toward no-fault and provide consumers with choice. Alberta’s system is currently more tort-based with little choice.

In December 2019, the government appointed an expert advisory committee, which IBC is participating in, to lead the reform of Alberta’s auto insurance system.

Ontario: Auto insurance in Ontario is governed by the Financial Services Regulatory Authority of Ontario. Ontario drivers pay more for auto insurance than drivers in every other province except for British Columbia, which has a government-run system.

In its 2019 provincial budget, the government announced “Putting Drivers First,” a multi-year strategy designed to make auto insurance more affordable. Overall, it would give Ontario drivers greater choice in their coverage and better control over how much they pay for auto insurance.

The strategy shifts the focus of accident benefit claims to a “care not cash” model, which means that insurers will
pay directly for the treatment that collision victims need to recover, and injured claimants will not pay excessive legal fees that take away from their recovery. This model will be the default option when drivers purchase an auto insurance policy.

Also in 2019, IBC presented a comprehensive reform proposal to the government, encouraging it to move quickly to implement reforms. In the Fall Economic Statement, the government restated its commitment to substantive auto insurance reform that would reduce costs to the system, including:

- Increasing consumer choice in auto insurance products
- Enhancing competition in the auto insurance market by supporting innovation and reducing barriers for new and existing companies
- Combating insurance fraud.

**Atlantic Canada:** IBC and its members are engaged in advocacy efforts to improve the auto insurance systems in Atlantic Canada. Consumers across the region are beginning to feel the results of claims pressures through higher auto insurance rates, which has caught media and government attention. With minority governments in New Brunswick, Prince Edward Island, and Newfoundland and Labrador, IBC is working to brief each government and opposition caucus on the state of its province’s auto insurance system. IBC is sharing recommendations that will ensure that these auto insurance systems function as intended, balancing adequate benefits for those making claims with affordable premiums for drivers.

Nova Scotia is in the midst of a mandated auto insurance review that began in February 2019. To contribute to the review, IBC completed a closed claims study and submitted recommendations, including those to improve the province’s rate regulation regime, in March 2020. The study revealed that the largest contributor to increased claims costs is an increase in cash-based settlements for minor injury claims. IBC’s recommendations will provide consumers with more stable premiums, more choice and more pre-approved medical care to help collision victims recover as quickly as possible. IBC will continue to advance discussions with the Minister of Finance and the Superintendent of Insurance to advocate for IBC’s recommendations well ahead of a potential 2021 provincial election.

In New Brunswick, insurance claims costs have begun to outpace premiums after years of stability. The combination of low premiums and rising claims costs cannot continue over the long term. P&C insurers are examining the factors contributing to the rising claims costs and are working with the provincial government to maintain a sustainable, competitive market. IBC has been advocating for a review of the rate regulation system and the threshold at which insurers must undergo a public hearing. Additionally, given the claims cost pressures, IBC has begun conversations with the government on the need for broader product reform. New Brunswick has started a process to rewrite its Insurance Act, which has not been substantially reviewed in more than a decade. IBC held discussions with the Superintendent of Insurance’s office on this initiative and consistently responds to the government’s requests for submissions.

The Newfoundland and Labrador government continues to work to implement reforms from Bill 3 – An Act to Amend the Automobile Insurance Act, which passed in April 2019 on the eve of the provincial election. Several IBC recommendations were included in the reforms but, unfortunately, no changes were made to remove costs from the system. IBC continues to work with the provincial government to complete the implementation of regulations for the insurance validation program and the diagnostic and treatment protocols.

A competitive auto insurance marketplace continues to serve Prince Edward Island well. The province’s robust regulatory regime allows for change and adaptation to market conditions, and Prince Edward Island continues to enjoy the lowest auto insurance rates in the country. However, IBC is monitoring the marketplace because, historically, the same claims cost pressures that emerge in Nova Scotia and New Brunswick emerge on the island a few years later. Prince Edward Island is moving toward allowing ride-sharing programs, and IBC is working with the government to update the required auto insurance reforms.

**Major issues – crime and auto theft**

Auto insurance crime, including rate evasion, increases insurers’ costs and drives up premiums for honest consumers. IBC has several initiatives to combat insurance crime, including a toll-free insurance TIPS Line that allows consumers to anonymously report fraud.

Ontario has stepped up its fight against fraud. It opened the Serious Fraud Office (SFO) and made fraud deterrence a mandate of Financial Services Regulatory Authority of Ontario (FSRA), which became operational in June 2019.
SECTION 2
AUTO INSURANCE

The Ontario government committed to building an anti-fraud strategy with FSRA and SFO. IBC and the industry are informing the development of that strategy.

In 2019, IBC’s investigation experts hosted 30 training and information sessions for more than 2,100 participants, which reflects the success of IBC’s Provincial Auto Theft Network partnerships. In addition, IBC President and CEO Don Forgeron gave a keynote address at the 2019 conference of the Ontario Association of Chiefs of Police. In March 2020, IBC held its inaugural Insurance Fraud Forum, where senior fraud leaders from other sectors and fraud bureaus around the world shared their insights.

Government advocacy: IBC’s government relations work may hold the greatest promise for meaningful impact on reducing fraud. In 2019, IBC developed policy recommendations to assist the Ontario government in the development of its anti-fraud strategy. These recommendations include more data-sharing among insurers for the limited purpose of detecting and suppressing fraud, stricter service-provider licensing and harsher punishments for fraudsters.

Vehicle theft is highest on a per capita basis in Alberta, and IBC is encouraging the provincial government to eliminate gaps in the vehicle registration system and reduce the number of uninsured drivers on the roads.

Industry coordination: IBC continues to work with its members to foster a strong working relationship with a focus on industry coordination, intelligence sharing and cross-insurer joint investigations. In September 2019, IBC launched its Investigation Coordination and Support Service (ICSS). Nine insurance crime investigators from nine different companies are working collaboratively to investigate cross-insurer fraud, with each investigator’s company dedicating resources to allow for robust investigations. The goals of this service include identifying best practices to assist insurers in the identification and deterrence of potentially fraudulent providers, taking tangible actions to reduce frauds that affect more than one member and enhancing consumer protection. Ontario Provincial Police investigators trained ICSS and IBC investigators on major case management, including how best to coordinate complex investigations, gather evidence and prepare cases so they are prosecution-ready.

Also, to better align with insurers’ efforts to fight fraud, IBC’s Board of Directors agreed to create an industry advisory group to lead the development of a comprehensive strategy to oversee the transition of anti-fraud services provided by IBC and Canadian National Insurance Crime Services (CANATICS) into a single entity. The group will meet throughout 2020 to establish the strategy.

Vehicle theft: IBC, on behalf of its members, made strides in 2019, including assisting in:

- The recovery of more than 1,400 stolen vehicles and heavy equipment valued at $37.8 million, a substantial increase from the estimated $23 million recovered in 2018
- 916 charges laid and 65 arrests made.

In Canada, auto theft grew by 1.2% from 2017 to 2018, and the number of adults charged with auto theft increased by 5.5%. In 2019 in Atlantic Canada, thieves targeted the Chevrolet/GMC Suburban; in Quebec, they most often stole high-end Lexus sedans. To inform consumers about vehicles that are potential targets, IBC publishes an annual list of the top 10 most frequently stolen vehicles.

### 2019 Top 10 Stolen Vehicles in Canada

<table>
<thead>
<tr>
<th>RANK</th>
<th>MODEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2007 Ford F350 SD 4WD</td>
</tr>
<tr>
<td>2</td>
<td>2006 Ford F350 SD 4WD</td>
</tr>
<tr>
<td>3</td>
<td>2005 Ford F350 SD 4WD</td>
</tr>
<tr>
<td>4</td>
<td>2004 Ford F350 SD 4WD</td>
</tr>
<tr>
<td>5</td>
<td>2006 Ford F250 SD 4WD</td>
</tr>
<tr>
<td>6</td>
<td>2003 Ford F350 SD 4WD</td>
</tr>
<tr>
<td>7</td>
<td>2018 Lexus RX350/RX350L/RX450h/RX450hL 4DR AWD</td>
</tr>
<tr>
<td>8</td>
<td>2005 Ford F250 SD 4WD</td>
</tr>
<tr>
<td>9</td>
<td>2002 Ford F350 SD 4WD</td>
</tr>
<tr>
<td>10</td>
<td>1998 Honda Civic Si 2DR Coupe</td>
</tr>
</tbody>
</table>

Public education and outreach: In 2019, IBC’s efforts resulted in 794 insurance crime and fraud-related stories with 71.2 million impressions across all traditional and social media channels. IBC also reaches Canadians with information on fraud prevention through its website, ibc.ca.
Major issues – road safety

For decades, IBC and its members have partnered with governments, safety organizations and stakeholders on road safety research and projects.

In October 2018, recreational cannabis was made legal, increasing the potential for cannabis-related impaired driving. Several studies have demonstrated that drivers with tetrahydrocannabinol (THC, cannabis’ main psychoactive ingredient) in their blood were more likely to be involved in a collision resulting in serious injury or death.

When recreational cannabis was made legal, IBC kicked off its consumer education campaign on the risks of cannabis-impaired driving. In addition, IBC worked with government officials across Canada to urge them to continue investing in public education efforts that emphasize the risks associated with driving while impaired by cannabis. It also urged the government to increase training for frontline law enforcement officers and provide appropriate tools to get cannabis-impaired drivers off the roads.

Major issues – adapting to technological innovation

IBC and insurers have had important discussions with several provincial governments and regulators on the need to allow the industry to innovate and introduce products and services that meet consumers’ needs and expectations, including their ever-evolving online habits. But the pace of regulatory change has failed to match the speed of technological change, and this has prevented insurers from being able to harness the full potential of available technology. Governments need to modernize insurance laws so that insurers can put customers’ needs first.

Regulatory barriers prevent consumers from accessing the kinds of innovative products and services that are available in other jurisdictions, such as electronic proof of automobile insurance (EPAI). In 2018, the Canadian Council of Insurance Regulators publicly endorsed that EPAI be made available across Canada, and Nova Scotia became the first province to give consumers the option to receive their proof of insurance electronically. In 2019, Alberta, Ontario, Quebec, and Newfoundland and Labrador approved EPAI. Alberta also became the first province to allow electronic cancellations.

In July 2019, Alberta’s Automobile Insurance Rate Board increased the threshold for simplified filings to a maximum rate increase of 5% per year, enabling insurers to respond more quickly to the market. This amendment, which IBC advocated for, makes Alberta’s system the most flexible simplified filing system in Canada.

The Financial Services Regulatory Authority of Ontario (FSRA) announced a new standard rate filing process in October 2019. Under the streamlined process, insurers can file for an overall rate change of up to 5%. FSRA will make a decision on each rate filing within 25 days; if no decision is communicated after 25 days, the filing is deemed approved. This new process enables insurers to be more responsive to market conditions and will lead to increased competition and more accurate and fairer auto insurance pricing.

Similarly in Newfoundland and Labrador, the government created a new rate regulation process that requires less supporting documentation and a shorter review period for changes equal to or below 3% over 12 months.

Major issues – automated vehicles

The P&C insurance industry is exploring the implications of automated vehicles and the best way to protect consumers. Today’s vehicle liability coverage is based on human error. Tomorrow’s collisions will more likely be caused by product malfunction, which could make certain types of claims longer to process and more expensive to settle. Although injured individuals will be able to receive accident benefits as they do now, those with a tort claim could have to wait significantly longer to be compensated than a plaintiff involved in a conventional vehicle collision today.

After a two-year study by auto insurance experts who consulted with a panel of legal advisors, IBC released its position paper Auto Insurance for Automated Vehicles: Preparing for the Future of Mobility in November 2018. The paper recommends:

- Establishing a single insurance policy that covers driver negligence and automated technology malfunctions to facilitate liability claims
- Establishing a legislated data-sharing arrangement between vehicle manufacturers and vehicle owners and/or insurers to help determine the causes of collisions
- Updating the federal vehicle safety standards to address new technology and cyber security standards.

Several major auto manufacturers expect to have automated vehicles available for purchase in the early 2020s. IBC is asking governments across the country to update relevant legislation.
Unlike auto insurance, the purchase of home or personal property insurance is not mandated by law. However, it provides coverage for an individual’s single largest investment – a home. In fact, most banks and mortgage holders require proof of insurance on property as security for the loan or mortgage.

As the second-largest line of P&C insurance business after auto insurance, home or personal property insurance includes home, condominium, cottage, mobile home and tenant’s insurance. It covers the property, personal belongings and personal liability of the policyholder and the policyholder’s spouse or partner, children (with age limits) and dependants (with age and other limits).

As with all insurance premiums, insurers consider a number of risk factors to determine the price they charge an individual for home insurance. For example, insurers look at the neighbourhood and the frequency and types of past claims in that area; the cost to replace a home’s contents and restore a home to its previous condition; the condition and age of the roof; the type of heating, electrical and plumbing systems; and details about any additional structures on the property.

Insurers analyze these risks to estimate how likely it is that a policyholder, or a group of people with a similar set of circumstances, will make a claim and how much that claim will cost.

Types of coverage

Home insurance generally covers a homeowner’s residential building, outbuildings, contents, additional living expenses (if an insured event damages the home so that it is uninhabitable during the repairs) and personal liability. Tenant’s insurance generally covers loss or damage to personal belongings, additional living expenses and personal liability.

There are various types of policies:

- **An all-perils policy** provides coverage for a home and its contents from loss or damage from all perils except those specifically excluded. A peril is a chance event that is unexpected and accidental. Some perils are excluded from all-perils policies – for example, earthquakes. Coverage for this peril may be purchased as a policy add-on. Optional coverage for the peril of overland flooding has become more widely available for homeowner’s insurance policies in the last four years. In 2015, some insurers began offering this coverage and, since then, others have entered the market.

- **A broad-form policy** provides coverage for a home from loss or damage from all perils except those specifically excluded, but only insures the contents against perils that are specifically named in the policy.

- **A standard, basic or named perils policy** provides coverage for a home and its contents against perils specifically named in the policy.

- **A no-frills policy** provides very basic coverage for properties that do not meet an insurer’s normal underwriting standards.

Premiums and claims

In 2019, private P&C insurers wrote $14.2 billion in direct written premiums for personal property insurance and paid out $7.9 billion for direct claims incurred.
Major issues – creating more resilient communities

Over the last few years, Canadians from coast to coast have been experiencing significant financial losses from many small severe weather events. While 2016 was notable in having the largest insured loss event with the Fort McMurray wildfire, every year since has ranked within the top 10 highest loss years on record. This underscores the need for Canadians to adapt and prepare for severe weather events.

Adapting to make our communities more resilient is not a future proposition – we are seeing the impact of a changing climate on our homes and businesses now. In 2016, the federal government launched the Climate-Resilient Buildings and Core Public Infrastructure Initiative, a five-year, $40-million program that integrates climate resilience into building and infrastructure design, guides and codes. IBC has participated in the development of Canadian Standards Association standards on basement flood protection (Z800) and flood-resilient design for new residential communities (W204). A new standard for making existing communities flood-resilient (W210) is under development and scheduled for completion in 2021.

To address current and future climate-related challenges, Canadian communities still need to invest in flood mitigation and improve land-use planning rules. Homeowners also have a role to play in reducing their risk of experiencing flooding, and IBC makes it a priority to share information about how they can better protect their properties.

For homeowners to take action, they need to understand more about their flood risk. A study by Partners for Action, a research network at the University of Waterloo in Ontario focused on reducing flood risk, demonstrated that Canadians who live in areas at risk for flooding were not aware of the risk and ultimately were not prepared for a flood. The Intact Centre on Climate Adaptation has developed a Home Flood Protection Program that is designed to help homeowners both understand and reduce their risk of flooding. It also helped develop a training course for home inspectors to assess flood risk inside and outside a home.

Major issues – flood protection in Canada

In the lead-up to the 2019 federal election, IBC asked Canadian political parties to incorporate the National Action Plan on Flooding into their election platforms. The plan includes:

1. Education and awareness
   - Investing in improved mapping and launching an authoritative flood portal.

2. Relocation and protection
   - Targeting priority infrastructure investments in the highest-risk areas to protect as many people as cost-effectively as possible, including restoring and conserving natural infrastructure such as ponds, wetlands and vegetated areas
   - Developing a high-risk insurance pool for residents in high-risk areas who cannot obtain insurance coverage through the private market
   - Providing government financial assistance to relocate those few homes at highest risk of repeated flooding (strategic retreat).

3. Amended land-use rules
   - Using federal disaster recovery levers to incent provincial and municipal authorities to prohibit future development on flood plains, including adopting the new building codes and standards being developed to improve climate resilience.

Following their election win, the Liberal government committed to implementing many of the plan’s recommendations – an encouraging first step. IBC looks forward to working with the government on this issue.

In addition, the federal government appointed the Expert Panel on Sustainable Finance in 2018 to recommend ways in which Canada could finance the transition to a low-carbon, resilient economy by mid-century. In its final report released in 2019, the panel recommended that the federal government partner with the financial sector to establish the Canadian Centre for Climate Information and Analytics as an authoritative source of climate information and decision analysis. This centre could contribute to improving Canada’s flood maps. IBC supports this recommendation and is working with partners to carry out research on requirements and prepare the needed business case.
The panel also recommended a Canadian approach to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures, which is promoting consistent climate-related financial risk disclosures that can be used by investors, lenders, insurers and other stakeholders, be defined and pursued. In its 2019 budget, the federal government expressed support for the task force’s voluntary disclosure standards, including a “phased approach to adopting them by major Canadian companies, as appropriate.”

**Major issues – earthquakes**

In Canada, an average of 4,000 earthquakes are recorded each year, and British Columbia and the Ontario-Quebec region each have densely populated areas in active seismic zones. The earthquake peril is covered through an optional endorsement on home insurance policies, and it may be subject to a higher deductible than coverage for other perils. Fire following an earthquake is mandated to be bundled with home insurance policies in every province except Quebec; however, flood, tsunamis and dam breaks resulting from an earthquake are typically not covered under optional earthquake coverage.

Buying earthquake insurance should be a key element of financial security for residents of Canada’s earthquake-prone areas. Currently, earthquake insurance uptake is about 65% in British Columbia, but only about 4% in Quebec, despite Canada’s earthquake hazard maps clearly showing parts of the province to be seismically active.

IBC and the P&C insurance industry continue to take leadership roles in furthering the dialogue on Canada’s earthquake risk in both of the active seismic zones. IBC is conducting a detailed survey on the status of earthquake insurance products across the country. This undertaking aims to provide a better understanding of the protection gap among Canadians and to assist federal policymakers in addressing this issue.

IBC has sponsored the annual Great British Columbia ShakeOut earthquake drill since 2011. Last year, the event set a new record with over 1 million British Columbia residents taking part. In Quebec, IBC helped launch the Great Quebec ShakeOut in 2013 and has been a primary sponsor of this event ever since. IBC and P&C insurers have led these and other initiatives with the goal of increasing consumer and government awareness of the risk of an earthquake and its potential impact on the economy. In Quebec, the population is generally not well informed about the earthquake risk. An IBC survey found that 25% of policyholders in the province believed they were covered for an earthquake, when in fact only about 4% actually were.

Through IBC, the P&C insurance industry promotes a culture of preparedness by advocating with governments for increased earthquake readiness and consumer education about earthquake risk.
Operating a business comes with an element of risk and unpredictability. Businesses, including non-profit organizations such as charities, buy insurance as part of an effective risk management plan. In larger enterprises, risk managers evaluate any perils to the business, implement programs to reduce and manage those dangers, and buy insurance to backstop remaining exposures.

Smaller businesses without the benefit of risk managers depend more on the advice of insurance representatives to identify risks and help them choose the appropriate insurance to guard against potential losses.

Much like any other business, home-based businesses require coverage for possible business-related losses. For example, a home-based business owner may require commercial liability coverage since business risks may not be covered by the liability section of their home insurance policy.

Types of coverage

There are various types of business insurance policies:

- **Commercial general liability** covers a business and its employees for actions against them that result in bodily injury, property damage, personal injury, advertising injury, tenant’s legal liability and other types of loss or damage to third parties.

- **Commercial property insurance** is designed to protect the physical assets of a business against loss or damage from a broad range of causes. Physical assets include:
  - Equipment
  - Inventory and supplies
  - Office furniture and fixtures
  - Computers and electronics
  - Personal property of employees while on-site
  - Customer property at the business site
  - Lighting systems
  - Windows
  - Outdoor signs.

- **Directors’ and officers’ liability insurance** covers directors and officers of organizations for actual or alleged errors, breach of duty, errors or omissions, misleading statements and neglect in carrying out their responsibilities for the organization.

- **Errors and omissions or professional liability insurance** covers individuals and organizations that give professional advice (for example, consultants and financial planners). It protects them if clients claim damages as a result of inaccurate advice, misrepresentation, negligence, or violation of good faith and fair dealing.

- **Business interruption insurance** can cover against lost earnings during the period of a shutdown due to an insured event such as a fire or explosion. It can cover the time the business needs to resume profitability. Some business owners buy additional insurance to cover extra operating expenses – for example, a new telephone system, extra advertising costs, rentals and moving costs – if the business must carry on at another location or outsource work during the shutdown.

**Premiums and claims**

In 2019, private P&C insurers wrote $9.9 billion in direct written premiums for commercial property insurance and paid out $6.1 billion in direct claims incurred.

Also in 2019, private P&C insurers wrote $7.3 billion in direct written premiums for commercial liability insurance and paid out $4.7 billion in direct claims incurred.
Major issues – cyber liability

Commercial cyber security coverage is one of the fastest growing insurance markets. To understand and prepare for the costs associated with the risks they cover, insurers require better information on the costs of cyber attacks and the effectiveness of security strategies designed to prevent or minimize loss. This data is not widely available for the majority of cyber events due to a lack of reporting.

While the federal government is implementing mandatory reporting for breach incidents in which personal information has been lost or stolen, P&C insurers and their customers would benefit from disclosure on a wider spectrum of cyber incidents.

In July 2019, IBC commissioned a poll of 300 owners of small and medium-sized businesses to determine how prepared they were for a cyber attack. The poll found that 44% of the businesses did not have any defences against cyber attacks, and 60% did not have insurance to help them recover should an attack occur.

IBC then launched a five-week cyber security campaign that leveraged the poll results and exposed the vulnerability of small businesses. The campaign generated 25 media stories, 2.5 million traditional media impressions and 1.2 million impressions on social media.

Major issues – commercial market

In November 2019, IBC’s member-led Commercial Lines Standing Committee launched its inaugural Commercial Affairs Symposium.

The symposium came at an opportune time. Consumers were expressing concern about the availability and affordability of commercial insurance. The commercial market was facing challenging conditions across Canada, especially in Alberta. Certain lines of business – including condominium corporations and commercial trucking firms – were particularly affected.

Then in January 2020, IBC launched the National Commercial Insurance Task Force with a mandate to:

1. Educate and inform consumers, governments and stakeholders on the factors contributing to the availability and affordability of commercial insurance
2. Learn from industry partners, consumers and stakeholders about their experiences related to insurance availability and affordability
3. Develop a report with recommendations to improve insurance availability for commercial customers.

This multi-sector task force includes representatives from other insurance industry associations and insurance companies as well as representatives from the Canadian Condominium Institute, Canadian Trucking Alliance, Canadian Construction Association, Canadian Real Estate Association and Canadian Federation of Independent Business.

The task force is leading roundtable discussions across Canada to educate governments, stakeholders and consumers about the factors contributing to the current commercial insurance market, and to learn from different sectors’ challenges in an effort to build solutions. Deloitte is observing the roundtables to provide perspectives from other business sectors to set the context around the discussion. The task force expects to release its interim report in Q3 2020 followed by a final report with recommendations later in the year.
Major issues – cargo theft

At the request of its members, IBC launched a national cargo theft reporting program in 2014 in partnership with P&C insurers, law enforcement agencies, the trucking industry, retailers and manufacturers. As part of the program, IBC sends out cargo theft alerts to help members and industry partners identify trends, which helps prevent thefts and leads investigators to recover more stolen cargo shipments. Since the program began, its accomplishments have multiplied.

- In 2019, it sent 1,629 alerts about possible cargo and heavy equipment losses to members and industry partners.
- IBC helped execute 10 cargo-related search warrants in 2019.
- The annual value of recovered stolen cargo has grown from $270,000 in 2014 to $14.1 million in 2019.

Contributing to the program’s success is its growing databank that allows IBC to alert insurers of emerging cargo theft patterns, in addition to IBC investigators’ strong relationships and network of contacts within law enforcement agencies across Canada.

Major issues – preparing for natural catastrophes and severe weather

Catastrophic or severe weather events can have a profoundly negative impact on businesses. Due to the increasing frequency and severity of these events, business risk is increasing. Significant weather events have the potential to substantially affect the economy because of their ability to interrupt business operations and disrupt trade.

Improved public infrastructure can help protect businesses from climate risks. IBC and its members are advocating that governments expand investment in programs such as the federal Disaster Mitigation and Adaptation Fund to protect Canadians and their businesses, and seek ways to better leverage private-sector investment in resilient infrastructure.